



# SWITZERLAND

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International Comparison of Insurance Taxation

March 2007



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## International Comparison of Insurance Taxation

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### Switzerland – General Insurance

<b>1 Definition</b> Definition of property and casualty insurance company	<b>Accounting</b> A company to which property and casualty insurance legislation applies.	<b>Taxation</b> Not defined by tax legislation.
<b>2 Commercial Accounts/ Tax and Regulatory Returns</b> Basis for the company's commercial accounts	<b>Accounting</b> Swiss generally accepted accounting principles (GAAP) as set out in the Swiss Federal Code of Obligations. Swiss Accounting and Reporting Recommendations (issued by Foundation for Accounting and Reporting Recommendations) and other international standards are mandatory for quoted companies. Beginning 2005, IFRS/US GAAP have been mandatory for companies quoted on the main trading segment of SWX.	<b>Taxation</b> Based on statutory accounts.
Regulatory return	A separate return as issued by the Regulatory Authorities (Federal Office of Private Insurance FOPI/Bundesamt für Privatversicherungen BPV).	N/A.
Tax return	N/A.	A separate annual return as required by the tax authorities.

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### Switzerland – General Insurance (continued)

<b>3 Technical Reserves/ Equalisation Reserves</b>	<b>Accounting</b>	<b>Taxation</b>
Unearned premiums reserve (UPR)	Calculated by time appointment (e.g. pro rata, 1/24th) or risk-based.	Allowed as per statutory accounts.
Unpaid claims reported	Calculated on case-by-case or lump-sum basis. Discounting not required (and rarely used) except for annuities in accident insurance.	Accounts provision allowed in full, by case basis, or by statistical estimate.
Claims incurred but not reported (IBNR)	Calculated based on experience or statistical method.	Accounts provision allowed in full for the statistical estimate.
Unexpired risks	Calculated on a statistical basis.	Tax deductible in accordance with accounting rules.
General contingency/solvency reserves	Set by management.	Allowed as per statutory accounts.
Equalisation reserves	No calculation is mandatory.	Allowed as per statutory accounts.
<b>4 Expenses/Refunds</b>	<b>Accounting</b>	<b>Taxation</b>
Acquisition expenses	Fully charged in year incurred.	According to the statutory accounts.
Loss adjustment expenses on unsettled claims (claims handling expenses)	Provided by reference to claims reserves, including IBNR. No rules are defined for the calculation.	Allowed when provided.
Experience-rated refunds	Credited when earned.	According to the statutory accounts.



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### Switzerland – General Insurance (continued)

#### 5 Investments

Gains and losses on investments

#### Accounting

Generally, unrealised gains are taken to provision.

Realised gains and realised and unrealised losses are included in profit and Loss (P&L).

#### Taxation

Realised gains and losses are included in taxable income.

Gains on qualifying investments are eligible for the participation exemption.

Unrealised losses are tax deductible.

Investment

Generally, investments are valued at lower of cost or market value for statutory account purposes (non-consolidated). Bonds are valued at amortised cost. Under company law, quoted securities can be valued at market value for statutory accounts purposes. For consolidated accounts market values are generally used.

According to statutory accounts. In some cantons investments can be depreciated even if the fair market value is higher.

Investment income

Statutory accounts: included in P&L, including 'unrealised' capital gains (where equity securities are valued at market value).  
Consolidated accounts: included in P&L.  
Unrealised gains taken to reserves.

Included in taxable income. The participation exemption applies to qualifying.



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### Switzerland – General Insurance (continued)

#### 6 Reinsurance

Reinsurance premiums and claims

#### Accounting

Premiums paid/payable are deductible from gross premiums, which are then netted in P&L account against claims paid/payable (netting is allowed, not mandatory).

#### Taxation

Follows accounting treatment. Premiums paid to group company should be at arm's length.

#### 7 Mutual Companies

Mutual companies (All profits returned to members)

#### Accounting

No special treatment.

#### Taxation

No special treatment.



# SWITZERLAND

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### Switzerland – Other Tax Features

#### 8 Further corporate tax features

Loss carry-overs

#### Taxation

Federal taxes and all cantonal/communal income taxes: seven year carry-forward is available.

Foreign branch income

Exempt if there is permanent establishment according to Swiss internal law. Calculation of exempt profit under the direct or indirect method.

Domestic branch income

Calculated under ordinary rules based on branch accounts (direct method) or according to premium income (indirect method: split of profit between branch and head office according to premium income).

Corporate tax rate

Depending on the canton, between 13% (Canton of Obwalden) and 29% (Canton of Grisons).

