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International comparison of insurance taxation

Financial services 2011

International comparison of insurance taxation

2011 edition

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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 7 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:

- Argentina
- Brazil
- Canada
- Chile
- Peru
- United States
- Uruguay

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

Susan Leonard
West Cluster Financial Services Tax Insurance Leader

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Argentina

General insurance – overview

Definition	Accounting	Taxation
Definition of property and casualty insurance company	Property and casualty insurance companies are those that insure the assets of the insured party.	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 standards stated by the Regulatory Authority (National Insurance Superintendency - NIS) and the local accountant's Board.	Taxation based on statutory accounts
Regulatory return	The NIS requires the following separate returns: • **Annually**: statutory account (subject to full audit), report to management plus other quarterly information (see below); • **Quarterly**: statutory accounts (with limited review report), solvency requirements (including attestation report), technical reserves coverage, statement of coverage for due liabilities and claims payable (including attestation report) and other detailed statistical information.	Special balance sheet form must be filled-in. (F. 760/c)
Tax return	N/A.	• **Annually**: Income tax and minimum notional income tax returns. • **Monthly**: VAT, turnover tax and excise tax returns.
Technical reserves/ equalisation reserves	**Accounting**	**Taxation**
Unearned premiums reserve (UPR)	This reserve is required to be established for the unexpired portion of the premiums written on a policy-by-policy basis. It should be considered the related acquisition costs and reinsurance.	Deduction allowed as per accounts.
Unpaid claims reported	Calculated on case-by-case basis (loss ratios can be applied for lawsuits reserves).	Accounts provision deductible in full.
Claims incurred but not reported (IBNR)	IBNR technically calculated is required.	Deduction allowed as per accounts.
Unexpired risks	N/A.	N/A.
General contingency/ solvency reserves	Premium deficiency reserve is required when premiums income is not enough to cover claims and expenses. The methodology for its calculation is defined by the control authority.	Deduction not allowed by fiscal authority.
Equalisation reserves	Not envisaged by accounting rules.	Deduction not allowed

Argentina: General insurance – overview (continued)

Expenses/ refunds	Accounting	Taxation
Acquisition expenses	Agents' commissions are charged to profit and loss (P&L).	Deduction allowed as per accounts.
Loss adjustment expenses on unsettled claims (claims handling expenses)	Estimates included in unpaid claims reserves.	Deduction allowed as per accounts.
Experience-rated refunds	Case-by-case basis. Credited when earned.	Follows accounting treatment.
Investments	**Accounting**	**Taxation**
Gains and losses on investments	Included in P&L.	Accrued gains and losses are included in taxable income. In the case of shares and mutual funds, gains and losses are not taxable deducted until realised. See also investments income
Investment reserves	The standard valuation rule is to take the quotation at the closing date (net of selling expenses).	Allowances are not deductible.
Investment income	Included in P&L if accrued.	Generally taxed on accruals basis. Dividends from local corporations are not computable for income tax purposes (taxable through withholding process in some cases).
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.
Mutual companies	**Accounting**	**Taxation**
Mutual companies (all profits returned to members)	No special treatment.	Special entities called "cooperativas" and "mutuales" are income-tax-exempt (provided that they comply with certain regulations).

Argentina: General insurance – other tax features

Further corporate tax features	
Loss carry-overs	5 year carry-forward against profits of the same source and kind.
Foreign branch income	Taxable with credit for overseas tax similar to income tax.
Domestic branch income	Calculated under ordinary rules.
Corporate tax rate	The rate is 35%. Dividends paid exceeding the accumulated net taxable income are subject to an additional 35% of income tax withholding.
Other tax features	**Taxation**
Premium taxes	There are other taxes on premiums such as VAT, stamp tax, excise tax, turnover tax, NIS contribution and fire dept. contribution.
Capital taxes and taxes on securities	Minimum notional income tax applies at 1% rate on 20% of assets (applicable only when such tax amount exceeds income tax).
Captive insurance companies	N/A.
Value added tax (VAT)	The general tax rate applicable is 21%. Some exemptions are applicable depending on the kind of insurance (i.e. life insurance, private retirement insurance, annuities and labour accidents).

Argentina: Life insurance – overview

Definition	Accounting	Taxation
Definition of life insurance companies	A company that carries out life insurance business and to which specific regulations apply.	Insurance that covers death risk and endowment (specifically defined for VAT purposes).
Commercial accounts/ tax and regulatory returns	**Accounting**	**Taxation**
Basis for the company's commercial accounts	GAAP and specific standards stated by the regulatory authority (NIS).	Taxation based on statutory accounts.
Regulatory return	The NIS requires the following separate returns: • **Annually**: statutory account (subject to full opinion) report to management plus other quarterly information (see below); • **Quarterly**: statutory accounts (with limited review report), solvency requirements (including attestation report), technical reserves coverage, statement of coverage for due liabilities and claims payable (including attestation report) and other detailed statistical information.	No additional requirements.
Tax return	N/A.	• **Annually**: Income tax and minimum notional income tax returns. • **Monthly**: VAT and turnover tax returns.
General approach to calculation of income	**Accounting**	**Taxation**
Allocation of income between shareholders and policyholders	Separate accounting, for policy- and shareholder profits, within statutory accounts.	Follows accounting treatment.
Calculation of investment return	**Accounting**	**Taxation**
Calculation of investment income and capital gains	Gains and losses on investments (plus dividends and interest are taken to P&L).	Follows accounting treatment.
Calculation of investment income and capital gains	**Accounting**	**Taxation**
Actuarial reserves	Calculated in accordance with the technical notes of each life product. Zillmer methods are not allowed.	Follows accounting treatment (assuming it is based on NIS rules).
Acquisition expenses	Deductible immediately or spread over 5 years maximum.	Fully deductible or follows accounting treatment.
Gains and losses on investments	Included in P&L.	Accrued gains and losses are included in taxable income. In the case of shares and mutual funds, gains and losses are not taxable/ deducted until realised.
Reserves against market losses on investments	Unrealised losses on investments are recognised in P&L.	Deduction allowed only to reflect market value.
Dividend income	Insurance companies may make permanent investments, subject to certain restrictions.	Dividend income from local corporations is not computable for income tax purposes (subject to withholding process in some cases).
Policyholder bonuses	Included as an expense in the technical account.	Follows accounting treatment.
Other special deductions	None.	It depends on each specific case.

Argentina: Life insurance (continued)

Reinsurance	**Accounting**	**Taxation**
Reinsurance premiums and claims	Deducted from gross premiums.	Follows accounting treatment.
Mutual companies/ stock companies	**Accounting**	**Taxation**
Mutual Companies	No special rules.	Special entities called “cooperativas” and “mutuales” are income-tax-exempt (provided that they comply with certain regulations

Argentina: Life insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	5 year carry-forward against profits of the same source and kind.
Foreign branch income	Taxable with credit for overseas tax similar to income tax.
Domestic branch income	Calculated under ordinary rules.
Corporate tax rate	The rate is 35%. Dividends paid exceeding the accumulated net taxable income are subject to an additional 35% of income tax withholding.
Policyholder taxation	**Taxation**
Deductibility of premiums	Deductible up to annual limit stated by law.
Interest build-up	Not taxable.
Proceeds during lifetime	The benefit received by the payee (net of settlement cost) is subject to income tax on receipt in the case of annuities. In the case of life insurance, that benefit is income tax exempt.
Proceeds on death	Proceeds on death or endowment are exempt.
Other tax features	**Taxation**
Premium taxes	There are taxes on premiums such as: turnover tax, stamp tax, NIS contribution, and fire department contribution. Certain policies are also taxed by VAT and excise tax (accidents).
Capital taxes and taxes on securities	For individuals: personal asset tax exempt. For corporations: Minimum notional tax applies at 1% rate on 20% of assets (only when the tax amount exceeds income tax).
Captive insurance companies	N/A.
Value added tax (VAT)	In general terms, life insurance business and annuities are not taxable with VAT. Some additional clauses included in this kind of insurance may be taxable with VAT, such us individual accidents.

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Brazil

General insurance – overview

Definition	Accounting	Taxation
Definition of property and casualty insurance company	A company that issues P&C insurance contracts under International Financial Reporting Standards (IFRS) 4 concept. According to Brazilian legislation, there is no difference between general and life insurance companies. However, legislation establishes that only companies that operate exclusively with pension plans and/ or life insurance will have the authorisation to operate with pension products. Another aspect is that for Brazilian Generally Accepted Accounting Principles (GAAP) purposes pension products have been considered in all cases as insurance products.	Not defined by tax legislation.
Commercial accounts/ tax and regulatory returns	**Accounting**	**Taxation**
Basis for the company's commercial accounts	Accounting practices adopted in Brazil, associated with accounting practices established by Superintendence of Private Insurance (SUSEP). As from 2010, insurance companies are required to prepare an individual and consolidated financial statement according to IFRS.	Follows the taxation of financial institutions. As a general rule, the adjusted net profit is subject to income tax. Technical provisions are tax-deductible.
Regulatory return	Insurance companies must present, monthly and quarterly information containing their balance sheets, investment, technical reserves etc. (FIP forms).	Follows accounting treatment. Insurance companies must account for their taxes monthly; therefore, they must calculate their results on a monthly basis.
Tax return	Insurance companies present a balance sheet each accounting period, as do financial institutions. The calculations are prepared and recorded on a monthly basis.	Insurance companies are required to present monthly tax returns (DCTF), as well as a consolidated annual income tax return (DIPJ). In 2008 tax authorities introduced a new monthly return including detailed accounting and tax information called SPED that must be presented as from 2009.
Technical reserves/ equalisation reserves	**Accounting**	**Taxation**
Unearned premiums reserve (UPR)	Constituted to record risks of contracts in effect. This amount is deferred throughout their terms on a *pro rata die* basis. Risks in force not yet issued are also recorded using actuarial methodology.	Follows accounting treatment. The expenses incurred are fully tax-deductible.
Unpaid claims reported	Must be recorded and evaluated individually. Separated in administrative and judicial classes and adjusted periodically (inflation and interests). The amount recorded must be the best estimate of loss and limited to the amount insured and the coverage of the police.	Follows accounting treatment. The expenses incurred are fully tax-deductible.

