

International comparison of insurance taxation

Malta

General insurance – overview

Definition	Accounting	Taxation
Definition of property and casualty insurance company	A company regulated by the Insurance Business Act, 1998, writing non-life insurance contracts as specified in said legislation.	The Income Tax Act (“ITA”) refers to the Insurance Business Act (“IBA”) for the definition of certain terms mentioned in the ITA. However, the terms “property insurance” and “casualty insurance” are not specifically referred to in the ITA. All classes of general business of insurance are treated in the same manner for Maltese income tax purposes.
Commercial accounts/ tax and regulatory returns	Accounting	Taxation
Basis for the company’s commercial accounts	Company accounts have to be prepared on the basis of the International Financial Reporting Standards (IFRSs) as adopted by the EU and the Maltese Companies Act, 1995.	Based on financial statements prepared in accordance with IFRS. Some specific adjustments may be required for Maltese income tax purposes.
Regulatory return	The Business of Insurance Statements has to be submitted to the regulator within 6 months from the end of the calendar year which needs to be accompanied by a report of the directors. The non-statistical part of the statements comprises the solvency computation, which has to be audited, and hence submitted along with an auditor’s report. Asset admissibility and solvency restrictions apply in terms of subsidiary legislation Insurance Business (Assets and Liabilities) Regulations.	There is no obligation to submit the regulatory return to the Maltese Inland Revenue Department.
Tax return	N/A.	An income tax return is required for every year of assessment (each financial period/ year).
Technical reserves/ equalisation reserves	Accounting	Taxation
Unearned premiums reserve (UPR)	Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date, calculated on a time apportionment basis.	Unearned premiums provisions are generally tax deductible.
Unpaid claims reported	Unpaid claims represent a provision made at the year-end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not enough reported. The estimated cost of claims includes expenses to be incurred in settling claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported and statistical analysis for the claims incurred but not enough reported. For the purpose of solvency the discounting of insurance liabilities is not permitted under the applicable regulations.	Unpaid claims provisions are generally tax deductible.

Malta: General insurance – overview (continued)

Technical reserves/ equalisation reserves	Accounting	Taxation
Claims incurred but not reported (IBNR)	IBNR represent claims arising out of events, which have occurred by the balance sheet date but have not been reported to the insurance undertaking at that date. Such calculation is based on experience and/or statistical methods.	IBNR provisions are generally tax deductible.
Unexpired risks	Provision for unexpired risks is computed on the basis of claims and administrative expenses likely to arise after the end of the financial year from contracts concluded before that date, in so far as their estimated value exceeds the provision for unearned premiums and any premiums receivable under those contracts.	Unexpired risks provisions are generally tax deductible.
General contingency/ solvency reserves	Not reflected in the Companies Act accounts.	To the extent the reserves are not recognised in the audited financial statements, they are generally not considered for Maltese income tax purposes.
Equalisation reserves	Equalisation reserves are not allowed under IFRS and can therefore not be included for financial statement purposes. For the solvency calculation equalisation reserves are allowable only for Credit Insurance. This equalisation reserve is computed as the equivalent of 75% of any technical surplus arising in respect of credit insurance business, subject to a limit of 12% of net premiums written during that financial year until the reserve has reached 150% of the highest annual amount of net premiums written during the previous 5 financial years.	To the extent that the equalisation reserve is accounted for any release/ charge is considered taxable/ deductible for Maltese income tax purposes.
Expenses/ refunds	Accounting	Taxation
Acquisition expenses	Acquisition costs: costs to sell, underwrite and initiate new insurance contract policies. To be deferred in line with unearned premium.	Generally tax deductible.
Loss adjustment expenses on unsettled claims (claims handling expenses)	Claims outstanding and IBNR include an equivalent and attributable portion of claims handling expenses.	Generally tax deductible.
Experience-rated refunds	If written premiums are subject to a reduction, an adjustment for such a reduction should be made as soon as it can be foreseen. Where written premiums are subject to an increase, retrospectively (e.g. based on the declaration of sums insured or on the declaration of sums insured or on claims experience), recognition of the potential increase should be deferred until the additional amount can be ascertained with reasonable certainty.	Generally taxable.
Investments	Accounting	Taxation
Gains and losses on investments	Gains/ losses arising from changes in the value of “financial assets at fair value through profit or loss (P&L)” category are presented in the P&L account in the period in which they arise. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale (AFS) are recognised in other comprehensive income. Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical to the general business technical account to reflect the actual investment return on investments supporting the insurance technical provisions.	To the extent that the investments are held for trading purposes, generally considered taxable/ deductible for Maltese income tax purposes.

