



ARGENTINA

International Comparison of Insurance Taxation

October 2007

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Argentina – General Insurance

1 Definition

Definition of property and casualty insurance company

Accounting

Property and casualty insurance companies are those that insure the assets of the insured party.

Taxation

Not defined by tax legislation.

2 Commercial accounts/ Tax and Regulatory returns

Basis for the company's commercial accounts

Accounting

Generally accepted accounting principles (GAAP) and specific standards stated by the Regulatory Authority (National Insurance Superintendency - NIS) and the local accountant's Board.

Taxation

Taxation based on statutory accounts.

Regulatory return

The National Insurance Superintendency requires the following separate returns:

- Annually: statutory account (subject to full audit), report to management plus other quarterly information (see below);
- Quarterly: statutory accounts (with limited review report), solvency requirements (including attestation report), technical reserves coverage, statement of coverage for due liabilities and claims payable (including attestation report) and other detailed statistical information.

Balance sheet special form must be filled-in.

Tax return

N/A.

- Annually: Income Tax and Minimum Notional Income Tax returns.
- Monthly: VAT (excise tax) and Turnover Tax returns.

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Argentina – General Insurance (continued)

3 Technical reserves/ Equalisation reserves	Accounting	Taxation
Unearned premium reserves (UPR)	This reserve is required to be established for the unexpired portion of the premiums written on a policy-by-policy basis. It should be considered the related acquisition costs and reinsurance.	Allowed as per accounts.
Unpaid claims reported	Calculated on case-by-case basis (loss ratios can be applied for lawsuits reserves).	Accounts provision deductible in full.
Claims incurred but not reported (IBNR)	IBNR technically calculated is required.	Allowed as per accounts.
Unexpired risks	N/A.	N/A.
General contingency/solvency reserves	Premium deficiency reserve is required when premiums income is not enough to cover claims and expenses. The methodology for its calculation is defined by the control authority.	Global reserves are not deductible.
Equalisation/catastrophe reserves	Not envisaged by accounting rules.	Not envisaged by tax rules. Global reserves are not deductible.
4 Expenses/Refunds	Accounting	Taxation
Acquisition expenses	Agents' commissions are charged to P&L.	Deductible as per accounts.
Loss adjustment expenses on unsettled claims (claims handling expenses)	Estimates included in unpaid claims reserves.	Allowed when accrued.
Experience-rated refunds	Case-by-case basis. Credited when earned.	Profit sharing on reinsurance business is taxed as included in the P&L.

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Argentina – General Insurance (continued)

5 Investments	Accounting	Taxation
Gains and losses on investments	Included in P&L.	Realised gains and losses are included in taxable income. In the case of shares and mutual funds, unrealised gains and losses are not taxable. See also investments income.
Investment reserves	The standard valuation rule is to take the quotation at the closing date (net of selling expenses).	Allowances are not deductible.
Investment income	Included in P&L if accrued.	Included in taxable income. Dividends from local corporations are exempt. Warranted loans (government debts) interests are tax-exempt.
6 Reinsurance	Accounting	Taxation
Reinsurance premiums and claims	Premiums paid/payable are deducted from gross premiums. Claims recoveries netted in P&L account against claims paid/payable.	Follows accounting treatment.
7 Mutual companies	Accounting	Taxation
Mutual companies (all profits returned to members)	No special treatment.	Special entities called 'cooperativas' and 'mutuales' are income-tax-exempt (provided that they comply with certain regulations).



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Argentina – Other Tax Features

8 Further corporate tax features

Loss carry-overs

Taxation

Five year carry-forward.

Foreign branch income

Foreign branch income of local companies is subject to income tax. Foreign tax credit is available.

Domestic branch income

Calculated under ordinary rules.

Corporate tax rate

35%. Dividends paid exceeding net taxable income are subject to an additional 35% income tax withholding.

