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International comparison of insurance taxation

Financial services 2011

International comparison of insurance taxation

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Welcome to the 2011 edition of the international comparison of insurance taxation

We have the pleasure in presenting the recently updated survey of the accounting and taxation rules that apply to both life and non-life insurance business around the world. It contains chapters on 20 individual countries, each following a similar format covering both general and life insurance. The intention of this survey is to give an overview of the situation within each country.

Whilst we feel sure that you will find the overview helpful, it is intended only to give an indication of the regime applying within a country. Should you be considering establishing operations within a new jurisdiction, our country experts will be pleased to share their detailed knowledge with you. Contact details can be found for each country at the end of each survey document.

The countries included are:

Austria	Ireland	Russia
Belgium	Italy	South Africa
Denmark	Luxembourg	Spain
Finland	Malta	Switzerland
France	Netherlands	Turkey
Germany	Poland	United Kingdom
India	Portugal	

Many thanks belong to all the partners and managers who have contributed to the survey.

Dieter Wirth
Central Cluster Financial Services Tax Insurance Leader

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Austria

General insurance – overview

Definition	Accounting	Taxation
Definition of property and casualty insurance company	A company to which insurance legislation applies other than life and health insurance.	Not defined by tax legislation.
Commercial accounts/ tax and regulatory returns	**Accounting**	**Taxation**
Basis for the company's commercial accounts	General accounting principles according to Austrian Commercial Code and Austrian Stock Corporation Act as well as special accounting principles in accordance with Insurance Supervisory Act (VAG).	Tax return has to be filed based on the Commercial Code as adjusted for tax purposes. In general, insurance companies are subject to Corporate Income Tax (CIT) with at least 20% of the profit before deduction of premium refunds and allocation to the reserve for premium refunds (minimum tax). This minimum tax generally applies to life, health and accident insurance businesses with premium refund (calculated separately for each division). This provision is not applicable for insurance business where the investment risk is borne by the policyholder (unit-linked insurance business).
Regulatory return	Domestic insurance firms have to hand in following documents within 5 months after the end of the financial year to the Insurance Supervisory Authority (Finanzmarktaufsicht): • long-form audit report • approval of year-end financial statements Within 6 months following documents have to be reported: • certified completed copy of the protocol of the shareholder's meeting concerning the release of managing and supervisory board • proof of the publication of the year-end financial statement The insurance company has to file the long-form report and the proof of the publication of the consolidated year-end financial statement.	N/A.
Tax return	N/A.	CIT return: tax return to be prepared annually. VAT return: tax return to be prepared annually and preliminary tax returns are prepared monthly. For insurance premium tax and fire brigade tax the insurer has to file an annual tax return, but the payments have to be fulfilled on a monthly basis.
Technical reserves/ equalisation reserves	**Accounting**	**Taxation**
Unearned premiums reserve (UPR)	Generally, the UPR has to be calculated on a policy-by-policy basis. In practice, the 1/24 method is also an accepted reliable apportionment method.	Generally tax deductible.
Unpaid claims reported	Generally calculated on case-by-case basis. Under certain circumstances, a lump-sum calculation is possible for certain lines of business.	With the 2005 assessment, 70% of this reserve is considered as short-term and thus fully tax deductible. 30% of reserve is considered as long-term. Only 80% of long-term reserves tax deductible.

Austria: General insurance – overview (continued)

Technical reserves/ equalisation reserves	Accounting	Taxation
Claims incurred but not reported (IBNR)	Estimated according to past years experience.	With the 2005 assessment, 70% of this reserve is considered as short-term and thus fully tax deductible. 30% of reserve is considered as long-term. Only 80% of long-term reserves tax deductible.
Unexpired risks	N/A.	N/A.
General contingency/ solvency reserves	Minimum equity capitalisation requirements for insurance firms. To cover losses mutual insurance companies have to set up a solvency reserve.	Not tax deductible.
Equalisation reserves	Equalisation reserves should be established under the formula of the Supervisory Authority (reflecting the standard deviation of net losses for the 15 prior years). Special equalisation reserves are computed for nuclear and pharmaceutical risks.	Beginning with the 2001 assessment, only 50% of the adjustments are tax deductible.
Expenses/ refunds	**Accounting**	**Taxation**
Acquisition expenses	No capitalisation of acquisition expenses, immediate deductions.	Tax deductible.
Loss adjustment expenses on unsettled claims (claims handling expenses)	Included in the claims reserves.	Tax deductible.
Experience-rated refunds	Deduction permitted for refund of premiums due to low claim ratios.	Tax deductible.
Investments	**Accounting**	**Taxation**
Gains and losses on investments	Accounted for pursuant to generally accepted accounting principles (GAAP). Realised gains and realised and unrealised losses are included in the profit and loss (P&L) statement. Unrealised gains are not included in the P&L statement (principle of prudence under the Austrian company law -"lower of cost or market" principle).	Generally taxable. Special rules are applicable: **Gains/ losses of domestic shares in corporations** Capital gains on the disposal of national participations are fully taxable in Austria. Capital losses on the disposal and depreciations of national participations are tax deductible in Austria, but have to be spread over seven years. **Gains/ losses of foreign shares in corporations** • **Substantial investments** – Capital gains/ losses on the disposal of foreign substantial participations fulfilling the requirements for international participation exemption (e.g. participation of at least 10% for at least 1 year) and depreciations are generally tax exempt/ neutral. The taxpayer can opt against the tax neutrality in the year of the participation purchase. Then, capital gains are fully taxable in Austria (foreign taxes can be credited), capital losses and depreciations are tax deductible (but generally have to be spread over 7 years). The option can only be carried out once and is irrevocable. In the case of suspected misuse or tax evasion gains are always taxable in Austria (switch from exemption to credit method). • **Portfolio investments** – If requirements for the foreign participation exemption are not met, capital gains are taxable in Austria and capital losses and depreciations are tax deductible. Foreign source taxes may be credited against Austrian taxes. **Investment funds** Investment income derived from investment funds may be treated differently as booked in P&L statement.

Austria: General insurance – overview (continued)

Investments	Accounting	Taxation
Investment reserves	Unrealised gains are not recognised in financial statements but unrealised losses are included in P&L statement.	Allowed as per accounts. Under certain conditions depreciations have to be spread over 7 years for tax purposes.
Investment income	Included in P&L statement.	Generally taxable. Following special rules are applicable: **Domestic dividends** Dividends received by Austrian corporations from other Austrian corporations are exempt from the Austrian CIT. This applies irrespective of any percentage of holding. **Foreign dividends** • **Substantial investments** – Dividends received from a foreign participation fulfilling requirements for international participation exemption (e.g. participation of at least 10% for at least 1 year) are generally tax exempt. Then, foreign source taxes cannot be credited in Austria. In the case of suspected misuse/tax evasion (e.g. low tax rate in the country of the distributing firm) the foreign dividends are taxable in Austria, but foreign taxes may be credited against Austrian taxes. • **Portfolio investments** – Dividends received from an EU/EEA or third country portfolio investment are tax exempt in Austria if there is an agreement for mutual assistance on administrative matters in place with the respective country. In this case, foreign source taxes cannot be credited in Austria. In the case of suspected misuse/tax evasion (e.g. low tax rate in the country of the distributing firm) foreign dividends are taxable in Austria, but may be credited against Austrian taxes. If foreign dividends are taxable in Austria, foreign taxes can generally be credited in Austria. **Investment funds** Investment income derived from investment funds may be treated differently as booked in P&L statement.
Reinsurance	**Accounting**	**Taxation**
Reinsurance premiums and claims	Reinsurance premiums ceded are treated as expenses and are shown as separate line items in the income statement, net of total premiums written. Reinsurance claims are treated as revenues and are shown as separate line items in the income statement net of total claims.	Allowed as per accounts.
Mutual companies	**Accounting**	**Taxation**
Mutual companies (all profits returned to members)	Profit for the year has to be distributed to the members. Special rules for mutual companies in accordance with section 26 to 73 of the Insurance Supervisory Act.	No special rules.

Austria: General insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	No expiring date for loss carry-forward, no loss carry-back. Beginning with the 2001 assessment losses can only be set off against 75% of the annual profit, i.e. 25% of the annual taxable profit will always be taxed.
Foreign branch income	Foreign branch income is either fully taxable with a credit of foreign income tax paid, or is exempt depending on the relevant double-tax treaty.
Domestic branch income	Calculated under ordinary rules based on branch accounts.
Corporate tax rate	25%
Other tax features	**Taxation**
Premium taxes	The payment of insurance premiums is generally subject to insurance premium tax (IPT). The IPT rate varies depending on the kind of insurance contract: • 4% or 11% for life insurance, depending on the conditions of the insurance contract. • 1% for health insurance. • 11% as a general rate for most insurance contracts. Premiums under a reinsurance contract are not subject to IPT. An additional fire brigade tax at a rate of 8% is imposed on premium payments that cover fire risk.
Capital taxes and taxes on securities	Capital contributions by direct shareholders and share issues are subject to 1% capital transfer tax.
Captive insurance companies	Status not clear. Captive insurance companies are not considered to be insurance companies if there is no risk transfer (or only minor risk transfer). In this case reinsurance premiums are treated as financial reinsurance (deposit accounting applies), and premiums are not tax deductible. From a tax point of view captive insurance companies have to carry out insurance business at arm's length which may create transfer pricing problems.
Value added tax (VAT)	Standard VAT rate is 20%. Most insurance services and services of insurance agents are exempt from VAT.

Austria: Life insurance – overview

Definition	**Accounting**	**Taxation**
Definition of life insurance companies	A company to which insurance legislation applies and which carries out life insurance.	Not defined by tax legislation.
Commercial accounts/ tax and regulatory returns	**Accounting**	**Taxation**
Basis for the company's commercial accounts	General accounting principles according to Austrian Commercial Code and Austrian Stock Corporation Act as well as special accounting principles in accordance with section 80 to 86 of the Insurance Supervisory Act (VAG).	Tax return has to be filed, based on the Commercial Code as adjusted for tax purposes. In general, insurance companies are subject to CIT with at least 20% on the profit before deduction of premium refunds and allocation to the reserve for premium refunds (minimum tax). This minimum tax generally applies to life, health and accident insurance businesses with premium refund (calculated separately for each division). This provision is not applicable for insurance business where the investment risk is borne by the policyholder (unit-linked insurance business).
Regulatory return	Domestic insurance firms have to hand in following documents within 5 months after the end of the financial year to the Insurance Supervisory Authority (Finanzmarktaufsicht): • long-form audit report • approval of year-end financial statements Within 6 months following documents have to be reported: • certified completed copy of the protocol of the shareholder's meeting concerning the release of managing and supervisory board • proof of the publication of the year-end financial statement The insurance company has to file the long-form report and the proof of the publication of the consolidated year-end financial statement.	N/A.
Tax return	N/A.	CIT return: a tax return has to be prepared on an annual basis. VAT return: a tax return has to be prepared on an annual basis and preliminary tax returns are prepared on a monthly basis. For insurance tax and fire protection tax purposes the insurer has to file an annual tax return, but the payments have to be made on a monthly basis.
General approach to calculation of income	**Accounting**	**Taxation**
Allocation of income between shareholders and policyholders	Profits returned to the policyholders are treated as expenses.	The provision for premium refunds and the profits returned to the policyholders are, under special conditions as set out in section 17 of the Austrian CIT Act, tax deductible (insurance companies are subject to corporate income tax of 20% of the profit excluding deduction of premium refunds and allocation to the reserve for premium refunds (minimum tax) from the life insurance business).

Austria: Life insurance – overview (continued)

Calculation of investment return	Accounting	Taxation
Calculation of investment income and capital gains	Total income approach. Investment income and realised capital gains are included in the P&L statement. Investments relating to insurance business where the policyholder bears the investment risk are booked according mark to market principle.	For calculation refer to column accounting.
Calculation of investment income and capital gains	**Accounting**	**Taxation**
Actuarial reserves	Calculation of actuarial reserves according to the Insurance Supervisory Act.	Beginning with the 2001 assessment only 80% of long-term reserves are tax deductible. Lump-sum accruals are not tax deductible.
Acquisition expenses	No capitalisation of acquisition expenses (zillmerisation of actuarial reserves).	Generally tax deductible.
Gains and losses on investments	Realised gains and realised as well as unrealised losses are included in P&L statement.	**GENERAL LIFE INSURANCE –** Generally taxable. Following special rules are applicable: **Gains/ losses of domestic shares in corporations** Capital gains on the disposal of national participations are fully taxable in Austria. Capital losses on the disposal and depreciations of national participations are tax deductible in Austria, but generally have to be spread over 7 years. **Gains/ losses of foreign shares in corporations** • **Substantial investments** – Capital gains/ losses on the disposal of foreign substantial participations which fulfil the requirements for the international participation exemption (e.g. participation of at least 10% for at least one year) as well as depreciations are generally tax exempt/ neutral. However, the taxpayer can opt against the tax neutrality in the year of the purchase of the participation. In this case capital gains are fully taxable in Austria (however foreign taxes can be credited) whereas capital losses and depreciations are tax deductible (but generally have to be spread over seven years). The option can only be carried out once and is irrevocable. In the case of suspected misuse or tax evasion gains are always taxable in Austria (switch from exemption to credit method). • **Portfolio investments** – If the requirements for the foreign participation exemption are not met, all capital gains are taxable in Austria and capital losses and depreciations are tax deductible. Foreign source taxes may be credited against Austrian taxes. **Investment funds** Investment income derived from investment funds may be treated differently as booked in P&L statement. **UNIT-LINKED LIFE INSURANCE** There are no special tax rules regarding the taxation of income of funds held to cover technical reserves for unit-linked insurances. However, the accounting of unit-linked life insurances (mark to market or fair value accounting of assets and corresponding accounting of liabilities) generally does not lead to a taxable income.
Reserves against market losses on investments	Unrealised losses must be included in the P&L statement. Valuation is performed at lower of cost or market value as a rule.	Generally tax deductible. Under certain conditions depreciations and losses are spread over seven years.

Austria: Life insurance – overview (continued)

Calculation of investment income and capital gains	Accounting	Taxation
Dividend income	The gross amount is included in the P&L statement.	**GENERAL LIFE INSURANCE** – Following special rules are applicable: **Domestic dividends** Dividends received by Austrian corporations from other Austrian corporations are exempt from the CIT. This exemption applies irrespective of any percentage of holding. **Foreign dividends** • **Substantial investments** – Dividends received from a foreign participation fulfilling the requirements for international participation exemption (e.g. participation of at least 10% for at least 1 year) are generally tax exempt. Then, foreign source taxes cannot be credited in Austria. In the case of suspected misuse/tax evasion (e.g. low tax rate in the country of the distributing firm) foreign dividends are taxable in Austria, but may be credited against Austrian taxes. • **Portfolio investments** – Dividends received from an EU/EEA or third country portfolio investment are tax exempt in Austria if there is an agreement for mutual assistance on administrative matters in place with the respective country. Then, foreign source taxes cannot be credited. In the case of suspected misuse/tax evasion (e.g. low tax rate in the country of the distributing company) the foreign dividends are taxable in Austria, but foreign taxes may be credited against Austrian taxes. If foreign dividends are taxable in Austria, foreign taxes can generally be credited. **Investment funds** Investment income derived from investment funds may be treated differently as booked in P&L statement. **UNIT-LINKED LIFE INSURANCE** No special tax rules regarding the taxation of income of funds held to cover technical reserves for unit-linked insurances. However, the accounting of unit-linked life insurances (mark-to-market or fair value accounting of assets and corresponding accounting of liabilities) does not lead to a taxable income.
Policyholder bonuses	(Provision for premium refunds and profit sharing). Bonuses paid to the policyholders as well as provisions for refunds of premiums are treated as expenses.	Bonuses paid to policyholders as well as provisions for refunds of premiums are tax deductible under special conditions set out in section 17 of the Austrian CIT Act. Insurance companies are subject to the CIT with at least 20% of the profit before deduction of premium refunds and allocation to the reserve for premium refunds (minimum tax) from the life insurance business. This does not apply to unit-linked insurance business.
Other special deductions	N/A.	N/A.
Reinsurance	**Accounting**	**Taxation**
Reinsurance premiums and claims	No special rules compared to general insurance. Reinsurance claims reduce technical reserves. Premiums paid to reinsurer treated as expenses.	No special rules. Premiums paid to the reinsurer are generally tax deductible.
Mutual companies/ stock companies	**Accounting**	**Taxation**
Mutual Companies	Profit for the year has to be distributed to the members. Special rules for mutual companies in accordance with section 26 to 73 of the Insurance Supervisory Act.	No special rules.

Austria: Life insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	No expiring date for loss carry-forward, no loss carry-back. Beginning with the 2001 assessment losses can only be set off against 75% of the annual profit, i.e. 25% of the annual taxable profit will always be taxed.
Foreign branch income	Foreign branch income is either fully taxable with a credit of foreign income tax paid, or exempt depending on the relevant double-tax treaty. Unilateral relief may be possible in the absence of a double-tax treaty.
Domestic branch income	Calculated under ordinary rules based on branch accounts.
Corporate tax rate	25%
Policyholder taxation	**Taxation**
Deductibility of premiums	Premiums for certain voluntary health, life and accident insurance contract are recognised as a special expense, depending on taxable income (the deduction is phased out if the income exceeds EUR 36,400 and over EUR 60,000 there is no deduction possible). Up to a maximum of EUR 2,920 a year for the taxpayer with another EUR 2,920 for the spouse if he/she has no or very low income and another EUR 1,460 for families with three or more children. From the calculated amount or the actual premium paid, whichever is lower, a quarter is tax deductible.
Interest build-up	Not taxable.
Proceeds during lifetime	Generally not taxable. However, taxation does apply if proceeds are paid as an annuity and the payments exceed the discounted value of future payments at the time of the first premium payment (sum insured), or if the proceeds are paid under certain short-term (duration of less than 15 years) single premium life insurance contracts and the proceeds received exceed the premiums paid.
Proceeds on death	Not taxable.
Other tax features	**Taxation**
Premium taxes	Insurance premium tax for life insurance contracts amounts to 11% or 4%, depending on the conditions of the contract: • 11% for life insurance (pure endowment insurance and combined endowment) without regular constant premium payments and with a duration of less than 15 years • 4% in all other cases of life insurance
Capital taxes and taxes on securities	Capital contributions by direct shareholders and shares issues are subject to a 1% capital transfer tax.
Captive insurance companies	Status not clear. Captive insurance companies are not considered to be insurance companies if there is no risk transfer (or only minor risk transfer). In this case reinsurance premiums are treated as financial reinsurance (deposit accounting applies), and premiums are not tax deductible. From a tax point of view captive insurance companies have to carry out insurance business at arm's length which may create transfer pricing problems.
Value added tax (VAT)	Standard VAT rate is 20%. Most insurance services and services of insurance agents are exempt from VAT.

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Belgium

General insurance – overview

Definition	Accounting	Taxation
Definition of property and casualty insurance company	A company that performs non-life and casualty insurance operations.	Not defined by tax legislation, reference is consequently made to insurance and regulatory laws.
Commercial accounts/ tax and regulatory returns	**Accounting**	**Taxation**
Basis for the company's commercial accounts	Special regulations set out in the Royal Decree of 17 November 1994. In principle, the accounting period is the calendar year. Definitions of the various types of technical reserves are also specified in the Regulatory Act (9 July 1975) and the General Rules (Royal Decree of 22 February 1991).	Taxation is based on statutory accounts (Belgian General Accepted Accounting Principles (GAAP)). Then, specific tax retreatment has to be made (e.g. tax disallowed expenses, dividends-received deduction, and notional interest deduction).
Regulatory return	Returns to the Insurance Regulator ("Autorité des services et marchés financiers", "Autoriteit voor Financiële Diensten en Markten" – Financial Services and Markets Authority (FSMA) (former CBFA)) are made as follows: • Quarterly: quarterly reporting consists of a balance sheet and an interim solvency margin, as well as a summary of qualifying assets and technical reserves. • Annually: annual accounts, additional information (solvency margin, adjusted solvency margin (on a consolidated basis), inter-company transactions, summary of qualifying assets, etc.) and annual statistics.	N/A.
Tax return	N/A.	An annual tax return must be filed with the tax authorities by the end of the 6th month following the closing date of the accounting year. In practice, for companies closing on Dec 31: tax return to be filed in September.
Technical reserves/ equalisation reserves	**Accounting**	**Taxation**
Unearned premiums reserve (UPR)	Calculated by time-apportionment (policy-by-policy, so-called 8th, 12th and 24th flat-rate methods), pro rata temporis method or global method. Based on gross premiums (fewer taxes) from which only related commissions may be deducted. To be adjusted, if necessary, for premium deficiency.	Deduction, policy-by-policy (up to the quota of gross reinsurance premiums, less the acquisition commissions to cover the charge of claims, administration costs and investment management costs), further to a pro rata temporis method. However, in certain circumstances, the tax authorities accept the flat rate "24th" time-apportionment method.
Unpaid claims reported	Corresponds to the total estimated cost of the settlement of all incurred damages after deduction of already paid out damages.	Deductible if the allowance for damages is properly estimated.

Belgium: General insurance – overview (continued)

Technical reserves/ equalisation reserves	Accounting	Taxation
Claims incurred but not reported (IBNR)	IBNR can be calculated by a review of claims notified after year end. It can also be assessed on the basis of the claims that have been declared late in previous years, or on the basis of any other statistical method.	Are deductible within certain limits, based upon by insurance class of risks calculated on a statistical and historical basis.
Unexpired risks	Recorded together with the unearned premium reserves. To be calculated based on the combined loss ratio.	According to the Belgian tax authorities, taxable in principle.
General contingency/ solvency reserves	Provision for longevity risks.	General provisions are not tax deductible.
Equalisation reserves	Specific rules have been laid down by the Insurance Regulator. Minimum charge required each year until the target level of the reserve is reached. Specific rules are defined per type of risks.	Tax exempt under certain given conditions (notably quantitative, i.e. both in terms of annual reserves allocation and in terms of aggregate amount).
Expenses/ refunds	**Accounting**	**Taxation**
Acquisition expenses	Recorded immediately in the profit and loss (P&L).	In principle, tax deductible when taken into the P&L as expense.
Loss adjustment expenses on unsettled claims (claims handling expenses)	Credited when earned or may be booked as a receivable if prudently assessed.	In principle, tax deductible when taken into the P&L as expense.
Experience-rated refunds	Recorded on the P&L account.	In principle, if received, taxable and, if paid, tax deductible.
Investments	**Accounting**	**Taxation**
Gains and losses on investments	In principle realised gains and losses are recorded in the P&L account. Unrealised capital losses on investments in equity securities are not recorded/ recognised unless they are of a permanent nature. Write-off has to be reversed if later no longer justified. Value allowances on bonds are recorded in case the recuperation of the nominal value is compromised. Unrealised investment gains are not recorded/ recognised.	In principle realised capital gains and losses are taxed and deductible, respectively, except for those on shares. Subject to conditions, net realised capital gains on shares could be fully exempted. Inversely, except in some specific circumstances, realised losses on shares are not tax deductible. In principle, in most cases, unrealised gains are taxable as conditions for immunisation (intangibility condition) are generally not satisfied. Tax deduction of unrealised losses is subject to different conditions; in any case, unrealised losses on shares are never tax deductible.
Investment reserves	N/A.	N/A.
Investment income	Accounted for : • On an accrual basis: interest income and unearned income (bond and other) • Once declared: on dividends	Gross investment income (less investment expenses) is in principle taxable at the standard corporate income tax (CIT) rate. Under specific conditions, dividends received could justify the application of the so-called dividends-received deduction (deduction equivalent to 95% eligible dividends).
Reinsurance	**Accounting**	**Taxation**
Reinsurance premiums and claims	Premiums paid, claims recovered and claims paid are recorded in the P&L account on a gross basis.	In principle follows accounting treatment. It should be noted that some anti-abuse provisions may apply for tax deduction of reinsurance premiums (e.g. if the transaction is not real/ at arm's length).

Belgium: General insurance – overview (continued)

Mutual companies	Accounting	Taxation
Mutual companies (all profits returned to members)	Same principles that apply to P&C insurance companies.	In principle, they are considered as non-profit making companies, only subject to tax on limitedly listed- income. Withholding taxes are usually their final tax charge. If they are viewed as profits seeking, they will be fully subject to the corporate income taxation.

Belgium: General insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	All tax losses may be carried forward for an unlimited period.
Excess dividends-received deduction	Under conditions, dividends-received deduction not effectively used because of insufficient taxable basis may be carried forward for an unlimited period.
Foreign branch income	Foreign branch profit is taxable at the standard rate (33.99%) unless exempted by double-taxation treaty. Under conditions, foreign branch losses may be deducted from Belgian taxable result (but potentially subject to recapture).
Domestic branch income	Domestic branch is taxable on its income. Taxable profit is calculated according to the ordinary tax rules, similar to those applicable to resident entities, with however some specificities (e.g. interest charges paid to the foreign head office are not deductible).
Tax haven payments	Specific reporting obligations may apply in case of direct or indirect payments to counterparties established in tax haven countries.
Corporate tax rate	The nominal CIT rate is 33.99%
Other tax features	**Taxation**
Premium taxes	Annual premium tax of 9.25% on insurance premiums. For some insurance contracts reduced rates are applicable (4.4%, 1.40%, 1.10%). Some exemptions are also available (e.g. reinsurance contracts).
Capital taxes and taxes on securities	No registration duty on capital contribution. Insurance companies in principle benefit from a tax on stock exchange transaction exemption when acting on their behalf and for their own account.
Captive insurance companies	Belgium is not a favoured location for captive insurance companies as no legislation exists to provide incentives for their set-up. Deductibility of premiums paid to overseas captives may be denied under anti-avoidance provisions, which, inter-alia, counter the transfer of profits by a Belgian firm to a less heavily taxed foreign company.
Notional interest deduction	Basically, the notional interest deduction consists of a lump-sum tax deduction, calculated on the company's "adjusted" equity, i.e. the accounting equity (share capital plus its retained earnings) adjusted/reduced by, amongst others, the following items: (i) the fiscal net value of own shares held by the company, (ii) the fiscal net value of financial fixed assets qualifying as "participations and other shares", (iii) re-evaluation surpluses in respect of assets and capital subsidies or (iv) equity viewed as allocated to foreign branches. For financial year 2011 (assessment year 2012) the notional interest deduction rate is fixed to 3.425% of this "adjusted" equity.
Value added tax (VAT)	Insurance and reinsurance transactions are exempt from Belgian VAT (article 44, §3, 4° of the Belgian VAT Code). This means that a Belgian insurance company does not have a right to deduct VAT with respect to its insurance activities (except for transactions located for VAT purposes outside the EU or related to export transactions). Transactions of insurance companies that in principle do not fall under the VAT exemption are claim handling services (see below), sales of car wrecks, sales of subrogated goods, damage assessment services, actuarial services and back-office activities for other group entities. VAT exemption also applies for the insurance brokers and insurance agents. VAT exemption includes next to the intermediary services also the management of insurance contracts which they have concluded. This entails amongst others handling of insurance applications, receiving premiums and managing claims. Further, the Belgian VAT legislation foresees a specific exemption for the management of claim handling. The management of claim handling are exempt from Belgian VAT under the VAT exemption for insurance intermediaries (even in case the third party rendering the services did not intervene in the concluding of the agreement). This VAT exemption is applicable for the fee requested for the management of claim handling but not for the on-charging of third party costs following the handling of the claims (such as repair, towing, expertise, repatriation, etc.). These third party costs follow their own VAT treatment.

Belgium: Life insurance – overview

Definition	Accounting	Taxation
Definition of life insurance companies	A company that performs life insurance operations.	Not defined in the tax legislation, accordingly, reference is made to the insurance and regulatory laws.
Commercial accounts/ tax and regulatory returns	**Accounting**	**Taxation**
Basis for the company's commercial accounts	Special regulations enumerated in the Royal Decree of 17 November 1994. In principle, the accounting period is the calendar year. Definitions of the different types of technical reserves are specified in the Regulatory Act (9 July 1975) and the General Rules (Royal Decree of 22 February 1991). In addition, the method of calculating the mathematical reserves is specified in the Royal Decree of 14 November 2003 on Life Insurance Activities.	Taxation is based on statutory accounts (Belgian GAAP). Then, specific tax retreatment has to be made (e.g. tax disallowed expenses, dividends-received deduction, notional interest deduction, etc.).
Regulatory return	Returns to the Insurance Regulator ("Autorité des services et marchés financiers", "Autoriteit voor Financiële Diensten en Markten" – FSMA are made as follows: • Quarterly: quarterly reporting consists of a balance sheet and an interim solvency margin, as well as a summary of qualifying assets and technical reserves. • Annually: annual accounts, additional information (solvency margin, adjusted solvency margin (on a consolidated basis), inter-company transactions, summary of qualifying assets, etc.) and annual statistics.	N/A.
Tax return	N/A.	Annual tax return must, in principle, be filed with the tax authorities by the end of the 6th month following the closing date of the accounting year. In practice, for companies closing on Dec 31, tax return has generally to be filed in Sept.
General approach to calculation of income	**Accounting**	**Taxation**
Allocation of income between shareholders and policyholders	Separate accounting for policyholders' and shareholders' profits within the annual accounts.	A total income approach including overall profit from subscription and investment income. Policyholders' income (including bonuses) deducted from taxable profits. Shareholders' income (dividends distributed by the insurance firms) not deducted from taxable profits
Calculation of investment return	**Accounting**	**Taxation**
Calculation of investment income and capital gains	Investment income is accounted for on an accrual basis for interest and unearned (bond or other) income and once declared for dividends. Capital gains are recognised as income upon realisation – see remarks on P&C insurance companies.	N/A.

Belgium: Life insurance – overview (continued)

Calculation of investment income and capital gains	Accounting	Taxation
Actuarial reserves	Mathematical reserves are maintained per individual case using actuarial methods as defined by law (mortality tables and interest rates). Given the use of guaranteed rates in the Belgian market, to cover the risk of a fall in the financial returns, an additional reserve ("Provision pour aléas financiers") should be established when certain criteria are met. The method of calculating this special reserve is specified by the insurance regulator. The calculation method uses an official reference interest rate as opposed to the interest rate guaranteed by the company.	In the market, most actuarial reserves are generally considered as tax deductible as long as duly evidenced. Deduction of some actuarial reserves may be/have already been discussed/challenged by the tax authorities.
Acquisition expenses	Recorded immediately in the P&L account.	In principle, tax deductible when taken into the P&L as expense.
Gains and losses on investments	In principle, realised gains and losses are recorded in the P&L account. Unrealised capital losses on investment in equity securities are not recorded/ recognised unless they are of a permanent nature. Write-off has to be reversed if later no longer justified. Value-allowances on bonds are recorded in case the recuperation of the nominal value is compromised. Unrealised investment gains are not recorded/ recognised. Those investments for which the risk is supported by the policyholder (unit-linked products) are recorded at market value. The fluctuation in market value from one period to another is taken to the income statement.	In principle realised capital gains and losses are taxed and deductible, respectively, except for those on shares. Subject to conditions, net realised capital gains on shares could be fully exempted. Inversely, except in some specific circumstances, realised losses on shares are not tax deductible. In principle, in most cases, unrealised gains are taxable as conditions for immunisation (intangibility condition) are generally not satisfied. Tax deduction of unrealised losses is subject to different conditions; in any case, unrealised losses on shares are never tax deductible. Special rules apply to unit-linked products for share investments.
Reserves against market losses on investments	Unrealised investment losses are not recognised unless they are permanent.	Tax deduction of unrealised losses is subject to different conditions; in any case, unrealised losses on shares are never tax deductible.
Dividend income	Accounted for once declared: on dividends	Under specific conditions, dividends received could justify the application of the so-called dividends-received deduction (deduction equivalent to 95% eligible dividends). Special rules apply, however, to dividend income from unit-linked operations.
Policyholder bonuses	Bonuses are calculated annually on the basis of technical-financial results, and are, in principle, only allowed to the extent the technical-financial result is positive. A separate reserve is maintained until approval of the annual accounts by the shareholders. After approval, an allocation to the individual contracts is performed.	Tax deductible in principle. Alternatively, a 9.25% annual tax is payable by the company. This latter tax is not deductible for CIT purposes.
Other special deductions	As provided for by the company.	If duly supported by evidence, could be deducted under conditions.

Belgium: Life insurance – overview (continued)

Reinsurance	Accounting	Taxation
Reinsurance premiums and claims	Premiums paid, claims recovered and claims paid are recorded in the P&L account on a gross basis.	In principle follows accounting treatment. It should be noted that some anti-abuse provisions may apply for tax deduction of reinsurance premiums (e.g. if the transaction is not real/ at arm's length).
Mutual companies/ stock companies	**Accounting**	**Taxation**
Mutual Companies	Same principles that apply to life insurance companies.	In principle, they are considered as non-profit making companies, only subject to tax on limitedly listed- income. Withholding taxes are usually their final tax charge. If they are viewed as profits seeking, they will be fully subject to the CIT.

Belgium: Life insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	All tax losses may be carried forward for an unlimited period.
Excess dividends-received deduction	Under conditions, dividends-received deduction not effectively used because of insufficient taxable basis may be carried forward for an unlimited period.
Foreign branch income	Foreign branch profit is taxable at the standard rate (33.99%) unless exempted by double-taxation treaty. Under conditions, foreign branch losses may be deducted from Belgian taxable result (but potentially subject to recapture).
Domestic branch income	Domestic branch is taxable on its income. Taxable profit is calculated according to the ordinary rules, similar to those applicable to resident entities, with however some specificities (e.g. interest charges paid to the foreign head office are not deductible).
Tax haven payments	Specific reporting obligations may apply in case of direct or indirect payments to counterparties established in tax haven countries
Corporate tax rate	The nominal CIT rate is 33,99%
Policyholder taxation	**Taxation**
Deductibility of premiums	Tax deduction rules for premiums will depend on the type of policyholder.
Interest build-up	N/A.
Proceeds during lifetime	1. For individual assurance products, where no tax break has been obtained on the premiums paid for an individual contract: any proceeds during lifetime could be taxed as interest (15%) for life assurance policy providing a guaranteed return, offering death coverage that is less than 130% of the gross premiums paid, or having an actual term of less than 8 years. Profit shares are tax exempt if paid out at the same time as the insured capital sum. 2. For group insurance or an individual contract for which a tax break has been obtained: proceeds are taxed as earned income at the marginal rate. The tax rate is reduced to 33%, 16.5% or 10% (plus local taxes) if certain conditions are met. Profit shares are tax exempt if paid out at the same time as the insured capital sum. Some specific life assurance products may benefit from exemptions and/ or reduced taxation rates (e.g. pension schemes). Those must be analysed on a case by-case-basis.
Proceeds on death	1. When no tax break has been obtained on the premiums, an individual assurance contract is tax exempt from personal income tax; however proceeds may be subject to inheritance tax. 2. For group insurance or for an individual contract for which a tax break has been obtained: proceeds are taxed as earned income at the marginal rate. The tax rate is reduced to 33%, 16.5% or 10% (plus local taxes) if certain conditions are met. Profit shares are tax exempt from personal income tax, but may be subject to inheritance tax. Group insurance capital sums are tax exempt under certain conditions.
Other tax features	**Taxation**
Premium taxes	Annual premium tax of 9.25% on insurance premiums. For some insurance contracts reduced rates are applicable (4.4%, 1.40%, 1.10%). Some exemptions are available (e.g. reinsurance contracts).
Capital taxes and taxes on securities	No registration duty on capital contribution. Insurance companies in principle benefit from a tax on stock exchange transaction exemption when acting on their behalf and for their own account.
Net asset tax	Under conditions, insurance companies might be liable for net asset tax for specific types of life-insurance products.
Captive insurance companies	Belgium is not a favoured location for captive insurance companies, as no legislation exists to provide incentives for their set-up. The deductibility of premiums paid to overseas captives may be denied under anti-avoidance provisions, which, inter-alia, counter the transfer of profits by a Belgian company to a less heavily taxed foreign company.