Brazil: General insurance – overview (continued)

Technical reserves/ equalisation reserves	Accounting	Taxation
Claims incurred but not reported (IBNR)	This provision must be constituted on an actuarial basis upon the losses occurred in previous periods. Actuarial technical note must be prepared by the insurance company. IBNER and IBNP concepts are also permitted.	Follows accounting treatment. The expenses incurred are fully tax-deductible.
Unexpired risks	Unexpired risk reserve is required in some cases.	The tax legislation allows the deduction of expenses with technical reserves required by the insurance regulators. Expenses with reserves not expressly required by the regulators are not tax-deductible.
General contingency/ solvency reserves	Solvency margin is foreseen by the regulatory authorities and calculated under stockholder equity adjusted basis.	The tax legislation permits the deduction of expenses with technical reserves required by the insurance regulators. Expenses with reserves not expressly required by the regulators are not tax-deductible.
Equalisation reserves	Some additional technical provisions are required when deficiency is identified in premiums. One of them is denominated Insufficiency Premium Provision (PIP). The Liability Adequacy Test (LAT) is required under SUSEP rules following IFRS.	The tax legislation permits the deduction of expenses with technical reserves required by the insurance regulators. Expenses with reserves not expressly required by the regulators are not tax-deductible.
Expenses/ refunds	**Accounting**	**Taxation**
Acquisition expenses	Deferred throughout policy terms on a *pro rata die* basis.	Follows accounting treatment. The expenses incurred are fully tax-deductible.
Loss adjustment expenses on unsettled claims (claims handling expenses)	Loss adjustments should be recorded in a competence regime and are part of the claims loss reserve. Civil Claims indirectly related to insurance contracts have to be recorded under contingency reserves criteria.	Follows accounting treatment. The expenses incurred are fully tax-deductible.
Experience-rated refunds	Cash basis. Credited when earned. Salvages are recorded under competence basis.	Taxable under accounting recognition.
Investments	**Accounting**	**Taxation**
Gains and losses on investments	Marketable securities are recognised according to the criteria determined by the National Council of Private Insurance (CNSP) and Central bank (BACEN). According to the referred legislation, securities must be classified in accordance with management intention of holding them up to maturity or selling before this date. Securities held to maturity are recorded at cost plus accrued earnings. Securities subject to trading before maturity must have their book value adjusted to market value. The adjustment to market value, whether gain or loss, is recognised in the results for the year (securities classified for trading) or in a specific account of stockholders' equity (securities classified as available for sale). Financial instruments (swap contracts) are recorded using market value. IAS 39 is applied under SUSEP rules.	Mark-to-market adjustments are not tax deductible (negative adjustments) or taxable (positive adjustments); on the other hand, accrued earnings of the securities held to maturity and realised gains and losses should be included in the calculation of taxes. Stocks*: Mark-to-market adjustments follow the treatment described above. Dividends are not taxed by Corporate Income Tax (CIT) and Social Contribution on net profits. * Note that, in case of investments in related companies, the equity pick-up should not be taxable/ deductible.
Investment reserves	The criteria to recognise investments are described above. Assets are subject to impairment and present value adjustment.	Investment reserves are considered not deductible. Losses realised are tax deductible.

Brazil: General insurance – overview (continued)

Investments	Accounting	Taxation
Investment income	Included in profit & loss (P&L) or stockholders' equity (depending on the classification mentioned above).	Mark-to-market adjustments are not tax deductible (negative adjustments) or taxable (positive adjustments); on the other hand, accrued earnings of the securities held to maturity and realised gains and losses should be included in the calculation of the taxes.
Reinsurance	**Accounting**	**Taxation**
Reinsurance premiums and claims	Reinsurance market has been opened to the private market since 2007. Local, admitted and eventual companies are permitted to operate in Brazil. Brazilian Reinsurance Institute (IRB) is still working in Brazil. Until 2008 reinsurance accounts were recorded in a net basis. As from 2009, following the IFRS 4 criteria, reinsurance will be recorded in a gross basis and subject to credit evaluations. Local reinsurance companies have basically the same accounting rules from SUSEP.	Follows accounting treatment.
Mutual companies	**Accounting**	**Taxation**
Mutual companies (all profits returned to members)	There are no mutual companies in Brazil.	N/A.

Brazil: General insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	Tax losses accrued as of full year 1994 can be offset against future taxable income indefinitely. However, this offsetting is limited to 30% of each year's taxable income.
Foreign branch income	Profits earned abroad through branches are included as taxable income at the end of each calendar year.
Domestic branch income	Branches of foreign corporations are considered an independent entity and are subject to Brazilian taxes at the full rate on its profits. The results generated by local branches of a Brazilian company (if established as a separate legal entity) recognised by the controller company through equity pick up method are not taxed/ deductible by the controller company.
Corporate tax rate	The effective Brazilian CIT rate applicable to insurance companies is 40%. This tax rate includes: • Federal corporate tax (a marginal rate of 25%); • Social contribution tax at the rate of 15%. Insurance companies are also subject to the monthly turnover taxes (PIS and COFINS) at a total rate of 4.65%. The calculation basis of PIS and COFINS may be summarised as follows: (+) total revenue; (–) compulsory technical reserves; (–) paid claims. Reinsurance ceded abroad is subject to PIS and COFINS at 1.65% and 7.6%, respectively. The calculation basis is 15% of the amounts paid, credited, employed or remitted.
Other tax features	**Taxation**
Premium taxes	Premiums are subject to the levy of tax (IOF) at the following rates: i) Life and personal accident insurance: 0.38%; ii) Reinsurance, mandatory insurance for real property financing; exporting credit and international freight: 0%; iii) Health insurance: 2.38%; iv) Others: 7.38%.
Capital taxes and taxes on securities	There are no capital taxes. If there is a remittance of interest on net equity, this amount will be subject, as a general rule, to an income withholding tax at a rate of 15 %. * Interest on net equity is tax-deductible up to 50% of the profit reserves or 50% of the year profit, provided that other rules are followed. * This is a general rule. Specific tax treatment may apply in case of treaty to avoid the double taxation. In case the interest on net equity is remitted to a beneficiary established in a tax haven, it will be subject to a 25% withholding tax.
Captive insurance companies	There is no definition of captive insurance companies in Brazilian tax legislation.
Value added tax (VAT)	The insurance companies are not subject to VAT.

Brazil: Life insurance – overview

Definition	Accounting	Taxation
Definition of life insurance companies	A company which insures life contracts or pensions plans under IFRS 4 concept. According to Brazilian legislation, there is no difference between general and life insurance companies. However, legislation establishes that only companies that operate exclusively with pension plans and/ or life insurance will have the authorisation to operate with pension products. Another aspect is that for BR GAAP purposes pension products have been considered in all cases as insurance products.	Not defined by tax legislation.
Commercial accounts/ tax and regulatory returns	**Accounting**	**Taxation**
Basis for the company's commercial accounts	Accounting practices adopted in Brazil adopted with SUSEP accounting polices. As from 2010 insurance companies are required to prepare individual and consolidated financial statement under IFRS rules.	Follows the taxation of financial institutions. As a general rule, the adjusted net profit is subject to taxation with the technical provisions being tax-deductible.
Regulatory return	Insurance companies must present monthly and quarterly information containing their balance sheet, investment reserves, etc.	Follows accounting treatment. Legal entities, including insurance companies, must account for their taxes monthly; therefore, they must calculate their results on a monthly basis.
Tax return	Insurance companies present a balance sheet each accounting period, as do financial institutions. The calculations is prepared and recorded in a monthly basis.	Insurance companies are required to present monthly tax returns (DCTF), as well as a consolidated annual income tax return (DIPJ). In 2008 tax authorities introduced a new monthly return including detailed accounting and tax information that must be presented as from 2009.
General approach to calculation of income	**Accounting**	**Taxation**
Allocation of income between shareholders and policyholders	The allocation of income between shareholders and policyholders for pension products is defined in the contract. PGBL and VGBL products are recorded on a monthly basis. These products have been considered as insurance contracts.	Taxable proportionally to the income recognised.
Calculation of investment return	**Accounting**	**Taxation**
Calculation of investment income and capital gains	Realised gain and losses as well as investment income are included in income.	Realised net capital gains are included in gross income. Pension plans: As from Jan. 2005, the income related to investment of technical provisions is regarded as non-taxable (Law 11.053/2004). (* not applicable to pension plans constituted only with individuals and immune entities resources).
Calculation of investment income and capital gains	**Accounting**	**Taxation**
Actuarial reserves	Constituted to record the risks of the contracts in effect. Insurance companies must prepare an actuarial technical note to calculate and record the provisions. As from 2009 LAT calculations are required for life and pensions companies as well.	Follows accounting treatment.

