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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 15 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:

Australia	Japan	Philippines
Cambodia	Korea	Singapore
China	Malaysia	Taiwan
Hong Kong	New Zealand	Thailand
Indonesia	Papua New Guinea	Vietnam

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

Yoke Har Yip
East Cluster Financial Services Tax Insurance Leader

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Australia

General insurance – overview

Definition	Accounting	Taxation
Definition of property and casualty insurance company	An insurer that writes general insurance contracts as defined under AASB4.	Same definition as the Insurance Act 1973.
Commercial accounts/ tax and regulatory returns	**Accounting**	**Taxation**
Basis for the company's commercial accounts	Generally accepted accounting principles (Australian equivalent to International Financial Reporting Standards – 'AIFRS'). Corporations Act 2001.	N/A
Regulatory return	Annual audited return required under the Insurance Act and prepared in accordance with APRA Reporting Standards.	N/A
Prudential compliance	Review procedures to assess compliance with all applicable Prudential Requirements. Prudential Requirements include requirements imposed by the: • Insurance Act 1973; • Insurance Regulations 2002; • APRA Prudential Standards; • Financial Sector (Collection of Data) Act 2001; • APRA Reporting Standards; • APRA conditions on the Insurer's authorisation; • Directions issued by APRA pursuant to the Insurance Act 1973; and • Other requirements imposed by APRA in writing (if applicable).	N/A
Tax return	N/A.	Annual return as required by the tax authorities. Consolidated returns permitted by making irrevocable election.
Technical reserves/ equalisation reserves	**Accounting**	**Taxation**
Unearned premiums reserve (UPR)	In accordance with the pattern of the incidence of risk – usually calculated by time apportionment e.g. 365th method.	Pro rata of premiums per accounts net of acquisition costs.
Unpaid claims reported	Calculated on case-by-case basis. Discounted for future years' payments. Statistical estimates may be used.	Case-by-case basis or statistical estimate accepted. Discounting required.
Claims incurred but not reported (IBNR)	Calculated on experience and/or statistical method. Discounted for future year's payments.	Deductible based on statistical estimate. Discounting required.

Australia: General insurance – overview (continued)

Technical reserves/ equalisation reserves	Accounting	Taxation
Unexpired risks	Insurance Act return companies to account for premiums liability, including unexpired risk. IFRS reporting companies are required to assess unexpired risks and if applicable to establish an unexpired risk reserve after writing off deferred acquisition costs and related intangible assets.	Not allowed.
General contingency/ solvency reserves	For IFRS reporting, unexpired risk and claim provisions include prudential margin to allow for the risk that best estimates may not prove to be sufficient. The minimum probability of sufficiency for the purpose of calculating minimum capital requirement (MCR) for solvency/regulatory purposes is 75%.	General reserves in addition to the actuarial reserves not allowed. Prudential margins adopted in accounts usually claimed for tax purposes.
Equalisation reserves	Earnings management not permitted. Reserves may be established as an appropriation of funds.	Not allowed.
Expenses/ refunds	**Accounting**	**Taxation**
Acquisition expenses	Portion relating to unearned premium is deferred, to the extent that it is recoverable.	Deductible immediately, but see calculation of unearned premium reserve above.
Loss adjustment expenses on unsettled claims (claims handling expenses)	Included within claims provisions.	Direct claims expenses allowed as part of claims provision. Indirect (i.e. internal) claims handling expenses only allowed as incurred.
Experience-rated refunds	Can be taken into account in ascertaining accounting result.	Taxed when taken to P&L account.
Investments	**Accounting**	**Taxation**
Gains and losses on investments	Taken to P&L – both realised and unrealised on investments integral to insurance activities.	Only realised gains and losses on disposal included in taxable income. The new Taxation of Financial Arrangements ("TOFA") regime started to apply from 1 July 2010 for 30 June balancing taxpayers or from 1 January 2011 for 31 December balancing taxpayers, provided certain threshold financial requirements were met. TOFA impacts the tax timing of financial arrangements, which is dictated by the choices that are made by the taxpayer. Under TOFA, an insurer can elect to be taxed on unrealised gains and losses. This allows an insurer to align the accounting treatment with the tax treatment.