Belgium: Life insurance – other tax features (continued)

Other tax features	Taxation
Notional interest deduction	Basically, the notional interest deduction consists of a lump-sum tax deduction, calculated on the company's "adjusted" equity, i.e. the accounting equity (share capital plus its retained earnings) adjusted/ reduced by amongst others the following items: (i) fiscal net value of own share held by the company, (ii) fiscal net value of financial fixed assets qualifying as "participations and other shares", (iii) re-evaluation surpluses in respect of assets and capital subsidies or (iv) equity viewed as allocated to foreign branches. For financial year 2011 (assessment year 2012) the notional interest deduction rate is fixed to 3.425% of this "adjusted" equity.
Value added tax (VAT)	Insurance and reinsurance transactions are exempt from Belgian VAT (article 44, §3, 4° of the Belgian VAT Code). This means that a Belgian insurance company does not have a right to deduct VAT with respect to its insurance activities (except for transactions located for VAT purposes outside the EU or related to export transactions). Transactions of insurance companies that in principle do not fall under the VAT exemption are claim handling services (see below), sales of car wrecks, sales of subrogated goods, damage assessment services, actuarial services and back-office activities for other group entities. VAT exemption also applies for the insurance brokers and insurance agents. VAT exemption includes next to the intermediary services also the management of insurance contracts which they have concluded. This entails amongst others handling of insurance applications, receiving premiums and managing claims. Further, the Belgian VAT legislation foresees a specific exemption for the management of claim handling. The management of claim handling are exempt from Belgian VAT under the VAT exemption for insurance intermediaries (even in case the third party rendering the services did not intervene in the concluding of the agreement). This VAT exemption is applicable for the fee requested for the management of claim handling but not for the on-charging of third party costs following the handling of the claims (such as repair, towing, expertise, repatriation, etc.). These third party costs follow their own VAT treatment.

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Denmark

General insurance – overview

Definition	Accounting	Taxation
Definition of property and casualty insurance company	A company that carries on general insurance and to which insurance legislation applies.	Same as accounting.
Commercial accounts/ tax and regulatory returns	**Accounting**	**Taxation**
Basis for the company's commercial accounts	Generally accepted accounting principles (GAAP) as set out in the Ministerial Order on the annual accounts of insurance companies and pension funds. (Common Order for general and life insurance companies.) International Financial Reporting Standards (IFRS) can also be applied. Reconciliation to GAAP as set out in the Ministerial Order on the annual accounts of insurance companies and pension funds is required.	Based on statutory accounts adjusted for tax purposes.
Regulatory return	Based on the same principles as set out in the Ministerial Order on the annual accounts of insurance companies and pension funds but with further specifications.	N/A.
Tax return	N/A.	Separate tax return with required specifications prepared annually.
Technical reserves/ equalisation reserves	**Accounting**	**Taxation**
Unearned premiums reserve (UPR)	Normally calculated using time apportionment methods but should always reflect the risk in the period of the policy.	Tax deductible.
Unpaid claims reported	Calculated either on an individual case-by-case basis or by using a statistical method.	Tax deductible.
Claims incurred but not reported (IBNR)	Calculated based on past claims experience and current expected loss trends or statistical method.	Tax deductible.
Unexpired risks	Calculated on a statistical and an individual basis. Unexpired risk reserve is included in UPR in the annual accounts.	Tax deductible.
General contingency/ solvency reserves	To be included in equity, as the technical reserves should reflect the actual risks.	Not tax deductible unless included in provisions, i.e. outside equity, e.g. used exclusively to increase premium reserves or otherwise for the benefit of the insured.
Equalisation reserves	Not allowed.	N/A. (However, transitional rules in credit insurance regarding reserves per year-end 2004.)

Denmark: General insurance – overview (continued)

Expenses/ refunds	Accounting	Taxation
Acquisition expenses	Deferred acquisition costs cannot be carried as a separate asset, but may be deferred as part of the UPR calculation or alternatively, charged in full in the year they incurred.	Same as accounting as a main rule; however, special arrangements may be in force allowing a tax deduction even though deferral for accounting is applied.
Loss adjustment expenses on unsettled claims (claims handling expenses)	Direct and indirect claims handling expenses for inspection and for estimation of claims that are expected in the run-off period of the claims provisions are included in the claims provisions.	Same as accounting.
Experience-rated refunds	Normally credited when refunded.	Same as accounting.
Investments	**Accounting**	**Taxation**
Gains and losses on investments	Both unrealised and realised gains and losses are included in the profits and losses (P&L). The general rule is that all bonds, shares and investments are to be stated at market value.	Gains and losses realised during the income year and unrealised P&L on future contracts and securities are included in the taxable income. Capital gains on shares when owning at least 10% of the shares are tax-exempt and losses are non-deductible. Special rule to limit deductibility of provisions apply.
Investment reserves	N/A.	Non-deductible.
Investment income	Included in P&L.	Business income and interest fully included. Dividend income exempt if the company holds at least 10% of the shares of the distributing company.
Reinsurance	**Accounting**	**Taxation**
Reinsurance premiums and claims	Premiums paid/payable are deducted from gross premiums on a separate line in the P&L. Claims recoveries are included separately in the P&L.	Same as accounting.
Mutual companies	**Accounting**	**Taxation**
Mutual companies (all profits returned to members)	No special treatment.	Taxed as insurance companies. If all policyholders are jointly and severally liable for the debt only the commercial income is taxed.

Denmark: General insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	Carry forward indefinitely. There is no carry back.
Foreign branch income	Only applicable if International Joint Taxation has been chosen in Denmark. In that case net income as determined by Danish tax rules included in taxable income. Relief available for overseas taxes under double-tax treaty or domestic rules on credit relief.
Domestic branch income	Subject to tax under the same rules governing a company (the indirect method was abolished with effect from 2010).
Corporate tax rate	25% of taxable income (2011).
Other tax features	**Taxation**
Premium taxes	Insurance contracts are liable to stamp duty on the sum insured, at either DKK 0.29 per DKK 5,000 of the insured amount, or 14% of the annual or single income premium. The stamp duty on reinsurance contracts constitutes DKK 50. The following types of insurance are exempt from Stamp duty; insurance contracts signed by mutual insurance companies that are not under supervision, compulsory industrial injuries insurance, marine and transport insurance, credit and fidelity insurance, agreements on transferring a compensation claim to the insurance company who has paid the compensation and other types of insurance when the insured amount is less than DKK 12,000.
Capital taxes and taxes on securities	Stamp duty on insurance contracts as described above. Otherwise, there are no capital duties, except for certain specific taxes on liability insurance on vehicles and yachts.
Captive insurance companies	Taxed as general insurance companies.
Value added tax (VAT)	There is no VAT on insurance contracts.

Denmark: Life insurance – overview

Definition	**Accounting**	**Taxation**
Definition of life insurance companies	A company that carries on Life insurance business and to which insurance legislation applies.	Same as accounting.
Commercial accounts/ tax and regulatory returns	**Accounting**	**Taxation**
Basis for the company's commercial accounts	GAAP as set out in the Ministerial Order on the annual accounts of insurance companies and pension funds. (Common Order for general and life insurance companies.) IFRS can also be applied. Reconciliation to GAAP as set out in the Ministerial Order on the annual accounts of insurance companies and pension funds is required.	Based on statutory accounts adjusted for tax purposes.
Regulatory return	Based on the same principles as set out in the Ministerial Order on the annual accounts of insurance companies and pension funds, but with further specifications.	N/A.
Tax return	N/A.	Corporate tax return for limited liability companies is based on statutory accounts adjusted for tax purposes. Pension funds are not liable to corporate tax, but only the 15% yield tax. (*Yield tax*: Gains and losses that are realized or unrealized are included in the taxable income.) Limited liability companies are subject to corporate tax at the corporate tax rate of 25% on the net income and the 15% yield tax on the yield of investments corresponding to unallocated insurance provisions. Separate tax returns to be filed for corporate tax and yield tax respectively. See also "Interest build-up" ("Policyholder taxation") below. The pension fund/ life insurance company administrates (i.e. declares/ settles) the yield tax payments relating to the individual policyholders' deposits.
General approach to calculation of income	**Accounting**	**Taxation**
Allocation of income between shareholders and policyholders	Share- and policyholders should receive a proportionate share of income based on their relative share of the investment assets. The detailed rules are defined under the "contribution principle".	Same as accounting (effective from 2010 due to changes to the tax legislation).
Calculation of investment return	**Accounting**	**Taxation**
Calculation of investment income and capital gains	Both, realised and unrealised gains and losses on investments plus dividends and interest are included in the P&L.	Gains and losses realised during the income year and unrealised P&L on future contracts and securities are included in the taxable income. Capital gains on shares when owning at least 10% of the shares are tax-exempt and losses are non-deductible. Special rule to limit deductibility of provisions apply.

Denmark: Life insurance – overview (continued)

Calculation of investment income and capital gains	Accounting	Taxation
Actuarial reserves	Calculated by an actuary based on a fair market value principle. The basis must take into account realistic and best estimate assumptions for mortality and disability, administration expenses, and a discount rate determined as the risk free interest rate.	Tax deductible. Special rule to limit deductibility of provisions apply.
Acquisition expenses	Charged to income in the year they incurred.	Tax deductible.
Gains and losses on investments	Both realised and unrealised gains and losses on investments plus dividends and interest are included in the P&L.	See "Calculation of investment income and capital gains" above.
Reserves against market losses on investments	Provision for Collective Bonus Potential serves as a buffer to absorb fluctuations in market returns on investments.	Tax deductible. Special rule to limit deductibility of provisions apply.
Dividend income	Included in P&L as received.	Tax exempt if the insurance company holds at least 10% of the shares of the distributing company. Fully taxable for yield tax purposes.
Policyholder bonuses	Bonus reserve transfers out of profits must be charged to P&L.	Deduction of all profits reserved for policyholders.
Other special deductions	None.	None.
Reinsurance	**Accounting**	**Taxation**
Reinsurance premiums and claims	Deducted from result of gross business.	Same as accounting.
Mutual companies/ stock companies	**Accounting**	**Taxation**
Mutual Companies	No special rules.	Same as accounting.

Denmark: Life insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	Carry forward indefinitely. There is no carry back.
Foreign branch income	Only applicable if International Joint Taxation has been chosen in Denmark. In that case net income as determined by Danish tax rules is included in taxable income. Relief available for overseas taxes under double-tax treaty or domestic rules on credit relief.
Domestic branch income	The taxable income of a domestic branch is in most significant respects calculated according to the same principles as those for domestic companies. Some special rules apply, e.g. to deductibility of intra-group financial expenses and utilisation of losses in joint taxation.
Corporate tax rate	25% of taxable income.
Policyholder taxation	**Taxation**
Deductibility of premiums	Premiums to Danish life insurance schemes with annuity benefits are, if certain conditions are fulfilled, tax deductible up to DKK 100,000 (2011). Premiums to Danish capital pension schemes are, if certain conditions are fulfilled, tax deductible by an annual index-regulated amount, i.e. DKK 46,000 (2011). Premiums to other life insurance schemes, including foreign life insurance schemes, are not tax deductible unless they comply with Danish tax legislation and the taxpayer waives any limitations in taxation rights when the deducted premiums are paid out again (i.e. at retirement).
Interest build-up	The yield is subject to a flat rate of 15% in the savings period. The life insurance company administrates the tax payments for policyholder.
Proceeds during lifetime	Annuity benefits are taxable up to 52% (2011 rate). A duty of 40% is payable on lump-sum payments, including capital pension schemes. Lump-sum payments arising from the non tax-deductible after-life insurance schemes mentioned above are tax-exempt.
Proceeds on death	Taxed as proceeds during lifetime.
Other tax features	**Taxation**
Premium taxes	None.
Capital taxes and taxes on securities	None.
Captive insurance companies	Premiums paid to captives are disallowed if the risk is not reinsured with a third party or the captive is engaged in business only with group-related companies. Similarly coverage of claims received from a captive is not taxable for the captive owner.
Value added tax (VAT)	None.

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Finland

General insurance – overview

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 Financial Supervisory Authority (FSA). 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 FSA.	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 FSA.	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 – overview (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 profit and loss (P&L) as per accounts.
Investment reserves	N/A.	N/A.
Investment income	Realised and unrealised gains and losses are taken to P&L.	Generally 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 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	10 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 2011 26%.
Other tax features	**Taxation**
Premium taxes	Insurance premium tax of 23% (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. Finnish or a foreign insurance company from the European Economic Area (EEA) 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, treatment injury, and international transport (relates to export, import or transit of goods). An insurance company registered for insurance premium tax purposes in Finland has to file a periodic tax return relating to insurance premium taxes monthly. 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. An insurance company has to file a separate annual return relating to 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 insurance and fire protection premium.
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.
Value added tax (VAT)	Insurance premiums are not subject to VAT in Finland. The insurance company does not have a right to deduct input VAT relating to acquisitions of goods/ services in relation to insurance business. An insurance company may, however, have to register for VAT purposes in Finland e.g. in order to report reverse charge VAT relating to acquisitions of goods or services abroad or in relation to purchase and resale of damaged vehicles.

Finland: Life insurance – overview

Definition	Accounting	Taxation
Definition of life insurance 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 insurance companies as set out in Accounting Act, insurance company law and the regulations of the Ministry of Social Affairs and Health and the FSA. In addition, the Accounting Board has issued advisory opinions and general instructions affecting insurance firms.	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 FSA.	N/A.
Tax return	N/A.	Separate annual return required by tax authorities.
General approach to calculation of income	**Accounting**	**Taxation**
Allocation of income between shareholders and policyholders	P&L shows annual income of shareholders. Income for policyholders calculated on 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. Certain exceptions: e.g. 75% of dividend income is typically taxable and 25% is tax exempt.
Calculation of investment income and capital gains	**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	Investments valued at lower of cost or market value. Revaluation allowed. Gains and losses taken to P&L. Some investments (such as financial instruments and real estate) 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.

Finland: Life insurance – overview (continued)

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	10 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 2011 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.
Value added tax (VAT)	Insurance premiums are not subject to VAT in Finland. The insurance company does not have a right to deduct input VAT relating to acquisitions of goods/ services in relation to insurance business. An insurance company may, however, have to register for VAT purposes in Finland e.g. in order to report reverse charge VAT relating to acquisitions of goods or services abroad.

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France

General insurance – overview

Definition	Accounting	Taxation
Definition of property and casualty insurance company	Non-life business to which insurance legislation applies.	Not defined by tax legislation.
Commercial accounts/ tax and regulatory returns	**Accounting**	**Taxation**
Basis for the company's commercial accounts	Rules provided by the "Code de commerce" and the "Code des assurances" (French insurance code).	Taxable income corresponds to accounting income from French statutory local books subject to specific adjustments (IFRS not applicable).
Regulatory return	Separate return as issued by the "Autorité de Contrôle Prudentielle".	N/A.
Tax return	N/A.	Filed annually.
Technical reserves/ equalisation reserves	**Accounting**	**Taxation**
Unearned premiums reserve (UPR)	Different methods are authorised. Contract-by-contract calculation is now generally used.	Tax deductible.
Unpaid claims reported	Calculated on a claim-by-claim basis – no discount allowed.	Tax deductible if satisfies claim by claim methodology.
Claims incurred but not reported (IBNR)	Calculated based on experience on statistical basis (no regulatory method).	Tax deductible if satisfies standard statistical rules.
Unexpired risks	Calculated based on the loss ratio (S/P – damages/premiums) when exceeding 1.	Tax deductible.
General contingency/ solvency reserves	Not allowed.	Non-deductible.
Equalisation reserves	Refer to tax rules.	Reserve tax deductible only for a list of specific risks (e.g. natural catastrophe, nuclear, credit, civil liability due to pollution, space, terrorism, air transport, bodily injury covers). Tax deductible within the limits set forth by the French tax code. If not used, the reserve must be reversed to taxable income after a certain number of years.
Expenses/ refunds	**Accounting**	**Taxation**
Acquisition expenses	Deferred acquisition costs must be posted as an asset. Calculation method must be consistent with the one used for unearned premiums. Must be amortised up to a maximum of 5 years.	Tax deductible immediately.
Loss adjustment expenses on unsettled claims (claims handling expenses)	To be included in the unpaid claims reserve.	Tax deductible (as part of the claims reserves).
Experience-rated refunds	Credited when earned. Refunds on unpaid claims reported are deducted from unpaid claims.	Deducted from unpaid claims.

France: General insurance – overview (continued)

Investments	Accounting	Taxation
Gains and losses on investments	Taken to P&L when realised.	Gains on the following assets are taxable at the standard rate (34.43%): portfolio shares, real estate (RE) assets, non-listed RE shares, etc. Exceptions are: • Gains on investment shares held for more than 2 years which are taxable up to 5% of their amount (95% tax exempt). • Gains on shares held in listed RE companies are taxable at the reduced rate of 19.6%. • Gains on certain private equity funds are taxable at 15.49%. • Gains on the sale of bonds are taxable at the standard rate. They must be posted in a tax non-deductible (since 01.01.2010) special reserve ("réserve de capitalisation"). • Losses on the sale of bonds are credited against this reserve.
Investment reserves	Reserve booked when the market value of an asset is lower than book value at closing date. In the case of long term depreciation, reserves are booked.	Tax deductible if set up according to fiscal rules. Reserve for depreciation of investment RE assets and RE shares is deductible only up to the global net depreciation on said assets. Reserve for depreciation on investment shares is not deductible. Reserve on bonds is deductible only in the case of risk of default of payment by the issuer.
Investment income	Included in P&L.	For bonds, redemption premium (difference between acquisition price and redemption value) is spread on an actuarial basis over the duration of the bond. Interests are taxable on an accrual basis. Dividends are taxable except for investment shares (> 5% of capital in which case dividends are 95% tax exempt). Most UCITS are mark-to-market at year-end and unrealised gains/losses are included in taxable income.
Reinsurance	**Accounting**	**Taxation**
Reinsurance premiums and claims	Disclosed separately in P&L. Technical reserves are booked gross of reinsurance ceded.	Follows accounting treatment. Premiums are deductible and claims against the reinsurance companies are taxable.
Mutual companies	**Accounting**	**Taxation**
Mutual companies (all profits returned to members)	Mutual entities subject to the provisions of the "Code des assurances".	Mutuals subject to the "Code des assurances" are taxed like stock companies. Since 2008 a tax grouping is possible.
Entities subject to the provisions of the "Code de la Mutualité" ("Mutuelles") and those subject to the provisions of the "Code de la sécurité sociale" ("Institutions de Prévoyance")	Although usually common to those applicable to the other insurers' rules may differ.	Most of these entities to date are tax exempt. Since FY06 they are subject to Insurance Premium Tax (IPT) rules under standard rules. They will be subject to Corporate Income Tax (CIT) in a near future (01.01.2013 presumably).

France: General insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	Tax losses are carried forward indefinitely and may be carried back three years.
Foreign branch income	Not taxable in France (territorial rule).
Domestic branch income	• Branch tax amounts to 25% of after-tax profits (reduced by double tax treaties). • 0% branch tax for EU branches.
Corporate tax rate	There is one standard rate and three reduced rates: • Standard rate: 33.33% + (33.33% x 3.3%) = 34.43% • Reduced rate: 19% + (19% x 3.3%) = 19.6% • Reduced rate : 15% + (15% x 3.3%) = 15.49% • Reduced rate: 0%
Other tax features	**Taxation**
Premium taxes	• Standard rate: 9% • Other rates range from 0% to 30%
Capital taxes and taxes on securities	N/A.
Tax on excess claims reserves	Calculated as a late interest on the CIT avoided.
Captive insurance companies	Standard corporate tax rules.
Value added tax (VAT)	No VAT on insurance premiums.

France: Life insurance – overview

Definition	Accounting	Taxation
Definition of life insurance companies	A company that carries out insurance business in connection with the duration of life of the policyholder. The company cannot do general business pursuant to specific regulations.	Not defined by tax legislation; subject to the rules applicable to policyholders.
Commercial accounts/ tax and regulatory returns	**Accounting**	**Taxation**
Basis for the company's commercial accounts	Rules provided by the "Code de commerce" and the "Code des assurances".	Taxable income corresponds to accounting income from French local statutory books, subject to specific adjustments (no IFRS).
Regulatory return	Separate return as required by the "Autorité de Contrôle Prudentielle".	N/A.
Tax return	N/A.	Filed annually.
General approach to calculation of income	**Accounting**	**Taxation**
Allocation of income between shareholders and policyholders	Surplus granted to policyholders are accounted for in a specific reserve to be reversed to the technical reserve, as provided by the contract within at maximum eight years.	Profits allocated to policyholders are tax deductible.
Calculation of investment return	**Accounting**	**Taxation**
Calculation of investment income and capital gains	Included in the P&L.	For bonds, redemption premium is taxed on an actuarial basis over the duration of the bond. Interest taxable on an accrual basis. No mark-to-market for UCITS at year-end (different from non-life). Dividends are 95% exempt if affiliation privilege applies (stake > 5%). For gains same rules as for non-life business apply.
Calculation of investment income and capital gains	**Accounting**	**Taxation**
Actuarial reserves	Zillmer method is compulsory – Differed Acquisition Cost (DAC) have to be disclosed separately.	Tax deductible.
Acquisition expenses	DAC have to be disclosed separately.	Tax deductible.
Gains and losses on investments	Realised gains and losses are taken to P&L. Unrealised gains are not booked. (For unrealised losses see below.)	Same rules as for non life business. Special regime for unit-linked contracts (asset and liability mark-to-market).
Reserves against market losses on investments	Due to prudential rules, these reserves have to be recorded (based on the application of contractual terms) until completion of existing obligations may generate negative margins due to inadequate performance of investments relative to insurance obligations (PAF – provision pour aléas financiers – reserves against market losses on investments).	The deductibility of the reserve for negative margins due to inadequate performance of investment is not approved by the French Tax Authorities (FTA).
Dividend income	N/A.	See above (non-life).
Policyholder bonuses	Deducted from net income.	Tax deductible.
Other special deductions	N/A.	N/A.

France: Life insurance – overview (continued)

Reinsurance	Accounting	Taxation
Reinsurance premiums and claims	Shown as a deduction in claims and premiums.	Follows accounting treatment. Reinsurance premiums ceded to companies located in non-tax treaty countries may be subject to a 33.33% withholding tax levied at source. Interest on deposits from foreign reinsurers is subject to a 16% withholding tax (reduced depending on the applicable tax treaty).
Mutual companies/ stock companies	**Accounting**	**Taxation**
Mutual Companies	No special rules.	Mutuals subject to the French insurance code: taxed like stock companies. As from FY08 a tax grouping is possible.

France: Life insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	Tax losses can be carried forward indefinitely and may be carried back three years.
Foreign branch income	Not taxable in France (territorial taxation principle).
Domestic branch income	25% branch tax calculated on after tax profits (reduced by double-tax treaties). 0% branch tax for EU branches.
Corporate tax rate	There is one standard rate and three reduced rates: • Standard rate: 33.33% + (33.33% x 3.3%) = 34.43% • Reduced rate: 19% + (19% x 3.3%) = 19.6% • Reduced rate : 15% + (15% x 3.3%) = 15.49% • Reduced rate: 0%
Policyholder taxation	**Taxation**
Deductibility of premiums	Very limited income tax relief on qualifying premiums
Interest build-up	No income tax during the contract. However, interest build-up is subject to social security taxes ("Contribution sociale généralisée" (CSG), "Contribution pour le remboursement de la dette sociale" (RDS) and "prélèvement social", i.e. 12.3%) during the contract including unit-linked component of a mixed insurance contract (i.e. unit-linked component plus Euro component since 01.07.2011).
Proceeds during lifetime	Gains (proceeds received in excess of premiums paid) are taxable at various fixed rates depending on the contract duration (35% <4 years, 15% between 4 - 8 years, 7.5% >8 years). Further, the social security taxes (12.3%) are due upon contract termination for unit linked contracts. Alternatively, a taxpayer may include proceeds in his income tax return where applicable marginal rate is lower than fixed rates above.
Proceeds on death	For contracts signed since 1991: • Proceeds on death related to premiums paid after the seventieth birthday of the insured are subject to inheritance tax on that part equal to premium paid exceeding EUR 30,500. • Proceeds on death related to premiums paid as of 13.10.1998 and before the seventieth birthday of the insured are subject to a specific tax at the rate of 20% on the amount exceeding EUR 152,000 per beneficiary and subject to a specific tax at the rate of 25% on the amount exceeding EUR 902,838 per beneficiary. • Proceeds are exempt from all taxes when related premiums paid before 13.10.1998 and before the seventieth birthday of the insured. Other rules are applicable to contracts signed before 20.11.1991.
Other tax features	**Taxation**
Premium taxes	No premium tax on life policies.
Capital taxes and taxes on securities	N/A.
Captive insurance companies	Standard corporate tax rules.
Value added tax (VAT)	No VAT on insurance premiums.

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Germany

General insurance – overview

Definition	Accounting	Taxation
Definition of property and casualty insurance company	A company carrying on any kind of direct insurance business other than life insurance (including annuities), health insurance, legal expenses insurance and social security. This also includes branches of foreign insurers.	No separate definition.
Commercial accounts/ tax and regulatory returns	**Accounting**	**Taxation**
Basis for the company's commercial accounts	Generally accepted accounting principles (GAAP) and special accounting principles for insurance companies, both embodied in the Commercial Code (Handelsgesetzbuch - HGB) and in specified accounting principles embodied in the Regulation on the Accounting for Insurance Companies (RechVersV). Specific regulations on technical reserves and the valuation of investments must be observed.	Taxation is based on the commercial accounts, as adjusted according to tax legislation and fiscal court decisions.
Regulatory return	Separate detailed returns must be filed with the German regulator (Bundesanstalt für Finanzdienstleistungsaufsicht BaFin - Regulation on financial reinsurance agreements and contracts without sufficient risk transfer).	N/A.
Tax return	N/A.	Annual returns are to be submitted as required by tax law, based on the (adjusted) commercial accounts.
Technical reserves/ equalisation reserves	**Accounting**	**Taxation**
Unearned premiums reserve (UPR)	The 1/360th or 1/24th method in principle as a discretionary regulatory minimum, generally net of 85% of commission (92.5% for reinsurance).	As per accounts.
Unpaid claims reported	Item-by-item valuation. The full amount of an estimated claim has to be added to the reserves, whereas certain claims due are to be deducted. Reasonability of the reserves will be disputed if the estimates exceed 10% (motor liability) or 20% (general liability) of the amounts later paid. The statistical method (group valuation) – especially in certain lines of insurance (i.e. transport) – is accepted for some lines of business.	Reserves for the same type of obligations have to be set up according to statistical experience (as defined by tax law and guidelines from the tax authorities) with respect to the probability of the reduced final obligations in total, so called "realitätsnähere Bewertung". In principle, liabilities with a remaining lifetime of at least 12 months must be discounted at a rate of 5.5% p.a; blanket deductions are to be made for certain types of insurance (e.g. general liability and motor liability).
Claims incurred but not reported (IBNR)	Blanket valuation based on experience or statistical methods. The full estimated claims must be reserved.	As for unpaid claims reported.
Unexpired risks	Not separately shown in the balance sheet.	N/A.

Germany: General insurance – overview (continued)

Technical reserves/ equalisation reserves	Accounting	Taxation
General contingency/ solvency reserves	A contingent loss reserve may be set up for insurance contracts taken out in that business year, valued as the collective risk for each type of insurance. The collective risk is calculated as the difference between the expected premiums received and expected benefits paid out for each type of insurance. No other contingency / solvency reserves (apart from below).	The contingent loss reserve is not recognised for tax purposes.
Equalisation reserves	An equalisation reserve must be established and calculated if significant fluctuations in the annual requirement may be expected and these fluctuations are neither offset by premiums nor covered by reinsurance. A formula is to be used reflecting the standard deviation of net losses for the past 15 years (30 years in some specified cases). Equalisation reserves must be increased by 3.5% per annum up to a maximum limit. Moreover, additional reserves for certain large risk insurance categories are deductible according to specific regulations. Catastrophe reserves are only allowable for pharmaceutical business liability insurance, nuclear plants insurance and insurance for large-scale terrorist acts.	As per accounts.
Expenses/ refunds	**Accounting**	**Taxation**
Acquisition expenses	Direct and indirect costs arising from the conclusion of insurance contracts (e.g. commission, advertising costs, administrative expenses for processing applications) must be deducted immediately.	As per accounts.
Loss adjustment expenses on unsettled claims (claims handling expenses)	Fully deductible for individual cases; flat-rate deduction under certain circumstances. Gross amount has to be reduced by the contractual reinsurance rate.	According to High Fiscal Court only cost for ascertainment of damage is deductible, whereas cost for handling of claims is not; blanket calculation of deductible reserve defined in guidelines of fiscal authorities.
Experience-rated refunds	Deductions for refund of excess premiums permitted.	As per accounts.
Investments	**Accounting**	**Taxation**
Gains and losses on investments	All realised gains and losses resulting from capital investments must be shown in the profit and loss (P&L) account.	For business years up to 2003 inclusive, capital gains from direct share investments are tax-exempt and corresponding losses are not deductible. From 2004 onwards, capital gains from direct share investments effectively are only 95% tax-exempt and corresponding losses not deductible. For the business year 2008 onwards, corresponding losses include losses in conjunction with certain debts receivable under a loan in specific circumstances. For trade tax purposes 95% of capital gains from direct share investments have to be added. Capital gains realised on the disposal of fund units are generally taxable. Due to the transparency of fund investments, the proportional part of any tax-free equity income gained by the fund (dividends and capital gains from its direct share investments, see above) is tax exempt. Corresponding losses from the funds' direct share investments are not taken into account.

Germany: General insurance – overview (continued)

Investments	Accounting	Taxation
Investment reserves	Please see section assessment of investment below. No specific reserves possible.	Please see section assessment of investment below. No specific reserves possible.
Investment income	Interest and dividends must be included in the P&L account (with credit for taxes withheld).	As per accounts. For business years up to 2003 inclusive, dividend income is tax-exempt. For subsequent business years, dividend income is effectively only 95% tax-exempt.
Reinsurance	**Accounting**	**Taxation**
Reinsurance premiums and claims	Premiums are deductible immediately. Reinsurance claims reduce reserves. Note: an actual transfer of risk is required. Amount of risk transfer still determined by industry practice. Details specified and monitored by the German regulator BaFin.	As per accounts (additionally please see "captive insurance companies" below).
Mutual companies	**Accounting**	**Taxation**
Mutual companies (all profits returned to members)	Premium refunds to members are expenses. Profit distributions to members (rare) are appropriations and therefore not expenses.	Premium refunds to members in general are deductible for tax purposes.

Germany: General insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	One-year carry-back up to EUR 511,500 (may be left out partially or completely on application of taxpayer). Carry forward of loss remaining after carry-back: • For business years up to 2003 inclusive without limitation in respect of amount and duration and can be offset in full. • For business years 2004 onwards, the amount of loss carried forward that can be offset in full in one business year is restricted to EUR 1 million. Any amount over and above this can be offset at 60% (i.e. minimum taxation of 40% for remaining income after EUR 1 million off-set). The remaining loss can be carried forward indefinitely.
Foreign branch income	Taxation depends on the double taxation treaty applicable: either fully taxable with credit for foreign tax or tax-exempt. According to the German tax authorities, a foreign insurance branch must be allocated income as if it were a fully operational insurance company. Therefore, the actual function of the branch is not taken into account. Capitalisation will generally be recognised if required by the host state's insurance regulations. This is contradiction to new OECD principles published in July 2008 (Report on the Attribution of Profits to Permanent Establishments, Part IV). It is yet to be seen whether these principles will be implemented into German tax law.
Domestic branch income	Calculated according to German tax rules (including transfer pricing rules). The Annual Tax Act 2010 rules that assets allocated to German branches of EC-/EEA-insurer have to be evaluated according to German Accounting Law. This may influence product and cost structures of foreign insurance companies and hence be an infringement of the freedom of establishment. According to the German tax authorities, a domestic insurance branch must be capitalised and allocated income as if it were a fully operational insurance company. Therefore the actual function of the branch is not taken into account. This is contradiction to new OECD principles published in July 2008 (Report on the Attribution of Profits to Permanent Establishments, Part IV). It is yet to be seen whether these principles will be implemented into German tax law.
Corporate tax rate	**Corporate tax:** 1. For business years before 2003: 25% 2. For business year 2003: 26.5% 3. For business years 2004 - 2007: 25% 4. For business years 2008 onwards: 15%. Solidarity surcharge: 5.5% of corporate tax payable. **Trade tax:** Trade tax rate depends on the individual municipality in which the company is situated (average 18%). 1. For business years before 2008: Trade tax is a deductible expense for corporate tax purposes. 2. For business years 2008 onwards: Trade tax is a non-deductible expense for corporate tax purposes. **Average effective tax rate:** 1. For business years before 2008: Between 39% and 42%. 2. For business years 2008 onwards: Between 30% and 32%.
Other tax features	**Taxation**
Premium taxes	In general 19% (16% before 2007) insurance tax on all gross premiums for direct business. In certain specified cases a rate of 3% to 22 % applies. No premium taxes on health insurance, statutory social security insurance and reinsurance. Premium taxes are owed by the policyholder, whereas fire brigade tax is owed by the insurer and may not be on-charged to the policyholder.
Capital taxes and taxes on securities	No (general) capital taxes for insurers. Insurers may be liable for real estate (property) tax on the sale or transfer of domestic property (deductible) or on transfer of shares under certain circumstances.

