

International comparison of insurance taxation

France

General insurance – overview

Definition	Accounting	Taxation
Definition of property and casualty insurance company	Non-life business to which insurance legislation applies.	Not defined by tax legislation.
Commercial accounts/ tax and regulatory returns	Accounting	Taxation
Basis for the company's commercial accounts	Rules provided by the "Code de commerce" and the "Code des assurances" (French insurance code).	Taxable income corresponds to accounting income from French statutory local books subject to specific adjustments (IFRS not applicable).
Regulatory return	Separate return as issued by the "Autorité de Contrôle Prudentielle".	N/A.
Tax return	N/A.	Filed annually.
Technical reserves/ equalisation reserves	Accounting	Taxation
Unearned premiums reserve (UPR)	Different methods are authorised. Contract-by-contract calculation is now generally used.	Tax deductible.
Unpaid claims reported	Calculated on a claim-by-claim basis – no discount allowed.	Tax deductible if satisfies claim by claim methodology.
Claims incurred but not reported (IBNR)	Calculated based on experience on statistical basis (no regulatory method).	Tax deductible if satisfies standard statistical rules.
Unexpired risks	Calculated based on the loss ratio (S/P – damages/premiums) when exceeding 1.	Tax deductible.
General contingency/ solvency reserves	Not allowed.	Non-deductible.
Equalisation reserves	Refer to tax rules.	Reserve tax deductible only for a list of specific risks (e.g. natural catastrophe, nuclear, credit, civil liability due to pollution, space, terrorism, air transport, bodily injury covers). Tax deductible within the limits set forth by the French tax code. If not used, the reserve must be reversed to taxable income after a certain number of years.
Expenses/ refunds	Accounting	Taxation
Acquisition expenses	Deferred acquisition costs must be posted as an asset. Calculation method must be consistent with the one used for unearned premiums. Must be amortised up to a maximum of 5 years.	Tax deductible immediately.
Loss adjustment expenses on unsettled claims (claims handling expenses)	To be included in the unpaid claims reserve.	Tax deductible (as part of the claims reserves).
Experience-rated refunds	Credited when earned. Refunds on unpaid claims reported are deducted from unpaid claims.	Deducted from unpaid claims.

France: General insurance – overview (continued)

Investments	Accounting	Taxation
Gains and losses on investments	Taken to P&L when realised.	<p>Gains on the following assets are taxable at the standard rate (34.43%): portfolio shares, real estate (RE) assets, non-listed RE shares, etc.</p> <p>Exceptions are:</p> <ul style="list-style-type: none"> • Gains on investment shares held for more than 2 years which are taxable up to 5% of their amount (95% tax exempt). • Gains on shares held in listed RE companies are taxable at the reduced rate of 19.6%. • Gains on certain private equity funds are taxable at 15.49%. • Gains on the sale of bonds are taxable at the standard rate. They must be posted in a tax non-deductible (since 01.01.2010) special reserve (“réserve de capitalisation”). • Losses on the sale of bonds are credited against this reserve.
Investment reserves	<p>Reserve booked when the market value of an asset is lower than book value at closing date.</p> <p>In the case of long term depreciation, reserves are booked.</p>	<p>Tax deductible if set up according to fiscal rules.</p> <p>Reserve for depreciation of investment RE assets and RE shares is deductible only up to the global net depreciation on said assets.</p> <p>Reserve for depreciation on investment shares is not deductible.</p> <p>Reserve on bonds is deductible only in the case of risk of default of payment by the issuer.</p>
Investment income	Included in P&L.	<p>For bonds, redemption premium (difference between acquisition price and redemption value) is spread on an actuarial basis over the duration of the bond.</p> <p>Interests are taxable on an accrual basis.</p> <p>Dividends are taxable except for investment shares (> 5% of capital in which case dividends are 95% tax exempt).</p> <p>Most UCITS are mark-to-market at year-end and unrealised gains/losses are included in taxable income.</p>
Reinsurance	Accounting	Taxation
Reinsurance premiums and claims	Disclosed separately in P&L. Technical reserves are booked gross of reinsurance ceded.	Follows accounting treatment. Premiums are deductible and claims against the reinsurance companies are taxable.
Mutual companies	Accounting	Taxation
Mutual companies (all profits returned to members)	Mutual entities subject to the provisions of the “Code des assurances”.	Mutuals subject to the “Code des assurances” are taxed like stock companies. Since 2008 a tax grouping is possible.
Entities subject to the provisions of the “Code de la Mutualité” (“Mutuelles”) and those subject to the provisions of the “Code de la sécurité sociale” (“Institutions de Prévoyance”)	Although usually common to those applicable to the other insurers’ rules may differ.	Most of these entities to date are tax exempt. Since FY06 they are subject to Insurance Premium Tax (IPT) rules under standard rules. They will be subject to Corporate Income Tax (CIT) in a near future (01.01.2013 presumably).

France: General insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	Tax losses are carried forward indefinitely and may be carried back three years.
Foreign branch income	Not taxable in France (territorial rule).
Domestic branch income	<ul style="list-style-type: none"> • Branch tax amounts to 25% of after-tax profits (reduced by double tax treaties). • 0% branch tax for EU branches.
Corporate tax rate	<p>There is one standard rate and three reduced rates:</p> <ul style="list-style-type: none"> • Standard rate: $33.33\% + (33.33\% \times 3.3\%) = 34.43\%$ • Reduced rate: $19\% + (19\% \times 3.3\%) = 19.6\%$ • Reduced rate : $15\% + (15\% \times 3.3\%) = 15.49\%$ • Reduced rate: 0%
Other tax features	Taxation
Premium taxes	<ul style="list-style-type: none"> • Standard rate: 9% • Other rates range from 0% to 30%
Capital taxes and taxes on securities	N/A.
Tax on excess claims reserves	Calculated as a late interest on the CIT avoided.
Captive insurance companies	Standard corporate tax rules.
Value added tax (VAT)	No VAT on insurance premiums.