Australia: General insurance – overview (continued)

Investments	Accounting	Taxation
Investment reserves	Only applicable to available for sale assets which are not considered to be backing insurance liabilities.	None.
Investment income	Taken to P&L on an accruals basis.	Interest included on a due and receivable basis. The new TOFA regime taxes interest on an accruals basis. Domestic dividends are grossed up by franking credits ('tax paid'). Franking credits offset against tax payable.
Reinsurance	**Accounting**	**Taxation**
Reinsurance premiums and claims	Premiums paid/payable and claims received /receivable are shown gross in income statement and balance sheet.	Local reinsurance premiums are deductible and recoveries are assessable. Same treatment applies for reinsurance with non-resident reinsurers, provided election made. Election requires corporate tax to be paid by non-resident on 10% of gross premiums paid or credited.
Mutual companies	**Accounting**	**Taxation**
Mutual companies (all profits returned to members)	May not be regulated by APRA. Therefore 75% probability of sufficiency is not required.	Inability to maintain franking account for members. Taxed as per normal general insurance companies, except where: 1. Claims payments are discretionary (underwriting profits are not taxable); or 2. Health insurance business not carried on for profit of individual members (tax exempt)

Australia: General insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	Unlimited loss carry forward for losses subject to satisfaction of continuity of ownership or same business test.
Foreign branch income	Generally exempt from tax.
Domestic branch income	Calculated under ordinary rules. No branch tax is applicable.
Corporate tax rate	30%.
Other tax features	**Taxation**
Premium taxes	State premium taxes (stamp duty) of between 2% and 11%, depending on the state and depending on the type of insurance. No GST is payable on the stamp duty component of premiums (see below).
Capital taxes and taxes on securities	None.
Captive insurance companies	No special treatment.
Value added tax (VAT) / Goods and services tax (GST)	10% of premiums charged by insurance companies. Where an insured is registered for GST purposes, in general, a credit for the GST (included in premiums) would be available against the insured's own GST liability.
Debt and Equity	Specific rules to determine whether hybrid instruments are debt or equity for tax purposes. Rules focus on substance rather than form. The classification of an arrangement as either a debt or an equity interest will be relevant in applying the TOFA rules.
Thin capitalisation (companies owned from overseas or investing overseas)	Ratio of effectively 3:1 for debt: assets applies for non financial entities (definition includes insurance companies).

Australia: Life insurance – overview

Definition	Accounting	Taxation
Definition of life insurance companies	An entity registered under the Life Insurance Act 1995, that issues life insurance contracts or life investment contracts (AASB 1038.20.1)	A company registered under the Life Insurance Act.
Commercial accounts/ tax and regulatory returns	**Accounting**	**Taxation**
Basis for the company's commercial accounts	Generally accepted accounting principles (Australian equivalent to International Financial Reporting Standards – 'AIFRS'). Corporations Act 2001.	N/A
Regulatory return	Quarterly and annual reporting under Life Reporting Standards (LRS). Annual return audited.	N/A
Prudential compliance	Review procedures to assess compliance with all applicable Prudential Requirements. Prudential Requirements include requirements imposed by the: • Life Insurance Act 1995; • Insurance Regulations 2002; • APRA Prudential Standards and Rules; • Financial Sector (Collection of Data) Act 2001; • APRA Reporting Standards; • APRA conditions on the Insurer's registration; • Directions issued by APRA pursuant to the Life Insurance Act 1995; and • Other requirements imposed by APRA in writing (if applicable).	
Tax return	N/A	A separate annual return as required by the tax authorities. Consolidated returns permitted by making irrevocable election.
GST Return (Business Activity Statement)	N/A	Lodgement required to obtain refunds of GST incurred on some expenses. Election to lodge monthly or quarterly subject to conditions.
General approach to calculation of income	**Accounting**	**Taxation**
Allocation of income between shareholders and policyholders	Investment income is allocated between shareholders and policyholders according to the terms of the policies. Tax related to investment policies is charged against the value of the relevant policy.	Life risk premiums are assessable and claim payments on life risk policies are deductible. Movements in the value of liabilities referable to the risk components of life insurance policies are also assessable/deductible. Management fees and profits arising from life insurance (investment) policies are also assessable.
Calculation of investment return	**Accounting**	**Taxation**
Calculation of investment income and capital gains	All income taken to income statement.	Net investment income and gains on investments are generally taxable. Income from assets supporting superannuation policies is calculated separately and taxed at 15% (10% for some capital gains). Income from assets supporting pension/immediate annuity policies is exempt from tax.

Australia: Life insurance – overview (continued)

Calculation of underwriting profits or total income	Accounting	Taxation
Actuarial reserves	Use of projection or accumulation method is allowed; however, use of the accumulation method should not result in a materially different result from that obtained by using the projection method.	Actuarial calculations are required to determine the underwriting profits arising from the life risks business and the management fees and profits arising from the investment business.
Acquisition expenses	Acquisition expenses are deferred for financial reporting as an offset against policyholder liabilities.	Acquisition expenses in relation to superannuation business and the investment component of other business are immediately deductible as incurred. Acquisition costs in respect of accident and disability business are deductible as incurred. Calculation of actuarial reserves results in effective amortisation of these expenses. GST incurred on some acquisitions expenses can be recovered from Tax Authority.
Gains and losses on investments	Realised and unrealised gains and losses are included in income statement.	The new TOFA regime started to apply from 1 July 2010 for 30 June balancing taxpayers or from 1 January 2011 for 31 December balancing taxpayers, provided certain threshold financial requirements were met. TOFA impacts the tax timing of financial arrangements, which is dictated by the choices that are made by the taxpayer. Under TOFA, an insurer can elect to be taxed on unrealised gains and losses. This allows an insurer to align the accounting treatment with the tax treatment.
Reserves against market losses on investments	Unrealised profits on investments booked directly to P&L, rather than to reserves	No deduction is allowed for any reserves against unrealised market losses on investments.
Dividend income	Taken to income statement.	Fully taxable in insurance funds. Where dividends received from Australian companies carry a tax credit, this can be offset against the company's tax liability. Foreign tax credits attaching to dividends from overseas can also be offset against the company's tax liability.
Policyholder bonuses	Treated as an expense for financial reporting.	Policyholder bonuses generally non deductible.
Other special deductions	Premiums and claims defined as having revenue and capital components for financial reporting. Revenue components are recognised in the income statement while capital components are recognised as changes in policy liabilities.	None

