



FINLAND

International Comparison of Insurance Taxation

October 2007



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Finland – General Insurance

<p>1 Definition Definition of property and casualty insurance company</p>	<p>Accounting A company to which insurance legislation applies.</p>	<p>Taxation Not separately defined in the tax legislation.</p>
<p>2 Commercial Accounts/ Tax and Regulatory Returns Basis for the company's commercial accounts</p>	<p>Accounting Finnish accounting standards for an insurance company as set out in Accounting Act, Insurance Company Law and the regulations of both the Ministry of Social Affairs and Health, and The Insurance Supervision Authority. In addition the Accounting Board has issued advisory opinions and general instructions affecting an insurance company.</p>	<p>Taxation The amount of taxable income is determined on the basis of the Business Income Tax Act. The calculation is based on the statutory accounts.</p>
<p>Regulatory return</p>	<p>Separate returns as required by the Ministry of Social Affairs and Health, and The Insurance Supervision Authority.</p>	<p>N/A.</p>
<p>Tax return</p>	<p>N/A.</p>	<p>A separate return annually as required by the tax authorities.</p>



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Finland – General Insurance (continued)

3 Technical Reserves/ Equalisation Reserves	Accounting	Taxation
Unearned premium reserves (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/catastrophe reserve	Set by actuary and pre-confirmed by The Insurance Supervision Authority.	As per accounts.
4 Expenses/Refunds	Accounting	Taxation
Acquisition expenses	Expensed in year incurred or capitalised as a reduction in premium reserve.	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.



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<p>5 Investments Gains and losses on investments</p>	<p>Accounting 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.</p>	<p>Taxation All gains and losses taken to P&L as per accounts.</p>
<p>Investment reserves</p>	<p>N/A.</p>	<p>N/A.</p>
<p>Investment income</p>	<p>Realised and unrealised gains and losses are taken to P&L.</p>	<p>The Avoir fiscal system applied in 2004. For 2005 and onwards 75% of dividend income is taxable. In some cases dividends received from a foreign company can be tax exempt income.</p>
<p>6 Reinsurance Reinsurance premiums and claims</p>	<p>Accounting Premiums paid/payable are deducted from gross premiums. Claims recoveries are netted in the profit and loss (P&L) account against claims paid/payable.</p>	<p>Taxation As per accounts.</p>
<p>7 Mutual companies Mutual companies (all profits returned to members)</p>	<p>Accounting No special treatment.</p>	<p>Taxation No special treatment.</p>



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Finland – Other Tax Features

8 Further corporate tax features

	Taxation
Loss carry-overs	Ten year carry-forward against other business income.
Foreign branch income	Taxable, but the foreign tax is credited against the Finnish tax on the same income.
Domestic branch income	Calculated under ordinary rules.
Corporate tax rate	For 2006 and 2007: 26%.



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Finland – Other Tax Features *(continued)*

9 Other tax features

Premium taxes

Taxation

Insurance premium tax of 22% (net of tax, payable monthly) is imposed on insurance premiums when the insured property or other insured interest is situated in Finland, or the insured interest is related to activity conducted in Finland.

A Finnish or a foreign EEA insurance company has to register for the insurance premium tax in Finland if the insurances are subject to tax in Finland. Otherwise, the insured, who has signed the insurance contract with the insurance company, is liable to register for insurance premium tax in Finland.

However, some insurance is exempt, e.g. personal insurance, credit insurance, reinsurance, and international transport (relates to export, import or transit of goods).

Fire protection premium (3%) is paid on any movable or immovable property covered by fire insurance in Finland. Fire protection premium does not apply to assumed reinsurance business or to insurance against fire risk that has been granted as part of voluntary motor vehicle insurance, cargo insurance or animal insurance. Anyone carrying out insurance business in Finland is liable to pay the fire protection premium.

A foreign EEA insurer, providing insurance services in Finland on the basis of freedom of services, must have a representative domiciled in Finland for the payment of the fire protection premium.

Capital taxes	N/A
Captive insurance companies	Taxable under controlled foreign company rules, subject to exemptions.



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Finland – Life Insurance

1 Definition Definition of life assurance companies	Accounting A company to which insurance legislation applies.	Taxation Not separately defined in the tax legislation.
2 Commercial Accounts/ Tax and Regulatory Returns Basis for the company's commercial accounts	Accounting Finnish accounting standards for an insurance company as set out in Accounting Act, insurance company law and the regulations of both the Ministry of Social Affairs and Health, and The Insurance Supervision Authority. In addition, the Accounting Board has issued advisory opinions and general instructions affecting an insurance company.	Taxation The amount of taxable income is determined on the basis of the Business Income Tax Act. The calculation is based on the statutory accounts.
Regulatory return	Separate returns as required by the Ministry of Social Affairs and Health, and The Insurance Supervision Authority.	N/A.
Tax return	N/A.	A separate annual return as required by the tax authorities.
3 General approach to calculation of Income Allocation of income between shareholders and policyholders	Accounting P&L shows the annual income for shareholders. Income for policyholders is calculated on an actuarial basis, included in actuarial reserves and discussed in notes.	Taxation Follows accounts.



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Finland – Life Insurance (continued)

4 Calculation of investment return	Accounting	Taxation
Calculation of investment income and capital gains	Realised and unrealised gains and losses are taken to P&L.	As per accounts.
5 Calculation of underwriting profits or total income	Accounting	Taxation
Actuarial reserves	Net method used.	As per accounts.
Acquisition expenses	Recognised in year incurred or capitalised as a reduction in premium reserve.	As per accounts.
Gains and losses on investments	All investments valued at lower of cost or market value. Revaluation is allowed. All gains and losses taken to P&L. However, some investments (such as financial instruments and real estates) can be valued at their fair market value.	As per accounts.
Reserves against market losses on investments	N/A.	N/A.
Dividend income	Gross amount of dividend included in income.	The Avoir fiscal system applied in 2004. For 2005 and onwards, 75% of dividend income is taxable. In some cases dividends received from a foreign company can be tax exempt income.
		As per accounts.
Policyholder bonuses	Included in actuarial reserves.	N/A.
Other special deductions	N/A.	



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Finland – Life Insurance *(continued)*

6 Reinsurance

Reinsurance

Accounting

Premiums paid/payable are deducted from gross premiums. Claims recoveries are netted in the P&L account against claims paid/payable.

Taxation

As per accounts.

7 Mutual Companies/Stock companies

Mutual companies

Accounting

No special treatment.

Taxation

No special treatment.



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Finland – Other Tax Features

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	Taxation
Loss carry-overs	Ten year carry-forward against other business income.
Foreign branch income	Taxable, but the foreign tax is credited against the Finnish tax on the same income.
Domestic branch income	Calculated under ordinary rules.
Corporate tax rate	For 2006 and 2007: 26%.

9 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.

10 Other tax features

	Taxation
Premium taxes	Life assurance and pension insurance are not subject to insurance premium tax.
Capital taxes	N/A.
Captive insurance companies	Taxable under controlled foreign company rules subject to exemptions.

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