Brazil: Life insurance – overview (continued)

Calculation of investment income and capital gains	**Accounting**	**Taxation**
Acquisition expenses	Group life – recognised at the time the policy is issued. Individual's life, recognised on an accrual basis, based on period risk (normally 12 months).	Follows accounting treatment.
Gains and losses on investments	Marketable securities are recognised according to the criteria determined by the National Council of Private Insurance (CNSP) and central bank rules (BACEN). According to the referred legislation, securities must be classified in accordance with management intention of holding them up to maturity or selling before this date. Securities held to maturity are recorded at cost plus accrued earnings. Securities subject to trading before maturity must have their book value adjusted to market value. The adjustment to market value, whether more or less is recognised in the results for the year (securities classified for trading) or in a specific account of stockholders' equity (securities classified as available for sale).	Mark-to-market adjustments are not tax deductible (negative adjustments) or taxable (positive adjustments); on the other hand, accrued earnings of the securities held to maturity and realised gains and losses should be included in the calculation of taxes. Stocks*: Mark-to-market adjustments follow the treatment described above. Dividends are not taxed by CIT and Social Contribution on net profits. ** Note that, in case of investments in related companies, the equity pick-up should not be taxable/deductible.*
Reserves against market losses on investments	Permanent market losses are included in P&L.	Non-deductible accrual for tax purposes.
Dividend income	Recognised on cash basis. The calculations and accrual are established by Low 11.638/07 and 6.404/76. The limit to record the provision is the one established on the company statutes.	Non-taxable income.
Policyholder bonuses	The insurance bonus is incorporated on the value of the premium or into the mathematical provision for pension products. In some cases it is possible to reduce the cost of the premium.	Follows accounting treatment.
Other special deductions	No special comment to mention.	All the operational costs and expenses are deductible for income tax purposes. In addition to this, the amounts related to the claims paid are deductible for PIS and COFINS purposes.
Reinsurance	**Accounting**	**Taxation**
Reinsurance premiums and claims	Reinsurance market has been opened to private players since 2007. Local, admitted and eventual companies are permitted to operate in Brazil. IRB is still working in Brazil. Until 2008 reinsurance accounts are recorded on a net basis. As from 2009, following the IFRS 4 criteria, reinsurance will be recorded in a gross basis and subject to credit evaluations.	Follows accounting treatment.
Mutual companies/ stock companies	**Accounting**	**Taxation**
Mutual Companies	There are no mutual companies in Brazil.	N/A.

Brazil: Life insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	Tax losses accrued as of 31 Dec. 1994 can be offset against future taxable income indefinitely. However, this offsetting is limited to 30% of the taxable income of each year.
Foreign branch income	The company must be a Brazilian resident for tax purposes. However, profits earned abroad are included as taxable income on 31 Dec. of each year.
Domestic branch income	Branches of foreign corporations are considered as independent entity and are subject to Brazilian taxes at the full rate on their profits. The results generated by local branches of a Brazilian company (if established as a separate legal entity) recognised by the controller company through equity pick up method are not taxed/ deductible by the controller company.
Corporate tax rate	The effective Brazilian corporate income tax rate applicable to insurance companies is 40%. This tax rate incorporates: • Federal corporate tax (a marginal rate of 25%); • Social contribution tax at the rate of 15%. Insurance companies are also subject to the monthly turnover taxes (PIS and COFINS) at a total rate of 4.65%. The calculation basis of PIS and COFINS may be summarised as follows: (+) total revenue; (–) compulsory technical reserves; (–) paid claims. The reinsurance ceded abroad is subject to PIS and COFINS at 1.65% and 7.6%, respectively. The calculation basis is 15% of the amounts paid, credited, employed or remitted.
Policyholder taxation	**Taxation**
Deductibility of premiums	Individuals: • Payments to a life insurance company are not tax-deductible for policyholder income-tax purposes; • Payments to private pension entities are income-tax-deductible, limited to 12% of the total remuneration (salary, rental revenues, etc.) of the participant. Companies: • Payments to a life insurance company, on behalf of employees, are considered as part of the wage and are tax-deductible for policyholder income-tax purposes; • Payments to private pension entities on behalf of the employees are income-tax-deductible, limited to 20% of the total wage of the participant.
Interest build-up	The taxation rules are described in the item below.
Proceeds during lifetime	Benefits paid to life insured – if the amount paid is exactly the same as the premium paid – are considered as an indemnity not subject to any withholding tax. If benefits are higher, the income is subject to withholding tax. The insured is allowed to opt for one of the following taxation methods (as of Jan. 2005): (i) Method of regressive rates (tax rates from 35 % – applicable to resources applied during a period lower than 2 years – to 10% – applicable to resources applied during a period higher than 10 years). Taxation exclusively at source; (ii) Method of progressive rates (15 % of withholding tax). The tax withheld is creditable against the taxation by the individual income tax – maximum rate of 27.5%).
Proceeds on death	Benefits paid on death are considered as indemnity, not subject to tax.
Other tax features	**Taxation**
Premium taxes	Premiums are subject to the levying of tax on Financial Operations (IOF) at the following rates: i) Life and personal accident insurance: 0.38%; ii) Exporting credit, international freight, crop insurance, reinsurance: 0%; iii) Health insurance: 2.38%; iv) Others: 7.38%.

Brazil: Life insurance – other tax features (continued)

Other tax features	Taxation
Capital taxes and taxes on securities	There are no capital taxes. If there is a remittance of interest on net equity, this amount will be subject, as a general rule, to an income withholding tax at a rate of 15%. * Interest on net equity is tax-deductible up to 50% of the profit reserves or 50% of the year profit, provided that other rules are followed. * The 15% tax rate can be lower if the beneficiary is established in a country that has signed a treaty to avoid double taxation with Brazil. If the interest on net equity is remitted to a beneficiary established in a tax haven, it will be subject to a 25% withholding tax.
Captive insurance companies	There is no definition of captive insurance companies in Brazilian tax legislation
Value added tax (VAT)	The insurance companies are not subject to value added tax.

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Canada

General insurance – overview

Definition	Accounting	Taxation
Definition of property and casualty insurance company	A company to which insurance legislation applies.	A company that carries on an insurance business, but must not carry out any life insurance business.
Commercial accounts/ tax and regulatory returns	**Accounting**	**Taxation**
Basis for the company's commercial accounts	Generally accepted accounting principles (GAAP) as set by Canadian Institute of Chartered Accountants (CICA). Effective 2011, CICA has adopted International Financial Reporting Standards (IFRS) as Canadian GAAP for all publicly accountable entities (PAE). All insurance companies are considered PAEs.	Based on commercial accounts.
Regulatory return	A separate return as issued by the Office of the Superintendent of Financial Institutions (OSFI) (federal companies) and provincial insurance commissions (provincial companies).	N/A.
Tax return	N/A.	A separate return is required annually for each taxpayer; some provinces require their own returns.
Technical reserves/ equalisation reserves	**Accounting**	**Taxation**
Unearned premiums reserve (UPR)	Calculated by time or risk apportionment or a risk curve such as mortgage insurance or warranty insurance.	Generally same as accounting and calculated net of reinsurance.
Unpaid claims reported	Calculated on a case-by-case basis. Discounting in accordance with the standards of the Canadian Institute of Actuaries (CIA) is required by OSFI and accepted under Canadian GAAP.	95% of the lesser of the statutory reserve and the "claim liability" as defined for tax, net of reinsurance.
Claims incurred but not reported (IBNR)	Calculated based on experience or statistical method. Unpaid claims plus IBNR reported on by actuary. Discounting is required by OSFI.	95% of the lesser of the statutory reserve and the "claim liability" as defined for tax and calculated net of reinsurance.
Unexpired risks	Calculation on a statistical basis. Includes provision for premium deficiencies.	N/A.
General contingency/ solvency reserves	N/A.	N/A.
Equalisation reserves	N/A.	N/A.

Canada: General insurance – overview (continued)

Expenses/ refunds	Accounting	Taxation
Acquisition expenses	Capitalised and amortised in relation to associated premium revenue, subject to overall recoverability test.	Expenses incurred on account of the acquisition of an insurance policy are capitalised and amortised. Accounting write downs of the capitalised costs from the overall recoverability test are not deductible for tax.
Loss adjustment expenses on unsettled claims (claims handling expenses)	Case-by-case, averaging or with reference to IBNR.	95% of the lesser of the statutory reserve and the "claim liability" as defined for tax.
Experience-rated refunds	Credited when earned or accrued, depending on volatility of the line of business (recorded when determinable).	Taxable as earned; deductible if paid in year or following year.
Investments	**Accounting**	**Taxation**
Gains and losses on investments	Realised gains and losses are included in profit and loss (P&L). Unrealised gains/ losses are recognised in P&L or other comprehensive income (equity section) depending on classification of the asset.	Gains or losses on debt securities could be included in income when realised on an amortised basis or marked-to market on an unrealised basis, depending on the accounting classification. Portfolio shareholdings are fully included and marked-to-market on an annual basis. Generally, one-half inclusion on real estate.
Investment reserves	Loss in value that is other than temporary (on investment-by-investment basis) is recognised in P&L.	For debt securities only 90% of accounting reserve is deductible for tax.
Investment income	Included in P&L.	All interest and foreign dividends are fully included. Domestic dividends are fully deductible, provided paid on a share that is not defined to be a "debt substitute" and that is issued by a taxable Canadian corporation.
Reinsurance	**Accounting**	**Taxation**
Reinsurance premiums and claims	Balance sheet reinsurance balances and premiums ceded are presented on a gross basis. Claims recoveries and claims expenses (on an earned basis) and are also recorded gross in P&L account.	Tax-deductible or includable respectively, whether licensed or unlicensed.
Mutual companies	**Accounting**	**Taxation**
Mutual companies (all profits returned to members)	No special treatment.	No special rules, taxed on same basis as stock company.