Australia: Life insurance – other tax features

Reinsurance	Accounting	Taxation
Reinsurance premiums and claims	Premiums paid/payable and claims received /receivable are shown gross in income statement and balance sheet.	Reinsurance premiums paid and claims received are deductible and assessable, respectively, in calculating the underwriting profits arising from the risks on accident and disability businesses. Reinsurance premiums and claims in respect of accident and disability premiums paid to non-resident companies not deductible/assessable unless election made. Election requires corporate tax (at 30%) to be paid by non-resident on 10% of gross premiums paid or credited.
Mutual companies/ stock companies	**Accounting**	**Taxation**
Mutual Companies	No special treatment.	Inability to maintain franking account for members, otherwise taxed in same manner as other life insurance companies.

Australia: Life insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	Unlimited loss carry forward for losses incurred subject to continuity of ownership or same business test. Losses able to be transferred between shareholder and policyholder classes of income. However, loss transfers between superannuation and other businesses are not permitted. Superannuation losses not subject to any carry forward restriction.
Foreign branch income	Generally exempt from tax.
Domestic branch income	Calculated under ordinary rules. No branch tax is applicable.
Corporate tax rate	Shareholder funds 30% Superannuation business 15% Current pension/annuity business 0%
Policyholder taxation	**Taxation**
Deductibility of premiums	Except for income protection policies, generally not deductible.
Interest build-up	Not taxable.
Proceeds during lifetime	Income protection policies taxable. Other policies generally not taxable except cash bonuses or bonuses on certain policies cashed within 10 years or where the person entitled to the proceeds is not the original beneficial owner of the policy.
Proceeds on death	Not taxable.
Other tax features	**Taxation**
Premium taxes	Premium taxes up to 10% of the first year's premium depending upon the state and type of the policy. No stamp duty is payable on annual premiums, unless a rider is attached.
Capital taxes and taxes on securities	None.
Captive insurance companies	No special treatment.
Value added tax (VAT) / Goods and services tax (GST)	No goods and services tax (GST) is payable on life insurance premiums (both risks and investment components). GST may apply on fees charged for policy administration and other services provided by a life assurance company.

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Cambodia

General insurance – overview

Definition	Accounting	Taxation
Definition of property and casualty insurance company	A company authorised under the Insurance Law to carry out general (or non-life) insurance business.	There is no specific definition in the tax law. Generally would follow the definitions in the Insurance Law.
Commercial accounts/ tax and regulatory returns	**Accounting**	**Taxation**
Basis for the company's commercial accounts	The company's commercial accounts are prepared based on regulations issued by Ministry of Economy and Finance (MoEF), Cambodian Accounting Standard (CAS) and Cambodian Financial Reporting Standards (CFRS). CAS and CFRS are similar to IAS and IFRS. Effective 1 January 2012, all companies with public accountability are required to prepare their accounts under Cambodian International Financial Reporting Standards (CIFRS) (which is equivalent to full IFRS). Therefore, companies with insurance activities are required to use CIFRS and the regulation issued by the MoEF.	Generally based on audited financial statements.
Regulatory return	Annual audited financial statements to be submitted three months after the financial year end. In practice, an insurance company is required to submit a monthly list of claim (disbursement) report, outstanding risk and premium register.	N/A.
Tax return	N/A.	Separate monthly and annual tax returns are required by the General Department of Taxation (GDT). The annual corporate income tax return is due 3 months after the balance date.
Technical reserves/ equalisation reserves	**Accounting**	**Taxation**
Unearned premiums reserve (UPR)	Premiums shall be recognised as income at the date of inception of the risk and commensurate with the risk patterns. UPR for unexpired risks for general insurance business shall be calculated using Acceptable Unearned Premium Methodology 1/8, 1/24, 1/365 or 40%, unless the incidence of risk warrants a more appropriate method.	N/A.
Unpaid claims reported	Calculated on a case-by-case basis.	N/A.
Claims incurred but not reported (IBNR)	Provision of IBNR - can use average value method or formula method. Claim liability is estimated on a case-by-case basis with all the information available and reviewed at least annually by an experienced officer. The overall adequacy of the provision is reviewed monthly and annually by senior management.	N/A.