Captive insurance companies

For Swiss captives special tax treatment may be available (mixed domiciliary company): reduced income (8% to 12%) and reduced annual capital tax rates.



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### Switzerland – Other Tax Features *(continued)*

#### 9 Other tax features

Premium taxes

#### Taxation

5% of cash premiums if Swiss licensed insurer is involved and the contract belongs to its Swiss business, or if the contract is concluded by a Swiss counterparty.

2.5% of life insurance policies with a single-premium payment.

Exempt: reinsurance, other life, sickness, disability and transport insurance, and risks located outside Switzerland (applies to risks of tangible goods only).

VAT

Insurance and reinsurance business (including real brokerage) is VAT-exempt, respective input VAT is not recoverable (Swiss and foreign turnover).

Other services (management, IT, loss adjuster, recharges of costs, trademark, etc.) are subject to VAT – as turnover or as acquisition from abroad (reverse charge).

Capital taxes and taxes on securities

Annual capital tax rates range from 0.07% to 0.6% depending on the canton, and is paid annually based on the company's equity.

1% issuance stamp tax on contributions to share capital and reserves.  
0.06%/0.12% issuance stamp tax per year on the issuance of bonds and similar instruments.

Securities transfer stamp tax of 0.15% on domestic and 0.3% on foreign securities.



# SWITZERLAND

## International Comparison of Insurance Taxation

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### Switzerland – Life Insurance

<b>1 Definition</b> Definition of Life Assurance companies	<b>Accounting</b> A company that carries on life insurance business and to which specific regulations apply.	<b>Taxation</b> Not defined by tax legislation.
<b>2 Commercial Accounts/ Tax and Regulatory Returns</b> Basis for the company's commercial accounts	<b>Accounting</b> See General insurance.	<b>Taxation</b> Based on statutory accounts.
Regulatory return	See General insurance.	N/A.
Tax return	N/A.	A separate annual return as required by the tax authorities.
<b>3 General approach to calculation of income</b> Allocation of income between shareholders and policyholders	<b>Accounting</b> No specific regulations exist to allocate risk premium, cost premium and investment income in group life business.	<b>Taxation</b> Policyholders' income is deductible from corporate income.
<b>4 Calculation of investment return</b> Calculation of investment income and capital gains	<b>Accounting</b> Realised gains and realised and unrealised losses on investments plus dividends and interests are taken to P&L. Unrealised gains are generally deferred through a provision.	<b>Taxation</b> See General insurance. Follows accounting rules.  For taxation see General insurance.



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### Switzerland – Life Insurance (continued)

<b>5 Calculation of underwriting profits or total income</b>	<b>Accounting</b>	<b>Taxation</b>
Actuarial reserves	Zillmerisations is not allowed. Activation of non-amortised acquisition cost premium for individual business is allowed; the amount is limited to the surrender charge.	Generally allowed by fiscal authorities.
Acquisition expenses	Deductible immediately.	Tax deductible immediately if recorded in the statutory accounts.
Gains and losses on investments	Generally, unrealised gains are taken to provision. Realised gains and realised and unrealised losses are included in P&L (see General insurance).	See General insurance.
Reserves against market losses on investments	Mark-to-market all investment (see General insurance).	According to statutory accounts.
Dividend income	Included in income.	The participation exemption applies to qualifying dividend income, which reduces the tax burden significantly.
Policyholder bonuses	Deductible. Premiums need not be approved in advance by BPV, but the surrender value must.	Tax deductible.
Other special deductions	None.	N/A.



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## International Comparison of Insurance Taxation

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### Switzerland – Life Insurance *(continued)*

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**6 Reinsurance**

Reinsurance

**Accounting**

The same as in general insurance.

**Taxation**

According to statutory accounts.

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**7 Mutual companies/Stock companies**

Mutual companies

**Accounting**

No special rules.

**Taxation**

No special rules.



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### Switzerland – Other Tax Features

#### 8 Further corporate tax features

Loss carry-overs

#### Taxation

See General insurance.

Foreign branch income

See General insurance.

Domestic branch income

See General insurance.

Corporate tax rate

See General insurance.

#### 9 Policyholder taxation

Deductibility of premiums

#### Taxation

Tax-deductible depending on canton.

Interest build-up

Not taxed.

Proceeds during lifetime

Not taxed if certain conditions are met.

Proceeds on death

Taxable at special rates.

#### 10 Other tax features

Premium taxes

#### Taxation

See General insurance.

VAT

See General insurance.

Capital taxes and taxes on securities

See General insurance.



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### Contact information

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