

International comparison of insurance taxation

Vietnam

General insurance – overview

Definition	Accounting	Taxation
Definition of property and casualty insurance company	No separate definition. Based on the Law on Insurance, non-life insurance means the types of insurance products being property insurance, civil liability insurance and other insurance products which are not life insurance.	No separate definition.
Commercial accounts/ tax and regulatory returns	Accounting	Taxation
Basis for the company's commercial accounts	Vietnamese accounting standard (VAS). Chart of accounts and template for the financial statements for insurance companies regulated under Decision 150/2001/QD-BTC dated 21 Dec 2001 and Decision 1296/TC/QD-CDKT dated 31 Dec 1996. Decree 46/2007/ND-CP dated 27 March 2007, Circular No. 156/2007 dated 20 Dec 2007 and Circular 86/2009/TT-BTC dated 28 April 2009 on financial regime applicable to insurers and insurance brokers.	Taxation is based on commercial accounts, as adjusted according to tax legislation.
Regulatory return	The insurer must file the following reports to the Ministry of Finance (MoF): <ul style="list-style-type: none"> • Annual Financial statements; • Statistics report and professional reports on a monthly, quarterly and annual basis. 	N/A.
Tax return	N/A.	Quarterly provisional returns: within 30 days from the quarter end. Annual return: within 90 days from the financial year end.
Technical reserves/ equalisation reserves	Accounting	Taxation
Unearned premiums reserve (UPR)	UPR is calculated according to one of the following methods: <ul style="list-style-type: none"> • Percentage of total premiums; • On a daily basis; • A coefficient of the term of insurance contract (1/8, 1/24). 	Generally allowed in full if according to Circular No. 156/2007 as amended by Circular 86/2009.
Unpaid claims reported	Calculated on a case by case based on the claim for which the insurer is liable and notified or made but unpaid at year end.	Generally allowed in full if according to Circular No. 156/2007 as amended by Circular 86/2009.

Vietnam: General insurance – overview (continued)

Technical reserves/ equalisation reserves	Accounting	Taxation
Claims incurred but not reported (IBNR)	Loss triangle method or follow the formula below: = (Total indemnity for claims unmade at the end of the last 3 consecutive fiscal years) divided by (Total indemnity for losses arising in the last 3 consecutive fiscal years) x Indemnity for losses arising in the current fiscal year x (Net revenue from business operations of the current fiscal year) divided by (Net revenue from insurance business operations of the previous fiscal year) x (Average delay in making claims of current fiscal year) divided by (Average delay in making claims of previous fiscal year).	Generally allowed in full if according to Circular No. 156/2007 as amended by Circular 86/2009.
Unexpired risks	Not stipulated.	Generally not tax deductible.
General contingency/ solvency reserves	Not stipulated. Minimum solvency margins: The minimum solvency margin of a non-life insurer shall be the greater of the following two calculations: <ul style="list-style-type: none"> • 25% of the total premiums actually retained at the time of determination of the solvency margin; • 12.5% of the total primary insurance premiums plus reinsurance premiums at the time of determination of the solvency margin. 	Generally not tax deductible.
Equalisation reserves	To be made annually until the balance in the reserve is equal to 100% of premiums actually retained in the fiscal year of the insurer. Contributions made annually shall be from 3-5 % of premiums actually retained.	Generally allowed in full if according to Circular No. 156/2007 as amended by Circular 86/2009.
Expenses/ refunds	Accounting	Taxation
Acquisition expenses	Direct and indirect cost arising from the conclusion of insurance contracts must be deducted in year incurred.	Generally tax deductible immediately.
Loss adjustment expenses on unsettled claims (claims handling expenses)	Recorded on an accrual basis.	Incurred expenses are tax deductible; accrued expenses are tax deductible if certain conditions are fulfilled.
Experience-rated refunds	Not stipulated.	Not stipulated.
Investments	Accounting	Taxation
Gains and losses on investments	Included in P&L on accrual basis.	Realised investment gains/ losses are included in taxable income.
Investment reserves	From reserves: <ul style="list-style-type: none"> • Investments from owner's capital; • Idle capital from insurance reserves; • Other reserves. Only permitted to use the above reserves within a limitation to invest in specific fields.	There is no specific regulation. Generally, reserves are from profit after tax, except specific reserves mentioned above.

Vietnam: General insurance – overview (continued)

Investments	Accounting	Taxation
Investment income	Included in income.	Included in taxable income, except for tax exempt income stipulated in tax regulations.
Reinsurance	Accounting	Taxation
Reinsurance premiums and claims	<p>Premiums ceded are deductible to the gross written premiums, net of UPR.</p> <p>Premiums assumed added to gross written premiums reserves set up at end of year is stated net of amount reinsured.</p> <p>Claim recovered from outward reinsurance is deducted from claim paid amount.</p>	Taxable/ deductible when earned/ incurred.
Mutual companies	Accounting	Taxation
Mutual companies (all profits returned to members)	N/A.	N/A.