Canada: General insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	• Non-capital losses. Generally 3 years back and 7 years forward for losses incurred prior to taxation years ended before 23 March 2004. The carry-forward period is extended to 10 years for losses arising in taxation years ending after 22 March 2004 and is further extended to 20 years for those arising after 2005. Carry-forward can effectively be extended indefinitely by discretionary reserve claims. • Capital losses: Generally 3 years back and forward unlimited.
Foreign branch income	Foreign income included, subject to foreign tax credit.
Domestic branch income	Investment income calculated under tax formula subject to minimum investment revenue requirement. Branch tax ranging from 5% to 25% upon cessation of Canadian business or election depending on existence of tax treaty.
Corporate tax rate	Starting in Jan. 2011, combined federal and provincial rate ranges from approximately 26.5% to 32.5% (with several federal and provincial rate reductions occurring between 2011 and 2014). Canadian-controlled private corporations have lower rate on the first USD 500,000 of income. Minimum tax of 2.7% applies on accounting income, attributable to the province of Ontario (4% prior to 1 July 2010).
Other tax features	**Taxation**
Premium taxes	Provincial premium taxes of 2% to 4.4%. Federal excise tax of 10% on certain primary insurance placed directly with unlicensed companies. Provincial sales tax applies at rates varying from 5% to 9% in 2 of Canada's 13 provinces and territories.
Capital taxes and taxes on securities	Currently, insurers are subject to capital tax levied by the province of Nova Scotia up to 0.1%, which will expire on 1July 2012.
Captive insurance companies	Controlling domestic taxpayer taxable immediately on captive's income from insuring Canadian risks and, under specified circumstances, from insuring non-Canadian risks.
Value added tax (VAT)	Canada has federal Goods and Services Tax (GST) and federal Harmonised Sales Tax (HST) that is a tax on the consumer. Insurance policies are exempt from GST/HST. GST/HST paid on inputs relating to exempt insurance services is not recoverable.

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Canada: 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.	A company that carries on any life insurance business.
Commercial accounts/ tax and regulatory returns	**Accounting**	**Taxation**
Basis for the company's commercial accounts	GAAP as set by CICA who have adopted IFRS effective 1 Jan. 2011 for all PAEs.	Based on commercial accounts.
Regulatory return	A separate return as issued by the OSFI (federal companies) and provincial insurance commissions (provincial companies).	N/A.
Tax return	N/A.	A separate return is required annually for each taxpayer; some provinces require their own returns.
General approach to calculation of income	**Accounting**	**Taxation**
Allocation of income between shareholders and policyholders	Separate accounting for policyholder and shareholder profits.	Only significant for specific calculations involving participating policyholders.
Calculation of investment return	**Accounting**	**Taxation**
Calculation of investment income and capital gains	Dividends and interest are taken to P&L. Realised gains and losses are included in P&L. Unrealised gains/ losses recognised in P&L or other comprehensive income (equity section), depending on classification of asset.	For Canadian multinational life insurers or non-resident life insurers carrying on business in Canada, investment income and gains and losses are determined by using complex rules.
Calculation of investment income and capital gains	**Accounting**	**Taxation**
Actuarial reserves	Canadian Asset Liability Method in accordance with the CIA standards is required. Actual liability equals the book value of the assets required to meet all future liability cash flow. IFRS 4 requires all insurance companies to continue to apply the CIA standards until the IASB can finalize the valuation standard for insurance contracts. A final standard is expected in 2012 with an effective date of 2015 or beyond.	The tax reserves for ordinary life insurance policies will be the lesser of the statutory liability and the "policy liability" as defined for tax (i.e. the liability calculated in accordance with accepted actuarial practice, but excluding projected income and capital taxes).
Acquisition expenses	Expensed immediately.	Generally deductible immediately.
Gains and losses on investments	Refer to calculation of investment income and capital gains above.	Gains or losses on debt securities could be included in income when realised on an amortised basis or marked-to-market on an unrealised basis depending on the accounting classification. Portfolio shareholdings are fully included and marked-to-market on an annual basis. Generally, one-half inclusion on real estate.
Reserves against market losses on investments	Loss in value that is other than temporary (on investment-by-investment basis) recognised in P&L.	Generally, for debt securities 90% of accounting reserve is deductible for tax
Participating policyholder dividends	Included as an expense in P&L.	Policy dividends accrued to the end of the year. Deductible to extent of income from participating businesses with a cumulative calculation.
Policyholder bonuses	N/A.	N/A.

Canada: Life insurance – overview (continued)

Calculation of investment income and capital gains	Accounting	Taxation
Other special deductions	None.	Policy loans deductible when made and included in income when repaid.
Reinsurance	**Accounting**	**Taxation**
Reinsurance premiums and claims	Balance sheet reinsurance balances and premiums ceded are presented on a gross basis. Claims recoveries and claims expenses (on an earned basis) and also recorded gross in P&L account.	Tax-deductible or includable respectively, whether licensed or unlicensed.
Mutual companies/ stock companies	**Accounting**	**Taxation**
Mutual Companies	No special treatment.	No special rules, taxed on same basis as stock company.

Canada: Life insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	• Non-capital losses: Generally 3 years back and 7 years forward for losses prior to taxation years ended before 23 March 2004. The carry-forward period is extended to 10 years for losses arising in taxation years ending after 22 March 2004 and is further extended to 20 years for those arising after 2005. Carry-forward can be effectively extended indefinitely by discretionary actuarial and IBNR reserves. • Capital losses: Generally 3 years back and forward unlimited.
Foreign branch income	Income from foreign insurance business specifically excluded.
Domestic branch income	Investment income is determined using complex rules subject to minimum revenue requirement. Branch tax ranging from 5% to 25% upon cessation or election, depending on existence of tax treaty.
Corporate tax rate	Starting in Jan. 2011, combined federal and provincial rate ranges from approximately 26.5% to 32.5% (with several federal and provincial rate reductions occurring between 2011 and 2014). Canadian-controlled private corporations have lower rate on the first USD 500,000 of income. Minimum tax of 2.7% applies on accounting income, attributable to the province of Ontario (4% prior to 1 July 2010).
Policyholder taxation	**Taxation**
Deductibility of premiums	None (except for policies that are registered retirement savings plans or required as collateral for loan if interest thereon is deductible).
Interest build-up	Generally not taxable, except for policies that are essentially a savings vehicle in which case taxed annually. In addition, a “proxy” tax of 15% of the investment income accumulating in certain policy reserves of the life company must be paid by the life insurer.
Proceeds during lifetime	Excess of proceeds (including policy dividend and loans) over cost basis is taxable.
Proceeds on death	Generally tax-free except where the policy is essentially a savings vehicle.
Other tax features	**Taxation**
Premium taxes	Provincial premium taxes of 2% to 4%. Federal excise tax of 10% on certain insurance placed directly with unlicensed insurers.
Capital taxes and taxes on securities	There is a separate federal capital tax imposed on life insurers of 1.25% of taxable capital in excess of USD 1 billion. The provinces of Ontario and Quebec have a similar capital tax on capital employed in Ontario and Quebec, ranging from 0.3125% to 1.25%, depending on taxable capital. Insurers are also subject to the province of Nova Scotia capital tax of up to 0.1%, which will expire on 1 July 2012.
Captive insurance companies	Controlling domestic taxpayer taxable immediately on captive’s income from insuring Canadian risks and, under specified circumstances, from insuring non-Canadian risks.
Value added tax (VAT)	Canada has federal GST and federal HST that is a tax on the consumer. Insurance policies are exempt from GST/HST. GST/HST paid on inputs relating to exempt insurance services is not recoverable.

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Chile

General insurance – overview

Definition	Accounting	Taxation
Definition of property and casualty insurance company	General insurance company is approved by Superintendencia de Valores y Seguros (SVS - government agency) and cannot be mixed with life insurance.	There is no definition in the tax legislation. Decree with Law Force No. 251 established this conceptual difference.
Commercial accounts/ tax and regulatory returns	**Accounting**	**Taxation**
Basis for the company's commercial accounts	Generally Accepted Accounting Principles (GAAP) in Chile and regulatory rules issued by the SVS.	All tax principles are applicable.
Regulatory return	A separate quarterly return as required by the SVS.	N/A.
Tax return	N/A.	Annual tax return must be file in April through form. No. 22. There are also other tax reporting obligations.
Technical reserves/ equalisation reserves	**Accounting**	**Taxation**
Unearned premiums reserve (UPR)	Calculated on 80% of the net unearned premium and the 1/24th method is used.	Allowed as per accounts.
Unpaid claims reported	Calculated on case by case basis.	Accounts provision is allowed.
Claims incurred but not reported (IBNR)	Calculated based on experience or statistical method.	Allowed as a deduction.
Unexpired risks	Calculated on statistical basis.	Tax deductible.
General contingency/ solvency reserves	N/A.	Not allowed.
Equalisation reserves	Calculated in accordance with SVS rules.	Allowed as deduction.
Expenses/ refunds	**Accounting**	**Taxation**
Acquisition expenses	Charged in the year they are incurred.	Allowed when incurred.
Loss adjustment expenses on unsettled claims (claims handling expenses)	Accrued on the basis of adjuster's report.	Allowed as a deduction.
Experience-rated refunds	Credited when earned.	Subject to taxation when accounted in the profit and loss (P&L) account.
Investments	**Accounting**	**Taxation**
Gains and losses on investments	Fluctuations in value are included in P&L account, except for fixed interest securities, where adjustments are taken to equity.	Realised gains/ losses are included in the taxable income. Chilean source dividends are exempt. Investments in mutual funds and investment funds are generally taxed upon redemption. There are different valuation methods for securities and investments in other companies.

