

International comparison of insurance taxation

Poland

General insurance – overview

Definition	Accounting	Taxation
Definition of property and casualty insurance company	An entity carrying out property and casualty insurance activities as defined in the Act on Insurance Activities. Permit of the Ministry of Finance required.	The Insurance Act definition controls as there is no tax definition.
Commercial accounts/ tax and regulatory returns	Accounting	Taxation
Basis for the company's commercial accounts	Prescribed by accounting rules legislated for insurance industry.	Follows accounting rules.
Regulatory return	Quarterly and annual returns to be submitted to the Polish Financial Supervision Authority.	N/A.
Tax return	N/A.	<p>Only annual tax reconciliation required; however some tax payers must prepare and pay monthly or quarterly tax advances. Under certain conditions, the simplified method of tax settlements may be applied:</p> <ul style="list-style-type: none"> • no monthly tax return required; • monthly tax payments calculated as 1/12th of tax liability for the previous year (if no tax liability incurred in that year, tax liability for the year before should be applied as basis); • annual adjusting tax reconciliation required.
Technical reserves/ equalisation reserves	Accounting	Taxation
Unearned premiums reserve (UPR)	<p>Regulated by accounting rules specific to insurance industry. Generally calculated on an individual basis.</p> <p>Premiums related to future accounting periods are deferred.</p>	Allowed as per accounting rules.
Unpaid claims reported	Lump-sum basis allowed in the case of high volume of homogenous claims portfolios.	Allowed as per accounting rules.
Claims incurred but not reported (IBNR)	Calculated on experience of actuary or using lump-sum method. No detailed rules prescribed.	Allowed as per accounting rules.
Unexpired risks	Calculated on mathematical (statistical) basis or using lump-sum method.	Allowed on basis of accounting treatment.
General contingency/ solvency reserves	Not reflected in the accounting law.	May be allowed.
Equalisation reserves	Prescribed for certain classes of business and calculated on specific insurance accounting rules.	Allowed on basis of accounting treatment.

Poland: General insurance – overview (continued)

Expenses/ refunds	Accounting	Taxation
Acquisition expenses	Fully charged in year incurred. Deferred if deferred acquisition costs (DAC) are recognized as an asset.	No clear rules. Generally, “direct” acquisition expenses are allowed in the year incurred and properly documented. “Indirect” acquisition expenses are allowed in the year incurred and properly documented, or recognised over time (depending on their nature). Accruals for acquisition costs constitute non tax-deductible items.
Loss adjustment expenses on unsettled claims (claims handling expenses)	Charged as incurred for claims paid. Included in technical reserves estimation for claims reserved.	Allowed on basis of accounting treatment.
Experience-rated refunds	Not specified in the law.	Generally follows accounting treatment.
Investments	Accounting	Taxation
Gains and losses on investments	Recognised in the profit and loss (P&L) account. The difference arising on revaluation of available-for-sale investments not used to cover the capitalised annuity and bonus reserves is charged to equity (as a change in revaluation of capital).	Realised gains and losses are included in taxable income.
Investment reserves	Movements taken to reserves.	Not allowed.
Investment income	Included in P&L account.	Taxable when earned – interest when received. Dividends are not included in the tax base, but the dividend payer must withhold tax at 19% (unless a participation exemption is appropriate) and the insurance company receives no tax credit.
Reinsurance	Accounting	Taxation
Reinsurance premiums and claims	Premiums deducted from gross premiums. The balance sheet reflects the reinsurers’ share in reserve as negative balances. The reinsurance impact on claims is netted in technical accounts with gross payments.	No clear rules. Generally, premiums due to reinsurers are (if treated as “indirectly” connected to taxable revenues) tax deductible when incurred and properly documented. Reinsurance commissions and claims due from reinsurers generally constitute taxable revenues when received. Follows accounting treatment.
Mutual companies	Accounting	Taxation
Mutual companies (all profits returned to members)	As defined in insurance legislation.	Generally, same rules as for other entities.

Poland: General insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	Five-year carry-forward (up to 50% in any one year allowed). No carry-back.
Foreign branch income	Fully taxable subject to applicable treaty. Double-tax relief is available (restricted to Polish tax incurred on that income).
Domestic branch income	Branches of foreign corporations are taxable at 19% of net profit. Where accounting records are not available or reliable, tax authorities may use estimates to assess tax. Transfer pricing documentation required.
Corporate tax rate	19%.
Other tax features	Taxation
Premium taxes	N/A.
Capital taxes and taxes on securities	Capital contributions and share issues are subject to 0.5% civil law activities (transfer) tax.
Captive insurance companies	No special rules.
Value added tax (VAT)	Insurance services are generally VAT exempt.

