



# Finland

## International Comparison of Insurance Taxation\*

May 2009

### Finland – General Insurance

Definition	Accounting	Taxation
Definition of property and casualty insurance company	A company to which insurance legislation applies.	Not separately defined in the tax legislation.
Commercial Accounts/Tax and Regulatory Returns	Accounting	Taxation
Basis for the company's commercial accounts	Finnish accounting standards for an insurance company as set out in Accounting Act, Insurance Company Law and the regulations of both the Ministry of Social Affairs and Health, and The Insurance Supervision Authority. In addition the Accounting Board has issued advisory opinions and general instructions affecting an insurance company.	The amount of taxable income is determined on the basis of the Business Income Tax Act. The calculation is based on the statutory accounts in which certain adjustments may be made.
Regulatory return	Separate returns as required by the Ministry of Social Affairs and Health, and The Insurance Supervision Authority.	N/A.
Tax return	N/A.	A separate return annually as required by the tax authorities.
Technical Reserves/ Equalisation Reserves	Accounting	Taxation
Unearned premiums reserve (UPR)	Calculated by time apportionment (pro rata method).	As per accounts.
Unpaid claims reported	Calculated on case-by-case basis. Discounting allowed for long-term reserves (over four years).	As per accounts.
Claims incurred but not reported (IBNR)	Calculated based on experience or statistical method.	As per accounts.
Unexpired risks	Calculated on a statistical basis.	As per accounts.
General contingency/solvency reserves	N/A.	N/A.
Equalisation reserves	Set by actuary and pre-confirmed by The Insurance Supervision Authority.	As per accounts.
Expenses/Refunds	Accounting	Taxation
Acquisition expenses	Expensed in year incurred or capitalised as a reduction in premium reserve.	Generally as per accounts.
Loss adjustment expenses on unsettled claims (claims handling expenses)	Provision made and included in claim reserve.	As per accounts.
Experience-rated refunds	Credited when earned.	As per accounts.

## Finland - General Insurance (continued)

Investments	Accounting	Taxation
Gains and losses on investments	All investments are valued at lower of cost or market value; however, some investments (such as financial instruments and real estate) can be valued at their fair market value. Revaluation allowed.	Gains and losses are generally taken to P&L as per accounts.
Investment reserves	N/A.	N/A.
Investment income	Realised and unrealised gains and losses are taken to P&L.	As per accounts. However, certain exceptions apply, e.g. 75% of dividend income is typically taxable and 25% is tax exempt.

Reinsurance	Accounting	Taxation
Reinsurance premiums and claims	Premiums paid/payable are deducted from gross premiums. Claims recoveries are netted in the profit and loss (P&L) account against claims paid/payable.	Generally as per accounts.

Mutual Companies	Accounting	Taxation
Mutual companies (All profits returned to members)	No special treatment.	Generally no special treatment.

## Finland – General Insurance - Other Tax Features

Further corporate tax features	Taxation
Loss carry-overs	Ten year carry-forward against other business income.
Foreign branch income	Taxable, but the foreign tax is generally credited against the Finnish tax on the same income.
Domestic branch income	Calculated under ordinary rules.
Corporate tax rate	For 2009: 26%

Other tax features	Taxation
Premium taxes	<p>Insurance premium tax of 22% (net of tax, payable monthly) is imposed on insurance premiums when the insured property or other insured interest is situated in Finland, or the insured interest is related to activity conducted in Finland.</p> <p>A Finnish or a foreign EEA insurance company has to register for the insurance premium tax in Finland if the insurances are subject to tax in Finland. Otherwise, the policyholder, who has signed the insurance contract with the insurance company, is liable to register for insurance premium tax in Finland. However, some insurance is exempt, e.g. personal insurance, credit insurance, reinsurance, and international transport (relates to export, import or transit of goods).</p> <p>Fire protection premium (3%) is paid on any movable or immovable property covered by fire insurance in Finland. Fire protection premium does not apply to assumed reinsurance business or to insurance against fire risk that has been granted as part of voluntary motor vehicle insurance, cargo insurance or animal insurance. Anyone carrying out insurance business in Finland is liable to pay the fire protection premium. A foreign EEA insurer, providing insurance services in Finland on the basis of freedom of services, must have a representative domiciled in Finland for the payment of the fire protection premium.</p>
Capital taxes and taxes on securities	N/A. Transfer tax may be payable under certain conditions.
Captive insurance companies	Generally taxable under controlled foreign company rules, subject to exemptions.