Chile: General insurance – overview (continued)

Investments	Accounting	Taxation
Investment reserves	Stock valued at market value. Other investments valued at lower of cost or market value.	Not allowed. Investments are recognised at historical basis adjusted for inflation.
Investments	**Accounting**	**Taxation**
Investment income	Included in P&L, except as described above.	Included in taxable income. Chilean source dividends are exempt.
Reinsurance	**Accounting**	**Taxation**
Reinsurance premiums and claims	Premiums paid/ payable are deducted from gross premiums.	Follows accounting treatment.
Mutual companies	**Accounting**	**Taxation**
Mutual companies (all profits returned to members)	N/A.	N/A.

Chile: General insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	Indefinite carry - forwards and carry – back offset against ordinary taxable income.
Foreign branch income	Income taxed in accordance with Chilean ordinary rules. The tax credit for foreign tax paid is applied up to 30% for both non-treaty and treaty countries. Exemption is applied under DTC with Argentina. Under Chilean legislation a Chilean insurance company cannot have a foreign branch.
Domestic branch income	Calculated under ordinary rules.
Corporate tax rate	20%. This corporate tax is a credit against the final taxes, whether Global Complementary tax or Additional tax. The 20% rate will be reduced in year 2012 to 18,5% and in year 2013 to a rate of 17%.
Other tax features	**Taxation**
Premium taxes	19% VAT on premiums. Exemption for import and export transport, earthquake, reinsurance and airline companies.
Capital taxes and taxes on securities	N/A.
Captive insurance companies	Chile is not a low – tax jurisdiction for captive insurance companies.
Value added tax (VAT)	19%.

Chile: Life insurance – overview

Definition	Accounting	Taxation
Definition of life insurance companies	A life insurance company is approved by the SVS and cannot be mixed with general insurance.	Not defined by tax legislation.
Commercial accounts/ tax and regulatory returns	**Accounting**	**Taxation**
Basis for the company's commercial accounts	GAAP In Chile and regulatory rules issued by SVS.	Tax principles are applicable.
Regulatory return	A separate quarterly return as required by SVS.	N/A.
Tax return	N/A.	Annual tax return must be filed in April. There are also annual tax reporting obligations.
General approach to calculation of income	**Accounting**	**Taxation**
Allocation of income between shareholders and policyholders	Yes.	N/A.
Calculation of investment return	**Accounting**	**Taxation**
Calculation of investment income and capital gains	Realised gains/ losses on investments plus dividends and interest are taken into P&L.	Realised gains/ losses on investments are included in taxable income. Chilean source dividends are exempt. Investments in mutual funds and investments funds are generally taxed upon redemption. Different valuation methods exist for securities and investments in other companies.
Calculation of investment income and capital gains	**Accounting**	**Taxation**
Actuarial reserves	Calculated in accordance with regulatory norms.	Allowed as deduction.
Acquisition expenses	Expensed immediately.	Allowed as deduction.
Gains and losses on investments	Realised gains/ losses included in P&L.	Taxed when realised. Chilean source dividends are exempt. Investments in mutual funds and investments funds are generally taxed upon redemption.
Reserves against market losses on investments	P&L accounts.	Not allowed.
Dividend income	Included as income.	Exempt if paid by a resident company.
Policyholder bonuses	N/A.	N/A.
Other special deductions	N/A.	N/A.
Reinsurance	**Accounting**	**Taxation**
Reinsurance premiums and claims	Deducted from gross premiums when paid.	Follows tax principles. Reinsurance with foreign company is generally subject to 2% withholding tax.
Mutual companies/ stock companies	**Accounting**	**Taxation**
Mutual Companies	N/A.	N/A.

Chile: Life insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	Indefinite carry-forward against any taxable income.
Foreign branch income	Income taxed in accordance with Chilean ordinary rules. The tax credit for foreign tax paid is applied up to 30% for both non-treaty and treaty countries. Exemption is applied under DTC with Argentina. Under Chilean legislation a Chilean insurance company cannot have a foreign branch.
Domestic branch income	Calculated under ordinary rules.
Corporate tax rate	20%. Corporate income tax (FCT) is credit against final taxes (Global Complementary or Additional tax)
Policyholder taxation	**Taxation**
Deductibility of premiums	Not deductible. In certain cases a penalty tax of 35% is imposed.
Interest build-up	Not taxed if certain conditions are met.
Proceeds during lifetime	Not taxed if certain conditions are met.
Proceeds on death	Not taxed if certain conditions are met.
Other tax features	**Taxation**
Premium taxes	There are no specific taxes on insurance premiums.
Capital taxes and taxes on securities	N/A.
Captive insurance companies	N/A.
Value added tax (VAT)	19%.

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Peru

General insurance – overview

Definition	Accounting	Taxation
Definition of property and casualty insurance company	A company to which insurance legislation applies. According to the glossary annexed to the General Law of the Financial and Insurance System, an insurance company is defined as a business whose purpose is to enter into contracts by means of which it compromises to (within certain limits and in exchange for a premium) indemnify a given damage or to provide capital, income or other agreed actions in case of the occurrence of a predetermined future and uncertain event.	Not defined by tax legislation.
Commercial accounts/ tax and regulatory returns	**Accounting**	**Taxation**
Basis for the company's commercial accounts	The financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP), applicable to insurance companies in Peru, which mainly comprise standards and accounting practices issued and/ or allowed by the Peruvian Banking, Insurance and Pension Fund regulator (SBS) and when applicable, the International Financial Reporting Standards (IFRS) made official through resolutions issued by the "Consejo Normativo de Contabilidad" (Peruvian standard setter).	Taxation based on statutory accounts.
Regulatory return	A separate return (statutory financial statements) must be issued each year until 28 Feb.	N/A.
Tax return	N/A.	A separate return is required by the tax authority (monthly and annually).
Technical reserves/ equalisation reserves	**Accounting**	**Taxation**
Unearned premiums reserve (UPR)	The reserve for unearned premiums is determined as established by the regulator, by which this reserve is calculated on an individual basis for each policy or coverage certificate, applying to the insurance premiums (direct insurance and reinsurance accepted premiums less ceded premiums), net of commissions and taxes, the unexpired unearned portion of the total risk (in number of days).	Mandatory technical reserves are allowed as deduction.
Unpaid claims reported	Calculated based either on the estimated claim plus expenses or on the average cost per similar claims, multiplied by the number of occurrences, net of the related reinsurance of the ceded premiums.	Mandatory reserves are allowed as deduction.
Claims incurred but not reported (IBNR)	This reserve is calculated on the basis of the amount of claims withheld for annual and monthly insurance policies by applying the percentages established by the regulatory authority for each risk and over the term established for making such a provision.	Mandatory reserves are allowed as deduction.

Technical reserves/ equalisation reserves	Accounting	Taxation
Unexpired risks	Not separately provided. The provision is covered by the unearned premium reserve.	Mandatory reserves are allowed as deduction.
General contingency/ solvency reserves	The solvency reserve is the higher amount resulting from applying certain percentages to the production of the last 12 months or to the claim expenses, net of recoveries of the last 36 to 48 months (for general risk and other risks, respectively), eliminating the information related to the highest and the lowest 6 month claim occurrence.	Not deductible.
Equalisation/ catastrophe reserves	The catastrophe reserve is constituted according to a formula established by the regulatory authority. There are no provisions to allow equalisation reserves.	Mandatory reserves are allowed as deduction.
Expenses/ refunds	**Accounting**	**Taxation**
Acquisition expenses	There is an account to differ the acquisition expenses (or deferred acquisitions costs (DAC)) applicable to a portfolio transfer or additional commissions to those normally recognised in the case of long-term contracts. In practice, they are charged to the statement of income and offset with a lower adjustment of the provisions for future benefits of policies.	Follows accounting treatment.
Loss adjustment expenses on unsettled claims (claims handling expenses)	Provided by reference to previous experience.	Allowed when amount is determined.
Experience-rated refunds	Credited when earned.	Taxed when taken to profit and loss (P&L) account.
Investments	**Accounting**	**Taxation**
Gains and losses on investments	The difference between the income received for the sale of the investments in securities and its corresponding carrying amount in book, is recognised in the statement of income. Fluctuations in value of trading investments are recognised in the income. Unrealised gains/ losses arising from changes in the fair value of financial assets classified as available-for-sale (AFS) are recognised in equity.	Realised gains/ losses are included in taxable income. In the case of interest and capital gains arising from bonds issued before 10 March 2007 – that were exempted from the income tax until that date – no income tax will arise. Likewise, interest and capital gains from bonds issued by the government will not be levied with income tax.
Investment reserves	Since 1 Feb. 2009 investments are valued as follows: • Trading investments and AFS investments are valued at market value. • Held-to-maturity (HTM) investments are measured at amortised cost using the effective interest method. • Impairment loss should be recognised in the statement of income.	Unrealised gains/ losses are not subject to tax.

Peru: General insurance – overview (continued)

Investments	Accounting	Taxation
Investment income	Financial income is recognised as they are accrued in the statement of income.	Dividends from local corporations are excluded from taxable income. Interest and capital generated by certain government debts will not be taxable. In the case of interest and capital gains arising from bonds issued before 10 March 2007 – that were exempted until that date – no income tax will arise. Income and profit obtained from the assets that support the technical reserves of the life insurance institutions incorporated or established in the country, when such reserves are related to retirement, disability and death benefit payment of lifetime pension instructed by the Private Pension System, legally constituted are not subject to the tax. In addition, the income and profit generated from assets that support the technical reserves legally constituted of lifetime pensions different from such mentioned above, and the technical reserves of other products offered by life insurance institutions incorporated or established in the country, even if such products have a saving or investment nature, are also not subject to the tax. Such exemption will remain while such income and profits support the social security contributions mentioned above. This exemption is subject to the fact that the composition of assets, that support the technical reserves of the products whose income and profits are not subject to the tax as per the provision of this rule, has to be reported to the Bank, Insurance and Pension Fund Superintendency on a monthly basis. Within the term established by such institution, such information should be discriminated and have a similar level of detail than the one requested by the Pension Fund Institutions regarding the investment made with the social security funds managed by such institution.
Reinsurance	**Accounting**	**Taxation**
Reinsurance premiums and claims	The expenses for reinsurance and commissions and other income and expenses relating to the issue of insurance policies are recognised at the same time as income from premiums. The income and expenses from reinsurance and reinsurance transactions are recognised when the events (commissions and claims) occur and not during the effective period of insurance. Debit balances with no movement are provisioned by using the percentages established by SBS.	Follows accounting treatment.
Mutual companies	**Accounting**	**Taxation**
Mutual companies (all profits returned to members)	No special treatment.	Specific tax regulations apply to mutual funds. All income is attributed to the members.