Germany: General insurance – other tax features (continued)

Other tax features	Taxation
Captive insurance companies	The only German fiscal guidelines regarding captives were developed as case law from the 1930s and one specific circular issued in the 1970s. More guidance was provided on the CFC aspects of captives in a 2004 circular, but the status is still not fully clear. Companies only underwriting risks in the group are not allowed to set up technical reserves if the business is not carried out according to technical principles. In this case, premiums paid are not deductible for the policyholder. Captives may also be covered under German legislation concerning controlled foreign companies.
Value added tax (VAT)	No VAT on insurance premiums and no corresponding refund of input VAT

Germany: Life insurance – overview

Definition	Accounting	Taxation
Definition of life insurance companies	A company carrying on any kind of direct life insurance. The licence for life insurance does not include any related insurance classification but the general (limited) permission to do supplemental business.	No separate definition.
Commercial accounts/ tax and regulatory returns	**Accounting**	**Taxation**
Basis for the company's commercial accounts	GAAP and special accounting principles for insurance companies, both embodied in the Commercial Code (HGB). Specific regulations on technical reserves and on the valuation of investments must be observed.	Taxation is based on the commercial accounts, as adjusted according to tax legislation and fiscal court decisions.
Regulatory return	Separate detailed returns must be filed with the German regulator (BaFin).	N/A.
Tax return	N/A.	Annual returns are to be submitted as required by tax law, based on the (adjusted) commercial accounts.
General approach to calculation of income	**Accounting**	**Taxation**
Allocation of income between shareholders and policyholders	As a general principle, for profit participation life insurance at least 90% of an insurer's investment income must be allocated to a special reserve for premium refunds. In practice, this percentage is higher (on average between 95% and 98% of the insurance company's gross profits). These policyholder bonuses are expenses. For unit-linked life insurance, there is no reserve for premium refunds; rather, any fluctuations in the value of the funds in which the insurer has invested must be correspondingly reflected in the reserve for future claims.	The expenses for premium refunds are deductible to a certain extent; as a basic rule they are deductible as far as an insurer's overall annual profit is higher than the net investment income from its trading capital and other investments. For tax purposes the reserve for premium refunds is recognized only to a certain extent, Sec. 21 para. 2 German Corporate Income Tax Act.
Calculation of investment return	**Accounting**	**Taxation**
Calculation of investment income and capital gains	Total income approach. Interest and dividends must be included in the P&L account, with credit for taxes withheld.	Investment income and capital gains are in general fully taxable. Foreign withholding tax (WHT) can be credited to the extent German income tax would be payable on the respective foreign investment income. However, German Tax Authorities reduce the credit of WHT by subtracting the corresponding technical reserves from the investment income.
Calculation of investment income and capital gains	**Accounting**	**Taxation**
Actuarial reserves	Actuarial reserves covering the company's obligations from life policies must be established according to standard recognised actuarial methods (prospective method). If not possible, then figures from the last business year, with an interest mark-up, are to be used (retrospective method). When calculating reserves, a maximum interest rate of 2.25% is to be used starting from 01.01.2007 (4% before 30.06.2000, 3.25% between 01.07.2000 and 31.12.2003, 2.75% between 01.01.2004 and 31.12.2006, and 1.75% starting from 01.01.2012).	As per accounts.

Germany: Life insurance – overview (continued)

Calculation of investment income and capital gains	Accounting	Taxation
Acquisition expenses	Direct and indirect costs arising from the conclusion of insurance contracts (e.g. commission, advertising costs, and administrative expenses for processing applications) must be deducted immediately. With regard to deferred acquisition costs (DAC) see commission expenses below.	As per accounts.
Gains and losses on investments	All realised gains and losses resulting from capital investments must be shown in the P&L account.	See section "Calculation of investment income and capital gains" above.
Reserves against market losses on investments	Reserves against market losses on investments may not be established. Generally, investments (shared incl. own shares & other fixed-interest securities) are valued at acquisition costs, depreciated by any reduction in the market value. Long-term investments are valued at acquisition costs, which may be depreciated if any value decrease is likely to be temporary. If the value decrease is likely to be permanent depreciation is mandatory. To be included in the P&L account, with credit for taxes withheld.	Reserves against market losses on investments may not be established. As per accounts.
Dividend income	To be included in the P&L account, with credit for taxes withheld.	See section "Calculation of investment income and capital gains" above.
Policyholder bonuses	As a general principle for profit participation life insurance, at least 90% of an insurer's investment income must be allocated to a special reserve for premium refunds (policyholder bonus). These policyholder bonuses are expenses. Since 01.01.2008 at least 75% of profit from risk costs, at least 50% of profit from administration costs and at least 90% of the insurer's investment income has to be allocated to the "premium refund reserves". 50% of hidden reserves have to be allocated to the premium refund reserves. However, the aforementioned regulations are not applicable to EU insurers operating in Germany under freedom of services or other insurers are not subject to the financial supervision of the German regulator. In principle, there are no premium refunds for unit-linked life insurance, as long as no term is guaranteed. Income from the fund is generally reinvested.	The reserve for premium refunds is deductible to a certain extent; as a basic rule it is deductible as far as an insurer's overall annual profit is higher than the net investment income from its business assets.
Other special deductions	None.	N/A.
Reinsurance	**Accounting**	**Taxation**
Reinsurance premiums and claims	Premiums are deductible immediately. Reinsurance claims reduce reserves. Note: an actual transfer of risk is required. Amount of risk transfer still determined by industry practice.	As per accounts.
Mutual companies/ stock companies	**Accounting**	**Taxation**
Mutual Companies	Profit distributions to members (rare) are appropriations and not expenses.	Premium refunds to members in general are deductible for tax purposes.

Germany: Life insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	One-year carry-back up to EUR 511,500 (may be left out partially or completely on application of taxpayer). Carry forward of loss remaining after carry-back: • Up to 2003 inclusive without limitation in respect of amount and duration and can be offset in full. • From 2004 onwards the amount of loss carried forward that can be offset in full in one year is restricted to EUR 1 million. Any amount above this can be offset at 60% (i.e. minimum taxation of 40% for remaining income after EUR 1 million off-set). The remaining loss can be carried forward indefinitely.
Foreign branch income	Taxation depends on the double taxation treaty applicable: Income is either fully taxable with credit for foreign tax or tax-exempt. According to the German tax authorities, a foreign insurance branch must be allocated income as if it were fully operational insurance company. Therefore, the actual function of the branch is not taken into account. Capitalisation will be recognised if required by the host state's insurance regulations. This is contradicting the new OECD principles published in July 2008 (Report on the Attribution of Profits to Permanent Establishments, Part IV). It is yet to be decided whether they will be implemented in German tax law.
Domestic branch income	Calculated according to German tax rules (including transfer pricing rules). The Annual Tax Act 2010 rules that assets allocated to German branches of EC-/EEA-insurer have to be evaluated according to German Accounting Law. This may influence product and cost structures of foreign insurance companies and hence be an infringement of the freedom of establishment. According to the German tax authorities, a foreign insurance branch must be allocated income as if it were fully operational insurance company. Therefore, the actual function of the branch is not taken into account. Capitalisation will be recognised if required by the host state's insurance regulations. This is contradicting the new OECD principles published in July 2008 (Report on the Attribution of Profits to Permanent Establishments, Part IV). It is yet to be decided whether they will be implemented in German tax law.
Corporate tax rate	**Corporate tax:** 1. For business years before 2003: 25% 2. For business year 2003: 26.5% 3. For business years 2004 – 2007: 25% 4. For business years 2008 onwards: 15%. Solidarity surcharge: 5.5% of corporate tax payable. **Trade Tax:** Trade tax rate depends on the municipality in which the firm is situated (average 18%). 1. For business years before 2008: Trade tax is a deductible expense for corporate tax purposes. 2. For business years 2008 onwards: Trade tax is a non-deductible expense for corporate tax purposes. **Average effective tax rate:** 1. For business years before 2008: Between 39% and 42% 2. For business years 2008 onwards: Between 30% and 32%.
Policyholder taxation	**Taxation**
Deductibility of premiums	**For policies taken out before 01.01.2005:** Subject to certain criteria, premiums into an endowment insurance or annuity insurance are tax-deductible up to specific amounts. Unit-linked policies excluded. **For policies taken out on or after 01.01.2005:** Only premiums into certain annuity insurance policies are tax-deductible up to EUR 20,000 p.a. in principle. Strict criteria apply. In 2005, only 60% of the maximum deductible amount applies, and increases by 2% annually until 2025, when the full EUR 20,000 can be used. Premiums into endowment insurance policies are not tax-deductible.
Interest build-up	Interest and profits are only taxable when paid out to the policyholder (exception wrapper policies). A new withholding tax has been introduced for income from capital assets (including income from life insurance) on 01.01.2009. This is a so-called settlement tax ("Abgeltungssteuer") i.e. it is deemed to settle the full tax burden for this income. If the taxpayer's personal tax rate is higher than 25%, no extra pay is due, if it is lower than 25%, a refund is only possible under certain circumstances. Any foreign tax paid on these profits will be credited; no income-related expenses are deductible. Any profits from a life insurance policy, which are taxable in full (either under the old pre-2005 or the new tax rules), will be subject to the 25% withholding tax. Profits from life insurance policies, which are only 50% taxable, will be taxed at the taxpayer's personal rate and must be declared in the taxpayer's annual tax return. However, the full settlement tax will initially be deducted at source.

Germany: Life insurance – other tax features (continued)

Policyholder taxation	Taxation
Interest build-up (continued)	(continued) Profits from foreign life insurance policies will be subject to the settlement tax if the foreign insurer has a branch in Germany, after 31.12.2008, the foreign insurer's branch will have to withhold the 25% tax at source and forward this to the German tax authorities. If the foreign insurer does not have a German branch and the life insurance was concluded via a German insurance intermediary after 31.12.2008, the intermediary must provide the Federal Central Tax Office for Tax (BZST) with information regarding the policy and the policyholder.
Proceeds during lifetime	For policies taken out **before** 01.01.2005: • Profits paid out as "one-off" payments are taxable. The profits are tax-free if certain criteria are fulfilled. • For regular annuity payments deemed profit is taxable which is calculated according to a statutory table. For policies taken out on 01.01.2005 or **after**: • Profits paid out as "one-off" payments are fully taxable. Profits are only 50% taxable if certain criteria are fulfilled. For policies taken out after 31.03.2009, minimum life cover applies for 50% tax privilege. • For annuity insurance policies with tax-deductible premiums, the annuity payment is taxable in full. A transition phase applies until 2040, during which the annuity payments are only partially taxable according to an increasing scale. • For all other annuity payments, the deemed profit is taxable, calculated according to a statutory table. Certain policy amendments will affect the taxation of "one-off" payments. From 01.01.1999 on a so-called settlement withholding tax applies. Moreover, since 01.01.2009 on, so-called investment management insurance contracts (life insurance wrappers) are explicitly excluded from qualification as life insurance for German income tax purposes and will be treated as transparent investments. For wrapper contracts different rules apply, e.g. all profits from the wrapper contract will be taxable when they arise. Further, the 50% tax privilege will not apply to wrapper policies. If the profits are not paid to the policyholder, these are subject to gift tax in principle on the side of the beneficiary. However, certain tax-free allowances apply, depending on the proximity of the beneficiary's relationship to the policyholder (e.g. spouse, child, grandchild, etc.). Moreover, under certain circumstances, the payment to a beneficiary will not be subject to inheritance tax if the beneficiary paid the premiums for the policy.
Proceeds on death	Not subject to income taxes, but depending on the circumstances, the death benefit may be subject to inheritance tax for the beneficiary. However, tax-free allowances apply, depending on the proximity of the beneficiary's relationship to the policyholder. Moreover, under certain circumstances, the payment to a beneficiary will not be subject to inheritance tax if the beneficiary paid the premiums for the policy.
Other tax features	**Taxation**
Premium taxes	No premium tax or sales tax.
Capital taxes and taxes on securities	No (general) capital taxes for insurers. Insurers may be liable for real estate (property) tax on the sale or transfer of domestic property (deductible).
Captive insurance companies	Concepts of transferring life risks into a captive have not occurred.
Value added tax (VAT)	No VAT on insurance premiums correspondingly no refund of input VAT.

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India

General insurance – overview

Definition	Accounting	Taxation
Definition of property and casualty insurance company	Under the Insurance Act, 1938, "Indian insurance company" means any insurer being a company: (a). which is formed and registered under the Companies Act, 1956 (1 of 1956); (b). in which the aggregate holdings of equity shares by a foreign company, either by itself or through its subsidiary companies or its nominees, do not exceed 26% paid up equity capital of such Indian insurance company; (c). whose sole purpose is to carry on life insurance business or general insurance business or re-insurance business. General insurance business means fire, marine or miscellaneous insurance business, whether carried out singly or in combination with one or more of them. [Note: Third proviso to Section 2C(1) of the Insurance Act, 1938 {inserted by the Insurance Regulatory and Development Authority (IRDA) Act, 1999} prohibits persons other than an Indian Insurance Company to begin to conduct insurance business. The said proviso is as follows: 'Provided also that no insurer other than an Indian Insurance Company shall begin to carry on any class of insurance business in India under this Act on or after the commencement of the IRDA Act, 1999']	No separate definition provided in the tax laws.
Commercial accounts/ tax and regulatory returns	**Accounting**	**Taxation**
Basis for the company's commercial accounts	The IRDA (Preparation of Financial Statements & Auditor's Report of Insurance Companies) Regulations, 2002 and all mandatory Accounting Standards issued by the Institute of Chartered Accountants of India to be adhered to subject to the following: (a). Accounting Standard 3 (AS 3), Cash Flow Statements – Cash Flow Statement shall be prepared only under the Direct Method. (b). Accounting Standard 13 (AS 13), Accounting for Investment is not applicable. (c). Accounting Standard 17 (AS 17) – Segment Reporting – shall apply even though insurance companies are not currently publicly traded. Relevant/Applicable provisions of the Companies Act, 1956.	Special provisions apply for taxation of profits from general insurance business which require taxable profits to be calculated in prescribed manner. As per these provisions, accounting profits disclosed by annual accounts (prepared in accordance with the Insurance Act, 1938), are subject to the following adjustments: (a). Any expenditure or allowance including provisions for any tax, dividend, reserve or any other prescribed provision which are not allowed in accordance with the normal provisions for computing profits and gains of a business to be added back. (b). Any profit/ loss on sale of investments to be added/ deducted if not credited/ debited to profit and loss (P&L) account. Further provision for diminution in value of investments debited in P&L account to be disallowed. Prescribed amount carry over to unexpired risks reserve fund would be allowed as deduction.

India: General insurance – overview (continued)

Commercial accounts/ tax and regulatory returns	Accounting	Taxation
Regulatory return	Investment returns, solvency margin returns, actuarial returns and other returns are required to be filed by the insurer either monthly or quarterly or half yearly or annually as prescribed under the relevant regulations.	N/A.
Tax return	N/A.	Annual return of income to be filed by 30 September every year. However, in a case where an accountant's report needs to be furnished in accordance with transfer pricing provisions, the income-tax return needs to be filed by 30 November. The applicable reporting period is the immediately preceding financial year i.e. uniform tax year that begins on 1 April X1 and ends on 31 March X2. Annual return of net wealth to be filed by 30 September wherever the taxable net wealth exceeds INR 3 million. Withholding tax returns are also required to be filed for each quarter. The applicable reporting period in this regard is the financial year. Thus, the time limit for filling the withholding tax returns is: (a). Quarter April to June – July 15 (b). Quarter July to Sept. – Oct. 15 (c). Quarter October to Dec. – Jan. 15 (d). Quarter January to March – May 15 following the financial year
Technical reserves/ equalisation reserves	**Accounting**	**Taxation**
Unearned premiums reserve (UPR)	N/A.	Please refer to the section "Unexpired risks".
Unpaid claims reported	Unpaid claims are disclosed under claims outstanding as required by the IRDA (Preparation of Financial Statements & Auditor's Report of Insurance Companies) Regulations, 2002.	Tax laws do not contain a specific provision for deduction for such reserves. However, unpaid claims debited to the revenue account may be allowable as a deduction subject to comments under earlier section on "Basis for the company's commercial accounts – Taxation".
Claims incurred but not reported (IBNR) & Claims incurred but not enough reported (IBNER)	IBNR represents that amount of all claims that may have been incurred prior to the end of the current accounting period but have not been reported or claimed. The IBNR provision also includes provision, if any, required for IBNER. The said liability is determined based on actuarial principles by the appointed actuary. The methodology and assumptions on the basis of which the liability is determined is also certified by the actuary to be appropriate, in accordance with guidelines and norms issued by the Institute of Actuaries of India & the IRDA. The liability determined for IBNR & IBNER is certified as adequate by the actuary. IBNR & IBNER are disclosed as claims outstanding as required by the IRDA (Preparation of Financial Statements & Auditor's Report of Insurance Companies) Regulations, 2002.	Tax laws do not contain a specific provision for deduction for such reserves. However, IBNR debited to the revenue account may be allowable as a deduction subject to comments under earlier section on "Basis for the company's commercial accounts – Taxation".

India: General insurance – overview (continued)

Technical reserves/ equalisation reserves	Accounting	Taxation
Unexpired Risk Reserve (URR)	A reserve for unearned premium is created as the amount representing that part of the premium written, which is attributable to and to be allocated to the succeeding accounting periods and shall not be less than as required under the provisions of the Insurance Act, 1938.	Deduction for amounts carried over to reserve for unexpired risk and to any such additional reserves is allowed but cannot exceed the following limits: • Fire or engineering insurance and providing insurance for terrorism risks – 100% of the net premium income of such business. • Fire or misc. Insurance (other than above) – 50% of net premium income of such business • Marine insurance (including export credit insurance) – 100% of net premium income of such business.
The Indian Motor Third Party Insurance Pool (IMTPIP)	In accordance with the directions of the IRDA, general insurance companies participated in the IMTPIP with effect from 1 April 2007. The IMTPIP covers reinsurance of the entire third party risks of specified commercial motor vehicles (specified risks). Amounts collected as premium in respect of specified risks are ceded at 100% of such premium to the IMTPIP. After mandatory cession of 10% of motor premium to General Insurance Council (GIC), the business remaining after such cession is shared among all general insurers writing motor insurance business, in the proportion to the gross written premium collected. The company's share of premiums, claims, reinsurance commissions and expenses of the pool are recorded as inward reinsurance business, based on the returns submitted by GIC, under the respective heads of income or expense as the case may be and included within the MTP sub-segment of the miscellaneous revenue account. In 2010/11 the IRDA has instructed all general insurance companies to provide an ultimate loss ratio of not less than 153% for all the years with effect from 2007/08.	Tax laws do not contain a specific provision for deduction for such premiums ceded. However, the same debited to the revenue account may be allowable as a deduction subject to comments under earlier section on "Basis for the company's commercial accounts – Taxation".
General contingency/ solvency reserves	N/A.	Tax laws do not contain a specific provision for deducing such reserves. However, the same debited to the revenue account may be allowable as a deduction subject to comments under earlier section on "Basis for the company's commercial accounts - Taxation".
Equalisation reserves	Not existing.	Not existing.
Catastrophe reserves	Catastrophe reserve is made in accordance with norms prescribed by the IRDA. Investment of funds out of catastrophe reserve is also made in accordance with prescription of the IRDA. Appropriations for catastrophe reserves are made from the Revenue Account (Form B-RA).	Tax laws do not contain a specific provision for deduction for such reserves. However, the same debited to the revenue account may be allowable as a deduction subject to comments under earlier section on "Basis for the company's commercial accounts – Taxation".
Expenses/ refunds	**Accounting**	**Taxation**
Acquisition expenses	Acquisition costs are costs that vary with and are primarily related to the acquisition of new and renewal insurance contracts. Such costs are expensed in the year in which they are incurred.	Tax laws do not contain a specific provision for deduction of such expenses. However, tax treatment should generally follow accounting treatment and accordingly, acquisition costs debited to the revenue accounts should be allowable as deduction.

India: General insurance – overview (continued)

Expenses/ refunds	Accounting	Taxation
Loss adjustment expenses on unsettled claims (claims handling expenses)	Loss adjustment expenses (claims handling expenses) are incidental to processing of claims and are accounted under claims incurred in revenue account.	Tax laws do not contain a specific provision for deduction of such expenses. However, tax treatment should generally follow accounting treatment and accordingly, such expenses debited to the revenue accounts should be allowable as deduction.
Experience-rated refunds	N/A.	N/A.
Investments	**Accounting**	**Taxation**
Gains and losses on investments	In respect to government securities and other held to maturity securities, long-term gain/loss on transfer/sale of securities is the difference between the sale price and the net amortised cost/book value and is accounted for in either revenue account or profit and loss account on the basis of the ratio of shareholders funds and policyholders' funds.	Any gain or loss on realisation of investments shall be added or deducted, as the case may be, if such gain or loss is not credited or debited to the P&L account. Any provision for diminution in the value of investment debited to the P&L account shall be added back.
Investment reserves	An impairment loss shall be recognised as an expense in revenue/P&L account to the extent of the difference between the re-measured fair value of the security/ investment and its acquisition cost as reduced by any previous impairment loss recognised as expense in revenue/P&L account. Any reversal of impairment loss earlier recognised in revenue/P&L account shall be recognised in revenue/P&L account.	Any provision for diminution in the value of investment debited to the P&L account shall be added back.
Investment income	Investment income is recognised on accrual basis. Dividend income is recognised when the right to receive is established. Investment income is allocated to revenue account (Form B–RA) and to P&L account (Form B–PL) on the basis of funds available from insurance operations and shareholders funds and are further allocated to the lines of business in proportion of their respective gross written premium.	Included in taxable income. However, dividends from an Indian company which have been subject to a dividend distribution tax are not double taxed in the hands of shareholders (insurance company) and are exempt under Section 10(34) of the tax laws. However, any expenditure incurred for earning exempt income is subject to disallowance in the hands of the insurance company. In certain cases, tax tribunal have been taking a view that disallowance is not attracted in the case of insurance companies.
Reinsurance	**Accounting**	**Taxation**
Reinsurance premiums and claims	Reinsurance premium is recognised over the period of risk. Reinsurance premiums whether on business ceded or accepted are to be brought into account, before deducting commission, under the head of reinsurance premiums. Reinsurance benefit to insurers for claims is accounted for when intimated and is accounted for in the same period as the related claims and shown under Schedule 2 Claims Incurred (Net) in the financial statement.	There exist no separate rules in the tax laws for tax treatment in the case of reinsurance. Tax treatment of premiums ceded or claims received, generally, follows the accounting treatment in the books of the insurer.
Mutual companies	**Accounting**	**Taxation**
Mutual companies (all profits returned to members)	No mutual companies exist.	Currently, there are no pure mutual insurance companies in India as most private general insurance companies are equity joint ventures between Indian and foreign promoters.

India: General insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	Permitted up to a maximum of eight years, subject to continuity of substantial ownership (>51%) test
Foreign branch income	Included in taxable income, as all resident insurance companies are taxed on worldwide income. However, a credit for foreign taxes may be available in India, subject to tax treaty provisions.
Domestic branch income	Calculated under ordinary rules based on branch accounts.
Corporate tax rate	The tax rate for domestic companies is 32.45% (including surcharge of 5%, education and higher education cess of 3%. (A "cess" is an additional surcharge calculated on the basic rate of income tax and surcharge.)
Other tax features	**Taxation**
Premium taxes	No specific income tax on premiums. However, premiums collected are subject to a Service Tax of 10.30% (incl. education cess of 2% and secondary & higher education cess of 1%) on the entire amount subject to exemptions for specific schemes as may be notified. The schemes, which are exempted are mostly those of social importance such as cattle, tribal and crop insurance, etc.
Capital taxes and taxes on securities	Wealth tax is levied at the rate of 1% on certain specified assets (motor vehicles, jewellery, specified immovable property) owned by a company and valued in excess of INR 3 million at the last day of the financial year net of any associated liabilities.
Captive insurance companies	N/A.
Value added tax (VAT)	All goods sold in the course of interstate trade are subject to Central Sales Tax (CST) and sales within any State are chargeable to Value Added Tax (VAT) under the VAT laws of the relevant State. Applicability of VAT on insurance companies, depend upon the VAT laws of the respective State. If insurance companies are covered, then sale of moveable assets by insurance companies will attract the levy of state VAT. The rate of tax would vary as per the VAT laws of the respective states.

India: Life insurance – overview

Definition	Accounting	Taxation
Definition of life insurance companies	**Life insurance business means** the business of effecting contracts of insurance upon human life, including any contract whereby the payment of money is assured on death (except death by accident only) or the happening of any contingency dependent on human life and any contract which is subject to payment of premium for a term dependent on human life and includes: (a). granting of disability, double- or triple indemnity accident benefits; (b). granting of annuities; (c). granting of superannuation allowance. Life insurance businesses may be linked businesses or non-linked businesses. Under linked businesses, the benefits payable depend upon the value of assets available with the insurer and under non-linked business, the benefits are payable, irrespective of the value of assets. Similarly, there may be participating businesses or non participating businesses, meaning thereby, the policyholders may or may not have the right to participate in the profits of the business. It may be mentioned that for each kind of business mentioned above, separate revenue accounts need to be prepared by the life insurer. For information on the Insurance Act please refer to the "Definition of property and casualty insurance company" in the section "General Insurance – Overview".	No separate definition provided in the tax legislation. However, "Life Insurance Business" is defined/reference is made to the definition provided under the Insurance Act, 1938. The definition is stated under the head "Accounting".
Commercial accounts/ tax and regulatory returns	**Accounting**	**Taxation**
Basis for the company's commercial accounts	The IRDA (Preparation of Financial Statements & Auditor's Report of Insurance Companies) Regulations 2002 and all mandatory accounting standards issued by Institute of Chartered Accountants of India to be adhered to subject to the following: • Accounting Standard 3 (AS 3) – Cash Flow Statements, Cash Flow Statement shall be prepared only under the Direct Method; • Accounting Standard 13 (AS 13), Accounting for Investment is not applicable; • Accounting Standard 17 (AS 17) – Segment Reporting – shall apply even though insurance companies are not currently publicly traded.	Special provisions apply for taxation of profits from life insurance business which require taxable profits to be calculated in a prescribed manner (discussed later). The tax law pertaining to life insurance business has not kept pace with the regulatory developments and is still in the evolving stage.
Regulatory return	Investment returns, solvency margin returns, actuarial returns and other returns are required to be filed by the insurer either monthly or quarterly or half yearly or annually as prescribed under the relevant regulations.	N/A.

India: Life insurance – overview (continued)

Commercial accounts/ tax and regulatory returns	Accounting	Taxation
Tax return	N/A.	Annual income tax return to be filed by 30 September every year. However, in a case where an accountant's report needs to be furnished in accordance with transfer pricing provisions, the income-tax return needs to be filed by 30 November. The applicable reporting period is the immediate preceding financial year i.e. uniform tax year, which begins on 1 April, XI and ends on 31 March, X2. Annual net wealth tax return to be filed by the 30 September wherever the taxable net wealth exceeds INR 3 million. Withholding tax returns are also required to be filed for each quarter. The applicable reporting period in this regard is the financial year. Thus, the time limit for filling the withholding tax returns is: (a). Quarter April to June - July 15 (b). Quarter July to Sept. – Oct. 15 (c). Quarter Oct. to Dec. – Jan. 15 (d). Quarter Jan. to March - May 15 following the financial year
General approach to calculation of income	**Accounting**	**Taxation**
Allocation of income between shareholders and policyholders	Premium, income on investments made out of policyholders funds, and all expenses directly related to insurance business should be classified under the policyholders revenue account. Income on investments made from shareholders funds and all expenses not directly related to insurance business is accounted for the under shareholders P&L account.	Profits of life insurance business are taxable at the concessional tax rate of 13.52% (i.e. basic tax rate of 12.5% plus surcharge of 5% equal to 13.13%, and education and secondary & higher education cess of 3% on the previously calculated value resulting at 13.52%). As per the special computational provisions, profits from life insurance business means that the surplus/ deficit as is determined, based on the actuarial valuation, is made in accordance with the Insurance Act, 1938. As such the tax law ought not to tax the net credits (i.e. income less expense) arising in the shareholders' account. However, in certain cases it is a debatable issue.
Calculation of investment return	**Accounting**	**Taxation**
Calculation of investment income and capital gains	A substantial portion of funds are invested in government securities and treasury bonds. Investments are also made in bonds and equities. (The IRDA specifies the minimum percentage of an amount to be invested in government securities. The remaining amount can be invested in approved and other than approved investments, i.e. corporate bonds and equities.) Interest income is recognised on accrual basis and is accounted under revenue accounts (technical account) or profit and loss accounts as applicable.	Generally taxed as ordinary income from the business of life insurance. In the case of certain tax payers, such interest income is challenged by the tax authorities as capital gains.

India: Life insurance – overview (continued)

Calculation of investment income and capital gains	Accounting	Taxation
Actuarial reserves	The actuarial liability on a policy is calculated based on the "gross premium method", which represents the present value of expected future outlay, including benefits and expenses, as reduced by the present value of expected future premium and related income. The reserves for group business are calculated as the risk premium for the unexpired term of the policy with an allowance for expenses and a margin for adverse deviations. For unit-linked business, unit reserves represent the value of the units attached to policies. Non-unit reserves are set up for mortality and morbidity risks associated with unit-linked business and are calculated using the "gross premium methods".	Calculated in accordance with the provisions of the Insurance Act and approved by the appointed actuary. An increase in actuarial reserves is deductible while a decrease in actuarial reserves is taxable as these reserves are taken into account while arriving at the surplus/deficit as per the actuarial valuation.
Acquisition expenses	Acquisition costs are costs that vary with and are primarily related to the acquisition of new and renewal insurance contracts. Such costs are expensed in the year in which they are incurred and are not to be capitalised.	Though the tax laws do not contain a specific provision for deduction of such expenses, these are allowed if they were taken into account when arriving at the surplus/ deficit as per the actuarial valuation.
Gains and losses on investments	In respect to government securities and other held to maturity securities, long-term gain/ loss on transfer/ sale of securities is the difference between the sale price and the net amortised cost/ book value and is accounted as policyholders' income under Form A-RA or shareholders income under Form A-PL as applicable. The profit or loss on the actual sale of a listed security includes the accumulated changes in fair value previously recognised in the "fair value change account". This amount is recycled to the appropriate revenue or P&L amount.	Gains on investments are taxable and losses are allowable if they were taken into account when arriving at the surplus/ deficit as per the actuarial valuation.
Reserves against market losses on investments	An impairment loss shall be recognised as an expense in revenue/ P&L account to the extent of the difference between the re-measured fair value of the security/ investment and its acquisition cost as reduced by any previous impairment loss recognised as expense in revenue/ P&L account. Any reversal of impairment loss earlier recognised in revenue/ P&L account shall be recognised in revenue/ P&L account. Unrealised gains/ losses due to changes in the fair value of listed equity shares flow through the fair value change account and are carried forward to the balance sheet. Unrealised gains and losses in unit-linked business are recognised in the respective scheme's revenue account (Form A–RA).	Impairment losses, unrealized losses are allowed and unrealised gains are taxable if they were taken into account when arriving at the surplus/ deficit as per the actuarial valuation.
Dividend income	Dividend income is recognised when the right to receive is established.	Dividends on which Dividend Distribution Tax is paid by dividend declaring/ distributing/ paying company are exempt in the hands of the shareholders. However, any expenditure incurred for earning exempt income is subject to disallowance in the hands of the insurance company. In certain cases, Tax Tribunal have been taking a view that disallowance is not attracted in the case of insurance companies.

India: Life insurance – overview (continued)

Calculation of investment income and capital gains	Accounting	Taxation
Policyholder bonuses	Included in the revenue account.	No specific provisions are present in the tax laws. Bonus generally is not allowable as deduction.
Other special deductions	None	Net income arising from pension business is exempt from tax.
Reinsurance	**Accounting**	**Taxation**
Reinsurance premiums and claims	Reinsurance premium is recognised in the same year in which policy is issued or renewed. Reinsurance premiums whether on business ceded or accepted are to be brought into account gross (i.e. before deducting commissions) under the head reinsurance premiums. Reinsurance benefits to insurers for death claims are accounted for when intimated and accounted for in the same period as the related claims & shown under Schedule 4 Benefits Paid (Net).	There exist no separate rules in the tax law for tax treatment in the case of reinsurance. Reinsurance premiums/ claims are allowable/ taxable if taken into account in arriving at the surplus/ deficit as per actuarial valuation.
Mutual companies/ stock companies	**Accounting**	**Taxation**
Mutual Companies	No mutual company exists.	Presently, there are no pure mutual insurance companies in India as most private life insurance companies are equity joint ventures between Indian and foreign promoters.

India: Life insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	Permitted to be carried forward up to a maximum of eight years subject to continuity of substantial ownership (>51%) test
Foreign branch income	Included in taxable income as all insurance companies being Indian firms are tax resident in India and are chargeable to tax on worldwide income. However, an exemption/tax credit for foreign taxes suffered may be available in India, subject to tax treaty provisions.
Domestic branch income	Included in overall taxable income of the insurance company and chargeable to tax in accordance with the special computational provisions.
Corporate tax rate	Effective tax rate is 13.52% (incl. surcharge of 5%, education cess of 2% and secondary & higher education cess of 1%).
Policyholder taxation	**Taxation**
Deductibility of premiums	For financial year 1 April 2011 to 31 March 2012, while computing the total income of an individual, premiums paid by such individual under a qualifying* life insurance policy are allowed as deduction under section 80C. Further, premiums paid by an individual under a pension plan/ policy which is approved by the IRDA, are also allowed as a deduction under section 80CCC. Deduction for premiums paid, as stated above, are subject to an upper cap aggregating to INR 100,000 (per person/ year).The employer may deduct payments of keyman life insurance premiums. ** A policy is said to be a qualifying policy if the premiums paid during the term of the policy do not exceed 20% of the actual capital sum assured under the said policy.*
Interest build-up	Generally not taxable.
Proceeds during lifetime	Proceeds received under a life insurance policy, generally not taxable [Taxable are the receipts under a keyman* insurance policy and/or receipts under a policy (established on or after 1 April 2003) where premiums payable for any of the years during which the term of policy exceeds 20% of the actual capital sum assured]. Proceeds received upon death of the policyholder are exempt from tax. Further, proceeds received by the policyholder on maturity of a qualifying life insurance policy (please see *Deductibility of premiums* above) is also exempt from tax. However, amount received (including interest/ bonus accrued, if any) on surrender/ withdrawal, or as pension from an annuity plan, is taxable in the hands of the policyholder/ nominee in the year of receipt. ** As per Indian income tax law "Keyman Insurance Policy" means a life insurance policy taken by a person on the life of another person who is or was the employee of the first-mentioned person or is or was connected in any manner with the business of the first-mentioned person. The definition of "keyman" is clarified in a circular issued by the Central Board of Direct Taxes as per which "Keyman" is an employee or a director, whose services are perceived to have a significant effect on the profitability of the business.*
Proceeds on death	Not taxable [receipts under a keyman insurance policy are taxable].
Other tax features	**Taxation**
Premium taxes	Life insurance premiums generally attract service tax @ 10.3% (including education cess of 2% and secondary & higher education cess of 1%) on the entire amount charged by the policy holder excluding the portion of investments. Insurers in some cases may be in a position to opt for the composite scheme where service tax is payable at 1.5% (plus education cess of 2% and secondary & higher education cess of 1%) of the gross amount of premium, without a distinction being made between risk and investment portions.
Capital taxes and taxes on securities	Wealth tax is levied at the rate of 1% on certain specified assets (motor vehicles, jewellery, specified immovable property) owned by a company and valued in excess of INR 3 million at the last day of the financial year, net of associated liabilities, if any.
Captive insurance companies	No separate rules for captives.

