



Vietnam

International Comparison of Insurance Taxation*
May 2009

Vietnam – General Insurance

Definition	Accounting	Taxation
Definition of property and casualty insurance company	No separate definition. Based on the Law on Insurance, non-life insurance means the types of insurance products being property insurance, civil liability insurance and other insurance products which are not life insurance.	No separate definitions.
Commercial Accounts/Tax and Regulatory Returns	Accounting	Taxation
Basis for the company's commercial accounts	Vietnamese accounting standard (VAS). Chart of accounts and template for the Financial statements for insurance companies regulated under the Decision 150/2001/QD-BTC dated 21 December 2001 and Decision 1296/TC/QD-CDKT dated 31 December 1996. Decree 46/2007/ND-CP dated 27 March 2007 and Circular No. 156/2007 dated 20 Dec 2007 on financial regime applicable to insurers and insurance brokers.	Taxation is based on commercial accounts, as adjusted according to tax legislation.
Regulatory return	The insurer must file the following reports to the Ministry of Finance (MoF): - Annual Financial statements; - Statistics report and professional reports on a monthly, quarterly and annual basis.	N/A.
Tax return	N/A.	Quarterly provisional returns: within 30 days from the tax quarter end. Annual return: within 90 days from the tax year end.
Technical Reserves/Equalisation Reserves	Accounting	Taxation
Unearned premiums reserve (UPR)	UPR is calculated according to one of the following methods: - percentage of total premiums; - on a daily basis; - a coefficient of the term of insurance contract (1/8, 1/24).	Generally allowed in full if according to Circular No.156/2007.
Outstanding claim reserves/Case reserves/Unpaid claims reserves	Calculated on a case by case based on the claim for which the insurer is liable and notified or made but unpaid at year end.	Generally allowed in full if according to Circular No.156/2007.

Vietnam - General Insurance (continued)

Technical Reserves/Equalisation Reserves [Continued]	Accounting [Continued]	Taxation [Continued]
Incurred but not reported reserves (IBNR)	Loss triangle method; OR follow the formula below- = (Total indemnity for claims unmade at the end of the last three consecutive fiscal years) divided by (Total indemnity for losses arising in the last three consecutive fiscal years) x Indemnity for losses arising in the current fiscal year x (Net revenue from business operations of the current fiscal year) divided by (Net revenue from insurance business operations of the previous fiscal year) x (Average delay in making claims of current fiscal year) divided by (Average delay in making claims of previous fiscal year).	Generally allowed in full if according to Circular No.156/2007.
Unexpired risks	Not stipulated.	Generally, not tax-deductible.
General contingency/solvency reserves	Not stipulated.	Generally, not tax-deductible.
Equalisation/catastrophe reserves	To be made annually until the balance in the reserve is equal to 100% of premiums actually retained in the fiscal year of the Insurer. Contributions made annually shall be from 3 to 5 % of premiums actually retained.	Generally allowed in full if according to Circular No.156/2007.
Expenses/Refunds	Accounting	Taxation
Acquisition expenses	Direct and indirect cost arising from the conclusion of insurance contracts must be deducted in year incurred.	Generally tax deductible immediately.
Loss adjustment expenses on unsettled claims (claims handling expenses)	Recorded on an accrual basis.	Generally tax deductible immediately.
Experience-rated refunds	Not stipulated.	Not stipulated.
Investments	Accounting	Taxation
Gains and losses on investments	Included in P&L on accrual basis.	Realised investment gains/losses are included in taxable income.
Investment reserves	From reserves: - Investments from owner's capital; - Idle capital from insurance reserves; - Other reserves. Only permitted to use the above reserves within a limitation to invest in specific fields.	There is no specific regulation. Generally, reserves are from profit after tax, except specific reserves mentioned above.
Investment income	Included in income.	Investment income is included in taxable income when earned, except for exempted income stipulated in tax regulations.
Reinsurance	Accounting	Taxation
Reinsurance premiums and claims	Premiums ceded are deductible to the gross written premiums, net of UPR. Premiums assumed added to gross written premiums Reserves set up at end of year is stated net of amount reinsured. Claim recovered from outward reinsurance is deducted from claim paid amount.	Taxable/deductible when earned/incurred.
Mutual Companies	Accounting	Taxation
Mutual companies (All profits returned to members)	N/A.	N/A.

Vietnam – General Insurance - Other Tax Features

Further corporate tax features	Taxation
Loss carry-overs	Tax losses can be carried forward to offset taxable profit of subsequent years for a maximum period of 5 years. No carry back is allowed.
Foreign branch income	Generally, taxable. The tax paid overseas is creditable.
Domestic branch income	Calculated under ordinary tax rules. Income of dependent branches is taxed together with income of head office. Independent branch income is taxed separately from head office income.
Corporate tax rate	Common tax rate is 25%.

