

M55 APPROVAL OF DEATH IN SERVICE SCHEMES INCLUDING GROUP LIFE POLICIES
(sections 7, 8, 150(2) and 158)

Where an employer wishes to provide death in service benefits for employees, the employer has the option of applying to have the Scheme approved under the provisions of section 150(2) of the Law. Once approved, the contributions paid into the Scheme will be tax deductible for the employer, and any benefits paid out upon death will be tax free, subject to the limits as prescribed in the Guernsey Practice Notes (Requirements for Approved Occupational Pension Schemes). In addition, the premiums paid by the employer will not be deemed a taxable benefit in the hands of the employee.

Death in service benefits have traditionally been provided for as part of an employer's pension scheme. Death benefits may be written into the pension scheme trust deed or may be provided under a separate scheme, for example a life insurance policy. Some employers will not have a pension scheme, or their employees may have alternative pension arrangements, but the employer may still wish to provide death in service benefits for them. The Director recognises that death in service benefits should not have to be linked to a pension scheme in order to be capable of approval for income tax purposes.

Detail

An employer seeking to set up a death in service scheme should apply to the Director of the Revenue Service using the Approval Application (form 681). Attention should be given to the conditions (requirements and limits) of approval as set out in the [Guernsey Practice Notes](#) (Requirements for Approved Occupational Pension Schemes) for death benefits.

Clarification

The Director recognises that an employer may wish to set up a Death in Service Scheme, but that the requirement to be set up under a trust may be prohibitive, for example in the case of an insured scheme. The Director will therefore accept a non-trust established Death in Service Scheme for the purpose of approval under the provisions of the Law, as long as the rules and benefits of the scheme meet the approval requirements.

For the avoidance of doubt, any scheme recognised as a result of this Statement of Practice will not qualify as a Non-Reporting Financial Institution for the purposes of reporting under the Income Tax (Approved International Agreements) (Implementation) (Common Reporting Standard) Regulations 2015.

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