Cambodia: General insurance – overview (continued)

Technical reserves/ equalisation reserves (cont.)	Accounting	Taxation
Unexpired risks	The liability for unexpired risks should be assessed on the basis of realistic assumptions with regard to the premiums accounted and the unexpired liabilities in respect of these premiums. It should not in any case be less than the amount determined by the 1/8th method for non-marine classes of business, marine hull and aviation business or 25% in respect of marine cargo business.	N/A.
General contingency/solvency reserves	Regulation issued by the MoEF specified the minimum fund solvency and capital adequacy requirements that must be met by all insurers. In addition, all insurers licensed in Cambodia must reinsure at least 20% of its insurance business with a state owned reinsurance company.	N/A.
Equalisation reserves	Not stipulated.	N/A.
Expenses/ refunds	**Accounting**	**Taxation**
Acquisition expenses	No special treatment.	N/A.
Loss adjustment expenses on unsettled claims (claims handling expenses)	Provision must be made in relation to claim liabilities for all future claims handling costs.	N/A.
Experience-rated refunds	N/A.	N/A.
Investments	**Accounting**	**Taxation**
Gains and losses on investments	Investment in property should follow CAS 40 (similar to IAS 40). General rules applied for all other investments as there is no specific guidance in Cambodia.	Realised gains on investments are subject to the Tax on Profit rate of 20% or Minimum Tax, whichever is higher.
Investment reserves	No specific requirement. Included in P&L.	Generally reserves are not deductible for tax purposes.
Investment income	No specific requirement. Included in P&L on an accrual basis	Investment income is subject to the Tax on Profit rate of 20% or Minimum Tax, whichever is higher.
Reinsurance	**Accounting**	**Taxation**
Reinsurance premiums and claims	Similar to insurance accounting.	N/A.
Mutual companies	**Accounting**	**Taxation**
Mutual companies (all profits returned to members)	N/A.	N/A.

Cambodia: General insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	Not applicable for insurance and reinsurance businesses. For other businesses: • loss must be recorded in the Tax on Profit (ToP) return and submitted to the Tax Department on time; • business activities of the company must not have changed; and • ownership of the company must not have changed. Tax losses can be carried forward for a maximum period of 5 years.
Foreign branch income	Generally, foreign branch income is taxable. The tax paid overseas is creditable.
Domestic branch income	Incorporate into the head office's tax return.
Corporate tax rate	Based on the Law on Taxation and Circular No. 003 MoEF.GDT dated 10 February 2011, an insurance company having principle activity in the insurance or reinsurance of life, property, or other risks, shall be taxed at: • 5% of gross premiums received in the tax year for in the insurance or reinsurance of risk in Cambodia; • for other activities that are not insurance or reinsurance, the standard corporate tax (Tax on Profit) rates will apply; and • Interest received from domestic banks and saving institutions already subject to Withholding Tax is exempt from Tax on Profit. The Company is also subject to Prepayment of Tax on Profit (PToP) which required to pay on monthly basis as follows: • 5% of gross premiums received in the month; • 1% of the revenue s from activities other than insurance or reinsurance activities that the company receives in the month. Tax on Profit (ToP) is calculated on taxable profit inclusive of capital gains and passive income, such as interest (except interest stated above), rental and royalty income. The standard ToP rate is 20%. Cambodia does not have a separate capital gains tax. Any gain on the sale of fixed assets and investment is subject to ToP. Minimum Tax is imposed at the rate of 1% of annual turnover. The term turnover is not defined. In practice, the GDT has taken a broad interpretation to include all revenue streams of a company. If the taxpayer is in a loss position or the ToP liability is less than the Minimum Tax liability, than Minimum Tax is payable. Alternatively, if the ToP liability is greater than the Minimum Tax liability, then no Minimum Tax is payable.
Other tax features	**Taxation**
Premium taxes	Premium contribution: 5% on gross premiums for insurance or reinsurance of risk received in Cambodia, payable on a monthly basis.
Capital taxes and taxes on securities	N/A.
Captive insurance companies	N/A.
Value added tax (VAT)	Based on the Law on Taxation, Insurance is a non-taxable supply and exempt from VAT. However, non-insurance activities are applicable to VAT.