Malta_ General insurance – overview (continued)

Investments	Accounting	Taxation
Investment reserves	Where investments are classified as AFS, unrealised gains/ losses on these investments are recognised directly in equity in the “fair value reserve”.	To the extent that any movements on reserves are recognised in the income statement and the investments are held for trading purposes, such movements are generally considered taxable/ deductible for Maltese income tax purposes.
Investment income	Investment income is included in P&L on an accruals basis. Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account to reflect the actual investment return on investments supporting the insurance technical provisions.	Generally taxable as trading income on an accrual basis.
Reinsurance	Accounting	Taxation
Reinsurance premiums and claims	Premium and claims arising on contracts entered into by the insurance company with a reinsurer are recognised when due as an expense and income respectively, on the face of the P&L account.	Generally taxable/ deductible.
Mutual companies	Accounting	Taxation
Mutual companies (all profits returned to members)	Mutual companies can only operate in Malta after going through a process of “demutualising” the association (capitalising the advanced calls made to the stakeholders) and converting it into a limited liability company. Therefore, the same framework applicable to limited liability insurance companies applies.	No specific rules apply to mutual companies. To the extent that such companies carry on the business of insurance the same rules applicable to any other company carrying on the business of insurance will apply.

Malta: General insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	<p>Trading losses suffered in the assessment year may be set off against any other income derived by the insurance company in the same year. Unutilised trading losses are carried forward indefinitely for set-off against income derived by the same company in subsequent years of assessment. A company carrying on the business of insurance is not allowed to surrender/claim trading losses to/from a group company.</p> <p>Capital losses suffered during a year of assessment may be set off against capital gains derived in the same year of assessment. Unutilised capital losses are carried forward indefinitely to be set off against capital gains derived by the same company in subsequent years.</p>
Foreign branch income	Under current rules, overseas permanent establishments (e.g. a branch) are subject to income tax in Malta with credit for overseas tax suffered (subject to satisfying certain conditions).
Domestic branch income	Calculation of branch income in terms of the generally accepted accounting practice (i.e. IFRS in Malta). Such income is subject to income tax in the same manner as any other corporate entity.
Corporate tax rate	35%.
Other tax features	Taxation
Premium taxes	No insurance premium tax is payable in Malta.
Capital taxes and taxes on securities	<p>Stamp duty is chargeable on certain transfers and documents including transfers of immovable property situated in Malta, transfers of securities and on certain insurance policies.</p> <p>Transfers of immovable property and shares in property companies (generally companies that mainly own immovable property) attract stamp duty at the rate of 5% of the higher of transfer value and real value. Transfers of shares (excluding shares in a property company) attract stamp duty at the rate of 2% of the higher of transfer value and real value.</p> <p>A life insurance policy, which is not renewable annually, attracts stamp duty of EUR 0.10 for every EUR 100.- of the sum assured. This only applies when the policyholder is resident in Malta. Any other insurance policy attracts a duty of EUR 0.10 for every EUR 1.- of the agreed premium. Policies of aviation, marine cargo, marine hull or boat, credit, suretyship and medical cover are exempt from stamp duty in Malta.</p>
Captive insurance companies	Taxable in the same manner as any other company carrying on the business of insurance.
Value added tax (VAT)	Supplies of insurance and reinsurance, by persons licensed under the Insurance Business Act or Insurance Intermediaries Act are exempt supplies. Such supplies do not grant a right to claim input VAT incurred on supplies attributable to the said exempt supplies (unless such exempt supplies are made to customers established outside the EU).