Peru: General insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	The taxpayer can choose between the following two methods: 1. 4 year carry-forward starting the year in which the loss is generated; 2. until totally offset, limited to 50% of the net income of the following years.
Foreign branch income	Foreign branch income of resident companies consolidates with parent company's income. Foreign tax credit is available.
Domestic branch income	Domestic branch income of resident companies consolidates with parent company's income.
Corporate tax rate	Tax rate is 30% plus additional 4.1% on dividends and profit distribution to non-domiciled entities and individuals.
Other tax features	**Taxation**
Premium taxes	Premiums are subject to Value added tax (VAT) at 18%.
Capital taxes and taxes on securities	N/A.
Captive insurance companies	Not specifically regulated.
Value added tax (VAT)	Premiums are subject to VAT at 18%.

Peru: Life insurance – overview

Definition	Accounting	Taxation
Definition of life insurance companies	A company subject to the legislation applicable to the insurance activities. According to the glossary annexed to the General Law for the Financial and Insurance System, life insurance companies are defined as those whose main coverage is, any risks that may affect the existence of the insured individuals. These companies are allowed to additionally offer benefits based on the individual's health or for accident events, provided said benefits are included in the life insurance policy, as well as those insurance contracts based on retirement plans.	Not defined by tax legislation.
Commercial accounts/ tax and regulatory returns	**Accounting**	**Taxation**
Basis for the company's commercial accounts	The financial statements are prepared in accordance with GAAP, applicable to insurance companies in Peru, which mainly comprise standards and accounting practices issued and/ or allowed by the SBS and when applicable, the IFRS made official through resolutions issued by the "Consejo Normativo de Contabilidad" (Peruvian standard setter).	Taxation based on statutory accounts.
Regulatory return	A separate return (statutory financial statements) must be issued each year until Feb. 28.	N/A.
Tax return	N/A.	A separate return as required by the tax authority (monthly and annually).
General approach to calculation of income	**Accounting**	**Taxation**
Allocation of income between shareholders and policyholders	Accounted separately. Splitting is based on actuarial calculation.	Not specifically regulated.
Calculation of investment return	**Accounting**	**Taxation**
Calculation of investment income and capital gains	Financial income is recognised as they are accrued in the statement of income.	Realised gains/ losses are included in taxable income.
Calculation of investment income and capital gains	**Accounting**	**Taxation**
Actuarial reserves	Based on actuarial calculations using death rate tables and annual technical interest rate authorised by the regulatory authority.	Mandatory reserves are allowed as deduction.
Acquisition expenses	There is an account to differ the acquisition expenses (or DAC) applicable to a portfolio transfer or additional commissions to those normally recognised in the case of long-term contracts. In practice, they are charged to the statement of income and offset with a lower adjustment of the provisions for future benefits of policies.	Follows accounting treatment.

Peru: Life insurance – overview (continued)

Calculation of investment income and capital gains	Accounting	Taxation
Gains and losses on investments	The difference between the income received for the sale of the investments in securities and its related carrying amount is recognised in the statement of income. Fluctuations in value of trading investments are recognised in the income of income. Unrealised gains/ losses arising from changes in the fair value of financial assets classified as available-for-sale are recognised in equity.	Dividends from local corporations are excluded from taxable income. Interest and capital generated by certain government debts will not be taxable. In the case of interest and capital gains arising from bonds issued before 10 March 2007 – that were exempted until that date – no income tax will arise. Income and profit obtained from the assets that support the technical reserves of the life insurance institutions incorporated or established in the country, when such reserves are related to retirement, disability and death benefit payment of lifetime pension instructed by the Private Pension System, legally constituted are not subject to the tax. In addition, the income and profit generated from assets that support the technical reserves legally constituted of lifetime pensions different from such mentioned above, and the technical reserves of other products offered by life insurance institutions incorporated or established in the country, even if such products have a saving or investment nature, are also not subject to the tax. Such exemption will remain while such income and profits support the social security contributions mentioned above. This exemption is subject to the fact that the composition of assets, that support the technical reserves of the products whose income and profits are not subject to the tax as per the provision of this rule, has to be reported to the Bank, Insurance and Pension Fund Superintendency on a monthly basis. Within the term established by such institution, such information should be discriminated and have a similar level of detail than the one requested by the Pension Fund Institutions regarding the investment made with the social security funds managed by such institution.
Reserves against market losses on investments	Since 1 Feb. 2009, the investments are valued as follows: • Trading investments and AFS investments are valued at market value. • HTM investments are measured at amortised cost using the effective interest method. Impairment loss should be recognised in statement of income.	Not deductible.
Dividend income	Included in the statement of income when declared.	Dividends from local corporations are excluded from taxable income.
Policyholder bonuses	No rules provided.	Not specifically regulated.
Other special deductions	None.	None.

Peru: Life insurance – overview (continued)

Reinsurance	Accounting	Taxation
Reinsurance premiums and claims	The expenses for reinsurance and commissions and other income and expenses relating to the issue of insurance policies are recognised simultaneously as income from premiums. The income and expenses from reinsurance and reinsurance transactions are recognised when the events (commissions and claims) occur and not during the effective period of insurance. Debit balances with no movement are provisioned by using the percentages established by the SBS.	Follows accounting treatment.
Mutual companies/ stock companies	**Accounting**	**Taxation**
Mutual Companies	No special treatment.	Specific tax regulations apply to mutual funds. All income is attributed to the investors.

Peru: Life insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	The taxpayer can choose between the following two methods: 1. 4 year carry-forward starting the year in which the loss is generated; 2. until totally offset, limited to 50% of the net income of the following years.
Foreign branch income	Foreign branch income of resident companies consolidates with parent company's income. Foreign tax credit available.
Domestic branch income	Domestic branch income of resident companies consolidates with parent company's income.
Corporate tax rate	Tax rate is 30% plus additional 4.1% on dividends and profit distribution.
Policyholder taxation	**Taxation**
Deductibility of premiums	Not allowed.
Interest build-up	Not taxable.
Proceeds during lifetime	Compensations due to disability produced by accidents or illness are not taxable.
Proceeds on death	Not taxable.
Other tax features	**Taxation**
Premium taxes	N/A.
Capital taxes and taxes on securities	N/A.
Captive insurance companies	Not specifically regulated.
Value added tax (VAT)	Life insurance premiums issued to individuals and premiums transferred from pension plan administrators to reinsurance companies are VAT-exempt.

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United States

General insurance – overview

Definition	Accounting	Taxation
Definition of property and casualty insurance company	A company to which insurance legislation applies. Property and casualty insurance companies write coverage for an insured whose property is damaged or destroyed by an insured peril, or whose negligent acts or omissions damage or destroy another party's property or cause bodily injury to another party.	More than half of the company's business is issuing insurance or annuity contracts or reinsuring risks underwritten by insurance companies.
Commercial accounts/ tax and regulatory returns	**Accounting**	**Taxation**
Basis for the company's commercial accounts	For statutory reporting, accounting practices prescribed or permitted by the company's state of domicile. In addition, companies may be required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). The following accounting descriptions are broadly consistent between statutory-basis accounting and GAAP, unless otherwise noted.	Based on statutory accounts.
Regulatory return	Annual and quarterly separate returns as prescribed by the National Association of Insurance Commissioners.	N/A.
Tax return	N/A.	Annual – due 2½ months after tax year-end. Automatic 6 months extension available upon request.
Technical reserves/ equalisation reserves	**Accounting**	**Taxation**
Unearned premiums reserve (UPR)	A Liability is established for the portion of the premium that has been paid in advance for insurance that has not yet been provided. Generally calculated by time apportionment.	Generally 80% of increase deductible.
Unpaid claims reported	Calculated on a case-by-case basis at the expected ultimate cost of settling the claim and considering recoveries attributable to salvage and subrogation. Reserves may only be discounted where payments are considered fixed and determinable, for example, certain workers' compensation liabilities.	Present value (i.e. discounting required) based on company or industry experience, subject to reasonableness test. Losses incurred must be reduced by estimated salvage and subrogation recoverable.
Claims incurred but not reported (IBNR)	Insured losses that have occurred but have not been reported to a primary insurance company. Calculated based on past experience using accepted actuarial methods.	Present value (i.e. discounting required) based on company or industry experience, subject to reasonableness test. Losses incurred must be reduced by estimated salvage and subrogation recoverable.
Unexpired risks	A premium deficiency is recognised, on an undiscounted basis, if expected claim costs, loss adjustment expenses (LAE), unamortised acquisition costs and maintenance costs exceed premiums. Investment income may be considered in evaluating premium deficiencies.	N/A.

