

# Are you Responsible for your Group Life Scheme?

If your company has a stand-alone group life scheme in place its worth checking that it has been set up correctly and registered with HMRC properly, as there could be major consequences if this is not the case. We have set out the 2 main questions you should consider and why.



Helen Jeffrey  
Chartered Financial Planner

## 1. Was the trust deed properly executed?

If the trust deed was not executed properly the scheme will be rendered invalid, leaving it with no valid trustees, scheme administrator and no scheme setting out the benefits payable. The implications are serious:

- **Invalid contract with insurer**

This renders the contract with the insurer invalid as there are no trustees, no benefits in existence and therefore no insurable interest. As a result, the insurer would not be obliged to settle any death claim, even if all premiums had been paid.

- **False HMRC Declaration**

The trustees are required to appoint a scheme administrator to register the scheme with HMRC. If the trust deed has not been properly executed any administrator subsequently appointed is not valid and has made a false declaration in registering the scheme. This renders that person liable to a fine.

- **Invalid HMRC Registration**

A requirement of HMRC is that the scheme must have a trust (or other arrangement) in place for registration to be valid. This is not the case if the deed was not executed properly and the registration is therefore invalid.

- **Loss of Tax Benefits**

With an invalid registration, if an insurer did agree to pay out on a claim, any tax benefits would not apply. The premiums would therefore not be treated as a business expense or as P11D earnings for employees.

## 2. Was the scheme properly registered?

Any scheme that has not been properly registered would be treated as an unregistered scheme. For example, where a scheme was registered before the trust deed was executed. As a result, the business would lose any tax benefits and any claims paid out could be subject to full tax and NI contributions. Furthermore, whoever registered the scheme could be subject to a fine from HMRC for making a false declaration.

It is vital that your stand-alone group life scheme has been set up and registered correctly, but if you are in any way concerned about your scheme please call us on 01789 263257 or email: [justask@jifsltd.com](mailto:justask@jifsltd.com).

04/2019