



Chile

International Comparison of Insurance Taxation* May 2009

Chile – General Insurance

Definition	Accounting	Taxation
Definition of property and casualty insurance company	General insurance company is approved by SVS and cannot be mixed with life insurance.	Not defined by tax legislation.
Commercial Accounts/Tax and Regulatory Returns	Accounting	Taxation
Basis for the company's commercial accounts	Generally accepted accounting principles (GAAP) in Chile and regulatory rules issued by a government agency (Superintendencia de Valores y Seguros [SVS]).	Taxation principles are applicable.
Regulatory return	A separate quarterly return as required by the government agency – SVS.	N/A.
Tax return	N/A.	Normal tax return must be filed annually. There are also other annual tax reporting obligations.
Technical Reserves/Equalisation Reserves	Accounting	Taxation
Unearned premiums reserve (UPR)	Calculated on 80% of the net unearned premium and the 1/24th method is used.	Allowed as per accounts.
Unpaid claims reported	Calculated on case-by-case basis.	Accounts provision allowed.
Claims incurred but not reported (IBNR)	Calculated based on experience or statistical method.	Allowed as a deduction.
Unexpired risks	Calculated on statistical basis.	Tax-deductible in accordance with accounting rules.
General contingency/solvency reserves	N/A.	Not allowed.
Equalisation reserves	Calculated in accordance with SVS rules.	Allowed as a deduction.
Expenses/Refunds	Accounting	Taxation
Acquisition expenses	Fully charged in the year incurred.	Allowed when incurred.
Loss adjustment expenses on unsettled claims (claims handling expenses)	Accrued on the basis of adjuster's report.	Allowed.
Experience-rated refunds	Credited when earned.	Taxed when taken to profit and loss (P&L) account.

Chile - General Insurance (continued)

Investments	Accounting	Taxation
Gains and losses on investments	Fluctuations in value are included in P&L, except for fixed interest securities, where adjustments are taken to equity.	Realised gains and losses are included in taxable income. Chilean-source dividends are exempt. Investments in mutual funds and investment funds are generally taxed upon redemption. Different valuation methods exist for securities and investments in other companies.
Investment reserves	Stocks valued at market value. Other investments valued at lower of cost or market value.	Not allowed. Investments are recognised at historical basis as adjusted for inflation.
Investment income	Included in P&L, except as described above.	Included in taxable income. Chilean-source dividends are exempt.
Reinsurance	Accounting	Taxation
Reinsurance premiums and claims	Premiums paid/payable are deducted from gross premiums.	Follows accounting treatment.
Mutual Companies	Accounting	Taxation
Mutual companies (All profits returned to members)	N/A.	N/A.

Chile – General Insurance - Other Tax Features

Further corporate tax features	Taxation
Loss carry-overs	Indefinite carry-forward and carry-back against ordinary taxable income.
Foreign branch income	Income taxed in accordance with Chilean ordinary rules. Effective from 1 January 2007, tax credit for foreign tax paid is applied up to 30% for both non-treaty and treaty countries. Exemption is applied under Double Taxation Treaty with Argentina. Under Chilean legislation, however, it appears that a Chilean insurance company cannot have a foreign branch.
Domestic branch income	Calculated under ordinary rules.
Corporate tax rate	17%. This corporate tax is credited against dividends tax when profits are distributed to shareholders.
Other tax features	Taxation
Premium taxes	19% VAT on premiums. Exemption for import and export transport, earthquake, reinsurance and airline companies.
Capital taxes and taxes on securities	N/A.
Captive insurance companies	Chile is not a low-tax jurisdiction for captive insurance companies.

Chile – Life Insurance

Definition	Accounting	Taxation
Definition of Life Assurance companies	A life insurance company is approved by the SVS and cannot be mixed with general insurance.	Not defined by tax legislation.
Commercial Accounts/Tax and Regulatory Returns	Accounting	Taxation
Basis for the company's commercial accounts	GAAP in Chile and regulatory rules issued by a government agency: (Superintendencia de Valores y Seguros [SVS]).	Taxation principles are applicable.
Regulatory return	A separate quarterly return as required by the government agency, SVS.	N/A.
Tax return	N/A.	Normal tax return must be filed annually. There are also other annual tax reporting obligations.
General approach to calculation of income	Accounting	Taxation
Allocation of income between shareholders and policyholders	Yes.	N/A.
Calculation of investment return	Accounting	Taxation
Calculation of investment income and capital gains	Realised gains and losses on investments plus dividends and interest are taken to P&L.	Realised gains and losses on investments are included in taxable income. Chilean-source dividends are exempt. Investments in mutual funds and investment funds are generally taxed upon redemption. Different valuation methods exist for securities and investments in other companies.
Calculation of underwriting profits or total income	Accounting	Taxation
Actuarial reserves	Calculated in accordance with regulatory norms.	Allowed as a deduction.
Acquisition expenses	Expensed immediately.	Allowed as a deduction.
Gains and losses on investments	Realised gains and losses included in P&L.	Taxed when realised. Chilean-source dividends are exempt. Investments in mutual funds and investments funds are generally taxed upon redemption.
Reserves against market losses on investments	P&L accounts.	Not allowed for tax.
Dividend income	Included in income.	Exempt if paid by a resident company.
Policyholder bonuses	N/A.	N/A.
Other special deductions	N/A.	N/A.
Reinsurance	Accounting	Taxation
Reinsurance premiums and claims	Deducted from gross premiums when paid.	Follows taxation principles. Reinsurance with a foreign company is generally subject to a withholding tax of 2%.
Mutual companies/Stock companies	Accounting	Taxation
Mutual Companies	N/A.	N/A.

Chile – Life Insurance - Other Tax Features

Further corporate tax features	Taxation
Loss carry-overs	Indefinite carry-forward against any taxable income.
Foreign branch income	Income taxed according to Chilean ordinary rules. Effective from 1 January 2007, tax credit for foreign tax paid is applied up to 30% for both non-treaty and treaty countries. Exemption is applied under Double Taxation Treaty with Argentina. Under Chilean legislation, however, it appears that a Chilean insurance company cannot have a foreign branch.
Domestic branch income	Calculated under ordinary rules.
Corporate tax rate	17%. When profits are distributed to shareholders the corporate tax is applied as credit on dividends tax.
Policyholder taxation	Taxation
Deductibility of premiums	Not deductible. In certain cases, a 35% tax is imposed.
Interest build-up	Not taxed if certain conditions are met.
Proceeds during lifetime	Not taxed if certain conditions are met.
Proceeds on death	Not taxed if certain conditions are met.
Other tax features	Taxation
Premium taxes	There are no specific taxes on insurance premiums.
Capital taxes and taxes on securities	None.
Captive Insurance companies	N/A.



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