United States: General insurance – overview (continued)

Technical reserves/ equalisation reserves	Accounting	Taxation
General contingency/ solvency reserves	Not allowed.	Not allowed.
Equalisation reserves	Not allowed.	Not allowed.
Expenses/ refunds	**Accounting**	**Taxation**
Acquisition expenses	The following new GAAP requirements will be effective 1 Jan. 2012: Internal and external expenses are deferred if they are directly related and incremental to contract acquisition. In addition, a portion of total employee compensation may be deferred along with any other direct costs that would not have been incurred absent the sale. All other acquisition costs are charged immediately to expense. Capitalised acquisition costs are charged to expense in relation to the premium revenue recognised. Deferred acquisition cost assets are not permitted on a statutory accounting basis.	Generally tax deductible immediately.
Loss adjustment expenses on unsettled claims (claims handling expenses)	A liability for costs expected to be incurred in connection with the settlement of unpaid claims (LAE) shall also be accrued.	Present value (i.e. discounting required) allowable based on company or industry experience, subject to reasonableness.
Experience-rated refunds	Return of 1% of premiums paid by an insured if its loss record is better than the amount considered in the premium. A separate liability shall be accrued, based on experience and provisions of the contract.	Tax deductible.
Investments	**Accounting**	**Taxation**
Gains and losses on investments	Unrealised gains and losses on available-for-sale securities are recorded as separate component of equity unless the decline is considered to be other than temporary and the decline unrelated to interest rate movements. If management determines that amortised cost will not be recovered due to either credit-related reasons, or because the company intends to sell the security, such losses are realised in earnings.	Realised gains and losses are included in income. Realised net capital gains included in income. Mark-to-market rules apply to dealers in securities; however, generally not applicable to insurers.
Investment reserves	Not allowed.	Not allowed.
Investment income	Included in income.	Included in income. 80% to 100% owned subsidiary dividends are eligible for 100% deduction. At least 20%, but less than 80%, owned corporation dividends eligible for 80% deduction. Less than 20% owned corporation dividends eligible for 70% deduction. However, deduction for losses incurred must be reduced by 15% tax-exempt interest and 15% of the dividends received deduction for bonds and stock acquired after 7 Aug. 1986.
Reinsurance	**Accounting**	**Taxation**
Reinsurance premiums and claims	Unearned premium reserves and loss reserves are recorded gross of reinsurance and assets for pre-paid reinsurance premiums and reinsurance reco-verable are established.	Tax deductible. However, the Internal Revenue Service (IRS) has authority under certain circumstances to allocate revenue, deductions, credits, etc. between parties to eliminate significant tax avoidance effect.
Mutual companies	**Accounting**	**Taxation**
Mutual companies (all profits returned to members)	Mutual companies have generally prepared financial statements in accordance with statutory practices and these statements have been considered GAAP for mutual companies.	Generally the same as stock companies.

United States: General insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	Ordinary losses can be carried back 2 years and carried forward 20 years. Capital losses can be carried back 3 years and carried forward 5 years.
Foreign branch income	Foreign income is included; foreign tax credit permitted with certain limitations.
Domestic branch income	Calculated under ordinary rules. However, minimum effectively connected net investment income is included and calculated as the product of the company's required US assets and the domestic investment yield. Branch profits tax is imposed at the rate of 30% on deemed repatriated earnings of US branches of foreign corporations (unless reduced by a treaty).
Corporate tax rate	Federal rate is 35%. Lower rates apply on the first USD 75,000 of income. Lower rates are phased out on income of $100,000 to $335,000. A 34% rate applies to taxable income from USD 335,000 to USD 10 million. The 34% rate is phased out on taxable income from USD 10 million to USD 18,333,333.
Other tax features	**Taxation**
Premium taxes	State premium taxes are imposed at rates ranging from 1% to 4%, varying from state to state.
Capital taxes and taxes on securities	Imposed by a few states.
Captive insurance companies	Continuing controversy over boundaries between true insurance and self insurance. Some success in claiming insurance tax treatment in brother/ sister scenarios with no unrelated party risk, or parent subsidiary arrangements with unrelated party risk.
Value added tax (VAT)	N/A.

United States: Life insurance – overview

Definition	**Accounting**	**Taxation**
Definition of life insurance companies	A company to which insurance legislation applies.	More than half of the company's business is issuing insurance or annuity contracts or reinsuring risks underwritten by insurance companies and more than 50% of reserves are for life and non-cancellable or guaranteed renewable accident and health contracts.
Commercial accounts/ tax and regulatory returns	**Accounting**	**Taxation**
Basis for the company's commercial accounts	For statutory reporting, accounting practices prescribed or permitted by the company's state of domicile. In addition, companies may be required to prepare financial statements in accordance with GAAP. The following accounting descriptions are broadly consistent between statutory-basis accounting and GAAP, unless otherwise noted.	Based on statutory accounts.
Regulatory return	Annual and quarterly separate returns as prescribed by the National Association of Insurance Commissioners.	N/A.
Tax return	N/A.	Annual – due 2½ months after tax year end. Automatic 6 months extension available upon request.
General approach to calculation of income	**Accounting**	**Taxation**
Allocation of income between shareholders and policyholders	Generally, policyholder dividends should be accrued using an estimate of the amount to be paid.	To be based on overall income with no distinction between investment/ underwriting income. Paid or accrued policyholder dividends are deductible.
Calculation of investment return	**Accounting**	**Taxation**
Calculation of investment income and capital gains	Realised gains and losses as well as investment income are included in income.	The company's share of net investment income is computed for purposes of determining availability of tax-exempt interest exclusion and dividend-received deduction. Realised net capital gains are included in gross income.
Calculation of investment income and capital gains	**Accounting**	**Taxation**
Actuarial reserves	A liability for the present value of future policy benefits to be paid and related expenses less the present value of future net premiums is estimated using methods including assumptions for expected investment yields, mortality and terminations applicable at the time the insurance contracts are issued. Assumptions shall include a provision for the risk of adverse deviation. Certain contract features, such as guaranteed benefits, may meet the definition of embedded derivatives and require separate measurement at fair value. Statutory actuarial reserves are generally established using prescribed mortality, morbidity and interest assumptions.	Generally deductible, equal to the greater of the net surrender value or the reserve computed under the Internal Revenue Code prescribed standards on a policy-by-policy basis, limited to reserves reported in the annual statement.
Unexpired risks	A premium deficiency is recognised if experience with respect to investment yields, mortality, morbidity, terminations and expenses indicates that existing contract liabilities plus the present value of future gross premiums are insufficient to rover the present value of future benefits and unamortised acquisition costs.	

United States: Life insurance – overview (continued)

Calculation of investment income and capital gains	Accounting	Taxation
Acquisition expenses	The following new GAAP requirements will be effective January 1, 2012: Internal and external expenses are deferred if they are directly related and incremental to contract acquisition. In addition, a portion of total employee compensation maybe deferred along with any other direct costs that would not have been incurred absent the sale. All other acquisition costs are charged immediately to expense. Capitalised acquisition costs are charged to expense in relation to the premium revenue recognised. Deferred acquisition costs asset are not permitted on a statutory accounting basis.	Companies are required to capitalise and amortise their policy acquisition expenses (commonly referred to as deferred acquisition costs (DAC)) on a proxy basis. DAC is determined by applying a statutory percentage (capitalisation rate) to the premium derived from specified insurance contracts. Generally, a 10-year amortisation is provided. The rates are 1.75% for annuity contracts, 2.05% for group life insurance contracts and 7.7% for all other specified insurance contracts.
Calculation of investment income and capital gains	**Accounting**	**Taxation**
Gains and losses on investments	Unrealised gains and losses on available-for-sale securities are recorded as a separate component of equity unless the decline is considered to be other than temporary and the decline unrelated to interest rate movements. If management determines that amortised cost will not be recovered due to either credit-related reasons, or because the Company intends to sell the security, such losses are realised in earnings.	Realised net capital gains are included in gross income.
Reserves against market losses on investments	Statutory-only reserves are established that are intended to offset potential credit-related investment losses and to defer recognition of capital gains and losses attributable to changes in general investment rates.	None.
Dividend income	Included in investment income.	80% to 100% owned subsidiary dividends are fully deductible. At least 20%, but less than 80%, owned corporation dividends are eligible for 80% deduction. Less than 20% owned corporation dividends are eligible for 70% deduction.
Policyholder bonuses	Generally not applicable.	Generally not applicable.
Other special deductions	None.	Companies with assets below USD 500 million are eligible for a 60% small life insurance company deduction. This deduction is phased out as income increases from USD 3 million to USD 15 million.
Reinsurance	**Accounting**	**Taxation**
Reinsurance premiums and claims	Unearned premium reserves and loss reserves are recorded gross of reinsurance and assets for prepaid reinsurance premiums and reinsurance recoverable are established.	Tax deductible. However, the IRS has authority under certain circumstances to allocate revenue, deductions, credits, etc. between parties to eliminate significant tax avoidance effect.
Mutual companies/ stock companies	**Accounting**	**Taxation**
Mutual Companies	Mutual companies have generally prepared financial statements in accordance with statutory practices and these statements have been considered GAAP for mutual companies.	There are no additional rules.

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United States: Life insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	Ordinary losses can be carried back 3 years and carried forward 15 years. Capital losses can be carried back 3 years and carried forward 5 years.
Foreign branch income	Foreign income is generally included, foreign tax credit permitted with certain limitations.
Domestic branch income	Calculated under ordinary rules. However, minimum effectively connected net investment income is included and calculated as the product of the company's required US assets and the domestic investment yield. Branch profits tax is imposed at the rate of 30% on deemed repatriated earnings of US branches of foreign corporations.
Corporate tax rate	Top federal rate is 35%. Lower rates apply on the first USD 75,000 of income. The lower rates are phased out on income of USD 100,000 to USD 335,000. A 34% rate applies to taxable income from USD 335,000 to USD 10 million. The 34% rate is phased out on taxable income from USD 10 million to USD 18,333,333.
Policyholder taxation	**Taxation**
Deductibility of premiums	Generally not deductible by policyholder.
Interest build-up	If a contract meets the definitional test of a life insurance policy, interest build-up is not taxed.
Proceeds during lifetime	Generally, life insurance and endowment contract proceeds are taxed only after full recovery of investment. Annuity payments are taxed either with gain and investment recovery allocated to each payment or on an income first and recovery of investment last basis. Modified endowment contracts are taxed under the annuity rules.
Proceeds on death	Tax-free to beneficiary provided that the contract meets statutory definition of life insurance at all times.
Other tax features	**Taxation**
Value added tax (VAT)	N/A.