Poland: Life insurance – overview

Definition	Accounting	Taxation
Definition of life insurance companies	An entity carrying out life insurance activities as defined in the Act on Insurance Activities. Permit of the Ministry of Finance required.	The Insurance Act definition applies as there is no tax definition.
Commercial accounts/ tax and regulatory returns	Accounting	Taxation
Basis for the company's commercial accounts	Prescribed by accounting rules legislated for insurance industry.	Follows accounting rules.
Regulatory return	Quarterly and annual returns to be submitted to the Polish Financial Supervision Authority.	N/A.
Tax return	N/A.	See part "General insurance companies".
General approach to calculation of income	Accounting	Taxation
Allocation of income between shareholders and policyholders	Income is effectively split through its allocation in technical reserves. All elements of income are shown gross in the technical account. Shareholders' participation in investment income is transferred from the technical to the general account.	Follows accounting – no specific tax rules.
Calculation of investment return	Accounting	Taxation
Calculation of investment income and capital gains	Included in technical account. The difference arising on revaluation of available-for-sale investments not used to cover the capitalised life reserves is charged to equity (as a change in revaluation of capital).	Generally, taxable when earned, interest when received. Dividends are not included in the tax base, but the dividend payer must withhold tax at 19% (unless a participation exemption is appropriate) and the insurance company receives no tax credit.
Calculation of investment income and capital gains	Accounting	Taxation
Actuarial reserves	Accounting rules define what types of methods should be used. Restrictions exist on the maximum level of Zillmer factor allowed and on the appropriate level of technical rate.	Follows accounting rules.
Acquisition expenses	Charged as incurred. Deferred through life reserve (Zillmer) or DAC asset. Must be amortised using actuarial methods.	See comments for general insurance companies.
Gains and losses on investments	Gains and losses are taken to the technical account. Some are charged to technical reserves, and the remaining amount is transferred to general P&L account.	Taxable or deductible when realized.
Reserves against market losses on investments	N/A.	Not allowed.
Dividend income	Included in income.	Not taxable, but the dividend payer must withhold at 19% (unless a participation exemption applies) and no tax credit is allowed for the insurance company.
Policyholder bonuses	Covered by policyholder bonuses reserve.	Follows accounting treatment.
Other special deductions	No other significant special deductions.	N/A.

Poland: Life insurance – overview (continued)

Reinsurance	Accounting	Taxation
Reinsurance premiums and claims	Premiums deducted from gross premiums, and claims netted similarly.	No clear rules. Generally, premiums due to reinsurers are (if treated as “indirectly” connected to taxable revenues) tax deductible when incurred and properly documented. Reinsurance commissions and claims due from reinsurers generally constitute taxable revenues when received.
Mutual companies/ stock companies	Accounting	Taxation
Mutual Companies	As defined in insurance legislation.	Generally, same rules as for other entities.

Poland: Life insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	Five-year carry-forward (up to 50% in any one year allowed). No carry-back.
Foreign branch income	Fully taxable subject to applicable treaty. Double-tax relief is available (restricted to Polish tax incurred on that income).
Domestic branch income	Branches of foreign corporations are taxable at 19% of net profit. Where accounting records are not available or reliable, tax authorities may use estimates to assess tax. Transfer pricing documentation required.
Corporate tax rate	19%.
Policyholder taxation	Taxation
Deductibility of premiums	Not tax-deductible. However, premiums transferred to capital funds are tax-deductible to policyholders when proceeds are paid out.
Interest build-up	May be taxable.
Proceeds during lifetime	Generally, not subject to taxation. However, amounts received by individuals based on an insurance contract with a capital fund (in general, on the basis of unit-linked products) are subject to a flat tax of 19%.
Proceeds on death	Not entirely clear. Generally not taxed.
Other tax features	Taxation
Premium taxes	None.
Capital taxes and taxes on securities	Capital contributions and share issues are subject to 0.5% civil law activities (transfer) tax.
Captive insurance companies	No specific rules.
Value added tax (VAT)	Insurance services are generally VAT exempt.

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