



POLAND

International Comparison of Insurance Taxation

October 2007



POLAND

International Comparison of Insurance Taxation

October 2007

Poland – General Insurance

1 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. Ministry of Finance permit required.	The Insurance Act definition controls as there is no tax definition.
2 Commercial Accounts/ Tax and Regulatory Returns	Accounting	Taxation
Basis for the company's commercial accounts	Prescribed by accounting rules legislated for insurance industry.	Based on commercial accounts.
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.</p> <p>Under certain conditions, the simplified method of tax settlements may be applied:</p> <ul style="list-style-type: none"> no monthly tax returns 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 a basis); annual adjusting tax reconciliation required.

POLAND

International Comparison of Insurance Taxation

October 2007

Poland – General Insurance (continued)

3 Technical Reserves/ Equalisation Reserves	Accounting	Taxation
Unearned premiums reserve (UPR)	Regulated by accounting rules specific to insurance industry. Generally calculated on an individual basis. Premiums related to future accounting periods are deferred.	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/catastrophe reserves	Prescribed for certain classes of business and calculated on specific insurance accounting rules.	Allowed on basis of accounting treatment.

POLAND

International Comparison of Insurance Taxation

October 2007

Poland – General Insurance (continued)

4 Expenses/Refunds

Acquisition expenses

Accounting

Fully charged in year incurred. Deferred by recognition of deferred acquisition costs (DAC) asset.

Taxation

No clear rules due to the recent amendment of law in this scope. Generally, 'direct' acquisition expenses are allowed in the year when incurred and properly documented, or in the previous year. Indirect' acquisition expenses are allowed in the year when incurred and properly documented, or recognised over time (depending on their nature). Accruals for acquisition costs constitute, as a rule, 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.

In general, follows accounting treatment.

5 Investments

Gains and losses on investments

Accounting

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).

Taxation

Realised gains and losses are included in taxable income.

Investment reserves

Movements taken to reserves.

Disallowed.



POLAND

International Comparison of Insurance Taxation

October 2007

Poland – General Insurance (continued)

<p>5 Investment income</p>	<p>Included in P&L account.</p>	<p>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 receives no tax credit.</p>
<p>6 Reinsurance Reinsurance premiums and claims</p>	<p>Accounting Premiums deducted from gross premiums.</p>	<p>Taxation No clear rules due to recent amendment of law in this scope. 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.</p>
	<p>The balance sheet reflects the reinsurers' share in reserves as negative balances. The reinsurance impact on claims is netted in technical accounts with gross payments.</p>	<p>Follows accounting treatment.</p>
<p>7 Mutual companies Mutual companies (all profits returned to members)</p>	<p>Accounting As defined in insurance legislation.</p>	<p>Taxation Generally, same rules as for other entities.</p>



POLAND

International Comparison of Insurance Taxation

October 2007

Poland – Other Tax Features

8 Further corporate tax features

Loss carry-overs

Taxation

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%.

9 Other tax features

Premium taxes

Taxation

N/A.

Capital taxes

Capital contributions and share issues are subject to 0.5% civil law activities tax.

Captive insurance companies

No special rules.

POLAND

International Comparison of Insurance Taxation

October 2007

Poland – Life Insurance

1 Definition Definition of Life Assurance companies	Accounting An entity carrying out life insurance activities as defined in the Act on Insurance Activities. Ministry of Finance permit is required.	Taxation The Insurance Act definition controls as there is no tax definition.
2 Commercial Accounts/ Tax and Regulatory Returns Basis for the company's commercial accounts	Accounting Prescribed by accounting rules legislated for insurance industry.	Taxation 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 comments for general insurance companies.
3 General approach to calculation of income Allocation of income between shareholders and policyholders	Accounting 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 general account.	Taxation Follows accounting – no specific tax rules.
4 Calculation of investment return Calculation of investment income and capital gains	Accounting 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).	Taxation Taxable when earned – interest when received. Dividends are not included in the tax base, but the insurance company must withhold tax at 19% (unless a participation exemption is appropriate) and receives no tax credit.

POLAND

International Comparison of Insurance Taxation

October 2007

Poland – Life Insurance (continued)

5 Calculation of underwriting profits or total income	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 deferred acquisition costs (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 realised.
Reserves against market losses on investments	N/A.	Disallowed.
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.
Policyholder bonuses	Covered by policyholder bonuses reserve.	Follows accounting treatment.
Other special deductions	No other significant special deductions.	N/A.



POLAND

International Comparison of Insurance Taxation

October 2007

Poland – Life Insurance (continued)

6 Reinsurance

Reinsurance

Accounting

Premiums deducted from gross premiums, and claims netted similarly.

Taxation

See comments for general insurance companies.

7

Mutual companies/Stock companies

Mutual companies

Accounting

As defined in insurance legislation.

Taxation

Generally, same rules as for other entities.



POLAND

International Comparison of Insurance Taxation

October 2007

Poland – Other Tax Features

8 Further corporate tax features

Loss carry-overs

Taxation

Five-year carry-forward (up to 50% in any one year allowed).

No carry-back.

Foreign branch income

Same rules apply as for general insurer.

Domestic branch income

Same rules apply as for general insurer. One branch operates in Poland so far.

Corporate tax rate

19%.

9 Policyholder taxation

Deductibility of premiums

Taxation

Non 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.



POLAND

International Comparison of Insurance Taxation

October 2007

10 Other tax features

Premium taxes

Taxation

None.

Capital taxes

Capital contributions and share issues are subject to 0.5% civil law activities tax.

Captive insurance companies

No specific rules.



POLAND

International Comparison of Insurance Taxation

October 2007

Contact information

▶ **Jakub Żak**

PricewaterhouseCoopers Sp. z o.o.

Al. Armii Ludowej 14

00-638 Warsaw

Poland

tel: (48) (22) 523 4792

e-mail: jakub.zak@pl.pwc.com