

International comparison of insurance taxation

Finland

General insurance – overview

| Definition | Accounting | Taxation |
|---|--|--|
| Definition of property and casualty insurance company | A company to which insurance legislation applies. | Not separately defined in the tax legislation. |
| Commercial accounts/ tax and regulatory returns | Accounting | Taxation |
| Basis for the company's commercial accounts | Finnish accounting standards for an insurance company as set out in Accounting Act, Insurance Company Law and the regulations of both the Ministry of Social Affairs and Health, and The Financial Supervisory Authority (FSA). In addition the Accounting Board has issued advisory opinions and general instructions affecting an insurance company. | The amount of taxable income is determined on the basis of the Business Income Tax Act. The calculation is based on the statutory accounts in which certain adjustments may be made. |
| Regulatory return | Separate returns as required by the Ministry of Social Affairs and Health, and the FSA. | N/A. |
| Tax return | N/A. | A separate return annually as required by the tax authorities. |
| Technical reserves/ equalisation reserves | Accounting | Taxation |
| Unearned premiums reserve (UPR) | Calculated by time apportionment (pro rata method). | As per accounts. |
| Unpaid claims reported | Calculated on case-by-case basis. Discounting allowed for long-term reserves (over four years). | As per accounts. |
| Claims incurred but not reported (IBNR) | Calculated based on experience or statistical method. | As per accounts. |
| Unexpired risks | Calculated on a statistical basis. | As per accounts. |
| General contingency/ solvency reserves | N/A. | N/A. |
| Equalisation reserves | Set by actuary and pre-confirmed by the FSA. | As per accounts. |
| Expenses/ refunds | Accounting | Taxation |
| Acquisition expenses | Expensed in year incurred or capitalised as a reduction in premium reserve. | Generally as per accounts. |
| Loss adjustment expenses on unsettled claims (claims handling expenses) | Provision made and included in claim reserve. | As per accounts. |
| Experience-rated refunds | Credited when earned. | As per accounts. |

Finland: General insurance – overview (continued)

| Investments | Accounting | Taxation |
|--|---|---|
| Gains and losses on investments | All investments are valued at lower of cost or market value; however, some investments (such as financial instruments and real estate) can be valued at their fair market value. Revaluation allowed. | Gains and losses are generally taken to profit and loss (P&L) as per accounts. |
| Investment reserves | N/A. | N/A. |
| Investment income | Realised and unrealised gains and losses are taken to P&L. | Generally as per accounts. However, certain exceptions apply, e.g. 75% of dividend income is typically taxable and 25% is tax exempt. |
| Reinsurance | Accounting | Taxation |
| Reinsurance premiums and claims | Premiums paid/ payable are deducted from gross premiums. Claims recoveries are netted in the P&L account against claims paid/ payable. | Generally as per accounts. |
| Mutual companies | Accounting | Taxation |
| Mutual companies (all profits returned to members) | No special treatment. | Generally no special treatment. |

Finland: General insurance – other tax features

| Further corporate tax features | Taxation |
|---------------------------------------|--|
| Loss carry-overs | 10 year carry-forward against other business income. |
| Foreign branch income | Taxable, but the foreign tax is generally credited against the Finnish tax on the same income. |
| Domestic branch income | Calculated under ordinary rules. |
| Corporate tax rate | For 2011 26%. |
| Other tax features | Taxation |
| Premium taxes | <p>Insurance premium tax of 23% (net of tax, payable monthly) is imposed on insurance premiums when the insured property or other insured interest is situated in Finland, or the insured interest is related to activity conducted in Finland.</p> <p>Finnish or a foreign insurance company from the European Economic Area (EEA) has to register for the insurance premium tax in Finland if the insurances are subject to tax in Finland. Otherwise, the policyholder, who has signed the insurance contract with the insurance company, is liable to register for insurance premium tax in Finland. However, some insurance is exempt, e.g. personal insurance, credit insurance, reinsurance, treatment injury, and international transport (relates to export, import or transit of goods). An insurance company registered for insurance premium tax purposes in Finland has to file a periodic tax return relating to insurance premium taxes monthly.</p> <p>Fire protection premium (3%) is paid on any movable or immovable property covered by fire insurance in Finland. Fire protection premium does not apply to assumed reinsurance business or to insurance against fire risk that has been granted as part of voluntary motor vehicle insurance, cargo insurance or animal insurance. Anyone carrying out insurance business in Finland is liable to pay the fire protection premium. An insurance company has to file a separate annual return relating to fire protection premium.</p> <p>A foreign EEA insurer, providing insurance services in Finland on the basis of freedom of services, must have a representative domiciled in Finland for the payment of the insurance and fire protection premium.</p> |
| Capital taxes and taxes on securities | N/A. Transfer tax may be payable under certain conditions. |
| Captive insurance companies | Generally taxable under controlled foreign company rules, subject to exemptions. |
| Value added tax (VAT) | <p>Insurance premiums are not subject to VAT in Finland. The insurance company does not have a right to deduct input VAT relating to acquisitions of goods/ services in relation to insurance business.</p> <p>An insurance company may, however, have to register for VAT purposes in Finland e.g. in order to report reverse charge VAT relating to acquisitions of goods or services abroad or in relation to purchase and resale of damaged vehicles.</p> |