France: Life insurance – overview

Definition	Accounting	Taxation
Definition of life insurance companies	A company that carries out insurance business in connection with the duration of life of the policyholder. The company cannot do general business pursuant to specific regulations.	Not defined by tax legislation; subject to the rules applicable to policyholders.
Commercial accounts/ tax and regulatory returns	Accounting	Taxation
Basis for the company's commercial accounts	Rules provided by the "Code de commerce" and the "Code des assurances".	Taxable income corresponds to accounting income from French local statutory books, subject to specific adjustments (no IFRS).
Regulatory return	Separate return as required by the "Autorité de Contrôle Prudentielle".	N/A.
Tax return	N/A.	Filed annually.
General approach to calculation of income	Accounting	Taxation
Allocation of income between shareholders and policyholders	Surplus granted to policyholders are accounted for in a specific reserve to be reversed to the technical reserve, as provided by the contract within at maximum eight years.	Profits allocated to policyholders are tax deductible.
Calculation of investment return	Accounting	Taxation
Calculation of investment income and capital gains	Included in the P&L.	For bonds, redemption premium is taxed on an actuarial basis over the duration of the bond. Interest taxable on an accrual basis. No mark-to-market for UCITS at year-end (different from non-life). Dividends are 95% exempt if affiliation privilege applies (stake > 5%). For gains same rules as for non-life business apply.
Calculation of investment income and capital gains	Accounting	Taxation
Actuarial reserves	Zillmer method is compulsory – Differed Acquisition Cost (DAC) have to be disclosed separately.	Tax deductible.
Acquisition expenses	DAC have to be disclosed separately.	Tax deductible.
Gains and losses on investments	Realised gains and losses are taken to P&L. Unrealised gains are not booked. (For unrealised losses see below.)	Same rules as for non life business. Special regime for unit-linked contracts (asset and liability mark-to-market).
Reserves against market losses on investments	Due to prudential rules, these reserves have to be recorded (based on the application of contractual terms) until completion of existing obligations may generate negative margins due to inadequate performance of investments relative to insurance obligations (PAF – provision pour aléas financiers – reserves against market losses on investments).	The deductibility of the reserve for negative margins due to inadequate performance of investment is not approved by the French Tax Authorities (FTA).
Dividend income	N/A.	See above (non-life).
Policyholder bonuses	Deducted from net income.	Tax deductible.
Other special deductions	N/A.	N/A.

France: Life insurance – overview (continued)

Reinsurance	Accounting	Taxation
Reinsurance premiums and claims	Shown as a deduction in claims and premiums.	<p>Follows accounting treatment.</p> <p>Reinsurance premiums ceded to companies located in non-tax treaty countries may be subject to a 33.33% withholding tax levied at source.</p> <p>Interest on deposits from foreign reinsurers is subject to a 16% withholding tax (reduced depending on the applicable tax treaty).</p>
Mutual companies/ stock companies	Accounting	Taxation
Mutual Companies	No special rules.	Mutuals subject to the French insurance code: taxed like stock companies. As from FY08 a tax grouping is possible.

France: Life insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	Tax losses can be carried forward indefinitely and may be carried back three years.
Foreign branch income	Not taxable in France (territorial taxation principle).
Domestic branch income	25% branch tax calculated on after tax profits (reduced by double-tax treaties). 0% branch tax for EU branches.
Corporate tax rate	There is one standard rate and three reduced rates: <ul style="list-style-type: none"> • Standard rate: $33.33\% + (33.33\% \times 3.3\%) = 34.43\%$ • Reduced rate: $19\% + (19\% \times 3.3\%) = 19.6\%$ • Reduced rate : $15\% + (15\% \times 3.3\%) = 15.49\%$ • Reduced rate: 0%
Policyholder taxation	Taxation
Deductibility of premiums	Very limited income tax relief on qualifying premiums
Interest build-up	No income tax during the contract. However, interest build-up is subject to social security taxes (“Contribution sociale généralisée” (CSG), “Contribution pour le remboursement de la dette sociale” (RDS) and “prélèvement social”, i.e. 12.3%) during the contract including unit-linked component of a mixed insurance contract (i.e. unit-linked component plus Euro component since 01.07.2011).
Proceeds during lifetime	Gains (proceeds received in excess of premiums paid) are taxable at various fixed rates depending on the contract duration (35% <4 years, 15% between 4 - 8 years, 7.5% >8 years). Further, the social security taxes (12.3%) are due upon contract termination for unit linked contracts. Alternatively, a taxpayer may include proceeds in his income tax return where applicable marginal rate is lower than fixed rates above.
Proceeds on death	For contracts signed since 1991: <ul style="list-style-type: none"> • Proceeds on death related to premiums paid after the seventieth birthday of the insured are subject to inheritance tax on that part equal to premium paid exceeding EUR 30,500. • Proceeds on death related to premiums paid as of 13.10.1998 and before the seventieth birthday of the insured are subject to a specific tax at the rate of 20% on the amount exceeding EUR 152,000 per beneficiary and subject to a specific tax at the rate of 25% on the amount exceeding EUR 902,838 per beneficiary. • Proceeds are exempt from all taxes when related premiums paid before 13.10.1998 and before the seventieth birthday of the insured. Other rules are applicable to contracts signed before 20.11.1991.
Other tax features	Taxation
Premium taxes	No premium tax on life policies.
Capital taxes and taxes on securities	N/A.
Captive insurance companies	Standard corporate tax rules.
Value added tax (VAT)	No VAT on insurance premiums.

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