India: Life insurance – other tax features (continued)

Other tax features	Taxation
Value added tax (VAT)	All goods sold in the course of interstate trade are subject to CST and sales within any State are chargeable to VAT under the VAT laws of the relevant State. Applicability of VAT on insurance companies, depend upon the VAT laws of the respective State. If insurance companies are covered, then sale of moveable assets by insurance companies will attract the levy of state VAT. The rate of tax would vary as per the VAT laws of the respective states.
Minimum Alternative Tax (MAT)	With an object to bring zero tax companies under tax net, MAT at effective rate of 20.01% (including surcharge of 5%, education cess of 2% and secondary & higher education cess of 1%) of book profits is levied on companies whose tax payable under normal income-tax provisions is less than 18.50% of book profits. A credit of such tax paid under MAT provisions by a company with effect from FY 05-06 shall be allowed against the tax liability that arises in subsequent ten years under the normal provisions of the Act.
Dividend Distribution Tax (DDT)	Dividend income, which is subject to DDT, is exempt in the hands of the shareholders. However, a dividend distribution tax of 16.22% (including surcharge of 5%, education cess of 2% and secondary & higher education cess of 1%) is currently levied on companies' declaring/ distributing/ paying dividend. Dividend received by a company from its subsidiary, on which subsidiary company has paid DDT, is to be reduced from the total dividend declared/ distributed/ paid by the company, provided the dividend receiving company is not a subsidiary of any other company. Thus, the DDT is to be levied on the net dividend only. A company is a subsidiary of the other company if such other company holds more than half in nominal value of the equity share capital of the company.

Note: surcharge of 5% is applicable in cases where total income exceeds INR 10 million.

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Ireland

General insurance – overview

Definition	Accounting	Taxation
Definition of property and casualty insurance company	A company to which insurance legislation applies.	Not defined by tax legislation.
Commercial accounts/ tax and regulatory returns	**Accounting**	**Taxation**
Basis for the company's commercial accounts	Financial statements are prepared in accordance with Companies Act 1963-2009, European Communities (Insurance Undertakings: Accounts) Regulations, 1996 (which implemented the EU Accounts Directive into Irish law), generally accepted accounting practice Ireland (Irish GAAP) as set out in accounting standards and Institute guidelines. The Statement of Recommended Practice issued by the Associate of British Insurers (ABI SORP) is used as guidance for accounting purposes. Insurance companies may prepare accounts under either Irish GAAP or International Financial Reporting Standards (IFRS), except in the case of consolidated accounts of EU listed companies where IFRS is mandatory.	N/A.
Regulatory return	A separate return issued to the Central Bank of Ireland for solvency supervision purposes.	N/A.
Tax return	N/A.	Separate tax return must be submitted within nine months of end of tax period (usually 12 months in length).
Technical reserves/ equalisation reserves	**Accounting**	**Taxation**
Unearned premiums reserve (UPR)	Calculation of UPR is generally by time apportionment. This is appropriate if the incidence of risk is the same throughout the period of cover. If there is a marked unevenness in the incidence of risk over the period of cover, a basis reflecting the profile of risk will be used to calculate the UPR.	Allowed as per the accounts.
Unpaid claims reported	Calculated on a case-by-case basis. Discounting of claims reserves not a feature of industry in Ireland. Permitted in limited circumstances by the EU Accounts Directive.	Accounts provision allowed in full.
Claims incurred but not reported (IBNR)	Calculated based on historical experience and/or actuarial or statistical methods.	Accounts provision allowed in full.
Unexpired risks	Calculation on a statistical basis or management estimate in accordance with ABI SORP.	Tax deductible in accordance with accounting rules.
General contingency/ solvency reserves	Generally, will not be allowed as they will not meet the criteria for recognition of a provision under FRS 12.	Not allowed

Ireland: General insurance – overview (continued)

Technical reserves/ equalisation reserves	Accounting	Taxation
Equalisation reserves	Only permissible in limited circumstances. Guidance provided in ABI SORP.	Deduction allowed for equalisation reserves relating to credit insurance and reinsurance business with effect from 15 July 2006.
Expenses/ refunds	**Accounting**	**Taxation**
Acquisition expenses	Apportionment on basis similar to that used for UPR.	Follows accounting treatment.
Loss adjustment expenses on unsettled claims (claims handling expenses)	Calculated in accordance with ABI SORP.	Allowed when provided.
Experience-rated refunds	Credited when earned in accordance with ABI SORP. In practice many companies recognise such refunds on a receipts basis.	Follows accounting treatment.
Investments	**Accounting**	**Taxation**
Gains and losses on investments	Realised gains and losses are calculated by reference to net sales proceeds and the original purchase costs. The gain or loss is taken directly to profit and loss (P&L) account. Unrealised investment gains and losses are calculated as the difference between market values at the end of the year and the market value at the beginning of the year or purchase cost for assets acquired during the year, together with the reversal of unrealised gains and losses recognised in earlier accounting periods, which have since been realised. Under Irish GAAP, unrealised gains/ losses are recorded either in the P&L account or through equity, depending on the classification of the underlying investment (e.g. held for trading versus available for sale).	Irish GAAP (pre FRS26): realised gains and losses are included in taxable income. Unrealised gains and losses may not be taxed/ deducted until realised. IFRS/ FRS26: In accordance with IAS 39/ FRS26, fair value measurement of financial assets is allowed. In computing taxable trading profits, gains/ losses (whether realised/ unrealised on such assets), which are recognised in the P&L account under IAS 39/ FRS26 are taxable. Gains and losses taken to reserves do not become taxable until they are recognised in the P&L account on a disposal of the assets.
Investment reserves	Accounts mark-to-market all investments.	Deferred tax provided on unrealised gains, which are recognised in the accounts.
Investment income	Included initially in the non-technical account within the P&L. Portion representing the return on investment (ROI) supporting technical provisions allocated to technical account.	Included in taxable income. Dividends are exempt if received from other Irish resident companies. Dividends from portfolio shareholdings (5%) also exempt.
Reinsurance	**Accounting**	**Taxation**
Reinsurance premiums and claims	Premiums paid/ payable are deducted from gross premiums. Claims recoveries netted in P&L account against claims paid/ payable. All reinsurance movements (except commission) are disclosed separately within the technical account on the face of the P&L account.	Follows accounting treatment. Premiums paid to group company should be at arms length (for all companies).
Mutual companies	**Accounting**	**Taxation**
Mutual companies (all profits returned to members)	No special treatment.	No major general mutual insurers. Taxed on investment income and capital gains if truly mutual for tax purposes.

Ireland: General insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	One-year carry-back and indefinite carry-forward against other trading income only. Relief on a value basis against non-trading income.
Foreign branch income	Foreign income included, subject to credit relief for foreign tax. Onshore pooling available. Excess foreign tax credits can be carried forward indefinitely.
Domestic branch income	Calculated under ordinary rules based on branch accounts. No extra branch tax.
Corporate tax rate	12.5% on trading income with 25% on non-trading income.
Other tax features	**Taxation**
Premium taxes	Non-life insurance levy of 3% on the gross amount received by an insurer in respect of certain non-life insurance premiums where the risk is located in Ireland. The exceptions to the non-life levy are re-insurance, voluntary health insurance, marine, aviation and transit insurance, export credit insurance and certain dental insurance contracts. Stamp duty of EUR 1 is also payable on each non-life policy where the risk is located in Ireland.
Capital taxes and taxes on securities	None.
Captive insurance companies	Taxed under normal rules.
Value added tax (VAT)	Exempt from VAT. Generally no VAT recovery available unless company sells products to customers outside EU.
Transfer Pricing	General transfer pricing legislation is applicable for accounting periods commencing on or after 1 January 2011 in respect of agreements concluded post 1 July 2010. Applies to trading transactions only.

Ireland: Life insurance – overview

Definition	Accounting	Taxation
Definition of life insurance companies	A company that carries on life insurance business and to which specific regulation applies.	• **Old basis business:** Defined as life business, written before 01.01.2001 (other than IFSC business) and industrial assurance policies, irrespective of when commenced. • **New business basis:** Defined as life business, written from 01.01.2001 and all pension, annuity and private health insurance (PHI) policies. Includes sinking fund or redemption business.
Commercial accounts/ tax and regulatory returns	**Accounting**	**Taxation**
Basis for the company's commercial accounts	Financial statements are prepared in accordance with Companies Act 1963-2009, European Communities (Insurance Undertakings: Accounts) Regulations, 1996 (which implemented the EU Accounts Directive into Irish law), Irish GAAP, as set out in Accounting Standards Board (ASB) accounting standards and other pronouncements. Consolidated accounts of EU listed firms are required to be prepared under IFRS. Further, other insurers may use IFRS rather than Irish GAAP.	Taxation based on statutory accounts with certain supporting data extracted from regulatory return.
Regulatory return	Separate return issued to the Central Bank of Ireland for solvency supervision purposes.	Provides certain supporting data for a tax return.
Tax return	N/A.	A separate tax return must be submitted within 9 months of the end of a tax period (usually 12 months in length). Separate return of exit tax deducted from proceeds of new basis business life policies. Separate return of life assurance levy and pension levy.
General approach to calculation of income	**Accounting**	**Taxation**
Allocation of income between shareholders and policyholders	Separate accounting for policyholder and shareholder profits within the financial statements.	• **Old business basis:** Investment income and capital gains (I) less management expenses and commissions (E) (**"I minus E" basis**). Expenses deduction may be restricted to ensure that minimum tax level, being tax on shareholders surplus, is achieved ("Notional Case 1" (NC1) computation). • **New business basis:** Gross roll-up applicable to policyholder funds, i.e. no tax. Shareholders' surplus taxed as trading profit (Case 1). Further, a proportion of the transfer to the "Fund for Future Appropriations" is deemed to be taxable shareholders' surplus. New basis business losses cannot be offset against old basis business policyholder profits.
Calculation of investment return	**Accounting**	**Taxation**
Calculation of investment income and capital gains	EU Accounts Directive standardised approach to accounting for investments. All income and gains initially recognised in the technical account with a portion representing income on shareholder assets allocated to the non-technical account.	• **Old business basis:** "I-E"; realised gains and losses are included in taxable income. Unrealised gains and losses in the life funds are recognised annually, but taxed over a 7 year period. In NC1, investment return follows accounts. • **New business basis:** Gross roll up regime applicable to new business basis; no tax levied on investment return within policyholder funds. Investment income follows Case 1 computation.

Ireland: Life insurance – overview (continued)

Calculation of investment income and capital gains	Accounting	Taxation
Actuarial reserves	Companies reporting under IFRS or falling within the scope of FRS 26 are required to deposit account for contracts which do not transfer "significant insurance risk" in accordance with the requirements of FRS 26 (which are the same as those of IAS 39).	• **Old business basis:** Deductible only in the NC1 computation. • **New business basis:** Deductible in computing Case 1 profits.
Acquisition expenses	In addition, companies reporting under IFRS or falling within the scope of FRS 26 are required to defer elements of front-end or origination fees on contracts which do not transfer "significant insurance risk".	• **Old business basis:** Spread over seven years in the "I-E" computation. Follows regulatory treatment in the NC1 computation (i.e. no deferral). • **New business basis:** Follows accounting treatment in Case 1 computation.
Gains and losses on investments	Mark-to-market under EU Accounts Directive and SORP.	• **Old business basis:** Realised gains and losses are included in the "I-E", as are unrealised gains and losses but over a 7 year period. NC1 follows accounting treatment. • **New business basis:** Gains on policyholder funds benefit from gross roll up (no annual tax). Other gains included in Case 1 computation.
Reserves against market losses on investments	Not applicable as accounts mark-to-market all investments.	N/A.
Dividend income	Included in investment income.	• **Old business basis:** Gross amounts included in "I-E". Tax relief may be available for imputed tax credits or withholding taxes on such dividends. • **New business basis:** Dividends on policyholder funds benefit from gross roll-up (no annual tax). Dividends on shareholders' funds are included in Case 1; Irish dividends are exempt.
Policyholder bonuses	Included as a separate expense.	• **Old business basis:** Not deductible in "I-E" computation. Deductible in NC1 computation. • **New business basis:** Deductible in Case 1 computation.
Other special deductions	None.	• **Old business basis:** None. Note that management expenses are streamed against different classes of business in the "I-E" computation. • **New business basis:** None.
Reinsurance	**Accounting**	**Taxation**
Reinsurance premiums and claims	Reinsurance premiums should be accounted for when payable and are included as a separate line in the P&L account. All reinsurance balances (except commission) are disclosed separately on the face of both P&L account and balance sheet.	• **Old business basis:** Gains on reinsurance contracts with foreign reinsurers may be subject to capital gains tax – financial reinsurance may be subject to adjustment. • **New business basis:** Financial reinsurance may be subject to adjustment.
Mutual companies/ stock companies	**Accounting**	**Taxation**
Mutual Companies	No special rules	• **Old business basis:** Taxable only on "I-E" basis without minimum tax liability. • **New business basis:** 5% of the transfer to fund for future appropriations is taxed at 12.5%.

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Ireland: Life insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	One-year carry-back. Indefinite carry-forward. New business basis loss cannot be offset against any old business basis policyholder profits.
Foreign branch income	Taxed under special rules to bring into account only shareholder profits.
Domestic branch income	• **Old business basis:** "I-E" based on Irish policyholder proportion of world investment income. Capital gains tax on assets held for the purpose of the branch. Deduction for expenses of management. NC1 restriction may apply. No extra branch tax. • **New business basis:** Taxed on Irish profits under Case 1 only.
Corporate tax rate	Policyholder profits: 0% (20% for old business basis). Shareholder profits: 12.5%.
Policyholder taxation	**Taxation**
Deductibility of premiums	• **Old business basis**: No relief. • **New business basis:** Relief for permanent health and retirement annuity contracts, subject to certain limits. Life premiums may be deducted in computing a gain on new business basis policies.
Interest build-up	• **Old business basis:** Tax in fund for life policyholders. • **New business basis:** No tax on interest build-up.
Proceeds during lifetime	• **Old business basis:** Generally not taxable in the hands of the original beneficial owner unless that owner is a company or the policy is with a foreign insurer. • **New business basis:** Any gain on new business basis life policies on maturity, surrender or assignment (other than assignment by way of security for a debt due to a financial institution) of a policy is subject to an exit tax. The exit tax must be deducted by the insurance company on the happening of a chargeable event (i.e. maturity, surrender or assignment) in relation to a life policy (30% with effect from 01.01.2011). Life company must account for exit tax to revenue. Exemptions from exit tax are available (i.e. for non-resident policyholders) once certain conditions are satisfied and appropriate declarations in place. Pension benefits taxed in hands of individual with certain exemptions.
Proceeds on death	• **Old business basis:** Generally not subject to income or capital gains taxes, but may be subject to inheritance tax unless policy taken out expressly to pay such tax. • **New basis business:** Generally not subject to income or capital gains taxes. Effective from 15.02.2001, the life company must deduct exit tax on death.
Other tax features	**Taxation**
Premium taxes	With effect from 1 August 2009 a 1% life assurance levy is applied to certain classes of life assurance business where the risk is located in Ireland. The life levy does not apply to pension business and reinsurance. (The life levy applied to individual pension products from 1 Aug 2009 to 31 Dec 2009).
Capital taxes and taxes on securities	Inheritance tax and gift tax may apply depending on relationship between policyholder and beneficiary. Certain policies may be exempt – please see above.
Captive insurance companies	N/A. (There are very few if any life captives in Ireland – some reinsurance captives present ca. 10 years ago were accounted for using the non-life rules.)
Value added tax (VAT)	Primarily exempt from VAT. VAT recovery may be available where there is an investment aspect to the life insurance policies. Then, VAT recovery is based on the location of the underlying investment assets.
Transfer Pricing	General transfer pricing legislation is applicable for accounting periods commencing on or after 1 January 2011 in respect of agreements concluded after 01.07.2010. Applies to trading transactions only.
Pension Levy	Temporary levy imposing an annual charge to stamp duty of 0.6% on the market value of assets under the management of approved Irish pension schemes. Applies from 2011 to 2014. Where an insurer writes a contract of assurance with a pension scheme that contract will be subject to the pension levy and the insurance company will be the chargeable person for payment of the levy. The levy will not apply to pension scheme assets relating to members whose employment is exercised wholly outside Ireland.

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Italy

General insurance – overview

Definition	Accounting	Taxation
Definition of property and casualty insurance company	As reported by the Legislative Decree n. 209 of 7 September 2005 (Code for Private Insurance), a P&C insurance company is a company performing its activity in the following 18 lines of business: accidents, health, land vehicles, railway rolling stock, aircraft, ships, goods in transit, fire and natural forces, other damage to property, motor TPL, aircraft liability, liability for ships, general TPL, credit, surety, miscellaneous pecuniary loss, legal expenses, assistance.	Italian tax law does not provide a specific definition of P&C insurance companies.
Commercial accounts/ tax and regulatory returns	**Accounting**	**Taxation**
Basis for the company's commercial accounts	**Separate Financial Statements** Italian generally accepted accounting principles (GAAP) as set out in the Italian Civil Code, in special legislation (Legislative Decree 26/5/1997, no. 173 and Legislative Decree no. 209 of 7 September 2005) and in specific rules issued by the Italian Insurance Supervisory Authority (ISVAP). **Consolidated Financial Statements** International Financial Reporting Standards (IFRS) endorsed by EU, Legislative Decree no. 209 of 7 September 2005) and in specific rules issued by the Italian ISVAP.	Corporate income taxes (IRES and IRAP) are imposed on P&L, some tax adjustments need to be made in accordance with Italian tax law.
Regulatory return	A specific set of regulatory return documents is provided by a number of ISVAP regulations. It mainly includes several templates detailing solvency margin, assets covering technical reserves, technical and non technical balances as well as other detailed information about specific features (e.g. reinsurance).	N/A.
Tax return	The income statement (separate) represents the basis for the calculation of corporate income taxes (IRES and IRAP).	Annual tax returns have to be filed for corporate income taxes (IRES and IRAP), Value Added Tax (VAT) and withholding tax purposes.
Technical reserves/ equalisation reserves	**Accounting**	**Taxation**
Unearned premiums reserve (UPR)	Calculated according to the pro-rata time apportionment principles or, if the result does not materially differ, by lump sums.	Allowed in accordance with accounting principles.

Italy: General insurance – overview (continued)

Technical reserves/ equalisation reserves	Accounting	Taxation
Unpaid claims reported	Established on the basis of a fair estimate of all foreseeable costs due for each claim ("ultimate cost"). As an alternative, for sufficient amounts of homogeneous claims and only for the current generation of claims, it may be calculated on the basis of average costs of these claims.	For non-life insurance companies, only for IRES purposes, the variation of compulsory technical reserve relating to the long period component (i.e. 75% of the relevant amount), is deductible in the fiscal year for an amount not exceeding 30%. The exceeding amount can be deducted in equal instalments, within the subsequent 18 fiscal periods. Starting from fiscal year 08, the residual instalments of tax adjustments made in previous fiscal years and not yet deducted, shall be deducted, for IRES and IRAP purposes, in equal instalments until the 18^{th} year following to the year in which the relevant tax adjustment was made.
Claims incurred but not reported (IBNR)	Established on the basis of frequency and average costs of claims. Other methods are admitted if the historical experience highlights significant variances in one or both parameters above.	Allowed in accordance with accounting principles.
Unexpired risks	This provision accounts for claims and expenses in excess of the related unearned premiums reserve.	Allowed in accordance with accounting principles.
General contingency/ solvency reserves	ISVAP establishes the minimum solvency capital required to maintain the P&C insurance business authorisation.	No specific tax rules.
Equalisation reserves	The current law allows the following equalisation reserves: • equalisation reserves for debt insurance. This annual reserve is 75% of the technical balance which should not exceed 1.5 times the highest amount of premiums in the last five years. The max provision is 12% of premiums; • equalisation reserve for natural catastrophes on lines of business different from debt insurance and surety can not exceed 75% of the premiums, and the required provision could be either 2% of the premiums (if these are separately indicated) or 0.3% of the premiums (if not).	Allowed in accordance with accounting principles.
Expenses/ refunds	**Accounting**	**Taxation**
Acquisition expenses	Acquisition costs may be charged in full in the year in which they are incurred, or alternatively, deferred and amortised using a straight-line basis over a maximum period corresponding to the expected life of the contract.	Acquisition costs related to annual policies are fully deductible in the year in which they are sustained and accounted for in the P&L. Acquisition costs related to policies lasting more than one year are deductible in equal instalments during that tax period and in the two following tax period instalments.
Loss adjustment expenses on unsettled claims (claims handling expenses)	The claims reserve should include also the component relating to the claims handling expenses for unsettled claims.	Allowed in accordance with accounting principles.
Experience-rated refunds	Credited when earned.	Taxed in accordance with accounting principles.

Italy: General insurance – overview (continued)

Investments	Accounting	Taxation
Gains and losses on investments	Realised gains and losses and investment income (dividend and interest) and losses are accounted for in P&L. Unrealised losses resulting from a permanent devaluation of fixed investments should be accounted for in P&L. Unrealised losses resulting from devaluation (fair value below cost value) of current investments should be accounted for in P&L.	Unrealised losses, accrued in P&L different from those on shares may be deducted up to a minimum fiscal value of the relevant assets, determined pursuant to the following rules: a) for listed bonds (classified as trading assets), the stock exchange price at the year end or the average of the stock exchange prices of the last month before the year end; b) for unlisted bonds (classified as trading assets), based on the above value of listed bonds having similar characteristics; c) for listed bonds (classified as financial assets), based on the average of the stock exchange prices of the last six months before the year end. Realised financial gains and losses are taxable. Unrealised gains and losses on shares (classified in the financial statement both as trading and assets) are not taxable. Realised gains and losses on shares not satisfying *participation exemption* conditions are generally relevant for fiscal purposes. Nonetheless, in the case of collecting dividends during the previous 36 months, capital losses are not deductible for an amount equal to the dividend not taxed *(dividend washing regime).* 95% of capital gains arising from transfer of shares satisfying participation exemption conditions are exempt (starting from FY 2008). Realised losses on the shares that qualify for the *participation exemption* regime are not deductible.
Investment reserves	N/A.	N/A.
Investment income	N/A.	Interest income accrued in the P&L is fully taxable. 95% of dividends collected are not taxable. Dividends distributed by companies resident in a country not included in the so called White List (to be issued) are fully taxable. Until the White List will be issued, reference has to be made to the Black List countries (as listed in the Ministerial Decree 21 November 2001).
Reinsurance	**Accounting**	**Taxation**
Reinsurance premiums and claims	Ceded premiums and claims are deducted from the corresponding gross amounts in the income statement and are presented separately in the year-end financial statements.	No specific tax rules are applicable. Premiums paid to group companies are deductible provided that they are at arm's length principle.
Mutual companies	**Accounting**	**Taxation**
Mutual companies (all profits returned to members)	No special treatment.	Mutual companies are subject to IRES and IRAP, according to general principles. Specific tax exemptions are granted to mutual companies with prevailing mutual purpose.

Italy: General insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	Incurred losses (net of the amount of certain exempt proceeds) can be carried forward for five years for corporate tax (IRES) purposes only. No time limit for start-up losses incurred during the first three years of the business, provided that they refer to a new business activity. Starting from 2011, incurred losses can be carried forward without time limits and it can be computed in reduction of the tax period's income to the extent of 80% of taxable income.
Foreign branch income	Foreign branch income is fully taxable in Italy; a foreign tax credit for taxes paid abroad is allowed, under certain conditions. Foreign branch income is not subject to taxation for IRAP purposes.
Domestic branch income	Italian branch's taxable income is calculated pursuant to the rules governing business income, comparing the costs and proceeds attributable to the branch as shown in its P&L account. Premiums relating to the policies placed into the Italian territory represent positive items of the branch's income, against the negative items and other costs (including technical reserves) sustained in carrying on the insurance activities in Italy.
Corporate tax rate	27.5% rate (IRES)
Other tax features	**Taxation**
Premium taxes	IPT is levied on a proportional basis, based on the full amount of premium paid to the insurer at a rate varying from 2.50% to 21.25%, depending on the class of business. Additional surcharges may be applied (up to 1%) depending on the class of business. EEA companies (other than EU) carrying on a business in Italy under the FOS regime must appoint an Italian IPT representative to comply with the relevant IPT fulfilments.
Capital taxes and taxes on securities	N/A.
Captive insurance companies	No specific legislation for captive insurance companies is currently in force.
Value added tax (VAT)	Insurance transactions are exempt from VAT taxation.
Regional Tax on Productive activities (IRAP)	IRAP is applicable on the added-value produced by the company in Italy, determined on the basis of the P&L account at a tax rate of 5,90% (starting from 2011), increased up by 0.92% pursuant to some regional laws. Non-residents Insurance Companies are taxed only on income from productive activities carried out in Italy through a permanent establishment. IRAP taxable basis is computed based on the sum of the results reported in the technical accounts referred to non-life and life business as shown in the P&L account. The following adjustments have to be made: • depreciation costs referred to capital goods and other administrative expenses are deductible within the limit of 90% of their amount; • 50% of dividends accrued in the P&L are relevant for IRAP purposes. Costs relating to personnel, interest for leasing transactions, local property tax, depreciation, losses and appreciation on credits and certain other costs are not relevant for IRAP purposes. Amortization costs referred to trade-marks and goodwill are deductible within the limit of 1/18 of the relevant cost. On the other side, appreciations and depreciations costs of non auxiliary real estate goods, not classified as "trade assets" are relevant for IRAP purposes. Payable interests are partially deductible for IRAP and IRES purposes. • 10% of IRAP is deductible for IRES purposes (starting from 2008 fiscal year).

Italy: Life insurance – overview

Definition	Accounting	Taxation
Definition of life insurance companies	As reported by the Legislative Decree n. 209 of 7 September 2005 (Code for Private Insurance), a life insurance company is a company carrying on activity in the following six lines of business: human life, wedding and birth, unit or index linked contracts, health-care, capitalisation, pension funds.	The Italian tax law does not provide a specific definition of life insurance companies.
Commercial accounts/ tax and regulatory returns	**Accounting**	**Taxation**
Basis for the company's commercial accounts	**Separate Financial Statements** Italian GAAP as set out in the Italian Civil Code, in special legislation (Legislative Decree 26/5/1997, no. 173 and Legislative Decree no. 209 of 7 September 2005) and in specific rules issued by the Italian ISVAP. **Consolidated Financial Statements** IFRS endorsed by EU, Legislative Decree no. 209 of 7 September 2005) and in specific rules issued by the Italian ISVAP.	Corporate income taxes (IRES and IRAP) are based on P&L; some tax adjustments need to be made in accordance with Italian tax law.
Regulatory return	A specific set of regulatory return documents is provided by a number of ISVAP regulations. It mainly includes several templates detailing solvency margin, assets covering technical reserves, technical and no technical balances as well as other detailed information about specific features (e.g. reinsurance).	N/A.
Tax return	The income statement (separate) represents the basis for the calculation of corporate income taxes (IRES and IRAP).	Annual tax returns have to be filed for corporate income taxes (IRES and IRAP), VAT and withholding tax purposes.
General approach to calculation of income	**Accounting**	**Taxation**
Allocation of income between shareholders and policyholders	Separate accounting rules for policy- and shareholders profit. While the latter follows the statutory accounts and rules, the former is the result of the yield relating to "segregated funds" to which the policy is linked by contract. The calculation of the yield to be recognised to policyholders does not consider unrealised gain and losses on investments included in the segregated fund.	No specific tax rules are applicable.
Calculation of investment return	**Accounting**	**Taxation**
Calculation of investment income and capital gains	No special treatment.	No specific tax rules.
Investment income and losses relating to unit and index-linked policies	Included in the P&L accounts	Financial income and losses arising from assets underlying unit-linked and index-linked policies are relevant for IRES purposes. In particular, dividends, capital gains/ losses on shares qualifying for the *participation exemption* regime and unrealised capital gains losses on shares referred to investments the risk of which is sustained by the insured party (unit-linked and index-linked policies) concur to form the IRES taxable basis.

Italy: Life insurance – overview (continued)

Calculation of investment income and capital gains	Accounting	Taxation
Actuarial reserves	Reserves should be calculated according to a prospective actuarial method sufficiently prudent, considering all future obligations. A retrospective method could be adopted if the result is in any case higher than the one obtained adopting the prospective method.	Starting from 2010, technical reserves, accounted for in P&L and quantified in accordance with regulatory rules, concur to determine the taxable income for an amount equal to the ratio calculated among the amount of incomes that concur to determine taxable incomes and the total amount of all incomes, even exempt or excluded ones, including the non-taxable portion of dividends. In any case, this ratio is tax relevant in an amount higher than 95% and lower than 98,5%
Acquisition expenses	Acquisition costs may be fully charged in the year in which they are incurred. Alternatively they maybe deferred and amortised on the straight-line basis over the expected life of the contract, according to the tariff and within uploads limit.	Acquisition costs related to the annual policies are deductible in the year in which they are sustained and accounted for in P&L. Only for life insurance, the acquisition costs related to policies lasting more than one year are deductible alternatively in equal instalments during that tax period and in the two following periods or for the full amount in the year in which the policy has been stipulated. Such costs if included among the assets covering the technical reserves, are deductible up to the amount of the corresponding charges for premiums; such costs are deductible for a period not longer than the duration of each contract, and in any event not more than 10 years.
Gains and losses on investments	Realised gains and losses and investment income (dividend and interest) and losses are accounted for in P&L. Unrealised losses resulting from a permanent devaluation of fixed investments should be accounted for in P&L. Unrealised losses resulting from devaluation (fair value below cost value) of current investments should be accounted for in P&L. Unrealised gains/losses resulting from financial assets backing contracts where the financial risk is borne by policyholders should be accounted for in P&L.	Unrealised financial losses, accrued in P&L (different from those on shares), may be deducted up to a minimum fiscal value of the relevant assets, determined pursuant to the following rules: (a). for listed bonds (classified as trading assets), the stock exchange price at the year end or the average of the stock exchange prices of the last month before year end; (b). for unlisted bonds (classified as trading assets), based on the above value of listed bonds having similar characteristics; (c). for listed bonds (classified as financial assets), based on the average of the stock exchange prices of the last six months before year end. Realised financial gains and losses (different from those on shares) are included in taxable income. Unrealised gains and losses on shares (classified in the financial statement both as trading and assets) are not taxable. Realised gains and losses on shares not satisfying participation exemption conditions are generally relevant for fiscal purposes. Nonetheless, in the case of collecting dividends during the previous 36 months, capital losses are not deductible for an amount equal to the dividend not taxed (dividend washing regime). 95% of capital gains arising from transfer of shares satisfying participation exemption conditions are exempt (starting from FY 2008). Realised losses on the shares that qualify for the participation exemption regime are not deductible. Dividends, capital gains/ losses on shares qualifying for the *participation exemption* regime and unrealised capital gains losses on shares referred to investments the risk of which is sustained by the insured party (unit-linked and index-linked policies) concur to form the IRES taxable basis.

Italy: Life insurance – overview (continued)

Calculation of investment income and capital gains	Accounting	Taxation
Reserves against market losses on investments	Insurance companies should consider the need to integrate life reserves with a reserve for financial risk on the basis of the foreseeable yield of the assets backing life insurance liabilities.	N/A.
Dividend income	Included in the P&L accounts.	Interests accrued in P&L are fully taxable. 95% of the amount of dividends collected is exempt. Dividends distributed by companies resident in a country not included in the so called White List (to be issued) are fully taxable. Until the White List will be issued, reference has to be made to the Black List countries (as listed in the Ministerial Decree 21 November 2001).
Proceeds on UCITS investments	N/A.	Starting from 2011, income arising from participation in UCITS and those included in the difference between the value of redemption, liquidation or sale of shares and the weighted average cost of purchase or subscription of shares is taxed applying a withholding tax to the extent of 12.5%.
Policyholder bonuses	Technical reserves' calculation should consider future policyholder bonuses. Amounts paid for policyholder bonuses should be charged to the income statement.	No specific tax rules.
Other special deductions	N/A.	N/A.
Reinsurance	**Accounting**	**Taxation**
Reinsurance premiums and claims	Ceded premiums and claims are deducted from the corresponding gross amounts in the income statement and are presented separately in the year-end financial statements.	No specific tax rules are applicable. Premiums paid to group companies are deductible provided they are at arm's length.
Mutual companies/ stock companies	**Accounting**	**Taxation**
Mutual Companies	No special rules.	Mutual companies are subject to IRES and IRAP according to the general principles. Specific tax relieves are granted to mutual companies with prevailing mutual purpose.

