

Tax Savings In Practice for Incorporated Clinicians

Executive Income Protection (EIP)

Example: Consultant Surgeon – £180,000 Total Remuneration

Profile

- Operates via limited company
- £12,570 salary
- £167,430 dividends
- Wants to insure £120,000 of annual income
- Annual premium: **£3,000**

If Taken Personally (Standard Income Protection)

To pay a £3,000 premium personally:

- Paid from taxed dividends
- Higher-rate / additional-rate dividend tax assumed ~33.75%
- Gross dividend required ≈ £4,530
- Corporation tax first paid on profits (25%)

True pre-tax company profit required ≈ £6,040

If Taken as Executive Income Protection (Company Paid)

- Premium paid by company: £3,000
- Treated as allowable business expense (subject to HMRC rules)
- Corporation tax relief at 25%

Corporation tax saving = £750

Net cost to company = £2,250

Key Person Insurance

Example: Specialist Implant Dentist Generating £400,000 Revenue

Practice Impact

- Gross annual revenue: £400,000
- Net contribution to profit: £220,000
- Cover arranged: £500,000 lump sum
- Annual premium: £5,000

Tax Treatment (Typical Revenue Protection Structure)

Premium may qualify as allowable business expense (depends on purpose and structure).

If allowable:

- Corporation tax relief at 25% = £1,250
- Net cost to company = £3,750
- If not allowable:
- No relief, cost remains £5,000

Why This Still Makes Sense

If that clinician were lost:

- £220,000 annual profit disappears
- Recruitment costs £40,000+
- 6–12 months stabilisation period

£3,750–£5,000 premium protects against six-figure exposure. **This is risk leverage, not just tax efficiency.**

Effective Saving

Personal route true cost: ~£6,040

Executive route net cost: £2,250

Potential effective saving: ~£3,790 per year

And the policy can also cover:

- Dividends
- Employer pension contributions
- Employer NI

Effective Saving

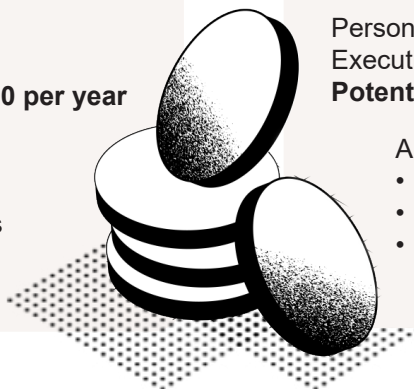
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Relevant Life Insurance

Example: Dental Practice Owner – £1,000,000 Life Cover

Profile

- Age 42
- Limited company
- Requires £1m life cover
- Annual premium: £2,400

If Taken Personally

To pay £2,400 personally:

- Dividend required after tax ≈ £3,622
- Company profit required before corporation tax ≈ £4,829

If Taken as Relevant Life (Company Paid)

- Premium: £2,400
- Corporation tax relief (25%) = £600
- Net cost to company = £1,800

No:

- Benefit in kind
- Employer NI
- Employee NI

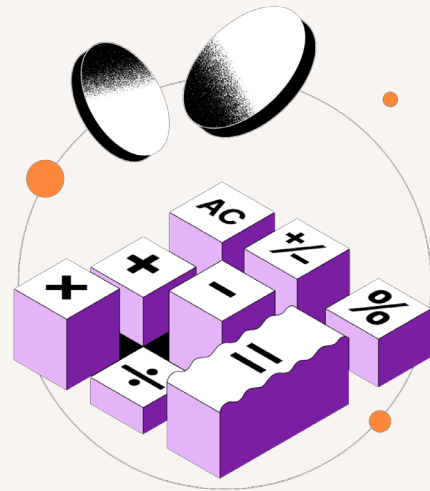
Policy written into trust → paid outside estate.

Effective Saving

- Personal route true cost ≈ £4,829
- Relevant Life net cost ≈ £1,800

=

Potential effective saving: ~£3,029 annually
Over 20 years = £60,000+ difference.



Side-By-Side Comparison for Clinicians

Policy	Protects	Who Receives Benefit	Tax Efficiency
Executive Income Protection	Your income if ill	Company → paid via payroll	Premium usually deductible
Relevant Life	Family on death	Trust → beneficiaries	Premium usually deductible, no BIK
Key Person	Practice revenue	Company	May be deductible depending on structure

(Assumptions are based on typical UK limited company structures and 2025 tax environment. These are illustrations, not advice.) All statements concerning the tax treatment of products and their benefits are based on our understanding of current tax law and HM Revenue and Customs' practice. Levels and bases of tax relief are subject to change.



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