Malta: Life insurance – overview

Definition	Accounting	Taxation
Definition of life insurance companies	Long term insurance business is defined in Insurance legislation as the business of effecting or carrying on business of insurance of any of the following classes of long term business – life and annuity, marriage and birth, linked long term, permanent health, tontines, capital redemption, pension fund management and collective insurance. Life assurance business must be written within the “long-term insurance fund” of a life company.	Generally follows accounting treatment. The ITA refers to the IBA for the definition of certain terms mentioned in the ITA. However, “life assurance” is not referred to in the ITA. The term “long-term business of insurance” is referred to in the ITA and such term includes “life insurance” which is defined in the IBA as effecting and carrying out contracts of insurance on human life or contracts to pay annuities on human life.
Commercial accounts/ tax and regulatory returns	Accounting	Taxation
Basis for the company’s commercial accounts	IFRS as adopted by the EU, the Maltese Companies Act, 1995 and Malta’s Insurance accounting framework, the Insurance Business (Companies Accounts) Regulations. Where conflicts exist between the two frameworks, IFRS prevails.	Based on financial statements prepared in accordance with IFRS. Some specific adjustments may be required for Maltese income tax purposes.
Regulatory return	Regulatory returns referred to as business of insurance business statements are required to be filed with the Malta Financial Services Authority within 6 months after year-end and need to be accompanied by a report of the directors. The basis of accounting is broadly in line with that for statutory accounts, although differences may occur in the basis of valuation for certain assets and certain contingency reserves, required for regulatory purposes but not reflected in the statutory financial statements. Asset admissibility restrictions apply in terms of subsidiary legislation Insurance Business (Assets and Liabilities) Regulations. Solvency II will change regulatory accounting. Insurers will be required to prepare a Solvency II regulatory return in line with the requirements of EU directives.	There is no obligation to submit the regulatory return to the Maltese Inland Revenue Department.
Tax return	N/A.	An income tax return is required for every year of assessment (each financial period/ year).
General approach to calculation of income	Accounting	Taxation
Allocation of income between shareholders and policyholders	Insurance legislation establishes the concept of the long-term insurance fund, ensuring that policyholder assets are not used by shareholders. Income and profit allocation between share- and policyholders will be determined by the constitution of the insurance contract (e.g. non-participating vs. participating (“with profits”)). With IFRS, insurance and investment contracts with Discretionary Participation Features (DPF) are classified into 3 main categories depending on the duration of risk and whether or not the terms and conditions are fixed (long term insurance contracts (with/without DPF) and investment contracts with DPF). Investment contracts with DPF do not expose an entity to significant insurance risk. Premiums from investment contracts without DPF are classified as financial liabilities. The Insurance Business (Companies Accounts) Regulations set out rules as to the treatment and allocation of investment return. The investment return arising during the period of account in relation to investments directly connected with carrying on long-term insurance business should initially be included in the technical account for long-term business.	Based on financial statements prepared in accordance with IFRS.

Malta: Life insurance – overview (continued)

Calculation of investment return	Accounting	Taxation
Calculation of investment income and capital gains	Investment income shall, to the extent that it arises in the long term fund, be disclosed in the long term business technical accounts. Other investment income shall either be disclosed in the non-technical account or attributed between the appropriate technical and non-technical accounts. IFRS accounting principles apply.	Based on financial statements prepared in accordance with IFRS. However, specific adjustment may be required for capital gains to reflect realised gains rather than fair value movements.
Calculation of investment income and capital gains	Accounting	Taxation
Actuarial reserves	The actuarial reserves are calculated in accordance with the Insurance Business (Insurers' Assets and Liabilities) Regulations, 2007. The determination of the amount of long term liabilities is based on actuarial principles which have due regard to the reasonable expectations of policyholders and make proper provision for all liabilities on prudent assumptions that include appropriate margins for adverse deviation of the relevant factors. The actuarial reserves in respect of long term contracts and linked long term contracts are subject to an annual statutory valuation undertaken by the Approved Actuary. For statutory accounts purposes, the actuarial reserves may be calculated on the basis used for reporting solvency, subject to the exclusion of the appropriate proportion of reserves (such as resilience and contingency reserves).	Based on financial statements prepared in accordance with IFRS and local insurance regulations.
Acquisition expenses	Comprises the cost arising from the conclusion of contracts of insurance. Covers both direct costs, such as commissions or the cost of drawing up the insurance document or including the contracts of insurance in the portfolio, and indirect costs, such as advertising costs or the administrative expenses connected with the processing of proposals and the issuing of policies. The deferred acquisition expenses are amortised over the life of the contracts. Acquisition expenses can be deferred implicitly as a reduction in reserves.	Generally tax deductible.
Gains and losses on investments	Unrealised gains and losses represent the difference between the valuation of investments and their purchase price, or if they have been previously valued, their valuations as at the last balance sheet date. They are determined on the basis of IFRS principles. Recognised in the technical account or non-technical account as appropriate (see above).	To the extent that the investments are held for trading purposes, generally considered taxable/deductible for Maltese income tax purposes.
Reserves against market losses on investments	See above. Investments are normally recognised at market value through the P&L account (technical or non-technical account as appropriate) in line with IFRS. Other IFRS options are also permitted (e.g. amortised cost or fair value through equity), in which case corresponding adjustments may also be required to the actuarial liability.	Based on financial statements prepared in accordance with IFRS.