Italy: Life insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	Incurred losses (net of the amount of certain exempt proceeds) can be carried forward for five years for corporate tax (IRES) purposes only. No time limit for start-up losses incurred during the first three years of the business, provided that they refer to a new business activity. Starting from 2011, incurred losses can be carried forward without time limits and it can be computed in reduction of the tax period's income to the extent of 80% of taxable income.
Foreign branch income	Foreign branch income is fully taxable in Italy; a foreign tax credit for taxes paid abroad is allowed, under certain conditions. Foreign branch income is not subject to taxation for IRAP purposes.
Domestic branch income	Italian branch taxable income is calculated pursuant to the rules governing business income, as shown in its P&L. Premiums relating to the policies placed into the Italian territory represent positive items of the branch income, against the negative items and other costs (including technical reserves) sustained in carrying on the insurance activities in Italy.
Corporate tax rate	27.5% rate.
IRAP	IRAP is applicable on the added-value produced by the company in Italy, determined on the basis of the P&L account at a tax rate of 5,90% (starting from 2011), increased up by 0.92% pursuant to some regional laws. Non-residents Insurance Companies are taxed only on income from productive activities carried out in Italy through a permanent establishment. IRAP taxable basis is computed based on the sum of the results reported in the technical accounts referred to non-life and life business as shown in the P&L account. The following adjustments have to be made: • depreciation costs referred to capital goods and other administrative expenses are deductible within the limit of 90% of their amount; • 50% of dividends accrued in the P&L are relevant for IRAP purposes. Costs relating to personnel, interest for leasing transactions, local property tax, depreciation, losses and appreciation on credits and certain other costs are not relevant for IRAP purposes. Amortization costs referred to trade-marks and goodwill are deductible within the limit of 1/18 of the relevant cost. On the other side, appreciations and depreciations costs of non auxiliary real estates goods, not classified as "trade assets" are relevant for IRAP purposes. Payable interests are partially deductible for IRAP and IRES purposes. • 10% of IRAP is deductible for IRES purposes (starting from 2008 fiscal year).
Assets covering technical liabilities	Governed by specific rules issued by the Italian Insurance Supervisor in order to reduce the credit and liquidity risks linked to the assets held by companies.
Solvency margin	The ISVAP establishes the minimum solvency capital required to maintain the life insurance business.
Substitutive tax on mathematical/ actuarial reserves	Life-insurance companies carrying on the insurance business in Italy must pay a 0.35% tax on mathematical reserves (0.39% only for 2008 fiscal year), with the exception of those regarding death risk contracts, permanent invalidity or non-self-sufficiency contracts, pension funds and social security insurance policies. Substitute tax can be treated as a tax credit to be used, starting from 1 January 2005 (or 1 January 2009 for foreign companies carrying on the business in Italy under FOS regime), to offset any withholding tax or substitute tax due on income from capital derived from insurance policies. If the total amount of withholding and substitutive taxes due for each year is lower than the tax paid for the fifth prior year, the difference may be used, wholly or partly, to offset taxes and contributions due or transferred to other companies. Foreign companies carrying on insurance activities in Italy under "Freedom of Establishment" (FE) regime are liable to substitutive tax on mathematical reserves. EU insurance companies carrying on business in Italy under "Freedom to Provide of Service" (FOS) regime which act (on a voluntary basis) as withholding agent with reference to capital income arising from insurance policies are liable to substitutive tax on mathematical reserves. EU insurance companies operating under FOS regime and not acting as withholding agent are not subject to substitutive tax on mathematical reserves.

Italy: Life insurance – other tax features (continued)

Policyholder taxation	Taxation
Deductibility of premiums	For life insurance policies executed until 31 December 2000, 19% of the premium paid (not exceeding EUR 1,291.14) can be deducted from an individual's income taxes. For life insurance policies starting from 1 January 2001, the above-mentioned deduction is limited to the portion of premiums related to the death risk.
Interest build-up	Capital gain (including interest) is taxed 12.5%.
Proceeds during lifetime	In the case of surrendering, capital gain is taxed at 12.5% on an amount corresponding to the difference between the surrender value and premiums paid by the policy holder.
Proceeds on death	Exempt from taxation.
Other tax features	**Taxation**
Premium taxes	2.50% of premiums paid, on contracts executed until 31 December 2000. No premium tax on contracts executed thereafter. EEA companies (other than EU) carrying on business in Italy under the FOS regime must appoint an Italian IPT representative to comply with the relevant IPT fulfilments.
Capital taxes and taxes on securities	None.
Captive insurance companies	No special rules.
Value added tax (VAT)	Insurance transactions are exempt from VAT taxation

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Luxembourg

General insurance – overview

Definition	Accounting	Taxation
Definition of property and casualty insurance company	A company operating in the following insurance branches: Accident; sickness; land vehicles; railway rolling stock; aircraft; ships; goods in transit; fire and natural forces; other damage to property; motor vehicle liability; aircraft liability; liability for ships; general liability; credit; suretyship; miscellaneous financial loss and legal expenses.	Not defined by tax legislation.
Commercial accounts/ tax and regulatory returns	**Accounting**	**Taxation**
Basis for the company's commercial accounts	Luxembourg Generally Accepted Accounting Principles (GAAP) and the Luxembourg Law dated 8 December 1994.	Based on statutory Luxembourg GAAP accounts.
Regulatory return	Separate returns have to be filed with the Regulatory Authorities (quarterly and annually).	N/A.
Tax return	N/A.	Tax returns must be filed with the Luxembourg Tax Authorities before 31 May of the subsequent year. In addition, the Luxembourg Tax Authorities usually grants an additional extension (upon request) to the end of the year. Consequently, from a practical point of view, tax returns are usually filed by the end of the subsequent year. Insurance companies are to be regarded as Value Added Tax (VAT) taxable persons. An initial VAT return has to be filed to the Luxembourg VAT authorities within the 15 days following the beginning of the taxable activity. Following the VAT registration, the VAT obligations are the following: • filing of an annual VAT return if the annual turnover is below EUR 112,000; • filing of an annual VAT return and quarterly VAT returns if the turnover is between EUR 112,000 and EUR 620,000; • filing of an annual VAT return and monthly VAT returns if the turnover is above EUR 620,000. filing of recapitulative statements for supplies of services/goods rendered to VAT identified persons within the EU and subject to VAT in these member states, through European Sale Listing (on a monthly or quarterly basis).

Luxembourg: General insurance – overview (continued)

Technical reserves/ equalisation reserves	Accounting	Taxation
Unearned premiums reserve (UPR)	The provision for unearned premiums shall comprise the amount representing that part of gross premiums written which is to be allocated to the following financial year or to subsequent financial years. The provision for unearned premiums shall be computed separately for each insurance contract. However, statistical methods may be used and in particular proportional and flat-rate methods, where they may be expected to give approximately the same results as individual calculations. The use of such methods for classes of insurance other than reinsurance has to authorised by the regulator ("Commissariat aux Assurances"). For insurance classes in which the risk cycle does not allow the use of a temporal method, calculation methods shall be applied taking into account of the differing pattern of risk over time.	According to Article 167 Luxembourg Income Tax Law (LITL), technical provisions are tax deductible. Allowed as per statutory accounts.
Unpaid claims reported	The said provision shall be the total estimated ultimate cost to an insurance undertaking of settling all claims arising from events which have occurred up to the end of the financial year whether reported or not (see "Claims incurred but not reported"), less amounts already paid in respect of such claims.	According to Article 167 LITL, technical provisions are tax deductible. Allowed as per statutory accounts.
Claims incurred but not reported (IBNR)	IBNR Provision is included in the Outstanding Claims Provision.	According to Article 167 LITL, technical provisions are tax deductible. Allowed as per statutory accounts.
Unexpired risks	Provision for unexpired risks shall be computed based on claims and administrative expenses likely to arise after the end of the financial year from contracts concluded before that date if their estimated value exceeds the provision for unearned premiums and any premiums receivable under those contracts. It should normally be recorded under caption "Other technical provisions", but could also be included as liability under caption "Unearned Premiums Reserve". In the latter case the description of the item shall be "Provision for unearned premiums and unexpired risks". Where the amount for unexpired risks is material, it shall be disclosed separately, in the balance sheet or the notes to the accounts.	According to Article 167 LITL, technical provisions are tax deductible. Allowed as per statutory accounts.
General contingency/ solvency reserves	N/A.	General reserves in addition to actuarial reserves are not allowed.
Equalisation reserves	According to Article 80 of the Law every undertaking authorised in the "Grand Duchy of Luxembourg" must set up the equalisation reserve covering risks included in the "credit" class. There are 2 available methods to compute it. The choice must be approved in advance by the "Commissariat aux Assurances".	Equalisation reserves are only applicable for reinsurance captives/undertakings and insurance undertakings covering credit risks. The relating provisions are tax deductible (Art. 167 LITL) but their reversals are fully taxable.

Luxembourg: General insurance – overview (continued)

Expenses/ refunds	Accounting	Taxation
Acquisition expenses	Acquisition costs shall comprise the costs arising from the conclusion of insurance contracts. They shall cover both direct costs, such as acquisition commissions or the cost of drawing up the insurance document or including the insurance contract in the portfolio and indirect costs, such as advertising costs or the administrative expenses connected with the processing of proposals and the issuing of policies. Acquisition costs on life insurance policies may be deferred in accordance with terms pre-authorised by the "Commissariat aux Assurances". For non-life insurance classes the deferral of acquisition costs may be permitted in accordance with the methods laid down in the law dated 8 December 1994.	Acquisition expenses are tax deductible
Loss adjustment expenses on unsettled claims (claims handling expenses)	They shall be included in the outstanding claims provision.	Tax deductible as per the accounts.
Experience-rated refunds	The provision for bonuses and rebates shall comprise amounts intended for policy-holders or contract beneficiaries by way of bonuses and rebates to the extent that such amounts have not been credited to policyholders.	Profit neutralised by a corresponding tax deductible charge.
Investments	**Accounting**	**Taxation**
Gains and losses on investments	Realised gains and realised as well as unrealised losses are included in P&L.	Realised gains and losses are included in taxable income. If the gain is made on assets represented by technical provisions, the taxable basis generated by such gains is generally neutralized by a corresponding technical provision. Gains on qualifying investments are eligible for the participation exemption (subject to recapture rules). Unrealised losses are tax deductible.
Investment reserves	N/A.	According to the statutory accounts.
Investment income	Realised gains and realised as well as unrealised losses are included in P&L.	Taxable as per the accounts. Incomes deriving from qualifying investments are eligible for the participation exemption.
Reinsurance	**Accounting**	**Taxation**
Reinsurance premiums and claims	Premiums paid/ payable are deductible from gross premiums.	Reinsurance premiums paid are, in principle, tax deductible (irrespective of the location of the reinsurance undertaking).
Mutual companies	**Accounting**	**Taxation**
Mutual companies (all profits returned to members)	No special treatment.	Taxed as per normal Luxembourg general insurance companies.

Luxembourg: General insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	Unlimited losses carry forward for losses subject to satisfaction of continuity of legal personality.
Foreign branch income	Generally exempt from Luxembourg tax by application of relevant double tax treaties. Otherwise, tax credit or tax deduction for foreign taxes could be granted.
Domestic branch income	Calculated under ordinary rules. No branch tax is applicable.
Corporate tax rate	Like any Luxembourg commercial company, insurance companies are liable to pay corporate income tax (CIT) at a rate of 22.05% and a municipal business tax (MBT) at a rate of 6.75% in Luxembourg City (overall tax rate: 28.80%).
Other tax features	**Taxation**
Premium taxes	In principle: 4% on the premiums applicable to all types of insurance, provided that the risk insured or the policyholder are located in Luxembourg. Additional tax of 6% on premiums for fire insurance policies provided that the risk insured or the policyholders are located in Luxembourg. Exemption applies for life insurance premiums and reinsurance premiums. No premium tax on life insurance premium and reinsurance premiums.
Capital taxes and taxes on securities	No Capital Duty (EUR 75 on by-laws amendments and ad valorem registration duty on real estate contributions). Net Wealth Tax is levied in Luxembourg. The rate is 0.5% on the unitary value of the company on 1 January each year and is not deductible from the taxable profits for calculating income tax. The unitary value is equivalent to the net assets of the company adjusted with certain items. The resident companies may claim a reduction of their net wealth tax liability by making an allocation to a special reserve. An amount corresponding to five times the net wealth tax to be reduced must be kept in this reserve for five years following the year in which it was allocated. The reduction may however not be higher than the corporate tax liability, before tax credits, of the tax payer for the same year.
Captive insurance companies	Like any Luxembourg commercial company, reinsurance companies are liable to pay CIT at a rate of 22.05% and a MBT at a rate of 6.75% in Luxembourg City (overall tax rate: 28.80%).
Value added tax (VAT)	Insurance and reinsurance transactions, including related services performed by insurance brokers and insurance agents are VAT-exempt and do not allow input VAT recovery except if they are rendered to recipients established outside the EU. The sale of (re)insurance contracts is in principle subject to VAT (European Court of Justice "Swiss Re" case, C-242/08, 22 October 2009). Possible exemption could be where the transfer happens within the context of a transfer of going concern. Other services rendered to or by insurance companies may be subject to VAT. Standard rate in Luxembourg is 15%. Possible exemptions may apply depending on the services at stake.

Luxembourg: Life insurance – overview

Definition	Accounting	Taxation
Definition of life insurance companies	Companies operating in the following insurance branches: (i) life insurance, annuities, supplementary insurance carried on by life insurance undertakings, the type of insurance existing in Ireland and the United Kingdom known as permanent health insurance not subject to cancellation; (ii) marriage insurance, birth insurance; (iii) the insurance referred in point (i) which are linked to investment funds; (iv) permanent health insurance; (v) tontines; (vi) capital redemption operations; (vii) management of group pension funds.	Not defined by the tax legislation.
Commercial accounts/ tax and regulatory returns	**Accounting**	**Taxation**
Basis for the company's commercial accounts	Luxembourg GAAP and the Luxembourg Law dated 8 December 1994.	According to the statutory accounts.
Regulatory return	Separate returns have to be filed with the Regulatory Authorities (quarterly and annually).	N/A.
Tax return	N/A.	Tax returns must be filed with the Luxembourg Tax Authorities before 31 May of the subsequent year. In addition, the Luxembourg Tax Authorities usually grants an additional extension (upon request) to the end of the year. Consequently, from a practical point of view, tax returns are usually filed by the end of the subsequent year. Insurance companies are to be regarded as VAT taxable persons. An initial VAT return has to be filed to the Luxembourg VAT authorities within the 15 days following the beginning of the taxable activity. Following the VAT registration, the VAT obligations are the following: • filing of an annual VAT return if the annual turnover is below EUR 112,000; • filing of an annual VAT return and quarterly VAT returns if the turnover is between EUR 112,000 and EUR 620,000; • filing of an annual VAT return and monthly VAT returns if the turnover is above EUR 620,000. filing of recapitulative statements for supplies of services/goods rendered to VAT identified persons within the EU and subject to VAT in these member states (ESL) (on a monthly or quarterly basis).
General approach to calculation of income	**Accounting**	**Taxation**
Allocation of income between shareholders and policyholders	No legal quote.	Shareholders: According to Luxembourg rules dividends paid are generally subject to 15% withholding tax, subject to the exemption provided further to the EU parent-subsidiary directive or to exemption / reduction provided by the applicable double tax treaties.

Luxembourg: Life insurance – overview (continued)

Calculation of investment return	Accounting	Taxation
Calculation of investment income and capital gains	Realised gains and realised as well as unrealised losses on investments plus dividends and interests are taken to P&L.	Please refer to general insurance.
Calculation of investment income and capital gains	**Accounting**	**Taxation**
Actuarial reserves	The life insurance provision shall comprise the actuarially estimated value of an insurance undertaking's liabilities including bonuses already declared and after deducting the actuarial value of future premiums.	Tax deductible as per the accounts
Acquisition expenses	Acquisition costs shall comprise the costs arising from the conclusion of insurance contracts. They shall cover direct costs, such as acquisition commissions or the cost of drawing up the insurance document or including the insurance contract in the portfolio, and indirect costs, such as advertising costs or the administrative expenses connected with the processing of proposals and the issuing of policies. Acquisition costs on life insurance policies may be deferred in accordance with terms pre-authorised by the "Commissariat aux Assurances".	Tax deductible.
Gains and losses on investments	Realised gains and realised as well as unrealised losses are included in P&L.	Realised gains and losses are included in taxable income. If the gain is made on assets represented by technical provisions, the taxable basis generated by such gains are generally neutralised by a corresponding technical provision. Gains on qualifying investments are eligible for the participation exemption (subject to recapture rules). Unrealised losses are tax deductible.
Reserves against market losses on investments	N/A.	See above our comments regarding the technical provisions.
Dividend income	Included in the P&L.	Participation exemption applies to qualifying dividend income.
Policyholder bonuses	The provision for bonuses and rebates shall comprise amounts intended for policy-holders or contract beneficiaries by way of bonuses and rebates to the extent that such amounts have not been credited to policy holders.	Please see our comments on Policyholders in the section "Allocation of income between shareholders and policyholders" above.
Other special deductions	None.	None.
Reinsurance	**Accounting**	**Taxation**
Reinsurance premiums and claims	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).	Reinsurance premiums paid are, in principle, tax deductible (irrespective of the location of the reinsurance undertaking).
Mutual companies/ stock companies	**Accounting**	**Taxation**
Mutual Companies	No special rules.	Taxed as normal Luxembourg general insurance companies.

Luxembourg: Life insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	Unlimited loss carry forward for losses subject to satisfaction of continuity of legal personality.
Foreign branch income	Generally exempt from Luxembourg tax by application of relevant double tax treaties. Otherwise, a tax credit could be granted or a tax deduction for foreign taxes could be applicable.
Domestic branch income	Calculated under ordinary rules. No branch tax is applicable.
Corporate tax rate	Like any Luxembourg commercial company, insurance companies are liable to pay CIT at a rate of 22.05% and a MBT at a rate of 6.75% in Luxembourg City (overall tax rate: 28.80%).
Policyholder taxation	**Taxation**
Deductibility of premiums	Premiums are tax deductible up to EUR 672 per year (multiplied by the number of persons in the household) if specific conditions are met.
Interest build-up	Capital and buy back value of life insurance products are normally not subject to taxation in the hand of the Luxembourg resident policyholder.
Proceeds during lifetime	Capital and buy back value of life insurance products are normally not subject to taxation in the hand of the Luxembourg resident policyholder.
Proceeds on death	If the insured/ policyholder is a Luxembourg tax resident, then the beneficiary may be subject to inheritance tax (rates depends on the blood relationship link between the beneficiary and the deceased) on the capital received. If the beneficiary, resident in Luxembourg, receives life annuities, then a 50% exemption apply on annuity paid out of life insurance products under certain conditions.
Other tax features	**Taxation**
Premium taxes	Tax exemption of premiums related to life insurance contracts (including unit-linked products), pension insurance, disability insurance or capitalisation insurance.
Capital taxes and taxes on securities	Net Wealth Tax is levied. The rate is 0.5% on the unitary value of the company on 1 January each year and is not deductible from the taxable profits for calculating income tax. The unitary value is equivalent to the net assets of the company adjusted with certain items. The resident companies may claim a reduction of their net wealth tax liability by making an allocation to a special reserve. An amount corresponding to five times the net wealth tax to be reduced must be kept in this reserve for five years following the year in which it was allocated. The reduction may however not be higher than the corporate tax liability, before tax credits, of the tax payer for the same year.
Captive insurance companies	Like any Luxembourg commercial company, reinsurance companies are liable to pay CIT at a rate of 22.05% and a MBT at a rate of 6.75% in Luxembourg City (overall tax rate: 28.80%) as well as the net wealth tax as described above.
Value added tax (VAT)	Insurance and reinsurance transactions, including related services performed by insurance brokers and insurance agents are VAT-exempt and do not allow input VAT recovery except if they are rendered to recipients established outside the EU. The sale of (re)insurance contracts is in principle subject to VAT (European Court of Justice "Swiss Re" case, C-242/08, 22 October 2009). Possible exemption could be where the transfer happens within the context of a transfer of going concern. Other services rendered to or by insurance companies may be subject to VAT. Standard rate in Luxembourg is 15%. Possible exemptions may apply depending on the services at stake.

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Malta

General insurance – overview

Definition	Accounting	Taxation
Definition of property and casualty insurance company	A company regulated by the Insurance Business Act, 1998, writing non-life insurance contracts as specified in said legislation.	The Income Tax Act (“ITA”) refers to the Insurance Business Act (“IBA”) for the definition of certain terms mentioned in the ITA. However, the terms “property insurance” and “casualty insurance” are not specifically referred to in the ITA. All classes of general business of insurance are treated in the same manner for Maltese income tax purposes.
Commercial accounts/ tax and regulatory returns	**Accounting**	**Taxation**
Basis for the company’s commercial accounts	Company accounts have to prepared on the basis of the International Financial Reporting Standards (IFRSs) as adopted by the EU and the Maltese Companies Act, 1995.	Based on financial statements prepared in accordance with IFRS. Some specific adjustments may be required for Maltese income tax purposes.
Regulatory return	The Business of Insurance Statements has to be submitted to the regulator within 6 months from the end of the calendar year which needs to be accompanied by a report of the directors. The non-statistical part of the statements comprises the solvency computation, which has to be audited, and hence submitted along with an auditor’s report. Asset admissibility and solvency restrictions apply in terms of subsidiary legislation Insurance Business (Assets and Liabilities) Regulations.	There is no obligation to submit the regulatory return to the Maltese Inland Revenue Department.
Tax return	N/A.	An income tax return is required for every year of assessment (each financial period/ year).
Technical reserves/ equalisation reserves	**Accounting**	**Taxation**
Unearned premiums reserve (UPR)	Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date, calculated on a time apportionment basis.	Unearned premiums provisions are generally tax deductible.
Unpaid claims reported	Unpaid claims represent a provision made at the year-end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not enough reported. The estimated cost of claims includes expenses to be incurred in settling claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported and statistical analysis for the claims incurred but not enough reported. For the purpose of solvency the discounting of insurance liabilities is not permitted under the applicable regulations.	Unpaid claims provisions are generally tax deductible.

Malta: General insurance – overview (continued)

Technical reserves/ equalisation reserves	Accounting	Taxation
Claims incurred but not reported (IBNR)	IBNR represent claims arising out of events, which have occurred by the balance sheet date but have not been reported to the insurance undertaking at that date. Such calculation is based on experience and/or statistical methods.	IBNR provisions are generally tax deductible.
Unexpired risks	Provision for unexpired risks is computed on the basis of claims and administrative expenses likely to arise after the end of the financial year from contracts concluded before that date, in so far as their estimated value exceeds the provision for unearned premiums and any premiums receivable under those contracts.	Unexpired risks provisions are generally tax deductible.
General contingency/ solvency reserves	Not reflected in the Companies Act accounts.	To the extent the reserves are not recognised in the audited financial statements, they are generally not considered for Maltese income tax purposes.
Equalisation reserves	Equalisation reserves are not allowed under IFRS and can therefore not be included for financial statement purposes. For the solvency calculation equalisation reserves are allowable only for Credit Insurance. This equalisation reserve is computed as the equivalent of 75% of any technical surplus arising in respect of credit insurance business, subject to a limit of 12% of net premiums written during that financial year until the reserve has reached 150% of the highest annual amount of net premiums written during the previous 5 financial years.	To the extent that the equalisation reserve is accounted for any release/ charge is considered taxable/ deductible for Maltese income tax purposes.
Expenses/ refunds	**Accounting**	**Taxation**
Acquisition expenses	Acquisition costs: costs to sell, underwrite and initiate new insurance contract policies. To be deferred in line with unearned premium.	Generally tax deductible.
Loss adjustment expenses on unsettled claims (claims handling expenses)	Claims outstanding and IBNR include an equivalent and attributable portion of claims handling expenses.	Generally tax deductible.
Experience-rated refunds	If written premiums are subject to a reduction, an adjustment for such a reduction should be made as soon as it can be foreseen. Where written premiums are subject to an increase, retrospectively (e.g. based on the declaration of sums insured or on the declaration of sums insured or on claims experience), recognition of the potential increase should be deferred until the additional amount can be ascertained with reasonable certainty.	Generally taxable.
Investments	**Accounting**	**Taxation**
Gains and losses on investments	Gains/ losses arising from changes in the value of "financial assets at fair value through profit or loss (P&L)" category are presented in the P&L account in the period in which they arise. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale (AFS) are recognised in other comprehensive income. Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical to the general business technical account to reflect the actual investment return on investments supporting the insurance technical provisions.	To the extent that the investments are held for trading purposes, generally considered taxable/ deductible for Maltese income tax purposes.

Malta_ General insurance – overview (continued)

Investments	Accounting	Taxation
Investment reserves	Where investments are classified as AFS, unrealised gains/ losses on these investments are recognised directly in equity in the “fair value reserve”.	To the extent that any movements on reserves are recognised in the income statement and the investments are held for trading purposes, such movements are generally considered taxable/ deductible for Maltese income tax purposes.
Investment income	Investment income is included in P&L on an accruals basis. Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account to reflect the actual investment return on investments supporting the insurance technical provisions.	Generally taxable as trading income on an accrual basis.
Reinsurance	**Accounting**	**Taxation**
Reinsurance premiums and claims	Premium and claims arising on contracts entered into by the insurance company with a reinsurer are recognised when due as an expense and income respectively, on the face of the P&L account.	Generally taxable/ deductible.
Mutual companies	**Accounting**	**Taxation**
Mutual companies (all profits returned to members)	Mutual companies can only operate in Malta after going through a process of “demutualising" the association (capitalising the advanced calls made to the stakeholders) and converting it into a limited liability company. Therefore, the same framework applicable to limited liability insurance companies applies.	No specific rules apply to mutual companies. To the extent that such companies carry on the business of insurance the same rules applicable to any other company carrying on the business of insurance will apply.

Malta: General insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	Trading losses suffered in the assessment year may be set off against any other income derived by the insurance company in the same year. Unutilised trading losses are carried forward indefinitely for set-off against income derived by the same company in subsequent years of assessment. A company carrying on the business of insurance is not allowed to surrender/claim trading losses to/from a group company. Capital losses suffered during a year of assessment may be set off against capital gains derived in the same year of assessment. Unutilised capital losses are carried forward indefinitely to be set off against capital gains derived by the same company in subsequent years.
Foreign branch income	Under current rules, overseas permanent establishments (e.g. a branch) are subject to income tax in Malta with credit for overseas tax suffered (subject to satisfying certain conditions).
Domestic branch income	Calculation of branch income in terms of the generally accepted accounting practice (i.e. IFRS in Malta). Such income is subject to income tax in the same manner as any other corporate entity.
Corporate tax rate	35%.
Other tax features	**Taxation**
Premium taxes	No insurance premium tax is payable in Malta.
Capital taxes and taxes on securities	Stamp duty is chargeable on certain transfers and documents including transfers of immovable property situated in Malta, transfers of securities and on certain insurance policies. Transfers of immovable property and shares in property companies (generally companies that mainly own immovable property) attract stamp duty at the rate of 5% of the higher of transfer value and real value. Transfers of shares (excluding shares in a property company) attract stamp duty at the rate of 2% of the higher of transfer value and real value. A life insurance policy, which is not renewable annually, attracts stamp duty of EUR 0.10 for every EUR 100.- of the sum assured. This only applies when the policyholder is resident in Malta. Any other insurance policy attracts a duty of EUR 0.10 for every EUR 1.- of the agreed premium. Policies of aviation, marine cargo, marine hull or boat, credit, suretyship and medical cover are exempt from stamp duty in Malta.
Captive insurance companies	Taxable in the same manner as any other company carrying on the business of insurance.
Value added tax (VAT)	Supplies of insurance and reinsurance, by persons licensed under the Insurance Business Act or Insurance Intermediaries Act are exempt supplies. Such supplies do not grant a right to claim input VAT incurred on supplies attributable to the said exempt supplies (unless such exempt supplies are made to customers established outside the EU).

Malta: Life insurance – overview

Definition	Accounting	Taxation
Definition of life insurance companies	Long term insurance business is defined in Insurance legislation as the business of effecting or carrying on business of insurance of any of the following classes of long term business – life and annuity, marriage and birth, linked long term, permanent health, tontines, capital redemption, pension fund management and collective insurance. Life assurance business must be written within the "long-term insurance fund" of a life company.	Generally follows accounting treatment. The ITA refers to the IBA for the definition of certain terms mentioned in the ITA. However, "life assurance" is not referred to in the ITA. The term "long-term business of insurance" is referred to in the ITA and such term includes "life insurance" which is defined in the IBA as effecting and carrying out contracts of insurance on human life or contracts to pay annuities on human life.
Commercial accounts/ tax and regulatory returns	**Accounting**	**Taxation**
Basis for the company's commercial accounts	IFRS as adopted by the EU, the Maltese Companies Act, 1995 and Malta's Insurance accounting framework, the Insurance Business (Companies Accounts) Regulations. Where conflicts exist between the two frameworks, IFRS prevails.	Based on financial statements prepared in accordance with IFRS. Some specific adjustments may be required for Maltese income tax purposes.
Regulatory return	Regulatory returns referred to as business of insurance business statements are required to be filed with the Malta Financial Services Authority within 6 months after year-end and need to be accompanied by a report of the directors. The basis of accounting is broadly in line with that for statutory accounts, although differences may occur in the basis of valuation for certain assets and certain contingency reserves, required for regulatory purposes but not reflected in the statutory financial statements. Asset admissibility restrictions apply in terms of subsidiary legislation Insurance Business (Assets and Liabilities) Regulations. Solvency II will change regulatory accounting. Insurers will be required to prepare a Solvency II regulatory return in line with the requirements of EU directives.	There is no obligation to submit the regulatory return to the Maltese Inland Revenue Department.
Tax return	N/A.	An income tax return is required for every year of assessment (each financial period/ year).
General approach to calculation of income	**Accounting**	**Taxation**
Allocation of income between shareholders and policyholders	Insurance legislation establishes the concept of the long-term insurance fund, ensuring that policyholder assets are not used by shareholders. Income and profit allocation between share- and policyholders will be determined by the constitution of the insurance contract (e.g. non-participating vs. participating ("with profits")). With IFRS, insurance and investment contracts with Discretionary Participation Features (DPF) are classified into 3 main categories depending on the duration of risk and whether or not the terms and conditions are fixed (long term insurance contracts (with/without DPF) and investment contracts with DPF). Investment contracts with DPF do not expose an entity to significant insurance risk. Premiums from investment contracts without DPF are classified as financial liabilities. The Insurance Business (Companies Accounts) Regulations set out rules as to the treatment and allocation of investment return. The investment return arising during the period of account in relation to investments directly connected with carrying on long-term insurance business should initially be included in the technical account for long-term business.	Based on financial statements prepared in accordance with IFRS.

Malta: Life insurance – overview (continued)

Calculation of investment return	Accounting	Taxation
Calculation of investment income and capital gains	Investment income shall, to the extent that it arises in the long term fund, be disclosed in the long term business technical accounts. Other investment income shall either be disclosed in the non-technical account or attributed between the appropriate technical and non-technical accounts. IFRS accounting principles apply.	Based on financial statements prepared in accordance with IFRS. However, specific adjustment may be required for capital gains to reflect realised gains rather than fair value movements.
Calculation of investment income and capital gains	**Accounting**	**Taxation**
Actuarial reserves	The actuarial reserves are calculated in accordance with the Insurance Business (Insurers' Assets and Liabilities) Regulations, 2007. The determination of the amount of long term liabilities is based on actuarial principles which have due regard to the reasonable expectations of policyholders and make proper provision for all liabilities on prudent assumptions that include appropriate margins for adverse deviation of the relevant factors. The actuarial reserves in respect of long term contracts and linked long term contracts are subject to an annual statutory valuation undertaken by the Approved Actuary. For statutory accounts purposes, the actuarial reserves may be calculated on the basis used for reporting solvency, subject to the exclusion of the appropriate proportion of reserves (such as resilience and contingency reserves).	Based on financial statements prepared in accordance with IFRS and local insurance regulations.
Acquisition expenses	Comprises the cost arising from the conclusion of contracts of insurance. Covers both direct costs, such as commissions or the cost of drawing up the insurance document or including the contracts of insurance in the portfolio, and indirect costs, such as advertising costs or the administrative expenses connected with the processing of proposals and the issuing of policies. The deferred acquisition expenses are amortised over the life of the contracts. Acquisition expenses can be deferred implicitly as a reduction in reserves.	Generally tax deductible.
Gains and losses on investments	Unrealised gains and losses represent the difference between the valuation of investments and their purchase price, or if they have been previously valued, their valuations as at the last balance sheet date. They are determined on the basis of IFRS principles. Recognised in the technical account or non-technical account as appropriate (see above).	To the extent that the investments are held for trading purposes, generally considered taxable/deductible for Maltese income tax purposes.
Reserves against market losses on investments	See above. Investments are normally recognised at market value through the P&L account (technical or non-technical account as appropriate) in line with IFRS. Other IFRS options are also permitted (e.g. amortised cost or fair value through equity), in which case corresponding adjustments may also be required to the actuarial liability.	Based on financial statements prepared in accordance with IFRS.

Malta: Life insurance – overview (continued)

Calculation of investment income and capital gains	Accounting	Taxation
Dividend income	Included in investment income.	Based on financial statements prepared in accordance with IFRS. Dividends from other Maltese-resident companies are subject to the full imputation system and not subject to further income tax in Malta. Dividends from non-Maltese resident companies are exempt to the extent that the participation exemption applies. Such participation exemption applies to dividends from a participating holding, which includes a holding of at least 10% of the equity share capital of a non-resident company. The holding must entitle the holder to at least 2 out of the following rights: (i) a right to vote; (ii) profits available for distribution; (iii) assets available for distribution on a winding-up of the company.
Policyholder bonuses	Included as an expense in the technical account.	Generally tax deductible.
Other special deductions	N/A.	None.
Reinsurance	**Accounting**	**Taxation**
Reinsurance premiums and claims	Premiums paid/ payable and recoveries disclosed separately on the face of the technical account. In order for a transaction to be accounted for as reinsurance there must be a transfer of significant insurance risk.	Generally taxable/deductible.
Mutual companies/ stock companies	**Accounting**	**Taxation**
Mutual Companies	Mutual companies can only operate in Malta after the process of "demutualising" the association (capitalising the advanced calls made to the stakeholders) and converting it into a limited liability company. Therefore, the same framework applicable to limited liability insurance companies applies.	No specific rules apply to mutual companies. To the extent that such companies carry on the business of insurance the same rules applicable to any other company, carrying on the business of insurance, will apply.

Malta: Life insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	Trading losses suffered in the assessment year may be set off against any other income derived by the insurance company in the same year. Unutilised trading losses are carried forward indefinitely for set-off against income derived by the same company in subsequent years of assessment. A company carrying on the business of insurance is not allowed to surrender/claim trading losses to/from a group company. Capital losses suffered during a year of assessment may be set off against capital gains derived in the same year of assessment. Unutilised capital losses are carried forward indefinitely to be set off against capital gains derived by the same company in subsequent years.
Foreign branch income	Under current rules, overseas permanent establishments (e.g. a branch) are subject to income tax in Malta with credit for overseas tax suffered (subject to satisfying certain conditions).
Domestic branch income	Calculation of branch income in terms of the generally accepted accounting practice (i.e. IFRS in Malta). Such income is subject to income tax in the same manner as any other corporate entity.
Corporate tax rate	35%.
Policyholder taxation	**Taxation**
Deductibility of premiums	Expenses/outgoings are deductible to the extent that they are wholly and exclusively incurred in the production of the income. Salaries are typically considered to be deductible for Maltese income tax purposes. In so far that the life insurance premiums paid are considered part of the remuneration package paid to an employee, the premiums paid should be considered deductible for Maltese income tax purposes.
Interest build-up	Any interest derived by the company carrying on the business of insurance should be subject to Maltese income tax.
Proceeds during lifetime	The insurer is liable to a 15% tax on payments made upon maturity or surrender in respect of a life insurance contract (not being a linked long term contract of insurance) held by a resident policyholder. The tax is calculated on the excess of the amounts paid by the insurer over the premiums paid ("the profit"). No person shall be charged to further tax on the profit.
Proceeds on death	Amounts payable by an insurer in the event of a death claim should not be subject to Maltese income tax.
Other tax features	**Taxation**
Premium taxes	No insurance premium tax is payable in Malta.
Capital taxes and taxes on securities	Stamp duty is chargeable on certain transfers and documents including transfers of immovable property situated in Malta, transfers of securities and on certain insurance policies. Transfers of immovable property and shares in property companies (generally, companies that mainly own immovable property) attract stamp duty at the rate of 5% of the higher of transfer value and real value. Transfers of shares (excluding shares in a property company) attract stamp duty at the rate of 2% of the higher of transfer value and real value. A life insurance policy, which is not renewable annually, attracts stamp duty of EUR 0.10 for every EUR 100.- of the sum assured. This only applies when the policyholder is resident in Malta. Any other insurance policy attracts a duty of EUR 0.10 for every EUR 1.- of the agreed premium. Policies of aviation, marine cargo, marine hull or boat, credit, suretyship and medical cover are exempt from stamp duty in Malta.
Captive insurance companies	Taxable in the same manner as any other company carrying on the business of insurance.
Value added tax (VAT)	Supplies of insurance and reinsurance, by persons licensed under the Insurance Business Act or Insurance Intermediaries Act are exempt supplies. Such supplies do not grant a right to claim input VAT incurred on supplies attributable to the said exempt supplies (unless such exempt supplies are made to customers established outside the EU).