Cambodia: Life insurance – overview

Definition	Accounting	Taxation
Definition of life insurance companies	A company authorised under the Insurance Law to carry out general life insurance business.	Generally follows the definitions in the Insurance Law.
Commercial accounts/ tax and regulatory returns	**Accounting**	**Taxation**
Basis for the company's commercial accounts	Cambodian Accounting Standard (CAS) and Cambodian Financial Reporting Standards (CFRS). CFRS 4 (similar to IFRS 4) is introduced in Cambodia. However the regulator has not defined or introduced policy. Effective 1 January 2012, all companies with public accountability are required to prepare their accounts under Cambodian International Financial Reporting Standards (CIFRS) (which is equivalent to full IFRS).	Generally based on audited financial statements accounts.
Regulatory return	Annual audited financial statements to be submitted three months after the financial year end.	N/A.
Tax return	N/A.	Separate monthly and annual tax returns are required by the General Department of Taxation (GDT). The annual corporate income tax return is due 3 months after the balance date.
General approach to calculation of income	**Accounting**	**Taxation**
Allocation of income between shareholders and policyholders	Will be based on CFRS 4. Detailed regulations not issued yet.	N/A.
Calculation of investment return	**Accounting**	**Taxation**
Calculation of investment income and capital gains	Will be based on CFRS 4. Detailed regulations not issued yet.	Realised investment income is subject to the ToP rate of 20% or Minimum Tax, whichever is higher.

Cambodia: Life insurance – overview (continued)

Calculation of investment income and capital gains	Accounting	Taxation
Actuarial reserves	Will be based on CFRS 4. Detailed regulations not issued yet.	N/A.
Acquisition expenses	Will be based on CFRS 4. Detailed regulations not issued yet.	N/A.
Gains and losses on investments	Will be based on CFRS 4. Detailed regulations not issued yet.	Realised gains on investments are subject to the ToP rate of 20% or Minimum Tax, whichever is higher.
Reserves against market losses on investments	Will be based on CFRS 4. Detailed regulations not issued yet.	N/A.
Dividend income	Will be based on CFRS 4. Detailed regulations not issued yet.	Non-taxable for dividend income from tax registered companies in Cambodia. Taxable for dividend from overseas. The tax paid overseas is creditable.
Policyholder bonuses	Will be based on CFRS 4. Detailed regulations not issued yet.	N/A.
Other special deductions	Will be based on CFRS 4. Detailed regulations not issued yet.	N/A.
Reinsurance	**Accounting**	**Taxation**
Reinsurance premiums and claims	Will be based on CFRS 4. Detailed regulations not issued yet.	N/A.
Mutual companies/ stock companies	**Accounting**	**Taxation**
Mutual Companies	N/A.	N/A.

Cambodia: Life insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	Not applicable for insurance and reinsurance businesses. For other businesses: In order for tax losses to be carried forward, the following conditions must be met: • loss must be recorded in the Tax on Profit (ToP) return and submitted to the Tax Department on time; • business activities of the company must not have changed; and • ownership of the company must not have changed. Tax losses can be carried forward for a maximum period of 5 years.
Foreign branch income	Generally, foreign branch income is taxable. The tax paid overseas is creditable.
Domestic branch income	Incorporated into head office's tax return.
Corporate tax rate	Based on the Law on Taxation, an insurance company having principle activity in the insurance or reinsurance of life, property, or other risks, shall be taxed at: • 5% of gross premiums received in the tax year for the insurance or reinsurance of risk in Cambodia; and • for other activities that are not insurance or reinsurance, the standard corporate tax (Tax on Profit) rates will apply. • Interest received from domestic banks and saving institutions already subject to Withholding Tax is exempt from Tax on Profit. Tax on Profit (ToP) is calculated on taxable profit inclusive of capital gains and passive income, such as interest (expect interest stated above), rental and royalty income. The standard ToP rate is 20%. Cambodia does not have a separate capital gains tax. Any gain on the sale of fixed assets and investment is subject to ToP. Minimum Tax is imposed at the rate of 1% of annual turnover. The term turnover is not defined. In practice, the GDT has taken a broad interpretation to include all revenue streams of a company. If the taxpayer is in a loss position or the ToP liability is less than the Minimum Tax liability, then Minimum Tax is payable. Alternatively, if the ToP liability is greater than the Minimum Tax liability, then no Minimum Tax is payable.
Policyholder taxation	**Taxation**
Deductibility of premiums	N/A.
Interest build-up	N/A.
Proceeds during lifetime	N/A.
Proceeds on death	N/A.
Other tax features	**Taxation**
Premium taxes	Premium contribution: 5% on gross premiums for insurance or reinsurance of risk received in Cambodia, payable on a monthly basis.
Capital taxes and taxes on securities	N/A
Captive insurance companies	N/A.
Value added tax (VAT)	Based on the Law on Taxation, Insurance is a non-taxable supply and exempt from VAT. However, non-insurance activities are applicable to VAT.