Finland: Life insurance – overview

| Definition | Accounting | Taxation |
|---|---|--|
| Definition of life insurance companies | A company to which insurance legislation applies. | Not separately defined in the tax legislation. |
| Commercial accounts/ tax and regulatory returns | Accounting | Taxation |
| Basis for the company's commercial accounts | Finnish accounting standards for insurance companies as set out in Accounting Act, insurance company law and the regulations of the Ministry of Social Affairs and Health and the FSA. In addition, the Accounting Board has issued advisory opinions and general instructions affecting insurance firms. | The amount of taxable income is determined on the basis of the Business Income Tax Act. The calculation is based on the statutory accounts in which certain adjustments may be made. |
| Regulatory return | Separate returns as required by the Ministry of Social Affairs and Health, and the FSA. | N/A. |
| Tax return | N/A. | Separate annual return required by tax authorities. |
| General approach to calculation of income | Accounting | Taxation |
| Allocation of income between shareholders and policyholders | P&L shows annual income of shareholders. Income for policyholders calculated on actuarial basis, included in actuarial reserves and discussed in notes. | As per accounts. |
| Calculation of investment return | Accounting | Taxation |
| Calculation of investment income and capital gains | Realised and unrealised gains and losses are taken to P&L. | Generally as per accounts. Certain exceptions: e.g. 75% of dividend income is typically taxable and 25% is tax exempt. |
| Calculation of investment income and capital gains | Accounting | Taxation |
| Actuarial reserves | Net method used. | As per accounts. |
| Acquisition expenses | Recognised in year incurred or capitalised as a reduction in premium reserve. | As per accounts. |
| Gains and losses on investments | Investments valued at lower of cost or market value. Revaluation allowed. Gains and losses taken to P&L. Some investments (such as financial instruments and real estate) can be valued at their fair market value. | Gains and losses are generally taken to P&L as per accounts. |
| Reserves against market losses on investments | N/A. | N/A |
| Dividend income | Gross amount of dividend included in income. | As per accounts. However, certain exceptions apply, e.g. 75% of dividend income is typically taxable and 25% tax exempt. |
| Policyholder bonuses | Included in actuarial reserves. | N/A. |
| Other special deductions | N/A. | N/A. |
| Reinsurance | Accounting | Taxation |
| Reinsurance premiums and claims | Premiums paid/ payable are deducted from gross premiums. Claims recoveries are netted in the P&L account against claims paid/ payable. | Generally as per accounts. |

Finland: Life insurance – overview (continued)

| Mutual companies/ stock companies | Accounting | Taxation |
|-----------------------------------|-----------------------|---------------------------------|
| Mutual Companies | No special treatment. | Generally no special treatment. |

Finland: Life insurance – other tax features

| Further corporate tax features | Taxation |
|---------------------------------------|--|
| Loss carry-overs | 10 year carry-forward against other business income. |
| Foreign branch income | Taxable, but the foreign tax is generally credited against the Finnish tax on the same income. |
| Domestic branch income | Calculated under ordinary rules. |
| Corporate tax rate | For 2011 26%. |
| Policyholder taxation | Taxation |
| Deductibility of premiums | Limited. |
| Interest build-up | Not taxable. |
| Proceeds during lifetime | Taxable earned income or capital income depending on several issues. |
| Proceeds on death | Not taxable income for close relatives. If not taxable in the income taxation the proceeds are subject to inheritance taxation. However, certain exemptions up to certain amounts may be available. |
| Other tax features | Taxation |
| Premium taxes | Life assurance and pension insurance are not subject to insurance premium tax. |
| Capital taxes and taxes on securities | N/A. Transfer tax may be payable under certain conditions. |
| Captive insurance companies | Taxable under controlled foreign company rules subject, to exemptions. |
| Value added tax (VAT) | Insurance premiums are not subject to VAT in Finland. The insurance company does not have a right to deduct input VAT relating to acquisitions of goods/ services in relation to insurance business. An insurance company may, however, have to register for VAT purposes in Finland e.g. in order to report reverse charge VAT relating to acquisitions of goods or services abroad. |

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