# Finland – Life Insurance

Definition	Accounting	Taxation
Definition of Life Assurance companies	A company to which insurance legislation applies.	Not separately defined in the tax legislation.
Commercial Accounts/Tax and Regulatory Returns	Accounting	Taxation
Basis for the company's commercial accounts	Finnish accounting standards for an insurance company as set out in Accounting Act, insurance company law and the regulations of both the Ministry of Social Affairs and Health, and The Insurance Supervision Authority. In addition, the Accounting Board has issued advisory opinions and general instructions affecting an insurance company.	The amount of taxable income is determined on the basis of the Business Income Tax Act. The calculation is based on the statutory accounts in which certain adjustments may be made.
Regulatory return	Separate returns as required by the Ministry of Social Affairs and Health, and The Insurance Supervision Authority.	N/A.
Tax return	N/A.	A separate annual return as required by the tax authorities.
General approach to calculation of income	Accounting	Taxation
Allocation of income between shareholders and policyholders	P&L shows the annual income for shareholders. Income for policyholders is calculated on an actuarial basis, included in actuarial reserves and discussed in notes.	As per accounts.
Calculation of investment return	Accounting	Taxation
Calculation of investment income and capital gains	Realised and unrealised gains and losses are taken to P&L.	Generally as per accounts.
Calculation of underwriting profits or total income	Accounting	Taxation
Actuarial reserves	Net method used.	As per accounts.
Acquisition expenses	Recognised in year incurred or capitalised as a reduction in premium reserve.	As per accounts.
Gains and losses on investments	All investments valued at lower of cost or market value. Revaluation is allowed. All gains and losses taken to P&L. However, some investments (such as financial instruments and real estates) can be valued at their fair market value.	Gains and losses are generally taken to P&L as per accounts.
Reserves against market losses on investments	N/A.	N/A.
Dividend income	Gross amount of dividend included in income.	As per accounts. However, certain exceptions apply, e.g. 75% of dividend income is typically taxable and 25% tax exempt.
Policyholder bonuses	Included in actuarial reserves.	N/A.
Other special deductions	N/A.	N/A.
Reinsurance	Accounting	Taxation
Reinsurance premiums and claims	Premiums paid/payable are deducted from gross premiums. Claims recoveries are netted in the P&L account against claims paid/payable.	Generally as per accounts.
Mutual companies/Stock companies	Accounting	Taxation
Mutual Companies	No special treatment.	Generally no special treatment.

## Finland – Life Insurance - Other Tax Features

Further corporate tax features	Taxation
Loss carry-overs	Ten year carry-forward against other business income.
Foreign branch income	Taxable, but the foreign tax is generally credited against the Finnish tax on the same income.
Domestic branch income	Calculated under ordinary rules.
Corporate tax rate	For 2009: 26%
Policyholder taxation	Taxation
Deductibility of premiums	Limited.
Interest build-up	Not taxable.
Proceeds during lifetime	Taxable earned income or capital income depending on several issues.
Proceeds on death	Not taxable income for close relatives. If not taxable in the income taxation the proceeds are subject to inheritance taxation. However, certain exemptions up to certain amounts may be available.
Other tax features	Taxation
Premium taxes	Life assurance and pension insurance are not subject to insurance premium tax.
Capital taxes and taxes on securities	N/A. Transfer tax may be payable under certain conditions.
Captive insurance companies	Taxable under controlled foreign company rules subject, to exemptions.



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