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Netherlands

General insurance – overview

Definition	Accounting	Taxation
Definition of property and casualty insurance company	A company that creates insurance contracts not being life insurance contracts.	Not defined by tax legislation. Follows legal/ regulatory definition.
Commercial accounts/ tax and regulatory returns	**Accounting**	**Taxation**
Basis for the company's commercial accounts	Dutch generally accepted accounting principles (GAAP) plus some additional specific rules for insurance companies (Book 2 Civil Code). Since 2005, Dutch GAAP allows the application of International Financial Reporting Standards (IFRS).	Generally, the commercial accounts are the guideline but for tax a separate concept, "good commercial practice", has been developed. Several specific issues have been stipulated in the "Decree on the Determination of profits and reserves of Insurers 2001" (BWRV).
Regulatory return	A separate return as issued by the Regulatory Authorities (DNB), partly based on Book 2 of the Civil Code.	N/A.
Tax return	N/A.	A separate annual return as required by the tax authorities.
Technical reserves/ equalisation reserves	**Accounting**	**Taxation**
Unearned premiums reserve (UPR)	Time apportionment methods (e.g. $1/8^{th}$, $1/24^{th}$ or $1/365^{th}$) are used. For disability insurance, an aging reserve is determined where necessary. Since 2006 a legal equalisation system for basic health insurance has been in force, so aging reserves for basic health insurance are no longer really significant. For supplementary health insurance aging reserves can still be relevant and will become more relevant as a greater part of the insured package is shifted from basic to supplementary health insurance.	Unearned premium reserves are generally allowed as per accounts. According to a Supreme Court case on 20 July 1999, an insurance company is not allowed to form a provision for old age, even if such a provision is prescribed by the Regulatory Authorities (DNB). The insurance business in the case at hand concerned health insurance, which was considered pay-as-you-go.
Unpaid claims reported	Calculated on case-by-case basis and/or statistical estimates. Discounting allowed for long tail business if conditions, as included in EU directive, have been met.	Generally allowed as per accounts. It's becoming more usual that calculation methods used are scrutinized by the tax inspector.
Claims incurred but not reported (IBNR)	Calculated based on statistical method.	Generally allowed as per accounts.
Unexpired risks	Time apportionment methods or statistical estimates used.	Generally allowed as per accounts.
General contingency/ solvency reserves	Solvency requirements imposed by the Regulator.	Not allowed as deductible item.
Equalisation reserves	An equalisation reserve is allowed and mandatory only for credit insurance. Catastrophe reserves are allowed under Dutch GAAP, but require disclosure.	Equalisation reserves are allowed for all classes up to a maximum 22.5% of annual premium. Annual allocations up to a maximum of 6% of that ceiling. Special arrangements for credit, storm and hail insurance companies. Catastrophe reserves allowable for nuclear risks only.

Netherlands: General insurance – overview (continued)

Expenses/ refunds	Accounting	Taxation
Acquisition expenses	Expensed in year incurred. However, they may be deferred. Commission is generally deferred.	Tax deductible when incurred. Commission deductible based on time apportionment method.
Loss adjustment expenses on unsettled claims (claims handling expenses)	Included in provisions for claims reported and IBNR.	Allowed when substantiated on the basis of average time and cost spent per claim.
Experience-rated refunds	Taken into account at the determination of claims reserves.	Taxed when taken to profit and loss (P&L) accounts.
Investments	**Accounting**	**Taxation**
Gains and losses on investments	Realised gains and losses to be reported in the P&L. Unrealised gains and losses can either be reported in the P&L or in the balance sheet.	Realised gains are included in taxable income. Unrealised gains may be deferred (unless and to the extent that these profits arise on assets on which unrealised losses were taken into account earlier, recapture rule). A negative balance of realised gains and (realised and unrealised) losses has to be offset against the fiscal equalisation reserve. Further losses are included in taxable income. Income may be tax exempt under the participation exemption.
Investment reserves	Allocations to investment reserves cannot be reported in the P&L. Impairments have to be taken into account.	Not allowed as a deductible item. Demonstrable impairments can be deducted.
Investment income	Included in P&L.	Included in taxable income. Dividends may be exempt under participation exemption rules. Double-tax relief may be available.
Reinsurance	**Accounting**	**Taxation**
Reinsurance premiums and claims	Premiums paid/payable are deducted from gross premiums. Claims recoveries netted in P&L account against claims paid/payable.	Follows accounting treatment. Premiums paid to group company are deductible, provided they are at arm's length.
Mutual companies	**Accounting**	**Taxation**
Mutual companies (all profits returned to members)	No special treatment.	No special treatment. However, a mutual company may be tax-exempt if the company does not aim to generate commercial profits. Provided that certain conditions are met, a refund of premiums to the members of a mutual company is deductible for tax purposes.

Netherlands: General insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	One-year carry-back and a nine-year carry-forward. It is optional to opt for a three year carry back period and a 6 year carry forward period (maximum carry back of EUR 10 mio per annum).
Foreign branch income	Exempt from Dutch corporation tax under treaty or unilateral agreement. Branch should be subject to tax in the country it is located within to obtain exemption under unilateral agreement. If the activities of the branch consist of passive group finance activities, no exemption is available. Instead, a credit of the lower of (i) the amount of the foreign tax that is actually levied, or (ii) a lump-sum tax credit of 50% of the Dutch corporate income-tax rate will be granted. Although the Netherlands aims to apply the same treatment of passive group finance branches in its tax treaties, not all tax treaties have been adjusted accordingly and thus the exemption method may nevertheless apply.
Domestic branch income	Taxed under ordinary rules. Under certain circumstances notional income may be imputed if the branch is deemed insolvent.
Corporate tax rate	The current tax rate is 20% on the first EUR 200,000 profits, the excess is taxed at a rate of 25%.
Other tax features	**Taxation**
Premium taxes	Insurance premium tax is 9.7% where risk is located in the Netherlands. As per 1 January 2015 the insurance premium tax rate will be reduced to 9.5%. Insurance for the following is exempt: disability, illness, unemployment, sea-going vessels, transport, reinsurance and export credit. Non-resident insurers can incur, declare and transfer insurance premium taxes due by themselves or can appoint a fiscal representative for the collection, declaration and transferral of insurance premium taxes due.
Capital taxes and taxes on securities	Capital taxes have been abolished beginning 1 January 2006.
Captive insurance companies	Taxed under the same rules as applicable for insurance companies. Despite case-law of the Supreme Court, there are often discussions with the tax administration on the tax deductibility of premiums paid to captive insurance companies.
Value added tax (VAT)	There is a VAT exemption for providing insurance services. In practice it is often still possible that insurance companies partly recover a pro-rata of their input VAT. This should be carefully monitored.

Netherlands: Life insurance – overview

Definition	Accounting	Taxation
Definition of life insurance companies	A company that creates life insurance contracts.	Not defined by tax legislation. Follows legal/ regulatory definition.
Commercial accounts/ tax and regulatory returns	**Accounting**	**Taxation**
Basis for the company's commercial accounts	Dutch GAAP includes specific rules for insurance companies (Book 2 Civil Code). Beginning in 2005, Dutch GAAP allows the application of IFRS.	Generally the commercial accounts are the guideline, but for tax a separate concept, "good commercial practice", has been developed. Several specific issues have been stipulated in the "Decree on the Determination of Profits and Reserves of Insurers 2001" (BWRV).
Regulatory return	A separate return as issued by the Regulatory Authorities (DNB), partly based on Book 2 of the Civil Code.	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	Applicable only in that income allocated to policyholders, for bonuses, is treated as an expense. Net income is attributable to the shareholders.	Generally the commercial accounts are the guideline.
Calculation of investment return	**Accounting**	**Taxation**
Calculation of investment income and capital gains	Realised gains and losses to be reported in the P&L. Unrealised gains and losses can be reported in the P&L or in the balance sheet. All gains and losses on investments related to unit-linked products are taken to P&L.	Realised gains are included in taxable income. Unrealised gains may be deferred (unless and to the extent that these profits arise on assets on which unrealised losses were taken into account earlier, recapture rule). A negative balance of realised gains and (realised and unrealised) losses has to be offset against the fiscal equalisation reserve. Further losses are included in taxable income. Under certain conditions offsets made can be reversed when recaptured. The BWRV contains specific valuation principles for fixed interest bearing investments. Income may be tax exempt under the participation exemption. In principle all gains and losses on investments related to unit-linked products are included in taxable income.
Calculation of investment income and capital gains	**Accounting**	**Taxation**
Actuarial reserves	Net method is common, but Zillmer and Höckner methods are also used.	Follows accounting rules, but should be in accordance with the BWRV, which Inter Alia prescribes that the technical provisions have to be calculated at tariff rates.
Acquisition expenses	In general, acquisition expenses on regular premium policies are deferred. However, they may be expensed in year incurred.	Deductible in years incurred, but, for periodical premium paying life insurance contracts they are tax-deductible in equal instalments over a 10 year period or over the shorter actual term of the contract.

Netherlands: Life insurance – overview (continued)

Calculation of investment income and capital gains	Accounting	Taxation
Gains and losses on investments	See calculation of investment return above. Valuation at lower of cost or market value is allowed.	See calculation of investment return above. Valuation at lower of cost or market value is allowed. However, the BWRV contains specific valuation principles for fixed interest bearing investments. Furthermore, certain other specific arrangements have been stipulated in the BWRV and the negative balance of realised gains and (realised and unrealised) losses has to be offset against the fiscal equalisation reserve.
Reserves against market losses on investments	Not allowed. Impairments have to be taken into account.	Demonstrable impairments can be deducted.
Dividend income	Included in income.	Gross amounts included in taxable income. Participation exemption may apply if certain conditions are met. Credit for foreign withholding tax may be available. Case law of the European Court of Justice (ECJ) may impact current credit mechanisms.
Policyholder bonuses	Included as expense item in technical account.	Tax deductible.
Other special deductions	N/A.	Life insurance companies can form a fiscal equalisation reserve up to a maximum of 2.25% of actuarial provisions. Annual allocations allowed up to a maximum of 4% of that ceiling. The BWRV provides for detailed regulations in this respect.
Reinsurance	**Accounting**	**Taxation**
Reinsurance premiums and claims	Deducted from gross premiums. Recoveries deducted from gross claims.	Follows accounting treatment. Premiums paid to group company are deductible, provided they are at arm's length.
Mutual companies/ stock companies	**Accounting**	**Taxation**
Mutual Companies	No special rules	No special treatment. Provided that certain conditions are met, a refund of premiums to the members of a mutual company is deductible for tax purposes.

Netherlands: Life insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	One-year carry-back and a nine-year carry-forward. It is optional to opt for a three year carry back period and a 6 year carry forward period (maximum carry back of EUR 10 mio per annum).
Foreign branch income	Exempt from Dutch corporation tax under treaty or unilateral agreement. Branch should be subject to tax in the country it is located within to obtain exemption under unilateral agreement. If the activities of the branch consist of passive group finance activities, no exemption is available. Instead, a credit of the lower of (i) the amount of the foreign tax that is actually levied, or (ii) a lump-sum tax credit of 50% of the Dutch corporate income-tax rate will be granted. Although the Netherlands aims to apply the same treatment of passive group finance branches in its tax treaties, not all tax treaties have been adjusted accordingly and thus the exemption method may nevertheless apply.
Domestic branch income	Taxed under ordinary rules. Under certain circumstances notional income may be imputed if the branch is deemed insolvent.
Corporate tax rate	Current tax rate: 20% on the first EUR 200,000 profits; excess is taxed at a rate of 25%.
Policyholder taxation	**Taxation**
Deductibility of premiums	Under the new Act, a taxpayer is only entitled to claim annuity deductions if it can be demonstrated that the taxpayer has not built up enough retirement income in the last 7 years, to be determined each year. Premiums should be paid to an insurer that allocates the premiums to its Dutch business or to a foreign insurer that has signed a contract with the Dutch tax authorities. Entrepreneurs (partially) ceasing their company can claim further annuity tax deductions. Instalments received after the expiration date are taxed in box 1 if the premiums have been deducted from taxable income. If premiums paid on a life annuity policy have not been deducted from taxable income, the life annuity policy is taxed in box 3. For policies before 2001, transitional rules apply.
Interest build-up	For endowment insurance to be used to redeem a mortgage loan the interest part of any excess amount above of the amount of the tax exemption will be taxed in box 1.
Proceeds during lifetime	If the premiums paid on a life annuity policy have been deducted from taxable income installments received are taxed in box 1. If premiums paid have not been deducted, the policy will be taxed in box 3.
Personal Income Tax Act	Under the Personal Income Tax Act, the individual income of a Dutch resident individual will be divided into three separate categories, referred to as “boxes”. Each box is independently assessed. This means that it will not be possible to offset losses from one box against income from another. The income categories are as follows: (i) income from work and the primary residence; (ii) income and capital gains from shares representing a substantial interest; (iii) income from savings and investments. Income from savings and investments is assumed to amount to 4% of the fair value of savings and investments as at the beginning of the year. The taxable income of box 1 is subject to tax at progressive rates up to 52%. The taxable income of box 2 is subject to a flat rate of 25%. The income of box 3 is subject to tax at a flat rate of 30%.
Endowment policies	Endowment insurance is taxed in box 3. For endowment policies before 2001, transitional rules are applicable. If certain conditions are met, existing endowment policies are exempt in box 3 up to an amount of EUR 123,428 per person. Endowment insurance taken out on the primary residence of a taxpayer (i.e. the insurance to be used to redeem the mortgage) falls under a special provision in box 1. The pay-out of such insurance is tax-exempt per taxpayer insofar as the payment does not exceed EUR 151,000 and certain conditions are met. The interest part of any excess amount is taxed in box 1.
Proceeds on death	The benefit value of the policy is taxable in box 3. For funeral insurance and pure life insurance policies EUR 6,744 is exempted. The proceeds itself are not taxable.

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Netherlands: Life insurance – other tax features (continued)

Other tax features	Taxation
Premium taxes	Life assurance is exempt from insurance premium tax.
Capital taxes and taxes on securities	Capital taxes have been abolished beginning 1 January 2006.
Captive insurance companies	Captive insurance companies are in principle subject to the same tax rules as other insurance companies. However the transfer pricing should be carefully monitored.
Value added tax (VAT)	There is a VAT exemption for providing insurance services. In practice it is often still possible that insurance companies partly recover a pro-rata of their input VAT. This should be carefully monitored.

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Poland

General insurance – overview

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. Permit of the Ministry of Finance required.	The Insurance Act definition controls as there is no tax definition.
Commercial accounts/ tax and regulatory returns	**Accounting**	**Taxation**
Basis for the company's commercial accounts	Prescribed by accounting rules legislated for insurance industry.	Follows accounting rules.
Regulatory return	Quarterly and annual returns to be submitted to the Polish Financial Supervision Authority.	N/A.
Tax return	N/A.	Only annual tax reconciliation required; however some tax payers must prepare and pay monthly or quarterly tax advances. Under certain conditions, the simplified method of tax settlements may be applied: • no monthly tax return 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 basis); • annual adjusting tax reconciliation required.
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 reserves	Prescribed for certain classes of business and calculated on specific insurance accounting rules.	Allowed on basis of accounting treatment.

Poland: General insurance – overview (continued)

Expenses/ refunds	Accounting	Taxation
Acquisition expenses	Fully charged in year incurred. Deferred if deferred acquisition costs (DAC) are recognized as an asset.	No clear rules. Generally, “direct” acquisition expenses are allowed in the year incurred and properly documented. “Indirect” acquisition expenses are allowed in the year incurred and properly documented, or recognised over time (depending on their nature). Accruals for acquisition costs constitute 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.	Generally follows accounting treatment.
Investments	**Accounting**	**Taxation**
Gains and losses on investments	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).	Realised gains and losses are included in taxable income.
Investment reserves	Movements taken to reserves.	Not allowed.
Investment income	Included in P&L account.	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 the insurance company receives no tax credit.
Reinsurance	**Accounting**	**Taxation**
Reinsurance premiums and claims	Premiums deducted from gross premiums. The balance sheet reflects the reinsurers’ share in reserve as negative balances. The reinsurance impact on claims is netted in technical accounts with gross payments.	No clear rules. 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. Follows accounting treatment.
Mutual companies	**Accounting**	**Taxation**
Mutual companies (all profits returned to members)	As defined in insurance legislation.	Generally, same rules as for other entities.

Poland: General insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	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%.
Other tax features	**Taxation**
Premium taxes	N/A.
Capital taxes and taxes on securities	Capital contributions and share issues are subject to 0.5% civil law activities (transfer) tax.
Captive insurance companies	No special rules.
Value added tax (VAT)	Insurance services are generally VAT exempt.

Poland: Life insurance – overview

Definition	Accounting	Taxation
Definition of life insurance companies	An entity carrying out life insurance activities as defined in the Act on Insurance Activities. Permit of the Ministry of Finance required.	The Insurance Act definition applies as there is no tax definition.
Commercial accounts/ tax and regulatory returns	**Accounting**	**Taxation**
Basis for the company's commercial accounts	Prescribed by accounting rules legislated for insurance industry.	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 part "General insurance companies".
General approach to calculation of income	**Accounting**	**Taxation**
Allocation of income between shareholders and policyholders	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 the general account.	Follows accounting – no specific tax rules.
Calculation of investment return	**Accounting**	**Taxation**
Calculation of investment income and capital gains	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).	Generally, 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 the insurance company receives no tax credit.
Calculation of investment income and capital gains	**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 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 realized.
Reserves against market losses on investments	N/A.	Not allowed.
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 for the insurance company.
Policyholder bonuses	Covered by policyholder bonuses reserve.	Follows accounting treatment.
Other special deductions	No other significant special deductions.	N/A.

Poland: Life insurance – overview (continued)

Reinsurance	Accounting	Taxation
Reinsurance premiums and claims	Premiums deducted from gross premiums, and claims netted similarly.	No clear rules. 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.
Mutual companies/ stock companies	**Accounting**	**Taxation**
Mutual Companies	As defined in insurance legislation.	Generally, same rules as for other entities.

Poland: Life insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	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%.
Policyholder taxation	**Taxation**
Deductibility of premiums	Not 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.
Other tax features	**Taxation**
Premium taxes	None.
Capital taxes and taxes on securities	Capital contributions and share issues are subject to 0.5% civil law activities (transfer) tax.
Captive insurance companies	No specific rules.
Value added tax (VAT)	Insurance services are generally VAT exempt.

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Portugal

General insurance – overview

Definition	Accounting	Taxation
Definition of property and casualty insurance company	A company to which insurance legislation applies.	Not defined by tax legislation.
Commercial accounts/ tax and regulatory returns	**Accounting**	**Taxation**
Basis for the company's commercial accounts	Prepared in accordance with International Financial Reporting Standards (IFRS), except IFRS 4 which only applies to the classification of insurance contracts, as set out by Instituto de Seguros de Portugal (ISP – Portuguese supervisory body). The new chart of accounts, in force as from 01.01.2008, was adopted as result of Art. 3 of Regulation (CE) nr. 1606/2002 of 19 July.	Taxable income is based on statutory profits adjusted according to the tax law provisions. A transitory regime applies to the tax relevant adjustments resulting from the adoption of the new accounting rules, which are taxable / deductible over a period of 5 years (2008-2012).
Regulatory return	The following financial information has to be submitted annually: (i) Annual accounts; (ii) Solvency margin and assets backing technical provisions; (iii) Additional statistical information (premiums and claims, pension plans, etc.); (iv) Annual report on internal control and risk management.	Annual return of accounting and fiscal information ("IES") includes annual accounts and corresponding notes.
Tax return	N/A.	Annual corporate income tax (CIT) assessment returns ("Modelo 22").
Technical reserves/ equalisation reserves	**Accounting**	**Taxation**
Unearned premiums reserve (UPR)	Pro rata temporis method.	Same as for accounting rules.
Unpaid claims reported	Calculated on case-by-case basis according to the estimated costs, in the general line of business. For workers' accident (pensions), a mathematical reserve is also recorded using tables and formulas established by the legislation in force.	Same as for accounting rules.
Claims incurred but not reported (IBNR)	Calculated based on a percentage defined by ISP on the total claims paid during the year or based on actuarial/ historical information.	Same as for accounting rules.
Unexpired risks	Calculated according to the methodology established by ISP, and is based on estimated losses including claims, reinsurance, and administrative costs likely to arise after the year/ period end from contracts concluded prior to that date. This provision is increased/ decreased whenever the ratios of claims, costs and reinsurance is expected to exceed/ fall short of unearned income and premiums receivable under those contracts.	Same as for accounting rules.

Portugal: General insurance – overview (continued)

Expenses/ refunds	Accounting	Taxation
General contingency/ solvency reserves	Provided as necessary.	Not deductible.
Equalisation reserves	Calculated in accordance with percentages defined by ISP.	Same as for accounting rules.
Expenses/ refunds	**Accounting**	**Taxation**
Acquisition expenses	Acquisition expenses are recorded at the same time as premiums. However, deferred acquisition costs may reach a maximum of 20% of unearned premium reserves.	Same as for accounting rules.
Loss adjustment expenses on unsettled claims (claims handling expenses)	Included in the claims provision.	Same as for accounting rules.
Experience-rated refunds	Credited when earned.	Same as for accounting rules.
Investments	**Accounting**	**Taxation**
Gains and losses on investments	Realized gains and losses are included in profit & loss (P&L). Unrealised gains and losses are presented in equity (separated line), except those related to trading and fair value option through the P&L account.	Realized capital gains and losses are included in taxable income. Inflation index is applied to acquisition costs in the case of shares and real estate (RE) held for at least two years. Net capital losses on shares are only deductible with 50% of their value. Unrealized gains and losses on trading assets charged to the P&L account are tax deductible, except those relating to shares that represent more than 5% of share capital or to non listed equity instruments. Losses on shares are not deductible in the part of its value that corresponds to dividends received that have benefited from the participation exemption regime in the last four years.
Investment reserves	Investments available for sale, trading and at fair value option are at market value. Fixed income securities are accounted for at acquisition cost less amortisation of premium/discount at effective rate, if held to maturity.	Only realised gains and losses are included in taxable income. Amortisation of premium/ discount of fixed income securities at effective rate is included in taxable income.
Investment income	Dividends - accounted for as received. Interest and other income - accrued as earned.	Included in taxable income, subject to the following: Dividends from shares associated with the technical reserves have a participation exemption equal to 100% of their value.
Reinsurance	**Accounting**	**Taxation**
Reinsurance premiums and claims	Premiums payable/ paid are deducted from gross premiums. Claim recoveries are netted in P&L against claims paid/ payable.	Same as for accounting rules. Premiums paid to related parties must be arm's length.
Mutual companies	**Accounting**	**Taxation**
Mutual companies (all profits returned to members)	No special rules.	No special rules.

Portugal: General insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	Four year loss carry-forward. Tax losses generated in tax years prior to 2010 can be carried forward for six years. No carry-back is allowed.
Foreign branch income	Profits obtained by branches or other permanent establishments of companies with residence in Portugal must be consolidated into the head office accounts, and taxation will be based on the consolidated profits. A tax credit is given up to the limit of Portuguese corporate income tax due on branch profits.
Domestic branch income	Branches are taxed according to the rules and rates applicable to resident companies. There is no withholding tax on remittances to the head office.
Corporate tax rate	Taxable profit up to EUR 12,500 will subject to CIT at 12.5%; the excess will be taxed at 25%. The following surcharges may apply: • A local surcharge ("Derrama"), up to 1.5% of the taxable profit, prior to the deduction of any available carry forward tax losses; • A State Surcharge ("Derrama Estadual") at the rate of 2.5%, applicable on the amount of the taxable profit exceeding EUR 2 million, prior to the deduction of any available carry forward tax losses.
Other tax features	**Taxation**
Premium taxes	Premium tax of 0.242% established by the ISP. Insurance products/services are subject to a stamp duty. The cost of this tax is borne by the insured entity, but the liability for collection and payment of the tax falls on the insurance company. The stamp tax rates vary from 3% to 9%, depending on the insurance categories. Other mandatory contributions apply to specific insurance categories. Commissions earned by brokers are subject to a 2% stamp tax to be retained and paid by the insurer.
Capital taxes and taxes on securities	N/A.
Captive insurance companies	No special treatment applies.
Value added tax (VAT)	Insurance products/services are VAT exempt.

Portugal: Life insurance – overview

Definition	Accounting	Taxation
Definition of life insurance companies	A company that carries out life insurance and reinsurance business; is subject to specific regulations.	Not defined by tax legislation.
Commercial accounts/ tax and regulatory returns	**Accounting**	**Taxation**
Basis for the company's commercial accounts	According to IFRS, except IFRS 4 which only applies to the classification of insurance contracts, as set out by the ISP. The new chart of accounts, in force as from 01.01. 2008, was adopted as result of Art. 3 of Regulation (CE) nr. 1606/2002 of 19 July.	Taxable income is based on statutory profits adjusted according to tax law provisions. A transitory regime applies to tax relevant adjustments resulting from the adoption of the new accounting rules, taxable/deductible over 5 years (2008-2012).
Regulatory return	Annual submission of following information: (i) Annual accounts; (ii) Solvency margin and assets backing technical provisions; (iii) Additional statistical information (premiums and claims, pension plans, etc); (iv) Annual report on internal control and risk management.	Annual return of accounting and fiscal information ("IES") includes annual accounts and corresponding notes.
Tax return	N/A.	Annual CIT assessment return ("Modelo 22").
General approach to calculation of income	**Accounting**	**Taxation**
Allocation of income between shareholders and policyholders	Policy terms determine the allocation of income between shareholders and policyholders.	Same as for accounting rules.
Calculation of investment return	**Accounting**	**Taxation**
Calculation of investment income and capital gains	Income is composed of operating income and realised gains and losses.	Realized capital gains/losses included in taxable income. Dividends from shares associated with technical reserves of insurance firms have a participation exemption equal to 100% of their value.
Calculation of investment income and capital gains	**Accounting**	**Taxation**
Actuarial reserves	The net method is most common, but Zillmer and gross methods are allowed.	Same as for accounting rules.
Acquisition expenses	Recognised directly in P&L, unless the Zillmer method is used.	Same as for accounting rules.
Gains and losses on investments	Realized gains and losses are included in P&L. Unrealized gains and losses are presented in equity (separate line), except those related to (i) trading investments which are charged to the P&L account and (ii) the portion related to policyholders which is booked in the liability side.	Realized capital gains/losses on investments representing profit sharing and unit-linked products follow accounting rules. Realized capital gains/ losses on investments representing other products: included in taxable income. Inflation index applied to acquisition costs in the case of shares and RE held for at least 2 years. Unrealized gains/losses on investments related to profit sharing and unit-linked products: included in taxable income, regardless of assets classification. Unrealized gains/losses on trading assets related to other products charged to P&L: included in taxable income, except for shares representing over 5% of share capital or non-listed equity instruments. Losses on shares: not tax deductible for the part of its value corresponding to dividends received which benefited from the participation exemption in the last 4 years.

Portugal: Life insurance – overview (continued)

Calculation of investment income and capital gains	Accounting	Taxation
Reserves against market losses on investments	Unrealised gains and losses are presented in equity (separate line), except those related to trading investments which are charged to the P&L account. Unrealised gains related to investments of insurance with profit sharing are presented in the provision for profit sharing (policyholders' portion). Companies that present fixed income securities on acquisition cost less amortisation of premium/ discount do not need to reflect unrealised gains/ losses.	For investments representing technical reserves of products with profit sharing and unit-linked products: Unrealized gains or losses on investments accounted at market value are included in taxable income. For other products, unrealised gains and losses on trading investments charged to the P&L account are included in taxable income, except those relating to shares that represent more than 5% of share capital or to non-listed equity instruments. Fixed income securities: Charges to P&L resulting from adoption of the amortised cost at effective rate are included in taxable income. Adjustment to market price is excluded from taxable income except those relating to securities allocated to unit-linked products with profit sharing.
Dividend income	Included in income.	Included in taxable income, subject to the following: Dividends from shares associated with the technical reserves have a participation exemption equal to 100% of their value.
Policyholder bonuses	Recognized in income statement.	Same as for accounting rules.
Other special deductions	None.	N/A.
Reinsurance	**Accounting**	**Taxation**
Reinsurance premiums and claims	Deducted from gross written premiums.	Same as for accounting rules. Premiums paid to related parties must be arm's length.
Mutual companies/ stock companies	**Accounting**	**Taxation**
Mutual Companies	No special rules apply.	No special rules apply.

Portugal: Life insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	Four year loss carry-forward. Tax losses generated in tax years prior to 2010 can be carried forward for six years. No carry-back is allowed.
Foreign branch income	Profits obtained by branches or other permanent establishments of companies with residence in Portugal must be consolidated into the head office accounts, and taxation will be based on the consolidated profits. A tax credit is given up to the limit of Portuguese corporate income tax due on branch profits.
Domestic branch income	Branches are taxed according to the rules and rates applicable to resident companies. There is no withholding tax on remittances to the head office.
Corporate tax rate	Taxable profit up to EUR 12,500 will subject to CIT at 12.5%; the excess will be taxed at 25%. The following surcharges may apply: • A local surcharge ("Derrama"), up to 1.5% of the taxable profit, prior to the deduction of any available carry forward tax losses; • A state surcharge ("Derrama Estadual") at the rate of 2.5%, applicable on the amount of the taxable profit exceeding EUR 2 million, prior to the deduction of any available carry forward tax losses.
Policyholder taxation	**Taxation**
Deductibility of premiums	Deductibility of qualifying premiums, up to defined limits.
Interest build-up	Not taxed.
Proceeds during lifetime	Taxable, but partial relief is available if certain conditions are met regarding policy-holding period.
Proceeds on death	Not taxed.
Other tax features	**Taxation**
Premium taxes	Premium tax of 0.048% as determined by the ISP. Life insurance premiums and brokers' commissions are exempt from stamp tax.
Capital taxes and taxes on securities	N/A.
Captive insurance companies	No special rules.
Value added tax (VAT)	Insurance products/services are VAT exempt.

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Russia

General insurance – overview

Definition	Accounting	Taxation
Definition of property and casualty insurance company	A company that possesses the appropriate insurance licence.	A company that possesses the appropriate insurance licence.
Commercial accounts/ tax and regulatory returns	**Accounting**	**Taxation**
Basis for the company's commercial accounts	Accounting principles are set by the Ministry of Finance (MinFin). Direct insurance premiums are accounted for in the profit and loss (P&L) account when due from the policyholder. Premiums are accrued in full disregard payment schedule. Reinsurance premiums are recognised in the P&L account when due from the ceding insurer. Accounting of reinsurance should be set in accounting policy as there is limited official guidance.	Direct insurance premiums are accounted for in the P&L account on an accrual basis (i.e. from the inception of liabilities). Reinsurance premiums inwards and outwards are recognised on an accrual basis.
Regulatory return	Annual and quarterly reporting includes balance sheet, P&L account, cash flow statement, supplement to balance sheet and P&L and explanatory note, as well as report on changes to capital; information on placement of insurance reserves and capital, solvency margin and other reports are filed annually or quarterly depending on line of business. In addition, statistical information is reported on a quarterly and annual basis.	Audited financial statement (five forms and explanatory note) are sent to the tax authorities annually as supplement to the profits tax return.
Tax return	N/A	A separate "Profits Tax" return is required by the tax authorities annually and quarterly (or monthly). Returns for other various taxes are required at different intervals, from monthly to annually.
Technical reserves/ equalisation reserves	**Accounting**	**Taxation**
Unearned premiums reserve (UPR)	Generally calculated by time apportionment based on premiums received, e.g. pro rata temporis, 1/24th or 1/8th methods for each line of business. Rules are set by MinFin and internally which are subject to MinFin's approval.	Allowed in full.
Unpaid claims reported	Outstanding claims provision (OCP). Calculated on case-by-case basis based on judgement. Actuarial methods of calculation may be used. Discounting is not allowed. OCP includes loss adjustment expenses (see below).	Allowed in full.
Claims incurred but not reported (IBNR)	Calculated based on special method set by MinFin taking into account data on claims incurred, unpaid claims reported, earned insurance premiums and other factors. Companies can also establish own rules for IBNR assessment, subject to approval from MinFin. Discounting is not allowed.	Allowed in full.

Russia: General insurance – overview (continued)

Technical reserves/ equalisation reserves	Accounting	Taxation
Unexpired risks	N/A.	N/A.
General contingency/ solvency reserves	General contingency reserve is obligatory for certain lines of business.	Allowed in full.
Equalisation reserves	Included in contingency reserve.	Included in contingency reserve.
Expenses/ refunds	**Accounting**	**Taxation**
Acquisition expenses	Acquisition costs are expensed as incurred, but on cash basis in practice.	Generally, tax deductible (provided certain conditions are met).
Loss adjustment expenses on unsettled claims (claims handling expenses)	Claims handling expenses are accrued within "Outstanding claims reported reserve" with the amount of 3% of the unpaid claims.	Follows treatment of the "Unpaid claims reported reserve".
Experience-rated refunds	No such concept.	N/A
Investments	**Accounting**	**Taxation**
Gains and losses on investments	Initially securities should be recognised at cost. Marketable securities are mark-to-market value monthly or quarterly. Non-marketable securities are valued at cost. Both non-realised and realised gains/ losses including revaluation are included in P&L. Dividends are recognised on a notification basis. There are strict restrictions on the composition of assets used for placement of insurance reserves and capital (e.g. not more than 15% of insurance reserves may be invested into shares).	Separate calculation of tax base for quoted and non-quoted securities (including separate calculation of losses to be carried forward). Therefore the prices shall be mark-to-market in accordance with special rules. Unrealised mark-to-market and FX revaluation of securities is not taken into account for tax purposes. Interest on state, municipal and mortgage-backed bonds is subject to 15% tax (0% and 9% for some). Other income is subject to basic tax rate of 20%. Starting from 1 January 2011, losses incurred in trust management are not "Profits Tax" deductible and cannot be carried forward to the future periods.
Investment reserves	Impairment provision is created if the estimated recoverable value of the investment is lower than its cost.	Not allowed as deduction for "Profits Tax" purposes.
Investment income	See above in "Gains and losses on investments" section.	Calculated on an accrual basis.
Reinsurance	**Accounting**	**Taxation**
Reinsurance premiums and claims	See above in "Basis for the company's commercial accounts".	Calculated on an accrual basis.
Mutual companies	**Accounting**	**Taxation**
Mutual companies (all profits returned to members)	Allowed under Civil Code, but not widely developed.	Funds received from members should not be taxable in the mutual company (absence of significant practice and tax precedent to say with certainty).