Malta: Life insurance – overview (continued)

Calculation of investment income and capital gains	Accounting	Taxation
Dividend income	Included in investment income.	<p>Based on financial statements prepared in accordance with IFRS.</p> <p>Dividends from other Maltese-resident companies are subject to the full imputation system and not subject to further income tax in Malta.</p> <p>Dividends from non-Maltese resident companies are exempt to the extent that the participation exemption applies. Such participation exemption applies to dividends from a participating holding, which includes a holding of at least 10% of the equity share capital of a non-resident company. The holding must entitle the holder to at least 2 out of the following rights: (i) a right to vote; (ii) profits available for distribution; (iii) assets available for distribution on a winding-up of the company.</p>
Policyholder bonuses	Included as an expense in the technical account.	Generally tax deductible.
Other special deductions	N/A.	None.
Reinsurance	Accounting	Taxation
Reinsurance premiums and claims	Premiums paid/ payable and recoveries disclosed separately on the face of the technical account. In order for a transaction to be accounted for as reinsurance there must be a transfer of significant insurance risk.	Generally taxable/deductible.
Mutual companies/ stock companies	Accounting	Taxation
Mutual Companies	Mutual companies can only operate in Malta after the process of “demutualising” the association (capitalising the advanced calls made to the stakeholders) and converting it into a limited liability company. Therefore, the same framework applicable to limited liability insurance companies applies.	No specific rules apply to mutual companies. To the extent that such companies carry on the business of insurance the same rules applicable to any other company, carrying on the business of insurance, will apply.

Malta: Life insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	<p>Trading losses suffered in the assessment year may be set off against any other income derived by the insurance company in the same year. Unutilised trading losses are carried forward indefinitely for set-off against income derived by the same company in subsequent years of assessment. A company carrying on the business of insurance is not allowed to surrender/claim trading losses to/from a group company.</p> <p>Capital losses suffered during a year of assessment may be set off against capital gains derived in the same year of assessment. Unutilised capital losses are carried forward indefinitely to be set off against capital gains derived by the same company in subsequent years.</p>
Foreign branch income	Under current rules, overseas permanent establishments (e.g. a branch) are subject to income tax in Malta with credit for overseas tax suffered (subject to satisfying certain conditions).
Domestic branch income	Calculation of branch income in terms of the generally accepted accounting practice (i.e. IFRS in Malta). Such income is subject to income tax in the same manner as any other corporate entity.
Corporate tax rate	35%.
Policyholder taxation	Taxation
Deductibility of premiums	Expenses/outgoings are deductible to the extent that they are wholly and exclusively incurred in the production of the income. Salaries are typically considered to be deductible for Maltese income tax purposes. In so far that the life insurance premiums paid are considered part of the remuneration package paid to an employee, the premiums paid should be considered deductible for Maltese income tax purposes.
Interest build-up	Any interest derived by the company carrying on the business of insurance should be subject to Maltese income tax.
Proceeds during lifetime	The insurer is liable to a 15% tax on payments made upon maturity or surrender in respect of a life insurance contract (not being a linked long term contract of insurance) held by a resident policyholder. The tax is calculated on the excess of the amounts paid by the insurer over the premiums paid (“the profit”). No person shall be charged to further tax on the profit.
Proceeds on death	Amounts payable by an insurer in the event of a death claim should not be subject to Maltese income tax.
Other tax features	Taxation
Premium taxes	No insurance premium tax is payable in Malta.
Capital taxes and taxes on securities	<p>Stamp duty is chargeable on certain transfers and documents including transfers of immovable property situated in Malta, transfers of securities and on certain insurance policies.</p> <p>Transfers of immovable property and shares in property companies (generally, companies that mainly own immovable property) attract stamp duty at the rate of 5% of the higher of transfer value and real value. Transfers of shares (excluding shares in a property company) attract stamp duty at the rate of 2% of the higher of transfer value and real value.</p> <p>A life insurance policy, which is not renewable annually, attracts stamp duty of EUR 0.10 for every EUR 100.- of the sum assured. This only applies when the policyholder is resident in Malta. Any other insurance policy attracts a duty of EUR 0.10 for every EUR 1.- of the agreed premium. Policies of aviation, marine cargo, marine hull or boat, credit, suretyship and medical cover are exempt from stamp duty in Malta.</p>
Captive insurance companies	Taxable in the same manner as any other company carrying on the business of insurance.
Value added tax (VAT)	Supplies of insurance and reinsurance, by persons licensed under the Insurance Business Act or Insurance Intermediaries Act are exempt supplies. Such supplies do not grant a right to claim input VAT incurred on supplies attributable to the said exempt supplies (unless such exempt supplies are made to customers established outside the EU).

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