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China

General insurance – overview

Definition	Accounting	Taxation
Definition of property and casualty insurance company	A company authorised by China Insurance Regulatory Commission ("CIRC") to carry on property, casualty and short-term health insurance business.	Not defined by tax legislation.
Commercial accounts/ tax and regulatory returns	**Accounting**	**Taxation**
Basis for the company's commercial accounts	Adopt new China Accounting Standards ("CAS") 2006 since 1 January 2007 , a circular further clarifying the implementation of the Explanation NO. 2 of CAS (Baojianfa [2010] No. 6 ("Circular 6")) and a circular Caikuai [2009] NO.15 ("Circular 15".	Based on statutory accounts.
Regulatory return	Insurance Supervision Report: monthly report, quarterly report, semi-annual report and annual report to CIRC. Long form annual financial statements to CIRC.	N/A.
Tax return	N/A.	Business Tax ("BT"): monthly return. Corporate Income Tax ("CIT"): quarterly provisional return and annual return.
Technical reserves/ equalisation reserves	**Accounting**	**Taxation**
Unearned premiums reserve (UPR)	Calculated by time apportionment according to specific rules set out in CAS, Circular 6 and Circular 15.	Follows PRC accounting treatment.
Unpaid claims reported	Calculated on a case-by-case basis.	Allowable deduction cannot exceed the total actual claim for the current period.
Claims incurred but not reported (IBNR)	Calculated based on experience or statistical method (currently based on statistical experience).	Allowable deduction cannot exceed 8% of the actual claim paid during the year.
Unexpired risks	Recognised under the heading of UPR.	Follows PRC accounting treatment.
General contingency/ solvency reserves	Not Allowed.	N/A.
Equalisation reserves	Not Allowed.	N/A.

China: General insurance – overview (continued)

Expenses/ refunds	Accounting	Taxation
Acquisition expenses	Acquisition expense is initially fully charged in year incurred, deferred acquisition cost is calculated according to specific rules set out in CAS, Circular 6 and Circular 15 and reflected in UPR.	Allowable deduction of commission fee paid to third parties cannot exceed 15% of the total premium minus surrender, and deferred acquisition cost follows PRC accounting treatment.
Loss adjustment expenses on unsettled claims (claims handling expenses)	Both direct and indirect claims settlement costs should be accounted for (recognised under the heading of "unpaid claims reported").	Allowable deduction cannot exceed the total actual claim for the current period.
Experience-rated refunds	Not allowed to recognise.	N/A.
Investments	**Accounting**	**Taxation**
Gains and losses on investments	Realised gains are taken to the P&L. Treatment of unrealised gains: varying accounting treatments depending on nature of investment: • HTM and loan- not recognised • AFS- recognise in equity • Trading- recognise in P/L	Realised gain included as taxable income; Unrealised gain arising from mark-to-market adjustment not taxable.
Investment reserves	Impairment loss is assessed and recognised annually comparing with the fair market value.	In principle not allowed.
Investment income	Varying accounting treatments depending on nature of investment. • Interest income s recognised on accrual basis • Dividend income - recognised based on declaring.	Interest income from PRC government bond is exempt from Corporate Income Tax ("CIT"), but taxable for the other bonds. Dividend from the PRC Tax Resident Enterprise and security funds is exempt from CIT.
Reinsurance	**Accounting**	**Taxation**
Reinsurance premiums and claims	Ceded premium paid/payable are deducted from gross premiums, ceded claims recoveries netted in P/L against claims paid/payable.	Follows PRC accounting treatment.
Mutual companies	**Accounting**	**Taxation**
Mutual companies (all profits returned to members)	No special treatment.	No special treatment

China: General insurance – overview (continued)

Further corporate tax features	Taxation
Loss carry-overs	Loss carry forward for five years but no carry-back; No group relief.
Foreign branch income	Taxable in China subject to foreign tax credit relief.
Domestic branch income	Combined with head office's income to be taxed on a combined basis.
Corporate tax rate	25%.
Other tax features	**Taxation**
Premium taxes	BT is at 5% of gross premiums received.
Capital taxes and taxes on securities	BT at 5% on capital gain sourced from trading of securities; Stamp duty at 0.1% on trading of stocks for seller only.
Captive insurance companies	No special treatment.
Value added tax (VAT) / Goods and services tax (GST)	N/A.

China: Life insurance – overview

Definition	Accounting	Taxation
Definition of life insurance companies	A company authorised by China Insurance Regulatory Commission ("CIRC") to carry on life, casualty and short-term health insurance business.	Not defined by tax legislation.
Commercial accounts/ tax and regulatory returns	Accounting	Taxation
Basis for the company's commercial accounts	Adopt new China Accounting Standards ("CAS") 2006 since 1 January 2007, Circular 6 and Circular 15.	Based on statutory accounts.
Regulatory return	Insurance Supervision Report: monthly report, quarterly report, semi-annual report and annual report to CIRC. Long form annual financial statements to CIRC.	N/A.
Tax return	N/A.	BT: monthly return. CIT: quarterly provisional return and annual return.
General approach to calculation of income	**Accounting**	**Taxation**
Allocation of income between shareholders and policyholders	At least 70% of Participation product net gain should be allocated to policyholders of Participation product; No other blocked surplus.	Follows PRC accounting treatment.
Calculation of investment return	**Accounting**	**Taxation**
Calculation of investment income and capital gains	Varying accounting treatments depending on nature of investment. • Interest incomes recognised on accrual basis • Dividend income - recognised based on declaring.	Interest income from PRC government bond is exempt from Corporate Income Tax ("CIT"), but taxable for the other bonds. Dividend from the PRC Tax Resident Enterprise and security funds is exempt from CIT.