Russia: General insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	Loss may be carried forward for 10 years. Starting from 1 January 2007 a loss brought forward may decrease up to 100% of taxable profit in a particular year (previously there was a limitation). Losses incurred in trust management are not profits tax deductible and cannot be carried forward to the future periods (from 1 January 2011).
Foreign branch income	Taxed within the total consolidated income of the company.
Domestic branch income	Part of total income. Tax payments are apportioned between the regions where branches are located.
Corporate tax rate	General tax rates equals to 20%. Regional authorities can further decrease it by no more than 4.5%.
Other tax features	**Taxation**
Premium taxes	No separate tax.
Capital taxes and taxes on securities	There is a property tax of 2.2% on the residual value of fixed assets.
Captive insurance companies	No special regulations.
Value added tax (VAT)	Insurance operations are not subject to VAT.

Russia: Life insurance – overview

Definition	Accounting	Taxation
Definition of life insurance companies	A company that possesses the appropriate insurance licence.	The company that possesses the appropriate insurance licence.
Commercial accounts/ tax and regulatory returns	**Accounting**	**Taxation**
Basis for the company's commercial accounts	Accounting principles are set by the MinFin. Direct insurance premiums are accounted for in the P&L account when an instalment is due from the policyholder. Reinsurance premiums are recognised in the P&L account when due from the ceding insurer.	Direct insurance premiums are accounted for in the P&L account when the right to the relevant premium instalment arises as per the terms of agreement.
Regulatory return	Annual and quarterly reporting includes balance sheet, P&L account, cash flow statement, supplement to balance sheet and P&L and explanatory note, and report on changes to capital; information on placement of insurance reserves and capital, solvency margin and other reports are filed annually or quarterly depending on line of business. In addition, statistical information is reported on a quarterly and annual basis.	N/A.
Tax return	N/A.	A separate "Profits Tax" return is required by the tax authorities annually and quarterly (or monthly). Returns for other various taxes are required at different intervals, from monthly to annually
General approach to calculation of income	**Accounting**	**Taxation**
Allocation of income between shareholders and policyholders	Such concept does not exist. All incomes are recorded in a P&L account.	Tax treatment may be questionable.
Calculation of investment return	**Accounting**	**Taxation**
Calculation of investment income and capital gains	See next section below. No additional "statement" other than one overall P&L account including both underwriting and investment results.	See next section below.
Calculation of investment income and capital gains	**Accounting**	**Taxation**
Actuarial reserves	Companies establish the actuarial method for establishing reserves, subject to approval by the Federal Insurance Supervision Agency.	Allowed in full.
Acquisition expenses	Acquisition costs are expensed as incurred but on cash basis in practice.	Generally, tax deductible (provided certain conditions are met).
Gains and losses on investments	Initially securities should be recognised at cost. Marketable securities are mark-to-market value monthly or quarterly. Non-marketable securities are valued at cost. Both non-realised and realised gains/ losses, including revaluation are included in P&L. Dividends are recognised on a notification basis. There are strict restrictions on the composition of assets used for placement of insurance reserves and capital (e.g. no more than 10% of insurance reserves may be invested into promissory notes).	Separate calculation of tax base for quoted and non-quoted securities (incl. separate calculation of losses to be carried forward). Thus, prices shall be mark-to-market in accordance with special rules. Unrealised mark-to-market and FX revaluation of securities: not taken into account for tax purposes. Interest on state, municipal and mortgage-backed bonds: subject to 15% tax (0% and 9% for some). Other income: subject to basic tax rate (20%). From 01.01.2011 on losses from trust management are not profit tax deductible and cannot be carried forward to future periods.

Russia: Life insurance – overview (continued)

Calculation of investment income and capital gains	Accounting	Taxation
Reserves against market losses on investments	Impairment provision is created if the estimated recoverable value of the investment is lower than its cost.	Not tax-deductible.
Dividend income	Included in a P&L account.	Dividends from Russian organisations paid to Russian organisations is subject to 9% tax (0% in certain cases), 15% tax for foreign organisations – may be subject to applicable double-tax treaty provision and effectively may be lower), from foreign organisations subject to 9% tax (0% in certain cases).
Policyholder bonuses	No such concept.	N/A.
Other special deductions	None.	N/A.
Reinsurance	**Accounting**	**Taxation**
Reinsurance premiums and claims	See above in “Basis for the company’s commercial accounts”.	Calculated on an accrual basis.
Mutual companies/ stock companies	**Accounting**	**Taxation**
Mutual Companies	Mutual insurance companies do not engage in life insurance.	N/A.

Russia: Life insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	Loss may be carried forward for 10 years. Starting from 1 January 2007 a loss brought forward may decrease up to 100% of taxable profit in a particular year (previously there was a limitation). Losses incurred in trust management are not profits tax deductible and cannot be carried forward to the future periods (from 1 January 2011).
Foreign branch income	Taxed within the total consolidated income of the company.
Domestic branch income	Part of total income. Tax payments are apportioned between the regions where branches are located.
Corporate tax rate	General tax rates equals to 20%. Regional authorities can further decrease it by no more than 4.5%.
Policyholder taxation	**Taxation**
Deductibility of premiums	Generally not deductible. There is possibility to deduct medical insurance premiums and pension insurance premiums within certain limits.
Interest build-up	Potentially taxable as part of proceeds (see below).
Proceeds during lifetime	Proceeds from insurance policies are taxable with the exemption of (i) proceeds under obligatory insurance; (ii) proceeds under life insurance in the case of proceeds related to reaching certain age or another event if premiums were paid by the insured and the proceeds do not exceed premiums increased by average Bank of Russia interest rate; (iii) proceeds on personal insurance against injury, death, medical expenses; (iv) pension insurance. In other cases proceeds are taxed at 13%. Non-residents are taxed at 30% with no deductions.
Proceeds on death	Generally not taxable.
Other tax features	**Taxation**
Premium taxes	No separate tax.
Capital taxes and taxes on securities	There is a property tax of 2.2% on the residual value of fixed assets.
Captive insurance companies	No special regulations.
Value added tax (VAT)	Insurance operations are not subject to VAT.

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South Africa

General insurance – overview

Definition	Accounting	Taxation
Definition of property and casualty insurance company	Company registered under the Short Term Insurance Act, 1998.	Any short-term insurance business as defined in the Short Term Insurance Act, 1998.
Commercial accounts/ tax and regulatory returns	**Accounting**	**Taxation**
Basis for the company's commercial accounts	International Financial Reporting Standard (IFRS) is basis as determined by the Companies Act, 2008.	N/A.
Regulatory return	Separate return issued by the Financial Services Board (FSB).	N/A.
Tax return	N/A.	A tax return (IT14) must be filed annually.
Technical reserves/ equalisation reserves	**Accounting**	**Taxation**
Unearned premiums reserve (UPR)	Premium revenue is recognised evenly over the period of the policy or in accordance with the pattern of the incidence of risk where the result is materially different.	The tax treatment is in line with the accounting treatment, subject to the Commissioner's discretion.
Unpaid claims reported	Measured as the expected ultimate cost of settlement of all claims.	The tax treatment is in line with the accounting treatment, subject to the Commissioner's discretion.
Claims incurred but not reported (IBNR)	Calculated based on experience or statistical method.	The tax treatment is in line with the accounting treatment, subject to the Commissioner's discretion.
Unexpired risks	In calculating the expected value of future claims in relation to unexpired periods of risk on policies in force at balance sheet date, the future investment return on investments supporting the unearned premium provision, net of deferred acquisition cost and the unexpired risk provision may be taken into account.	The tax treatment is in line with the accounting treatment, subject to the Commissioner's discretion.
General contingency/ solvency reserves	Set in terms of the short-term insurance legislation and accounted for in equity.	This is not tax-deductible.
Equalisation reserves	Not allowed in terms of accounting standards.	This is not tax-deductible.
Expenses/ refunds	**Accounting**	**Taxation**
Acquisition expenses	Commissions are recognised over the period of policy and all other acquisition costs are expensed.	Expenses linked to the business of insurance are tax-deductible when incurred.
Loss adjustment expenses on unsettled claims (claims handling expenses)	Provided by reference to IBNR and outstanding claims.	Expenses linked to the business of insurance are tax-deductible when incurred.
Experience-rated refunds	Provided for based on the expected obligation.	This is included in gross income (and hence taxable) when earned.

South Africa: General insurance – overview (continued)

Investments	Accounting	Taxation
Gains and losses on investments	Treatment determined by IFRS.	Gains on investments held in a capital account are subject to 14% capital gains tax.
Investment reserves	Treatment determined by IFRS.	Unrealised gains (or unrealised losses) are not taxable (or deductible).
Investment income	Treatment determined by IFRS.	Investment income, including gains on assets held in a revenue account, form part of gross income and are subject to tax at 28%. Local dividends are tax-exempt. The general principle is that foreign dividends are subject to income tax at 28%; however, under certain circumstances it may be exempted.
Reinsurance	**Accounting**	**Taxation**
Reinsurance premiums and claims	Premiums paid/ payable are recognised as an outward reinsurance premium expense in the financial period in which it was incurred. Claims recoveries are recognised as revenue in the financial period in which it was earned.	Reinsurance premiums are tax-deductible and reinsurance recoveries are taxable.
Mutual companies	**Accounting**	**Taxation**
Mutual companies (all profits returned to members)	No special treatment.	No special treatment.

General insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	Losses from previous years can be set off against taxable income.
Foreign branch income	South African companies are taxed on their worldwide income, subject to any DTA (double taxation agreements) relief or foreign tax credits.
Domestic branch income	The tax rate for a branch is 33%.
Corporate tax rate	28%
Other tax features	**Taxation**
Premium taxes	Not applicable in South Africa.
Capital taxes and taxes on securities	Capital gains are taxed at an effective rate of 14%. Capital losses can only be set off against capital gains.
Captive insurance companies	There are no special tax rules governing captives.
Value added tax (VAT)	VAT is levied at 14%.

South Africa: Life insurance – overview

Definition	Accounting	Taxation
Definition of life insurance companies	Company registered under the Long-Term Insurance Act, 1998.	Companies carrying on long-term insurance business as defined in Long-Term Insurance Act, 1998.
Commercial accounts/ tax and regulatory returns	**Accounting**	**Taxation**
Basis for the company's commercial accounts	IFRS is basis as determined by the Companies Act, 2008.	N/A.
Regulatory return	Prescribed by separate regulations issued by Registrar of financial institutions.	N/A.
Tax return	N/A.	A tax return (IT14L) must be filed annually
General approach to calculation of income	**Accounting**	**Taxation**
Allocation of income between shareholders and policyholders	Single reporting entity for accounting purposes.	For tax purposes, income is allocated between the Individual Policyholder Fund (IPF), the Untaxed Policyholder Fund (UPF), the Company Policyholder Fund (CPF) and the Corporate Fund (CF).
Calculation of investment return	**Accounting**	**Taxation**
Calculation of investment income and capital gains	Treatment determined by IFRS.	The Income Tax Act stipulates methods to calculate investment income and capital gains.
Calculation of investment income and capital gains	**Accounting**	**Taxation**
Actuarial reserves	Insurance contracts as defined in IFRS are valued in terms of the Financial Soundness Valuation as prescribed in Professional Guidance Note (PGN) 104. Investment contracts in terms of IAS 39.	The statutory valuation method (best estimates, first and second tier margins as calculated by the actuary).
Acquisition expenses	Expensed for insurance contracts. Treatment determined by IAS 39 and IAS 18 for investment contracts.	Expenses linked to the insurance business are tax-deductible. The act stipulates a formula that must be used to calculate the deductible portion of selling and other expenses.
Gains and losses on investments	Treatment determined by IAS 39.	Gains on investments held in a capital account are subject to capital gains tax at 14% for the CF and CPF, 0% for the UPF, and 7.5% for the IPF.
Reserves against market losses on investments	Treatment determined by IAS 39.	Unrealised gains (or unrealised losses) are not taxable (or deductible).
Dividend income	Treatment determined by IAS 39.	Foreign dividends are subject to income tax at the corporate tax rate; exemptions may apply. Local dividends are tax-exempt.
Policyholder bonuses	Computed through the actuarial valuation in terms of PGN 104.	Not deductible, but usually taken into account in the calculation of the actuarial reserves.
Other special deductions	N/A.	A portion of the taxable transfers from policyholder funds to the corporate fund may be deductible.

South Africa: Life insurance – overview (continued)

Reinsurance	Accounting	Taxation
Reinsurance premiums and claims	Premiums paid/ payable are recognised as an outward reinsurance premium expense in the financial period it incurred. Claims recoveries are recognised as revenue in the period it was earned.	Reinsurance premiums not deductible and reinsurance claims not taxable.
Mutual companies/ stock companies	**Accounting**	**Taxation**
Mutual Companies	No special rules.	No special rules.

South Africa: Life insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	Losses from previous years can be set off against taxable income.
Foreign branch income	South African companies are taxed on their worldwide income, subject to any DTA relief or foreign tax credits.
Domestic branch income	It is not possible for a life insurer to operate as a branch in South Africa.
Corporate tax rate	The Corporate tax rates are as follows: • Individual Policyholder Fund 30%; • Untaxed Policyholder Fund 0%; • Company Policyholder Fund 28%; • Corporate Fund 28%.
Policyholder taxation	**Taxation**
Deductibility of premiums	Different rules govern the deductibility of insurance premiums for different types of policies (e.g. keyman policy). In general premiums are not deductible by the policyholder.
Interest build-up	The policyholder is not taxed. (Tax already paid by life insurer at 30% in the IPF).
Proceeds during lifetime	The proceeds are not taxable, provided that the beneficiary is the original beneficial owner of the policy.
Proceeds on death	The proceeds are not taxable, provided the deceased is the original beneficial owner.
Other tax features	**Taxation**
Premium taxes	N/A.
Capital taxes and taxes on securities	The capital gains tax rates are as follows: • Individual Policyholder Fund 7.5%; • Untaxed Policyholder Fund 0%; • Company Policyholder Fund 14%; • Corporate Fund 14%. The capital losses can only be set off against capital gains.
Captive insurance companies	There are no special tax rules governing captives.
Value added tax (VAT)	VAT is levied at 14% on certain fees and commissions.

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Spain

General insurance – overview

Definition	Accounting	Taxation
Definition of property and casualty insurance company	A non-life company subject to insurance legislation.	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) and specific regulation issued by the DGS (regulatory authority – General Directorate of Insurance).	Taxation based on statutory accounts.
Regulatory return	The annual return to the DGS discloses statutory accounts and other detailed statistical information and solvency requirements on a quarterly basis.	Taxation based on regulatory return.
Tax return	The Corporate Tax return includes the balance sheet and profit and loss (P&L) account pursuant to accounting rules.	A separate annual return is required by the tax authorities.
Technical reserves/ equalisation reserves	**Accounting**	**Taxation**
Unearned premiums reserve (UPR)	Calculated on time apportionment basis.	Allowed as per accounts.
Unpaid claims reported	Calculated on case-by-case basis (discounting for long-term reserves is unusual). Actuarial methods based on a company's claims experience are accepted under GAAP.	Accounts provision allowed if calculated on a case-by-case basis.
Claims incurred but not reported (IBNR)	Calculated based on experience (average number of claims in the previous 3 years multiplied by the average cost). Actuarial methods based on a company's claims experience are accepted under GAAP.	Accounts provision allowed.
Unexpired risks	Calculated as a percentage of the earned premiums.	Tax-deductible in accordance with accounting rules.
General contingency/ solvency reserves	Set by the actuary.	Not allowed.
Equalisation reserves	Calculated on actuarial basis. Generally, the equalization reserve has been considered as a technical reserve and its increases or decreases have been reflected in the P&L account. With the "New Accounting Plan" applicable to Spanish insurance companies this reserve has been moved to be considered as part of the net equity and this implies that its movements are not going to be connected to P&L but with other reserves.	Allowed as a deduction for some classes of business where it is mandatory to set up the reserves. Equalisation reserves, even though they have not been included in the P&L, are deductible up to the minimum amount established by applicable regulations.
Expenses/ refunds	**Accounting**	**Taxation**
Acquisition expenses	Deferred only when linked to future income.	Allowed as per accounting rules.

Spain: General insurance – overview (continued)

Expenses/ refunds	Accounting	Taxation
Loss adjustment expenses on unsettled claims (claims handling expenses)	Calculated based on experience. Usually included in unpaid reported claims reserve.	Allowed as per accounting rules.
Experience-rated refunds	Credited when earned.	Taxed when taken to P&L.
Investments	**Accounting**	**Taxation**
Gains and losses on investments	Gains and losses are included in P&L.	Included in taxable income.
Investment reserves	All investments valued at lower of cost or market value.	Allowed with exceptions. The depreciation of the value of the securities classified as Group, Multi-Group or Associated (in the terms established in mercantile legislation) will be deemed to be considered as tax deductible although it would not be booked into the P&L account, subject to certain limits and requirements established in article 12.3 of Corporate Income Tax (CIT).
Investment income	Included in P&L.	Included in taxable income. Dividends may be exempt under affiliation privilege.
Reinsurance	**Accounting**	**Taxation**
Reinsurance premiums and claims	Premiums paid/payable are deducted from gross premiums. Claims recoveries netted in P&L against claims paid/payable.	Follows accounting treatment. Premiums paid to group company should be at arm's length.
Mutual companies	**Accounting**	**Taxation**
Mutual companies (all profits returned to members)	No special treatment.	No special treatment.

Spain: General insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	No carry-back of losses. There is a 15-year carry-forward against taxable profits.
Foreign branch income	Exempt under certain treaties or unilaterally.
Domestic branch income	Calculated under ordinary rules based on branch accounts.
Corporate tax rate	30% (25% for mutual companies).
Other tax features	**Taxation**
Premium taxes	Insurance premiums are levied at 6% (IPT). In addition, Spanish insurance legislation establishes certain surcharges (surcharges in favour of the Insurance Compensation Consortium) for the turnover of private insurance and assurance entities' operations. The applicable tax rates for said surcharges depend on the specific line of business.
Capital taxes and taxes on securities	Since 3 December 2010 entity incorporations and capital increases are exempt from capital tax.
Captive insurance companies	Controlled foreign corporation regime.
Value added tax (VAT)	Insurance operations are exempt from VAT

Spain: Life insurance – overview

Definition	Accounting	Taxation
Definition of life insurance companies	A company that carries on a life insurance business.	Not defined by tax legislation.
Commercial accounts/ tax and regulatory returns	**Accounting**	**Taxation**
Basis for the company's commercial accounts	GAAP and specific regulation required by DGS.	Taxation based on statutory accounts.
Regulatory return	GAAP and specific regulation required by DGS.	Taxation based on regulatory return.
Tax return	Corporate Tax return includes the balance sheet and P&L account pursuant to accounting rules.	A separate annual return is required by the tax authorities.
General approach to calculation of income	**Accounting**	**Taxation**
Allocation of income between shareholders and policyholders	No separate accounting for policyholder and shareholder profits.	A total income approach including overall profit from underwriting and investment income.
Calculation of investment return	**Accounting**	**Taxation**
Calculation of investment income and capital gains	Realised gains/losses included in P&L. Unrealised losses: taken to reserves for fixed income investments and to P&L for variable income securities. Dividends and accrued interest: taken to P&L.	Generally, follows accounting rules.
Calculation of investment income and capital gains	**Accounting**	**Taxation**
Actuarial reserves	Actuarial reserves: net of acquisition expenses.	Follows accounting rules.
Acquisition expenses	Deferred over payment term, when linked to future profits.	Follows accounting rules.
Gains / losses on investments	Gains and losses are included in P&L account.	Taxable.
Reserves against market losses on investments	Only unrealised investment losses are taken to reserves.	Allowed with exceptions.
Dividend income	Included in income.	Included in taxable income. Affiliation privilege may apply. Eventually double-tax relief.
Policyholder bonuses	Chargeable to P&L.	Allowed following accounting rules.
Other special deductions	None.	Policy loans: deductible if made at arm's length. The depreciation of the value of the securities classified as Group, Multi-Group or Associated (mercantile legislation terms) deemed to be considered as tax deductible although not booked in P&L, subject to limits and requirements (article 12.3 of CIT).
Reinsurance	**Accounting**	**Taxation**
Reinsurance premiums and claims	Premiums paid/payable: deduced from gross premiums. Claims recoveries: netted in P&L against claims paid/payable.	Allowed following accounting rules.
Mutual companies/ stock companies	**Accounting**	**Taxation**
Mutual Companies	No special treatment.	No special treatment.

Spain: Life insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	No carry-back of losses. There is a 15-year carry-forward against tax profits.
Foreign branch income	Exempt under treaty or unilaterally.
Domestic branch income	Calculated under ordinary rules based on branch accounts.
Corporate tax rate	30% (25% for mutual companies).
Policyholder taxation	**Taxation**
Deductibility of premiums	No tax deductions available.
Interest build-up	Generally not taxed until the payment.
Proceeds during lifetime	Proceeds are considered savings income when the policy is contracted by an individual. Savings income is taxed at 19% for the first EUR 6,000, and 21% for the rest of the savings taxable base. For policies contracted by companies under a pension scheme for its employees, the proceeds obtained by the latter will be considered as earned income under the progressive tax scale. No tax reduction at the tax base level is available if the proceeds are obtained as a lump sum. (This modification came into force on 1 January 2007.)
Proceeds on death	Subject to inheritance tax.
Other tax features	**Taxation**
Premium taxes	No IPT are levied on Life Insurance premiums. In addition, Spanish insurance legislation establishes certain surcharges (surcharges in favour of the Insurance Compensation Consortium) for the turnover of private insurance and assurance entities' operations. The applicable tax rates for said surcharges depend on the specific line of business.
Capital taxes and taxes on securities	Since 3 December 2010 entity incorporations and capital increases are exempt to capital tax.
Captive insurance companies	Controlled foreign corporation regime.
Value added tax (VAT)	Insurance operations are exempt from VAT.

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Switzerland

General insurance – overview

Definition	Accounting	Taxation
Definition of property and casualty insurance company	A company to which property and casualty insurance legislation applies.	Not defined by tax legislation.
Commercial accounts/ tax and regulatory returns	**Accounting**	**Taxation**
Basis for the company's commercial accounts	Swiss generally accepted accounting principles (GAAP) as set out in the Swiss 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, International Financial Reporting Standards (IFRS)/US GAAP have been mandatory for companies quoted on the main trading segment of SIX.	Generally, based on statutory accounts.
Regulatory return	A separate return as issued by the Regulatory Authorities (Swiss Financial Market Supervisory Authority, FINMA).	N/A.
Tax return	N/A.	A separate annual return as required by the tax authorities.
Technical reserves/ equalisation reserves	**Accounting**	**Taxation**
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.
Expenses/ refunds	**Accounting**	**Taxation**
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.

Switzerland: General insurance – overview (continued)

Investments	**Accounting**	**Taxation**
Gains and losses on investments	Generally, unrealised FX-gains are taken to provision (so-called "Gewinnspitze"). Unrealised gains on equities valued in accordance with Art. 667 OR ("Obligationenrecht" Swiss Code of Obligations) are shown in the profit and loss (P&L). Realised gains and realised as well as unrealised losses are included in P&L.	Realised gains and losses are included in taxable income. Unrealised losses are tax deductible. Gains on qualifying investments are eligible for the participation exemption.
Investment reserves	Generally, investments are valued at lower of cost or market value for statutory account purposes (non-consolidated). Under certain conditions equities can be valued at market price (Art. 667 OR). Bonds are valued at amortised cost. Under company law, quoted securities can be valued at market value for statutory account purposes. For consolidated accounts market values are used, if a company is quoted at SIX and need to apply US GAAP or IFRS.	According to statutory accounts. In some cantons investments can be depreciated even if the fair market value is higher.
Dividend income	Included in income.	The participation exemption applies to qualifying dividend income, which reduces the tax burden significantly.
Investment income	Statutory accounts: included in P&L, including "unrealized" capital gains (where equity securities are valued at market value). Consolidated accounts: included in P&L. Unrealised gains taken to reserves (see above).	Included in taxable income. The participation exemption applies to qualifying investments.
Reinsurance	**Accounting**	**Taxation**
Reinsurance premiums and claims	Premiums paid/ payable are deductible from gross premiums, which are then netted in P&L against claims paid/payable (netting is allowed, not mandatory).	Follows accounting treatment. Premiums paid to group company should be at arm's length.
Mutual companies	**Accounting**	**Taxation**
Mutual companies (all profits returned to members)	No special treatment.	No special treatment.

Switzerland: General insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	Federal 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, the effective ordinary tax rate ranges between 11.66% (Cantons of Obwalden and Appenzell Ausserrhoden) and 24% (Canton of Geneva and Vaud). If mixed company status granted, reduced income (starting at 9%) and reduced annual capital tax rates applicable (see below).
Other tax features	**Taxation**
Premium taxes	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).
Capital taxes and taxes on securities	Annual ordinary capital tax rates range from 0.001% to 0.53% depending on the canton and is paid annually based on the company's equity. Several cantons allow crediting capital tax against corporate income tax (CIT). 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.
Captive insurance companies	For Swiss captives special tax treatment may be available (mixed domiciliary company): reduced income (starting at 9%) and reduced annual capital tax rates.
Value added tax (VAT)	Insurance and reinsurance business (including real brokerage) is Value Added Tax (VAT) -exempt, respective input VAT is not recoverable (Swiss and foreign turnover). Pure insurance holding companies might be able to reclaim Swiss input VAT on costs related to the holding function. Other services (management, IT, loss adjuster, recharges of costs, trademark, etc.) are subject to VAT – as turnover or as acquisition from abroad (reverse charge). Unlike in the EU, cross border supplies of services between head office and branch can trigger VAT. General VAT rate is 8%. Reduced rate of 3.8% and 2.5% for certain items.

Switzerland: Life insurance – overview

Definition	Accounting	Taxation
Definition of life insurance companies	A company that carries on life insurance business and to which specific regulations apply.	Not defined by tax legislation.
Commercial accounts/ tax and regulatory returns	**Accounting**	**Taxation**
Basis for the company's commercial accounts	Swiss 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. Since 2005 IFRS/US GAAP have been mandatory for firms quoted on the main trading segment of SIX.	Generally, based on statutory accounts.
Regulatory return	A separate return as issued by the FINMA.	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	Specific regulations exist to allocate risk premium, cost premium and investment income in group life business.	Policyholders' income is deductible from corporate income.
Calculation of investment return	**Accounting**	**Taxation**
Calculation of investment income and capital gains	Realised gains and realised as well as unrealised losses on investments plus dividends and interests are taken to P&L. Unrealised gains are generally deferred through a provision.	See "General insurance". Follows accounting rules. For taxation see "General insurance".
Calculation of investment income and capital gains	**Accounting**	**Taxation**
Actuarial reserves	Zillmerisations 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, unrealized gains are taken to provision. Realised gains and realized as well as unrealized losses are included in P&L (see "General insurance").	According to statutory accounts.
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.
Investment income	Statutory accounts: included in P&L, including "unrealized" 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 investments.

Switzerland: Life insurance – overview (continued)

Calculation of investment income and capital gains	Accounting	Taxation
Policyholder bonuses	Deductible. Premiums need not be approved in advance by FINMA, but the surrender value has to.	Tax deductible.
Other special deductions	None.	N/A.
Reinsurance	**Accounting**	**Taxation**
Reinsurance premiums and claims	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).	According to statutory accounts. Premiums paid to group company should be at arm's length.
Mutual companies/ stock companies	**Accounting**	**Taxation**
Mutual Companies	No special rules.	No special rules.

Switzerland: Life insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	Federal 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, effective ordinary tax rate between 12.66% (Cantons of Obwalden and Appenzell Ausserrhoden) and 24% (Canton of Geneva and Vaud). If mixed company status granted, reduced income (starting at 9%) and reduced annual capital tax rates applicable (see below).
Policyholder taxation	**Taxation**
Deductibility of premiums	Generally, tax-deductible depending on canton and life insurance product.
Interest build-up	Generally, not taxed.
Proceeds during lifetime	Not taxed if certain conditions are met.
Proceeds on death	Taxable at special rates.
Other tax features	**Taxation**
Premium taxes	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).
Capital taxes and taxes on securities	Annual ordinary capital tax rates range from 0.001% to 0.53% depending on the canton, and is paid annually based on the company's equity. Several cantons allow crediting capital tax against CIT. 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.
Captive insurance companies	For Swiss captives special tax treatment may be available (mixed domiciliary company): reduced income (starting at 9%) and reduced annual capital tax rates.
Value added tax (VAT)	Insurance and reinsurance business (including real brokerage) is VAT-exempt, respective input VAT is not recoverable (Swiss and foreign turnover). Pure insurance holding companies might be able to reclaim Swiss input VAT on costs related to the holding function. Other services (management, IT, loss adjuster, recharges of costs, trademark, etc.) are subject to VAT – as turnover or as acquisition from abroad (reverse charge). General VAT rate is 8%. Reduced rate of 3.8% and 2.5% for certain items.

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Turkey

General insurance – overview

Definition	Accounting	Taxation
Definition of property and casualty insurance company	A registered corporate tax payer subject to insurance legislation.	A registered corporate tax payer subject to insurance legislation.
Commercial accounts/ tax and regulatory returns	**Accounting**	**Taxation**
Basis for the company's commercial accounts	Financial statements prepared in accordance with Standard Chart of Accounts for insurance companies, which is in principle, in line with International Financial Reporting Standards (IFRS).	Based on financial statements with some adjustments.
Regulatory return	Data such as financial statements, premium production lists, details of claims and other financial information are periodically declared to regulatory authority.	N/A.
Tax return	N/A.	Insurance companies are required to file monthly withholding tax returns, banking insurance transactions tax returns, quarterly advance corporation tax returns and annual corporate income-tax returns.
Technical reserves/ equalisation reserves	**Accounting**	**Taxation**
Unearned premiums reserve (UPR)	Calculated daily on policy basis. The 1/8th method is used for retrocession and reassurance transactions for which the daily method is not applicable. For transportation policies that do not have a definite ending date, UPR is calculated as 50% of the premiums relating to the last quarter. Unearned portion of agency and reinsurance commissions are booked in deferred income and deferred expense accounts in the profit & loss (P&L) of the companies.	Calculated daily on policy basis after deducting commissions. The 1/8th method can be used for retrocession and reassurance transactions for which the daily method is not applicable. UPR cannot exceed 25% of the annual net premium for transportation policies.
Unpaid claims reported	Provision is made at the balance sheet date for the expected cost of all claims incurred and reported up to that date on a case-by case basis considering the retention amount.	Provision is made at the balance sheet date for the expected cost of all claims incurred and reported up to that date on case-by-case basis considering the retention amount.
Claims incurred but not reported (IBNR)	IBNR claims must be provided for, considering the results of the calculation on the basis of the Actuarial Chain Ladder Method and Test Method.	Provisions set aside for IBNR cases are tax deductible. If Additional Reserve is booked for unpaid claims provision on the basis of the Actuarial Chain Ladder Method that amount is not tax deductible.
Unexpired risks	A test is performed in order to identify whether unexpired risk (URR) amount is relevant for the related period and where unearned premiums reserve is inadequate compared to the risk undertaken by the company URR is booked in P&L.	Provisions set aside for URR are not tax deductible.
General contingency/ solvency reserves	N/A.	N/A.

Turkey: General insurance – overview (continued)

Technical reserves/ equalisation reserves	Accounting	Taxation
Equalisation reserves	12% of written premiums for earthquake and credit products is set aside as an equalization reserve to meet catastrophic risks.	Only the earthquake portion is tax deductible for the current year. However, such amount should be added to the corporate tax base in the following year.
Expenses/ refunds	**Accounting**	**Taxation**
Acquisition expenses	Effective from FY08, amounts relating to future periods regarding the commissions paid to agencies, commissions received for premiums ceded to reinsurer, production costs and amounts paid for non proportional reinsurance agreements are accounted as deferred income/ cost.	All deductible in the year incurred. There is no concept of deferring commissions and acquisition expenses in the tax law.
Loss adjustment expenses on unsettled claims (claims handling expenses)	Accounted in line with the applicable accounting standards.	Tax deductible as incurred.
Experience-rated refunds	N/A.	N/A.
Investments	**Accounting**	**Taxation**
Gains and losses on investments	Accrual basis.	Fixed income securities are valued at mark-to-market value and taxed accordingly. Shares are restated using the applicable inflation index when inflation indexation is applicable in the related fiscal period.
Investment reserves	N/A.	N/A.
Investment income	Accrual basis or profit recorded when received.	75% of capital gains from the sale of immovable assets and shares in Turkey are not taxable, providing that the conditions in the law are met. Dividends from participation in resident entities are exempt from corporate tax. Dividends from foreign participations are exempt on condition of participating in the capital of the foreign subsidiary at the minimum rate of 10%. Additionally, other conditions in the law have to be met.
Reinsurance	**Accounting**	**Taxation**
Reinsurance premiums and claims	Accounted in line with the applicable accounting standards.	Tax deductible.
Mutual companies	**Accounting**	**Taxation**
Mutual companies (all profits returned to members)	N/A.	N/A.

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Turkey: General insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	Losses can be carried forward for five consecutive years, while no carry-backs are allowed.
Foreign branch income	Income is aggregated with the parent resident taxpayer's income. Taxes paid abroad are credited up to the level corresponding to the taxes payable if the income were earned in Turkey. Double tax treaty provisions are taken into consideration where applicable.
Domestic branch income	Domestic branch is not a separate entity for corporate tax purposes therefore domestic branch income should be included in the final results of the corporation itself. Every entity should declare the commercial income in one corporate tax declaration by including the income of all branches.
Corporate tax rate	The corporate income tax rate (CIT) is 20%. The advance corporation tax rate is applied at the rate of 20%.
Other tax features	**Taxation**
Premium taxes	Transaction tax is levied on banking and insurance transactions at 5%.
Capital taxes and taxes on securities	There is no separate capital gains tax.
Captive insurance companies	Taxed as other insurance companies and agencies.
Value added tax (VAT)	Insurance, reinsurance and private pension companies are exempt from VAT. Service fees paid to foreign entities in respect of management, consultancy fees etc. are subject to 18% Turkish VAT, as the underlying services are provided or benefitted from in Turkey. In the situation where the service supplier is not resident in Turkey, Turkish resident companies making payments abroad are held responsible for the collection of the VAT. This procedure is called "reverse charge mechanism". Insurance and reinsurance companies are liable to pay reserve charge VAT, if any.