9 Other tax features

Premium taxes

Taxation

There are other premium taxes (e.g. VAT, stamp tax, excise tax, turnover tax, National Insurance Superintendency tax and fire dept. contribution).

Capital taxes

Minimum Notional Income tax at 1% rate applicable on 20% of assets (only when such tax amount exceeds income tax).

Captive insurance companies

N/A.

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Argentina – Life Insurance

1 Definition	Accounting	Taxation
Definition of life assurance companies	A company that carries on life insurance business and to which specific regulations apply.	Insurance that covers death risk and endowment (special treatment only for VAT purposes).
2 Commercial accounts/ Tax and Regulatory returns	Accounting	Taxation
Basis for the company's commercial accounts	GAAP and specific standards stated by the Regulatory Authority (National Insurance Superintendency).	Taxation based on statutory accounts.
Regulatory return	The National Insurance Superintendency requires the following separate returns: - Annually: statutory account (subject to full opinion) report to management plus other quarterly information (see below); - Quarterly: statutory accounts (with limited review report), solvency requirements (including attestation report), technical reserves coverage, statement of coverage for due liabilities and claims payable (including attestation report) and other detailed statistical information.	No additional requirements.
Tax return	N/A.	- Annually: Income Tax and Minimum Notional Income Tax returns. - Monthly: VAT and Turnover Tax returns.

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Argentina – Life Insurance (continued)

3 General approach to calculation of income	Accounting	Taxation
Allocation of income between shareholders and policyholders	Separate accounting, for policyholder and shareholder profits, within statutory accounts.	Follows accounting treatment.
4 Calculation of investment return	Accounting	Taxation
Calculation of investment income and capital gains	Gains and losses on investments (plus dividends and interest are taken to P&L).	Follows accounting treatment.
■ Calculation of underwriting profits or total income	Accounting	Taxation
Actuarial reserves	Calculated in accordance with the technical notes of each life product. Zillmer methods are not allowed.	Follows accounting treatment (assuming it is based on N.I.S. rules).
Acquisition expenses	Deductible immediately or spread over five years maximum.	Fully deductible or follows accounting treatment.
Gains and losses on investments	Included in P&L.	Realised gains and losses are included in taxable income. In the case of shares and mutual funds, unrealised gains and losses are not taxable. Warranted loan (government debts) interests are tax-exempt.
Reserves against market losses on investments	Unrealised losses on investments are recognised in P&L.	Allowed only when reflecting market value of government bonds and other investments included above.



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Argentina – Life Insurance (continued)

Dividend income	Insurance companies may make permanent investments, subject to certain restrictions.	Dividend income for local corporations not taxable.
Policyholder bonuses	Included as an expense in the technical account.	Follows accounting treatment.
Other special deductions	None.	Deductible when accrued or paid, according to tax legislation in force.
6 Reinsurance Reinsurance	Accounting Deducted from gross premiums.	Taxation Follows accounting treatment.
7 Mutual companies/ Stock companies	Accounting No special rules.	Taxation Special entities called ‘cooperativas’ and ‘mutuales’ are income-tax-exempt (provided that they comply with certain regulations).

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Argentina – Other tax features

8 Further corporate tax features

Loss carry-overs

Taxation

Five year carry-forward.

Foreign branch income

Foreign branch income of local insurance companies is subject to income tax.

Foreign tax credit is available.

Domestic branch income

Calculated under ordinary rules.

Corporate tax rate

35%. Dividends paid exceeding net taxable income are subject to an additional 35% income tax withholding.

9 Policyholder taxation

Deductibility of premiums

Taxation

Deductible up to annual limit stated by law.

Interest build-up

Not taxable.

Proceeds during lifetime

Early settlement of policies involves a settlement cost.

The benefit received by the payee is subject to income tax on receipt.

Proceeds on death

Exempt.

10 Policyholder taxation

Premium taxes

Taxation

There are other premium taxes such as: Turnover tax and Stamp tax.

Capital taxes

Personal Asset tax exempt.

Captive Insurance companies

N/A.



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