China: Life insurance – overview (continued)

Calculation of underwriting profits or total income	Accounting	Taxation
Actuarial reserves	Calculated using actuarial method specific rules set out in CAS, Circular 6 and Circular 15. The CAS 30 required gross premium presentation format.	Follow PRC accounting treatment.
Acquisition expenses	Acquisition expense is initially fully charged in year incurred, deferred acquisition cost is calculated according to specific rules set out in CAS, Circular 6 and Circular 15 and reflected in Actuarial reserve.	Allowable deduction of commission fee paid to third parties cannot exceed 10% of the total premium minus surrender, and deferred acquisition cost follows PRC accounting treatment.
Gains and losses on investments	Realised gains are taken to the P&L. Treatment of unrealised gains: varying accounting treatments depending on nature of investment. • HTM and loan- not recognised • AFS- recognise in equity • Trading- recognise in P/L	Realised gain included as taxable income; Unrealised gain arising from mark-to-market adjustment not taxable.
Reserves against market losses on investments	Impairment loss is assessed and recognised annually comparing with the fair market value.	In principle not allowed.
Dividend income	Included in investment income.	Non-taxable if received from China. Taxable if received from overseas subject to foreign tax credit relief.
Policyholder bonuses	Deducted from net profit before tax. Included in actuarial reserves/ as bonus payables.	Follows PRC accounting treatment
Other special deductions	None.	N/A.
Reinsurance	**Accounting**	**Taxation**
Reinsurance premiums and claims	Ceded premium paid/payable are deducted from gross premiums, ceded claims recoveries netted in P/L against claims paid/payable.	Follows PRC accounting treatment.
Mutual companies/ stock companies	**Accounting**	**Taxation**
Mutual Companies	No special treatment.	No special treatment.

China: Life insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	Loss carry forward for five years but no carry-back; No group relief.
Foreign branch income	Taxable in China subject to foreign tax credit relief.
Domestic branch income	Combined with head office's income to be taxed on a combined basis.
Corporate tax rate	25%.
Policyholder taxation	**Taxation**
Deductibility of premiums	Generally not deductible.
Interest build-up	Not taxable.
Proceeds during lifetime	Not taxable.
Proceeds on death	Not taxable.
Other tax features	**Taxation**
Premium taxes	Exempted.
Capital taxes and taxes on securities	BT at 5% on capital gain sourced from trading of securities; Stamp duty at 0.1% on trading of stocks for seller only.
Captive insurance companies	No special treatment.
Value added tax (VAT) / Goods and services tax (GST)	N/A.

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Hong Kong

General insurance – overview

Definition	Accounting	Taxation
Definition of property and casualty insurance company	A company authorised under the Insurance Companies Ordinance to carry on insurance business other than long-term (Life) insurance business.	For tax purposes, insurance business is categorised either as life or non-life business. Life business is defined as: • Life and annuity. • Marriage and birth. • Linked long-term. • Tontines. Insurance business other than life business is treated as non-life business for tax purposes.
Commercial accounts/ tax and regulatory returns	**Accounting**	**Taxation**
Basis for the company's commercial accounts	For companies incorporated in Hong Kong, financial statements should be prepared under the Hong Kong Companies Ordinance and accounting principles generally acceptable in Hong Kong.	Generally follows accounting treatment with adjustments for non-taxable investment income (see "Investments" below) and offshore underwriting income (derived from insurance policies where contracts are made and proposals are received overseas).
Regulatory return	Regulatory returns as required under the Insurance Companies Ordinance.	N/A
Tax return	N/A	An annual return as required by the Inland Revenue Department.
Technical reserves/ equalisation reserves	**Accounting**	**Taxation**
Unearned premiums reserve (UPR)	Hong Kong Financial Reporting Standard No.4 "Insurance Contracts" does not specify the bases of measurement for insurance contracts. It allows insurers to follow the accounting policies existing pre-HKFRS conversion subject to certain requirements.	Allowed as per accounts.
Unpaid claims reported	Hong Kong Financial Reporting Standard No.4 "Insurance Contracts" does not specify the bases of measurement for insurance contracts. It allows insurers to follow the accounting policies existing pre-HKFRS conversion subject to certain requirements.	Accounts provision allowed in full. For returns in accordance with the Insurance Companies Ordinance, an actuarial review of the Motor and Employees Compensation claims reserves is required if those reserves exceed specified thresholds on the level of reserves.
Claims incurred but not reported (IBNR)	Hong Kong Financial Reporting Standard No.4 "Insurance Contracts" does not specify the bases of measurement for insurance contracts. It allows insurers to follow the accounting policies existing pre-HKFRS conversion subject to certain requirements.	Accounts provision allowed in full. For returns in accordance with the Insurance Companies Ordinance, an actuarial review of the Motor and Employees Compensation claims reserves is required if those reserves exceed specified thresholds on the level of reserves.