Turkey: Life insurance – overview

Definition	Accounting	Taxation
Definition of life insurance companies	Life insurance companies and private pension companies that are entitled to the relevant licenses as per the Insurance Legislation carries on life, health and private pension business.	A registered corporate tax payer subject to insurance legislation.
Commercial accounts/ tax and regulatory returns	**Accounting**	**Taxation**
Basis for the company's commercial accounts	Financial statements in accordance with IFRS for insurance companies.	Based on financial statements with the relevant adjustments that have to be made as per tax legislation.
Regulatory return	Data such as financial statements, premium production lists, details of claims and other financial information are periodically declared to regulatory authority.	N/A.
Tax return	N/A.	Insurance and individual pension companies are required to file monthly withholding tax returns, banking insurance transactions tax returns, quarterly advance corporation tax returns and annual CIT returns.
General approach to calculation of income	**Accounting**	**Taxation**
Allocation of income between shareholders and policyholders	Income to policyholders is deductible.	Follows accounts.
Calculation of investment return	**Accounting**	**Taxation**
Calculation of investment income and capital gains	Accrual basis or as realized.	75% of capital gains from the sale of immovable assets and shares in Turkey are not taxable, providing the conditions in the law are met. Dividends from participation in resident entities are exempt from corporate tax. Dividends from foreign participations are exempt on condition of participating in the capital of the foreign subsidiary at the minimum rate of 10%. Additionally, other conditions in the law also have to be met.
Calculation of investment income and capital gains	**Accounting**	**Taxation**
Actuarial reserves	Calculated using statistical and actuarial methods.	Mathematical reserves which are calculated and approved by licensed actuaries as per life insurance regulations are tax deductible.
Acquisition expenses	Effective from FY08, amounts relating to future periods regarding the commission paid to agencies, commission taken for premiums ceded to reinsurer, production cost proportions and amounts paid for non proportional reinsurance agreements are accounted as deferred income/cost.	All deductible in the year incurred. There is no concept of deferring commissions and acquisition expenses in the tax law.
Gains and losses on investments	Charged to P&L account as incurred.	Gains and losses are taken into account in the calculation of taxable income as per accrual basis.
Reserves against market losses on investments	Reserves are accounted for investment properties, affiliates and securities at relevant accounts in line with IFRS.	In principle, losses incurred on sale of investments are deductible. However, should inflation indexation be applied, losses arising from inflation differences are not deductible. Valuation losses on shares based on stock exchange rates are non-deductible.

Turkey: Life insurance – overview (continued)

Calculation of investment income and capital gains	Accounting	Taxation
Dividend income	Credited to P&L account as earned.	As per accounts.
Policyholder bonuses	Accounted in line with the applicable accounting standards.	Tax deductible.
Other special deductions	N/A.	N/A.
Reinsurance	**Accounting**	**Taxation**
Reinsurance premiums and claims	Accounted in line with the applicable accounting standards.	Tax deductible.
Mutual companies/ stock companies	**Accounting**	**Taxation**
Mutual Companies	N/A.	N/A.

Turkey: Life insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	Losses can be carried forward for five consecutive years, while no carry-backs are allowed.
Foreign branch income	Income is aggregated with the parent resident taxpayer's income. Taxes paid abroad are credited up to the level corresponding to the taxes payable if the income were earned in Turkey.
Domestic branch income	Domestic branch is not a separate entity for corporate tax purposes therefore domestic branch income should be included in the final results of the corporation itself. Every entity should declare the commercial income in one corporate tax declaration by including the income of all branches.
Corporate tax rate	The CIT rate is 20%. The advance corporation tax rate is applied at the rate of 20%.
Policyholder taxation	**Taxation**
Deductibility of premiums	Premiums paid up to a legal limit are tax deductible. For employees and those who submit annual tax returns deductible premiums are limited to: • 10% of the monthly salary of the employee and the yearly amount of minimum legal wage for individual pension fund participants; • 5% of the monthly salary of the employee and the yearly amount of minimum wage for life insurance policyholders.
Interest build-up	Earnings of policyholder funds are not taxable during policy term.
Proceeds during lifetime	To be effective for policies enacted on or after 7 October 2001: **Payments made by life insurance companies:** 10% of the payments to persons who paid premiums for a period of at least 10 years and to persons who have left the insurance system due to mandatory reasons before 10 years (e.g. death or disability) are exempt from income taxation. The exceeding part shall be taxed through withholdings by the life insurance firm as investment income. The payments to persons who have left before paying premiums for a period of 10 years is subject to income tax at the rate of 15%, and to persons who have paid premiums for 10 years or left due to mandatory reasons the tax rate is 10%. **Payments made by private pension companies:** 25% of the lump-sum payments to persons that have the right to be retired from the individual pension fund and to persons who have left the private pension system due to mandatory reasons (e.g. death, disability or liquidation) are exempt from income taxation. The exceeding part shall be taxed through withholdings by the pension company as investment income at the rate of 5% for the persons who are eligible for retirement. Leavers before retirement are taxed at 10% and 15% for payment periods of more than 10 years and less than 10 years respectively. The individual will not have any further reporting liabilities concerning the same earnings. Payments derived from annual income insurance with single premium are exempt from income taxation. No tax exemption is provided for payments made to those who leave the private pension system or the life insurance plan without making contributions less than10 years or prior to obtaining the right to retire. In such a case, all payments shall be subject to tax as investment income withholding tax. For policies enacted before 7 October 2001, there is an exemption limited to the amount paid to the highest level of state civil servants. If the payment exceeds this ceiling, the difference is subject to income tax at the progressive rates of 15-35%.
Proceeds on death	In addition to the income tax implications mentioned above, these payments may be subject to inheritance and gift tax depending on certain conditions.

Turkey: Life insurance – other tax features (continued)

Other tax features	Taxation
Premium taxes	None on life policies.
Capital taxes and taxes on securities	There is no separate capital gains tax.
Captive insurance companies	Taxed as other insurance companies and agencies.
Value added tax (VAT)	Insurance, reinsurance and private pension companies are exempt from VAT. Service fees paid to foreign entities in respect of management, consultancy fees etc. are subject to 18% VAT, as the underlying services are provided or benefitted from in Turkey. If the service supplier is not resident in Turkey, Turkish resident firms making payments abroad are held responsible for the collection of the VAT. This is called "reverse charge mechanism". Insurance and reinsurance firms are liable to pay reserve charge VAT, if any.

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United Kingdom

General insurance – overview

Definition	Accounting	Taxation
Definition of property and casualty insurance company	A company to which insurance legislation applies, writing non-life insurance contracts in certain classes as specified in the legislation.	Not defined by tax legislation, which follows the regulatory treatment.
Commercial accounts/ tax and regulatory returns	**Accounting**	**Taxation**
Basis for the company's commercial accounts	Companies Act 2006 which prescribes the UK GAAP (Generally Accepted Accounting Principles) or the International Financial Reporting Standards (IFRS). This outline does not deal with the IFRS. Further guidance and interpretation of the UK GAAP is provided by the Association of British Insurers' (ABI) Statement of Recommended Practise (SORP) on accounting for insurance business, first issued in December 1998 and revised in December 2003, December 2005 and December 2006. EU-listed groups are required to prepare group accounts in accordance with the IFRS from 2005. While individual companies and unlisted groups are free to choose whether to apply IFRS, it is planned that the UK GAAP and the IFRS will converge over time.	Based on commercial accounts, with certain specific adjustments.
Regulatory return	A separate audited annual return is required by the insurance regulator, the Financial Services Authority (FSA). This return must be deposited with the FSA within two months and 15 days of the year end (three months if filed electronically). Basis of accounting is broadly in line with that for commercial accounts. Asset admissibility restrictions apply.	There is an obligation for general insurers to submit a copy of the regulatory return as part of their statutory corporation tax return (CT600).
Tax return	N/A.	A corporation tax return (CT600) is required by "Her Majesty's Revenue and Customs" (HMRC) for each accounting period in which the trade is carried on.
Technical reserves/ equalisation reserves	**Accounting**	**Taxation**
Unearned premiums reserve (UPR)	Under the annual basis of accounting written premiums should be recognised as earned over the period of the policy, having regard to the incidence of risk. Time apportionment of the premium is normally appropriate if the incidence of risk is the same throughout the period of cover. If there is a marked unevenness in the incidence of risk over the period of cover, a basis which reflects the profile of risk should be used. The proportion of the written premiums relating to the unexpired period of these policies will be carried forward as an unearned premiums provision at the balance sheet date.	Unearned premiums provisions are tax deductible in accordance with generally accepted accounting practice.

UK: General insurance – overview (continued)

Technical reserves/ equalisation reserves	Accounting	Taxation
Unpaid claims reported	Provisions should be made at the balance sheet date for the expected ultimate cost of settling of all claims incurred in respect of events up to that date, whether reported or not, together with related claims handling expenses, less amounts already paid. If a liability is known to exist but there is uncertainty as to its eventual amount, a provision should nevertheless be made. The level of claims provisions should be set such that no adverse run-off deviation is envisaged. Explicit discounting of claims provisions is allowed only if certain criteria are met, such as e.g.: • the expected average interval between the date or the settlement of claims being discounted and the accounting date is at least four years; • there are adequate data available to construct a reliable model of the rate of claims settlement; • assets are available that are appropriate in magnitude and nature to cover discounted liabilities.	Normally tax deductible in accordance with generally accepted accounting practice. Regulations were introduced in 2009. The General Insurers' Technical Reserves (Appropriate Amount) (Tax) Regulations require general insurers to give confirmation to HMRC that the amount of liabilities (including unpaid claims reported, claims incurred but not reported (IBNR) and unexpired risk) stated in the accounts is not an excessive estimate of the liabilities (i.e. appropriate). The confirmation must be founded on or supported by an opinion in writing given to the general insurer by an actuary or a suitably skilled person (which may include a director or employee of the general insurer) stating that the amount of liabilities is not an excessive estimate. If the liabilities are considered to be in excess of the appropriate amount then the corporation tax deduction is restricted.
Claims incurred but not reported (IBNR)	Claims arising out of events which have occurred by the balance sheet date but have not been reported to the undertaking at that date. Generally, calculated based on experience or statistical methods.	Normally tax deductible in accordance with generally accepted accounting practice subject to the appropriate amount regulations outlined in the unpaid claims reported section above.
Unexpired risks	Where the expected value of claims and expenses attributable to the unexpired periods of policies in force at the balance sheet date exceeds the unearned premiums provision in relation to such policies after deduction of any acquisition costs deferred, an unexpired risks provision should be established. An assessment of whether an unexpired risk provision is necessary should be made for each grouping of business that is managed, together with any unexpired risks surpluses and deficits within that grouping being offset. In calculating the expected value of future claims in relation to the unexpired periods of risk on policies in force at the balance sheet date, the future investment return arising on investments supporting the unearned premiums provision and the unexpired risks provision may be taken into account.	Normally tax deductible in accordance with generally accepted accounting practice subject to the appropriate amount regulations outlined in the unpaid claims reported section above.
General contingency/ solvency reserves	Not reflected in the Companies Act accounts.	Not deductible.
Equalisation reserves	Prescribed for certain classes of business. These amounts are set aside for the purpose of mitigating exceptionally high loss ratios in future years. Transfer in – by reference to that year's net written premium. Transfer out- by reference to claims incurred and earned premium in that year. Maximum reserve limit – by reference to net premium written for that year and previous 4 years. Included within technical provisions in the commercial accounts. If new Solvency II methodology for calculating insurance technical reserves is adopted in financial statements, there may be a one-off transitional impact on current methods and the reserving level.	The amount shown as an equalisation reserve in the regulatory return is tax deductible, although an election may be made to treat it as non-deductible. Releases of reserves for which a tax deduction has been claimed are taxable. It is expected that movements in the claims equalisation reserves (CER) will continue to be taxable/ deducible until Solvency II comes into force in 2013/ 14. Government is discussing CER relief with industry, however, it is currently unclear whether relief for movement in CER will continue post Solvency II. The consultation with the industry has been ongoing since 2010 and it is likely to continue with further details to be released in due course.

UK: General insurance – overview (continued)

Expenses/ refunds	Accounting	Taxation
Acquisition expenses	Cost arising from the conclusion of insurance contracts including direct costs, such as acquisition commission or the cost of drawing up the insurance document or including the insurance contract in the portfolio, and indirect costs, such as advertising costs or the administrative expenses connected with the processing of proposals and the issuing of policies are deferred in line with the unearned premium.	Tax deductible in accordance with generally accepted accounting practice.
Loss adjustment expenses on unsettled claims (claims handling expenses)	Provision made for all future claims handling costs both on outstanding claims and IBNR.	Tax deductible in accordance with generally accepted accounting practice (provided they can be justified). Please see IBNR section.
Experience-rated refunds	If written premiums are subject to a reduction, an adjustment for such a reduction should be made as soon as it can be foreseen. Where written premiums are subject to an increase, retrospectively (for example based on the declaration of sums insured or on claims experience), recognition of potential increased should be deferred until the additional amount can be ascertained with reasonable certainty.	Taxable/ deductible in accordance with generally accepted accounting practice.
Investments	**Accounting**	**Taxation**
Gains and losses on investments	Realised and unrealised gains and losses on investments are recognised in the profit & loss (P&L) account. Investments are generally valued at amortised cost. Investment return must initially be recognised in the non-technical account (part of the P&L account) and may then be allocated to the general business technical account (also part of the P&L account) based on either actual investment returns or the longer term rate of return.	Corporate, government debt, foreign exchange differences, derivative contracts and equities have been taxed on a mark-to-market (MTM) basis since 1996, subject to transitional rules. Investments in subsidiaries and self-occupied buildings still qualify for capital gains treatment.
Investment reserves	No longer permitted (see below).	No tax impact.
Investment income	Included in P&L on an accruals basis.	Generally, taxed as trading income on accruals/ amortised cost basis. Rental income from investment properties is also taxed on accruals basis. Dividends from UK companies are exempt from tax. From 1 July 2009, dividends from overseas companies are also exempt from tax provided the requirements of the dividend exemption are met.
Reinsurance	**Accounting**	**Taxation**
Reinsurance premiums and claims	Premiums paid/ payable and claims recoveries are shown on the face of the P&L account. Financial reinsurance contracts are subject to special rules and disclosures.	Tax deductible in accordance with generally accepted accounting practice.
Mutual companies	**Accounting**	**Taxation**
Mutual companies (all profits returned to members)	In principle as for all companies. ABI SORP guidance applies.	If truly mutual for tax purposes, which is rare, mutual companies are taxed on investment income, excluding income from UK dividends, capital movement on loan assets and most derivatives, and realised capital gains on land, shares and share based collective investment schemes. Expenses of managing investments, as shown in accounts are deductible.

UK: General insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	One year carry back of trading losses, indefinite carry forward against profits of the same trade. Current year losses may be utilised against other shareholder profits of the period or surrendered to group or consortium companies.
Foreign branch income	Under existing rules overseas permanent establishments (branch) are subject to tax in the UK with credit for overseas tax suffered. The Finance Bill 2011 introduced new branch exemption rules to align the tax treatment of a branch of a UK company with that of a subsidiary from 2012. The new rules will apply to accounting periods commencing on or after Royal Assent (19 July 2011). Broadly, the legislation will allow a company to make an irrevocable election for all its foreign branches, located anywhere in the world, to be exempted from UK corporation tax on their profits. Exempt profits will include any capital gains attributable to the foreign branch and taxable under the treaty. No relief will be available for branch losses. The existing double tax relief regime (both unilateral and under the double tax treat principles) will continue to apply to companies not making a branch exemption election.
Domestic branch income	Calculated in accordance with general corporation tax principals based on branch accounts (these should be in line with OECD attribution principles). Notional investment return adjustments may be required where assets backing the business are held outside the UK permanent establishment.
Corporate tax rate	The mainstream corporation tax rate is 26% from 1 April 2011 and applies to those with profits greater than GBP 1.5 million i.e. large companies (this limit is divided by one plus the number of associated companies). Lower rates apply for companies that are not large. It has been announced that the corporation tax rate will reduce by 1% a year until 2014 (23%).
Other tax features	**Taxation**
Premium taxes	Insurance premium tax of 6% applies to most general insurance where the situs of risk is in the UK and the contract is entered into on or after 4 January 2011. The higher rate of 20% applies to travel insurance, domestic appliances and insurance sold by suppliers of vehicles (mainly mechanical breakdown insurance). There are exemptions for international trade risks, reinsurance and for life and other long term business.
Stamp duty land tax	Stamp duty land tax (SDLT) on purchase of interests in UK real estate and certain partnership interests is at the following rates: • Up to GBP 125,000 and residential – exempt ; • Up to GBP 150,000 and non-residential; or in a disadvantaged area – exempt; • Up to GBP 250,000 – 1%; • Up to GBP 500,000 – 3%; • Above GBP 500,000 – 4%; • Over GBP 1 million – 5% applies residential properties only with effect from 6 April 2011. This 5% rate does not apply to non-residential or mixed-use properties. SDLT is also payable on the grant of new leases in respect of the rent payable – 1% (of net present value of total rents).
Stamp duty & stamp duty reserve tax on shares & stocks	Depending on the type of transaction, either stamp duty or stamp duty reserve tax is payable on the purchase of shares. Stamp duty is payable on paper transactions when the ownership of shares are transferred and the amount of stamp duty payable is based on the consideration given for the stocks and shares. Stamp duty reserve tax is payable on paperless transactions. The current rate of stamp duty and stamp duty reserve tax is 0.5%. No stamp duty or stamp duty reserve tax is usually payable when shares are first issued. There are various reliefs and exemptions from stamp duty tax when certain conditions are met.
Capital taxes and taxes on securities	Corporation tax is payable on chargeable gains arising on disposal of shares (chargeable asset) in subsidiaries. The rate at which chargeable gains are subject to corporation tax depends on the level of the company's other profits. Certain reliefs and exemptions are available to either reduce the amount of chargeable gain subject to corporation tax or eliminate the gain completely.

UK: General insurance – other tax features (continued)

Other tax features	Taxation
Captive insurance companies	Potentially subject to corporation tax in the UK under the Controlled Foreign Company (CFC) rules subject to certain exemptions. UK parent will also be subject to transfer pricing rules. Profits arising from genuine third party activities undertaken offshore should not be subject to tax. As part of its ongoing overhaul of its tax system, the UK Government has published its proposals for the reform of CFC regime. The proposed changes are intended to target the artificial diversion of UK profits. Exempt foreign profits where there is no artificial diversion of UK profits. Under the new CFC rules, it is proposed that a new insurance exemption will apply to general insurers that are part of a group to exempt profits arising from overseas insurance operations and foreign to foreign intra-group insurance activity in line with a more territorial approach. The consultation is currently ongoing with further details to be released later in the year. The revised CFC rules are expected to apply to accounting periods ending after Royal Assent (expected Summer 2012).
Value added tax (VAT)	The provision of insurance as well as reinsurance is an exempt supply for VAT purposes. The exemption extends to services qualifying as services of an insurance intermediary. The services of an insurance intermediary may qualify for exemption if they involve: • The bringing together of persons seeking insurance with those providing insurance. • Preparatory work carried out in the conclusion of insurance contracts. • Assistance in the administration and performance of such contracts, including services of claims handling; or • The collection of premiums.

UK: Life insurance – overview

Definition	Accounting	Taxation
Definition of life insurance companies	A company other than a securitisation vehicle, which carries out life assurance business in the UK and to which specific regulations apply. Life and annuity business is defined in the Financial Services Market Act (FSMA) 2000 as contracts of insurance on human life or contracts to pay annuities on human life. Life assurance business must be written within the "long-term insurance fund" of a life company	Specifically defined in tax legislation but broadly aligned with FSMA definition. Divided into two main categories of business – Basic Life Assurance and General Annuity Business (BLAGAB) and Gross Roll-Up Business (GRB). GRB comprises Pension Business (PB), Life Reinsurance Business (LRB), Overseas Life Assurance Business (OLAB), Child Trust Fund Business (CTFB) and Individual Savings Account Business (ISAB). Capital Redemption Business (CRB) is dealt with as though it were BLAGAB. Other non-life long-term business is all referred to PHI (Permanent Health Insurance) business for tax purposes. Critical illness policies are therefore PHI policies for tax. PHI business is taxed broadly as for general insurance business. A shareholder-owned company may also maintain a shareholders' fund, the income and gains of which are taxed separately.
Commercial accounts/ tax and regulatory returns	**Accounting**	**Taxation**
Basis for the company's commercial accounts	Companies Act 2006, which prescribes UK GAAP or IFRS. This outline does not deal with IFRS. Further guidance and interpretation of UK GAAP is provided by the ABI SORP on accounting for insurance business, first issued in December 1998 and revised in November 2003, December 2005 and December 2006. EU-listed groups are required to prepare accounts in accordance with IFRS from 2005. While individual companies and unlisted groups are free to choose whether to apply IFRS, it is planned that UK GAAP and IFRS will converge over time. It is currently expecting that all large UK companies will be required to adopt IFRS by 2014.	Most life assurance companies are taxed on the so-called income less expenses (I-E) basis. For the BLAGAB category of business the I-E basis taxes investment income, capital gains less management expenses but for GRB, only trading profits are taxed. The effect of this is that shareholder and policyholder profits attributable to BLAGAB are taxed in the company, whereas for GRB, only shareholder profits are taxed. However, the I-E result is effectively disregarded if the result would be to tax less than the surplus arising from the life assurance business after a deduction for policyholder bonuses (an amount referred to as the Life Assurance Trade Profits (LATP) (formerly Notional Case I profits). In effect, the LATP computation is used as a minimum profits calculation. In most cases this is achieved in practice adding additional BLAGAB investment return until it gives the same (higher) result as the LATP computation. An equivalent amount is then treated as an expense in future periods. The commercial accounts are generally disregarded in the taxation of life assurance. The principal exception to this is in relation to the taxation of loan assets relating to BLAGAB, and interest payable and loan liabilities generally. For BLAGAB, the taxation of loan assets and liabilities is based on the amounts shown in the commercial accounts. For GRB and the LATP computation the commercial accounts are followed for loan relationships where the life assurer is the debtor. However, loan relationships where the company stands as creditor are taxed on the basis of the amounts shown in the regulatory return (see below).

UK: Life insurance – overview (continued)

Commercial accounts/ tax and regulatory returns	Accounting	Taxation
Regulatory return	A separate annual return is required by the FSA, two months and 15 days (three months if filed electronically) after the year-end date. The basis of accounting is broadly in line with that for commercial accounts. Asset admissibility restrictions apply for regulatory purposes. The introduction of Solvency II in 2014 will change regulatory accounting. Insurers will be required to prepare a Solvency II regulatory return and the existing FSA return (Solvency I) will not be required.	The FSA return forms the basis of many of the tax computations for a life assurer. One exception to this, as discussed above, is that the taxation of some loan relationships is based on the commercial accounts instead. The life tax regime is currently being reviewed/ reformed by the UK Treasury. The reform was triggered by the regulatory accounting changes. A key element of life tax reform is that the UK GAAP/ IFRS accounts will be used as the starting point for the tax computation going forward. The proposed changes to the life tax rules are expected to come into force from 1 January 2013.
Tax return	N/A.	Separate tax return as required by HMRC –form CT600.
General approach to calculation of income	**Accounting**	**Taxation**
Allocation of income between shareholders and policyholders	Insurance legislation establishes the concept of the long-term insurance fund, ensuring that policyholder assets are not used by shareholders. Allocation of income and profits between shareholders and policyholders will also be determined by the constitution of the insurance contract (e.g. non-participating vs. participating ("with profits"). The ABI SORP sets out rules as to the treatment and allocation of investment return, including unrealised gains. The investment return arising during the period of account in relation to investments that are directly connected with the carrying on of long-term insurance business should initially be included in the technical account for long-term business. These investments comprise those arising in, or attributed to, the long-term insurance fund, including the fund for future appropriations, together with such directly connected investments where the return accrues to shareholders, whether held within or outside the long-term business fund. It is then possible to reflect the longer term rate of return in the technical account by allocating investment income to the non-technical account.	Legislation specifies rules to allocate taxable income of the long-term insurance fund between policy- and shareholder for the purposes of identifying the appropriate rate of tax.
Calculation of investment return	**Accounting**	**Taxation**
Calculation of investment income and capital gains	Please see above.	Net income from land and gross interest are taxable for all categories of business. Dividends from are generally exempt in the BLAGAB part of the I-E computation. Further detail below: • A company can claim credit or expense relief, subject to complex computational rules. • The definition of relevant income in the Excess Adjusted Life Assurance Trade Profits (EALATP) calculation includes exempt dividends on a net of withholding tax basis; and • The shareholder share of profit is reduced by the shareholder's share of net exempt dividends.

UK: Life insurance – overview (continued)

Calculation of investment income and capital gains	Accounting	Taxation
Actuarial reserves	For regulatory purposes, specific valuation regulations govern the determination of long-term business provisions. Such provisions are determined on a prudent basis. Guaranteed bonuses are recognised at the time that they are declared. For commercial accounts purposes, the long-term business provision may be calculated on the basis used for reporting solvency, subject to the exclusion of the appropriate proportion of reserves (such as investment reserves, reserves to cover general contingencies and reserves to cover the specific contingency of the fund being closed to new business), taking account of the distinction between provisions and reserves. Funds, the allocation of which either to policy- or to shareholders have not been determined by the end of the financial year are established as a liability in the fund for future appropriations (FFA). The gross premium method (which provides explicitly for vested bonuses and future reversionary bonuses, but not terminal bonuses) should be used for all classes of business except those for which the net premium method is used in the regulatory return.	Mathematical reserves are tax deductible for LATP and GRB purposes. Reversionary bonuses declared in favour of policyholders or annuitants out of surplus are also deductible. It is not necessary for tax purposes to allocate the fund for future appropriations as conventionally the starting point for the NC1 and GRB computations is the surplus arising for the period. As PHI business is subject to tax on profit attributable to PHI per the company accounts. A deduction is available for technical provisions per the company accounts (this is usually broadly equivalent to actuarial reserves).
Acquisition and maintenance expenses	Acquisition expenses are deferred by product type to the extent that margins are available. Such costs (which are not admissible assets for regulatory return purposes) should be deferred explicitly rather than implicitly as a reduction in reserves.	In the FSA return the total expense incurred in the period is included in surplus (i.e. there is no deferral of expenses). The BLAGAB proportion of acquisition expenses are spread over 7 years in the I-E tax computation. Maintenance expenses are allowed as incurred. For other categories of business there is no spreading and expenses are deductible as incurred. The distinction between acquisition and maintenance expenses for regulatory and tax purposes are not identical.
Gains and losses on investments	Recognised in the technical account or non technical account as appropriate (see above).	Taxed in the I-E computation are: (a) BLAGAB realised gains and losses on equities and equity-based securities are taxed on a realised basis with relief for inflation; (b) BLAGAB realised and unrealised gains and losses on gilts, bonds, and similar securities are generally taxed on a mark-to-market basis. Indexation is only available on UK index-linked gilts; (c) BLAGAB holdings in equity-based unit trusts or open-ended investment companies, real estate investment trusts and offshore funds are deemed to have been disposed of reacquired at market value at the end of each accounting period. One seventh of the BLAGAB element of the net capital gain arising from these deemed disposals are taxable in the I-E computation of the period, with the balance being spread over the following six years. Allowable losses may be similarly spread, or carried back against the deemed disposal gains of the last two accounting periods on a last-in, first-out basis, with any balance being spread; (d) For GRB, gains and losses are taxed as income in the profits computation. The figure for net gains is taken generally from the FSA regulatory return;

UK: Life insurance – overview (continued)

Calculation of investment income and capital gains	Accounting	Taxation
Gains and losses on investments (continued)	Recognised in the technical account or non technical account as appropriate (see above) - (continued).	(continued) (e) For PHI (defined in the tax definition section above), all gains and losses are taxed on a mark-to-market basis. There are special rules for allocating income and gains between BLAGAB, GRB and PHI. As the rules for allocating investment return to BLAGAB and PHI differ from those for allocating investment return to GRB, a company is not generally taxed on 100% of its investment return, but on an amount smaller or larger than 100%, depending on its particular circumstances.
Reserves against market losses on investments	See above. Investments are recognised at market value in the P&L account (technical or non-technical account as appropriate).	Allowed in LATP and GRB computations if taken into account in arriving at surplus.
Dividend income	Included in investment income.	Dividends from all companies, including UK resident companies, are taken into account in the LATP exemptions in BLAGAB, PHI, and GRB computations. The definition of relevant income in the EALATP calculation includes exempt dividends on a net of withholding tax basis.
Policyholder bonuses	Included as an expense in the technical account.	Tax deductible in LATP and GRB tax computations.
Other special deductions	None.	Special tax rules can apply to the receipt of contingent loans and the entering into cashless financial reinsurance treaties by life assurers.
Reinsurance	**Accounting**	**Taxation**
Reinsurance premiums and claims	Premiums paid/ payable and recoveries disclosed separately on the face of the technical account. In order for a transaction to be accounted for as reinsurance there must be a transfer of significant insurance risk.	Special tax regime applies for BLAGAB. Outwards reinsurance may give rise to an imputed investment return in the I-E computation. Financial reinsurance may give rise to a loan relationship, depending upon the contractual form.
Mutual companies/ stock companies	**Accounting**	**Taxation**
Mutual Companies	No specific rules, although it is unlikely that a mutual will have a non-technical account.	The normal I-E basis, including GRB computation, applies. However, there is no LATP computation. In general profits are only taxed at policyholder rates. GRB profits are usually minimal for a mutual because the taxable surplus is generally offset by tax-deductible policyholder bonuses.

UK: Life insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	One year carry-back, indefinite carry-forward of trade losses against profits of the same trade. GRB losses and capital losses carried forward indefinitely. Deemed losses on unit trusts and other assets subject to the deemed disposal rules may also be carried back against deemed profits of last two years. Excess BLAGAB expenses are carried forward and treated as additional BLAGAB expenses of the following period. Trade losses of the current period may be utilised against other shareholder profits of the period or surrendered to group or consortium companies.
Foreign branch income	Investment income and gains of an overseas life assurance fund are excluded from the I-E basis, but the surplus arising from such business is brought into account in a LATP and GRB computation. A life assurer can claim a tax credit in the UK for overseas tax suffered however this is restricted to the lower of the overseas tax and the corresponding UK tax liability. It is also possible to claim tax relief for policyholder tax suffered overseas however these rules are complex. The Finance Bill 2011 introduced new branch exemption rules to align the tax treatment of a branch of a UK company with that of a subsidiary from 2012. The new rules will apply to accounting periods commencing on or after Royal Assent (19 July 2011). Broadly, the legislation will allow a company to make an irrevocable election for all its foreign branches, located anywhere in the world, to be exempted from UK corporation tax on their profits. Exempt profits will include any capital gains attributable to the foreign branch and taxable under the treaty. No relief will be available for branch losses. The existing double tax relief regime (both unilateral and under the double tax treaty principles) will continue to apply to companies not making a branch exemption election.
Domestic branch income	Taxed under ordinary rules. May be subject to notional adjustments. Double-tax relief may be restricted.
Corporate tax rate	Shareholders' profits, calculated as the LATP amount less an adjustment for BLAGAB UK dividends, are taxed at the corporation tax rate (26% for FY2011, reducing to 23% for FY2014); the balance of taxable profits is policyholders' profits and is taxed at the basic income tax rate of 20%.
Policyholder taxation	**Taxation**
Deductibility of premiums	None except for pension policies and for life policies that started before 14 March 1984. Although a deduction is given for premiums paid under pensions policies, subject to a cap, pension annuities when paid are taxed fully as income.
Interest build-up	For BLAGAB, taxed in the company as above, otherwise tax exempt.
Proceeds during lifetime	Life policies: Gains on non-qualifying policies are generally taxable, although the calculation of the taxable amount is complicated. A basic rate (20%) tax credit is given, so that, for individuals only higher rate taxpayers have extra to pay. Gains on qualifying policy are generally non-taxable once the policy is paid up (which generally happens after the shorter of 75% of the length of the policy and ten years). Where the policyholder is a company, a different regime applies, where they are taxed on a mark-to-market basis. Pension policies: Taxed as income.
Proceeds on death	Qualifying policies for BLAGAB are not subject to income or capital gains taxes, but may be subject to inheritance tax (IHT) if proceeds go to the estate. Gains on non-qualifying policies are subject to additional tax on surrender or maturity and may give rise to IHT.
Other tax features	**Taxation**
Premium taxes	None.

UK: Life insurance – other tax features (continued)

Other tax features	Taxation
Capital taxes and taxes on securities	SDLT on purchase of interests in UK real estate and certain partnership interests is at the following rates: • Up to GBP 125,000 and residential – exempt ; • Up to GBP 150,000 and non-residential; or in a disadvantaged area – exempt; • Up to GBP 250,000 – 1%; • Up to GBP 500,000 – 3%; • Above GBP 500,000 – 4%; • Over GBP 1 million – 5% applies residential properties only with effect from 6 April 2011. This 5% rate does not apply to non-residential or mixed-use properties. SDLT is also payable on the grant of new leases in respect of the rent payable – 1% (of net present value of total rents).
Captive insurance companies	Potentially subject to corporation tax in the UK under the CFC rules subject to certain exemptions. UK parent will also be subject to transfer pricing rules. As part of its ongoing overhaul of its tax system, the UK Government has published its proposals for the reform of CFC regime. The proposed changes are intended to target the artificial diversion of UK profits. Exempt foreign profits where there is no artificial diversion of UK profits and profits arise from genuine activities undertaken offshore should not be subject to tax. Under the new CFC rules, it is proposed that a new insurance exemption will apply to general insurers that are part of a group to exempt profits arising from overseas insurance operations and foreign to foreign intra-group insurance activity in line with a more territorial approach. The consultation is currently ongoing with further details to be released later in the year. The revised CFC rules are expected to apply to accounting periods ending after Royal Assent (expected Summer 2012).
Value added tax (VAT)	The provision of insurance as well as reinsurance is an exempt supply for VAT purposes. The exemption extends to services qualifying as services of an insurance intermediary. The services of an insurance intermediary may qualify for exemption if they involve: • The bringing together of persons seeking insurance with those providing insurance. • Preparatory work carried out in the conclusion of insurance contracts. • Assistance in the administration and performance of such contracts, including services of claims handling; or • The collection of premiums.

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