Vietnam: General insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	Tax losses can be carried forward to offset taxable profit of subsequent years for a maximum period of 5 years. No carry back is allowed.
Foreign branch income	Generally, taxable. The tax paid overseas is creditable.
Domestic branch income	Calculated under ordinary tax rules. Income of dependent accounting branches is taxed together with income of head office. Independent accounting branch income is taxed separately from head office income.
Corporate tax rate	Standard tax rate is 25%.
Other tax features	Taxation
Premium taxes	None.
Capital taxes and taxes on securities	No general capital taxes for the policy holder/ insurer.
Captive insurance companies	N/A.
Value added tax (VAT)	Standard VAT rate is 10%. Certain general insurance is VAT exempt.

Vietnam: Life insurance – overview

Definition	Accounting	Taxation
Definition of life insurance companies	Based on the Law on Insurance, life insurance means types of insurance products related to the life or death of an insured person.	No separate definition.
Commercial accounts/ tax and regulatory returns	Accounting	Taxation
Basis for the company's commercial accounts	Vietnamese accounting standard (VAS). Chart of accounts and template for the financial statements for insurance companies regulated under the Decision 150/2001/QD-BTC dated 21 Dec 2001 and Decision 1296/TC/QD-CDKT dated 31 Dec 1996. Decree 46/2007/ND-CP dated 27 March 2007, Circular No. 156/2007 dated 20 Dec 2007 and Circular 86/2009/TT-BTC dated 28 April 2009 on financial regime applicable to insurers and insurance brokers.	Taxation is based on commercial accounts, as adjusted according to tax legislation.
Regulatory return	The insurer must file the following reports to the Ministry of Finance (MoF): <ul style="list-style-type: none"> • Annual financial statements; • Annual statement of operation of Universal Life Fund (if any); • Annual statement of split fund; • Statistics report and professional reports on a monthly, quarterly, annual basis. 	N/A.
Tax return	N/A.	Quarterly provisional returns: within 30 days from the quarter end. Annual return: within 90 days from the financial year end.
General approach to calculation of income	Accounting	Taxation
Allocation of income between shareholders and policyholders	Any transaction regarding the assets, capital sources, revenue or expenses directly relating to any one fund shall be recorded separately for such fund. The appointed actuary of the insurance enterprise shall be responsible to ensure that transactions which relate to a number of funds shall be collated and allocated to each fund on a fair and appropriate basis. An enterprise must confirm and register with the MoF its principles for allocation, prior to applying them. The MoF must provide approval to any changes in these principles. Statement of a split fund should be audited.	No specific regulation.
Calculation of investment return	Accounting	Taxation
Calculation of investment income and capital gains	Same as for general insurance.	Same as for general insurance.

Vietnam: Life insurance – overview (continued)

Calculation of investment income and capital gains	Accounting	Taxation
Actuarial reserves	Shall be in accordance with the net premium valuation method adjusted by the Zillmer coefficient of 3% of insured sums. The adjusted net premium used to calculate this reserve must not be higher than 90% of premiums actually collected.	Generally allowed in full if according to Circular No. 156/2007 as amended by Circular 86/2009 .
Acquisition expenses	Direct and indirect cost arising from the conclusion of insurance contracts must be deducted in year incurred.	Generally tax deductible immediately.
Gains and losses on investments	Included in P&L on accrual basis.	Realised investment gains/ losses are included in taxable income.
Reserves against market losses on investments	Not stipulated. Normally, should follow current guidance/ regulation of MoF issued to other companies in Vietnam.	Generally, not tax-deductible if not following the guidance of MoF.
Dividend income	No specific treatment. Normally should follow current guidance/ regulation of MoF issued to other companies in Vietnam.	Dividends are generally subject to tax. However, dividends from domestic enterprises are tax-exempt.
Policyholder bonuses	No specific treatment.	No specific treatment.
Other special deductions	N/A.	N/A.
Reinsurance	Accounting	Taxation
Reinsurance premiums and claims	Same as for general insurance.	Taxable/ deductible when earned/incurred.
Mutual companies/ stock companies	Accounting	Taxation
Mutual Companies	N/A.	N/A.

Vietnam: Life insurance – other tax features

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

Contact persons Vietnam

Richard Irwin

Tel: +84 (8) 3824 0117

Email: r.j.irwin@vn.pwc.com

Annett Perschmann-Taubert

Tel: +84 (8) 3823 0796 Ext: 1519

Email: annett.ingrid.perschmann@vn.pwc.com