Other tax features	Taxation
Premium taxes	None
Capital taxes and taxes on securities	No general capital taxes for the policy holder/insurer.
Captive insurance companies	N/A.

Vietnam – Life Insurance

Definition	Accounting	Taxation
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Definition of Life Assurance companies	Based on the Law on Insurance, life insurance means types of insurance products related to the life or death of an insured person.	No separate definition.
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Commercial Accounts/Tax and Regulatory Returns	Accounting	Taxation
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Basis for the company's commercial accounts	Vietnamese accounting standard (VAS). Chart of accounts and template for the Financial statements for insurance companies regulated under the Decision 150/2001/QD-BTC dated 21 December 2001 and Decision 1296/TC/QD-CDKT dated 31 December 1996. Decree 46/2007/ND-CP dated 27 March 2007 and Circular No. 156/2007 dated 20 Dec 2007 on financial regime applicable to insurers and insurance brokers.	Taxation is based on commercial accounts, as adjusted according to tax legislation.
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Regulatory return	The insurer must file the following reports to the Ministry of Finance (MoF): - Annual financial statements; - Annual statement of operation of Universal Life Fund (if any); - Annual statement of split Fund; - Statistics report and professional reports on a monthly, quarterly, annual basis.	N/A.
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Tax return	N/A.	- Quarterly provisional returns: within 30 days from the tax quarter end. - Annual return: within 90 days from the tax year end.
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General approach to calculation of income	Accounting	Taxation
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Allocation of income between shareholders and policyholders	Any transaction regarding the assets, capital sources, revenue or expenses directly relating to any one fund shall be recorded separately for such fund. The appointed actuary of the insurance enterprise shall be responsible to ensure that transactions which relate to a number of funds shall be collated and allocated to each fund on a fair and appropriate basis. An enterprise must confirm and register with the Ministry of Finance its principles for allocation, prior to applying them. The Ministry of Finance must provide approval to any changes in these principles. Statement of a split fund should be audited.	No specific regulations.
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Calculation of investment return	Accounting	Taxation
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Calculation of investment income and capital gains	Same as for general insurance.	Same as for general insurance.
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Vietnam – Life Insurance (continued)

Calculation of underwriting profits or total income	Accounting	Taxation
Actuarial/Mathematical reserves	Shall be in accordance with the net premium valuation method adjusted by the Zillmer coefficient of 3% of insured sums. The adjusted net premium used to calculate this reserve must not be higher than 90% of premiums actually collected.	Generally allowed in full if according to Circular No. 156/2007.
Acquisition expenses	Direct and indirect cost arising from the conclusion of insurance contracts must be deducted in year incurred.	Generally tax deductible immediately.
Gains and losses on investments	Included in P&L on accrual basis.	Realised investment gains/losses are included in taxable income.
Reserves against market losses on investments	Not stipulated. Normally, should follow current guidance/regulation of MoF issued to other companies in Vietnam.	Generally, not tax-deductible if not following the guidance of MoF.
Dividend income	No specific treatment. Normally should follow current guidance/regulation of MoF issued to other companies in Vietnam.	Dividends are generally subject to tax, except for dividends from domestic enterprises are tax exempt.
Policyholder bonuses	No specific treatment.	No specific treatment.
Other special deductions	N/A.	N/A.
Reinsurance	Accounting	Taxation
Reinsurance premiums and claims	Same as for general insurance	Taxable/deductible when earned/incurred.
Mutual companies/Stock companies	Accounting	Taxation
Mutual companies (All profits returned to members)	N/A.	N/A.

Vietnam – Life Insurance - Other Tax Features

Further corporate tax features	Taxation
Loss carry-overs	Tax losses can be carried forward to offset taxable profit of subsequent years for a maximum period of 5 years. No carry back is allowed.
Foreign branch income	Generally, taxable. The tax paid overseas is creditable.
Domestic branch income	Calculated under ordinary rules. Income of dependent branches is taxed together with income of head office. Independent branch income is taxed separately from head office income.
Corporate tax rate	Common tax rate is 25%.
Policyholder taxation	Taxation
Deductibility of premiums	Not deductible.
Interest build-up	Exempted.
Proceeds during lifetime	Exempted.
Proceeds on death	Exempted.
Other tax features	Taxation
Premium taxes	None
Capital taxes and taxes on securities	No general capital taxes for the policy holder/insurer.
Captive insurance companies	N/A.



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