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# BUSINESS PROTECTION TAXATION SUMMARY

## Premiums

Purpose of policy	Who pays the premium	Tax treatment of premium
Keyperson - Loan	Company	Premium is paid from company account but it is not an allowable expense against Corporation Tax
Keyperson - Loss of Profits	Company	Premium is paid from company account. Might be an allowable expense against Corporation Tax BUT there are 4 conditions to be met*
Personal Share Protection & Partnership Protection	Individual policy owner	Individual pays premiums out of after tax personal income. No tax relief available on premiums.
Corporate Share Protection	Company	Premium is paid from company account but it is not an allowable expense against Corporation Tax

Employer/employee relationship  
Employee must own less than 15% of the share capital of the company

Loss of profit replacement policies only  
Short term fixed term assurances only (5 year term)

## Proceeds

Purpose of policy	Tax treatment for company	Tax treatment for next of kin of deceased
Keyperson - Loan (where loan is a director's loan made by the shareholder/director to the company)	No tax liability as proceeds seen as capital item (i.e. being used to repay loan)	Proceeds are paid out by company to estate of deceased, to repay the loan owed to the deceased by the company. May be CAT (inheritance tax) for next of kin inheriting this cash - this will depend on their relationship to the deceased, and any other assets they inherit from the deceased
Keyperson - Loan (where loan is a commercial one made to the company)	No tax liability as proceeds seen as capital item (i.e. being used to repay loan)	The company owns policy & proceeds - no tax issue as next of kin do not receive the proceeds
Keyperson - Loss of Profits	Proceeds subject to Corporation Tax as they are replacing profits, which would themselves be subject to Corporation Tax	The company owns policy & proceeds - no tax issue as next of kin do not receive the proceeds
Personal Share Protection	No tax liability for the company as policies and proceeds are personally owned by individuals and not company.	Next of kin first inherit share of the business. May be CAT (inheritance tax) in respect of this - will depend on their relationship to the deceased, and any other assets they inherit from the deceased. Next, the share is bought back from the next of kin by surviving shareholders. IF the value of the share has grown while in the hands of the next of kin, the growth in the value of the share is subject to Capital Gains Tax (CGT) Note: Normally if the proceeds of an own life in trust policy are given to an individual under the trust, those proceeds are subject to Capital Acquisitions Tax. However, if the proceeds are used for a valid share buyback arrangement, those proceeds are exempt from CAT
Corporate Share Protection	So long as proceeds used for business protection arrangement which complies with all Revenue, CGT and company law provisions, they are not subject to Corporation Tax	If certain conditions are met, only the growth in the value of the share of the business, over the period it is held by the next of kin (date from inheritance of share of business to date of buyback of share in business), would be subject to CGT.



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# BUSINESS PROTECTION

## STRUCTURE OF ARRANGEMENTS

### Shareholder Protection

**Suitable for:** Limited Companies (where shares are owned for 3+yrs by shareholders)

**Cover type:** Life Cover

**Life Insured:** Shareholder

**Who buys?:** Company

**Cover amount:** Should be equal to the value of each shareholder's shareholding

Who is protected?	Purpose:
Other shareholders	Company buys back deceased shareholder's share and distributes it amongst remaining shareholders
The shareholder's family	Have a willing buyer for the shareholding, at market value

### Shareholder Protection

**Suitable for:** Limited Companies (where shares are owned for 3yrs by shareholders)

**Cover type:** Life Cover

**Life Insured:** Shareholder

**Who buys?:** Other Shareholders

**Cover amount:** Should be equal to the value of each shareholder's shareholding

Who is protected?	Purpose:
Other shareholders	Surviving shareholders buy back share of deceased shareholder
The shareholder's family	Have a willing buyer for the shareholding, at market value

### Partnership Protection

**Suitable for:** Partnerships

**Cover type:** Life Cover

**Life Insured:** Partner

**Who buys?:** Each Partner

**Cover amount:** Should be equal to the value of each partner's share in the business

Who is protected?	Purpose:
Other partners	Surviving partners can buy back share of deceased partner
Partner's family	Have a willing buyer for the deceased's share of the partnership, at market value

### Keyperson Loan

**Suitable for:** All types

**Cover type:** Life Cover & Specified Illness

Life Cover	Specified Illness
<b>Life Insured:</b> Keyperson (who may or may not be a shareholder)	<b>Life Insured:</b> Keyperson (who may or may not be a shareholder)
<b>Who buys?:</b> Company	<b>Who buys?:</b> Company
<b>Cover amount:</b> Loan amount	<b>Cover amount:</b> 24 Monthly repayment

Who is protected?	Who is protected?
Company and lender	Company and lender
Repays loan if the customer dies during the term	Cover repayments for two years if the customer is diagnosed with a Specified Illness

### Keyperson Loss of Profit

**Suitable for:** All types

**Cover type:** Life Cover & Specified Illness

Life Cover	Specified Illness
<b>Life Insured:</b> Keyperson (who may or may not be a shareholder)	<b>Life Insured:</b> Keyperson (who may or may not be a shareholder)
<b>Who buys?:</b> Company	<b>Who buys?:</b> Company
<b>Cover amount:</b> Based on the value of the Keyperson to the company	<b>Cover amount:</b> Based on the value of the Keyperson to the company

Who is protected?	Who is protected?
Company	Company
Replaces lost profits on the death of a key staff member	Replaces lost profits/ allows you to hire a replacement while the key staff member is unable to work

Terms and conditions apply. A Government levy (currently 1%) applies to all premiums paid to a life insurance policy. Benefits are subject to underwriting and acceptance by Company Assurance.