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Uruguay

General insurance – overview

Definition	Accounting	Taxation
Definition of property and casualty insurance company	A company that carries on property and casualty insurance that is subject to insurance legislation.	Not defined by tax legislation.
Commercial accounts/ tax and regulatory returns	**Accounting**	**Taxation**
Basis for the company's commercial accounts	Accounting standards are set out by the regulatory authority (Superintendency of Insurance and Reinsurance).	Taxation based on statutory accounts adjusted by fiscal rules.
Regulatory return	A specific return as established by the standards issued by the Superintendency of Insurance and Reinsurance.	Not applicable.
Tax return	Not applicable.	Tax authorities require separate annual tax return for general income tax and net worth tax. For other taxes such as value added tax (VAT), premium tax, income tax on reinsurance paid and other taxes applicable to the insurance business, tax returns must be filed monthly.
Technical reserves/ equalisation reserves	**Accounting**	**Taxation**
Unearned premiums reserve (UPR)	Calculated by time apportionment.	Allowed as it adjusts non-accrued income.
Unpaid claims reported	Calculated on case-by-case basis.	Accounts provision allowed, although adjusted by "insufficient calculation reserve" from fiscal years after 1 Jan. 1999.
Claims incurred but not reported (IBNR)	Calculated by the company. There are no standards issued for this reserve. The "Insufficient Calculation Reserve" also has to be taken into account. This reserve is calculated depending on the sufficiency of the reserve in the previous year. With a margin of tolerance of 20%.	Accounts provision allowed, although adjusted by "Insufficient Calculation Reserve".
Unexpired risks	Not applicable.	Not applicable.
General contingency/ solvency reserves	Calculated taking into account a technical report specifying the objective, methodology, etc. Should be authorised by the Superintendency of Insurance and Reinsurance.	Not specifically regulated by tax legislation.
Equalisation reserves	Not applicable.	Not applicable.
Expenses/ refunds	**Accounting**	**Taxation**
Acquisition expenses	Fully charged in year accrued.	Follows accounting treatment. Expenses can be deducted only if they are duly documented and taxable for the counterpart. If the counterpart's tax rate is lower, pro-rating must be applied (except for personal services).

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Uruguay: General insurance – overview (continued)

Expenses/ refunds	Accounting	Taxation
Loss adjustment expenses on unsettled claims (claims handling expenses)	Included in the outstanding claims reserve (OCR).	Allowed in full.
Experience-rated refunds	Credited when accrued.	Follows accounting treatment.
Investments	**Accounting**	**Taxation**
Gains and losses on investments	Included in a P&L when accrued.	Follows accounting treatment.
Investment reserves	The company can decide to value the investment at cost. In this alternative, a reserve for impairment should be created (against patrimony).	Not applicable for tax purposes.
Investment income	Included in P&L.	Included in taxable income.
Reinsurance	**Accounting**	**Taxation**
Reinsurance premiums and claims	Reinsurance premiums accrued are deducted from gross premiums. Reinsurance claims recoveries are netted against claims incurred.	Follows accounting treatment. Premiums paid to group companies should be at arm's length. Reinsurance premiums are subject to general income tax withholding if the covered risk is located in Uruguay. The Non-Residents Income Tax (IRNR) stipulates this reinsurance premiums rates: 2.5% Marine/ 2% Fire/ 0.5% Automobiles and other business. Income tax, withholding tax and VAT withholding also apply to reinsurance premiums related to such risks.
Mutual companies	**Accounting**	**Taxation**
Mutual companies (All profits returned to members)	No special treatment.	No special treatment.

Uruguay: General insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	5 years carry forward (no carry back) for fiscal years beginning 1 July 2007.
Foreign branch income	Source of income principle applies. Foreign source income not taxable.
Domestic branch income	Calculated under ordinary rules based on branch accounts. Currently, the tax rate is 25%.
Corporate tax rate	Currently, the tax rate is 25%.
Dividend income	Dividends derived from capital participations are taxable at 7% rate when generated in fiscal years beginning 1 July 2007.
Other tax features	**Taxation**
Premium taxes	The income tax is levied monthly on gross premiums perceived that are Uruguayan-sourced. Rates are 5% for general business, 7% for fire and automobiles, and 0% for marine. Non-resident reinsurers pay an effective rate of 2% for Uruguayan – sourced covered risks except for Uruguayan source transport operations, which have an effective tax rate of 0%, fire with rate of 0.93% and automobiles with rate of 1.87%.
Capital taxes and taxes on securities	Net worth tax is levied annually on all assets located, placed, or economically used in Uruguay, less some specific liabilities. Insurance reserves can be deducted in full, according to Law Nr. 16.736 in force since 1996. Tax rate for corporations is 1.5%.
Captive insurance companies	All companies, resident or non-resident, are taxed on their Uruguayan source income.
Value added tax (VAT)	In general, premium rates for insurance and reinsurance companies covering risks in the country are taxed by VAT at the rate of 22%. However, current legislation provides for certain exceptions.
Social Security	The Law Nr. 18, 396 added complementary contribution of 1.4% of the monthly premium. In force beginning 1 Jan. 2009.

Uruguay: Life insurance – overview

Definition	Accounting	Taxation
Definition of life insurance companies	A company that carries out life insurance business subject to insurance legislation.	Not defined by tax legislation.
Commercial accounts/ tax and regulatory returns	**Accounting**	**Taxation**
Basis for the company's commercial accounts	Accounting standards are set out by the regulatory authority (Superintendency of Insurance and Reinsurance).	Taxation based on statutory accounts adjusted by fiscal rules.
Regulatory return	A specific return as established by the standards issued by the Superintendency of Insurance and Reinsurance.	N/A.
Tax return	N/A.	Tax authorities require separate annual tax return for general income tax and net worth tax. For other taxes such as VAT, premium tax, income tax on reinsurance and other taxes applicable to the insurance business. Tax returns must be filed monthly.
General approach to calculation of income	**Accounting**	**Taxation**
Allocation of income between shareholders and policyholders	Regulated by the terms established in the policy.	No tax rules on the matter.
Calculation of investment return	**Accounting**	**Taxation**
Calculation of investment income and capital gains	See "General Insurance".	See "Investments" section in General Insurance.
Calculation of investment income and capital gains	**Accounting**	**Taxation**
Actuarial reserves	Calculated on a statistical basis as established by specific standards approved by the Superintendency of Insurance and Reinsurance.	Allowed in full.
Acquisition expenses	Fully charged in year accrued.	Follows accounting treatment. Expenses can be deducted only if they are taxable for the counterpart. If the counterpart's tax rate is lower, pro-rating must be applied (except for personal services).
Gains and losses on investments	Included in a P&L when accrued.	Follows accounting treatment.
Reserves against market losses on investments	See "General Insurance" section "Investment reserves".	See "General Insurance" section "Investment reserves".
Dividend income	Included in gross income.	Dividends derived form capital participations are taxable at 7% when generated in fiscal years beginning 1 July 2007.
Policyholder bonuses	No special disclosure.	Tax-deductible.
Other special deductions	No special disclosure.	Deductibility depends on the kind of expenses. See general criteria in section "acquisition expenses".

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Uruguay: Life insurance – overview (continued)

Reinsurance	Accounting	Taxation
Reinsurance premiums and claims	Reinsurance premiums accrued are deducted from gross premiums. Reinsurance claims recoveries are netted against claims incurred.	Follows accounting treatment. Premiums paid to group companies should be at arm's length. Reinsurance premiums are subject to general income tax withholding if the covered risk is located in Uruguay. Non-residents income tax (IRNR) taxes reinsurance premiums: 0.75% life. Income tax, withholding tax, and VAT withholding also apply to reinsurance premiums related to such risks.
Mutual companies/ stock companies	**Accounting**	**Taxation**
Mutual Companies	No special treatment.	No special treatment.

Uruguay: Life insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	5 years carry forward (no carry back), for fiscal years beginning 1 July 2007.
Foreign branch income	Source of income principle applies. Foreign source income not taxable.
Domestic branch income	Calculated under ordinary rules based on branch accounts. Currently the tax rate is 25%.
Corporate tax rate	Currently the tax rate is 25%.
Policyholder taxation	**Taxation**
Deductibility of premiums	No deductibles on Personal income tax in Uruguay (IRPF).
Interest build-up	Taxable by Personal Income tax in Uruguay. Rate 12%.
Proceeds during lifetime	The interest included is taxable by Personal income tax in Uruguay. Rate 12%.
Proceeds on death	Not taxable by Personal Income tax in Uruguay.
Other tax features	**Taxation**
Premium taxes	Currently the tax rate is 0%.
Capital taxes and taxes on securities	Net worth tax is levied annually on all assets located, placed or economically used in Uruguay, less some specific liabilities. Insurance reserves can be deducted in full, according to Law Nr. 16, 736 in force since 1996. The tax rate for corporations is 1.5%.
Captive insurance companies	All companies, resident or non-resident, are taxed on their Uruguayan source income.
Value added tax (VAT)	VAT of 22% is exempted on policies covering risks of death, disablement, personal injury and age-related.

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