Hong Kong: General insurance – overview (continued)

Technical reserves/ equalisation reserves	Accounting	Taxation
Unexpired risks	Hong Kong Financial Reporting Standard No.4 "Insurance Contracts" does not specify the bases of measurement for insurance contracts. It allows insurers to follow the accounting policies existing pre-HKFRS conversion subject to certain requirements.	Allowed as per accounts. For returns in accordance with the Insurance Companies Ordinance, the need for premium deficiency must be considered on a class-by-class basis. For returns in accordance with the Insurance Companies Ordinance, an actuarial review of the Motor and Employees Compensation claims reserves is required if those reserves exceed specified thresholds on the level of reserves.
General contingency/ solvency reserves	Insurers shall not recognise as a liability any provisions for possible future claims, if those claims arise under insurance contracts that are not in existence at the reporting date end of the reporting period (such as catastrophe provisions and equalisation provisions).	Not allowed. Regulatory aspects not specifically addressed in the Insurance Companies Ordinance.
Equalisation reserves	Insurers shall not recognise as a liability any provisions for possible future claims, if those claims arise under insurance contracts that are not in existence at the reporting date end of the reporting period (such as catastrophe provisions and equalisation provisions).	Allowed as per accounts. Regulatory aspects not specifically addressed in the Insurance Companies Ordinance.
Expenses/ refunds	**Accounting**	**Taxation**
Acquisition expenses	Hong Kong Financial Reporting Standard No.4 "Insurance Contracts" does not specify the bases of measurement for insurance contracts. It allows insurers to follow the accounting policies existing pre-HKFRS conversion subject to certain requirements.	Generally, acquisition costs are deductible when charged to the profit and loss (P&L) account. For returns in accordance with the Insurance Companies Ordinance, deferral of acquisition costs is not allowed.
Loss adjustment expenses on unsettled claims (claims handling expenses)	Hong Kong Financial Reporting Standard No.4 "Insurance Contracts" does not specify the bases of measurement for insurance contracts. It allows insurers to follow the accounting policies existing pre-HKFRS conversion subject to certain requirements.	Allowed as per accounts.
Experience-rated refunds	Hong Kong Financial Reporting Standard No.4 "Insurance Contracts" does not specify the bases of measurement for insurance contracts. It allows insurers to follow the accounting policies existing pre-HKFRS conversion subject to certain requirements.	Taxed when taken to profit and loss account.

Hong Kong: General insurance – overview (continued)

Investments	Accounting	Taxation
Gains and losses on investments	Accounting treatments depends on the classification of financial assets specified in Hong Kong Accounting Standard (HKAS) No. 39 "Financial Instruments: Measurement and Recognition".	Realised/unrealised gains and losses are generally included in taxable income. Exception: dividend income and offshore sourced investment gains/losses, together with attributable expenses, are excluded from taxation. In a recent court case Nice Cheer Investment Ltd. v CIR, the Court of First Instance ("CFI") held in favour of the taxpayer that unrealised gains arising from the revaluation of the taxpayer's trading securities are not taxable at the time such gains are recognised in the profit and loss accounts whereas any such unrealised losses are deductible at the time of recognition. The IRD has lodged an appeal against the CFI's judgment which is scheduled to be heard in May 2012.
Investment reserves	Only for the financial assets classified as available-for-sales, unrealised gains/losses are required in HKAS No. 39 to be recognised in the Others Comprehensive Income – Revaluation Reserve.	Generally onshore unrealised gains/ losses are included for taxation when they are credited/ charged to profit and loss account. Hence, the unrealised gains / losses included in the investment reserve are generally taxable only when they are recycled to the profit and loss account.
Investment income	Included in the income statement.	See above.
Reinsurance	**Accounting**	**Taxation**
Reinsurance premiums and claims	Hong Kong Financial Reporting Standard No.4 "Insurance Contracts" does not specify the bases of measurement for insurance contracts. It allows insurers to follow the accounting policies existing pre-HKFRS conversion subject to certain requirements.	Generally follows accounting treatment, but reinsurance premiums and claim recoveries in respect of offshore insurance contracts (see "Commercial Accounts / Tax and Regulatory Returns" above) are excluded from taxation.
Mutual companies	**Accounting**	**Taxation**
Mutual companies (all profits returned to members)	Hong Kong Financial Reporting Standard No.4 "Insurance Contracts" does not specify the bases of measurement for insurance contracts. It allows insurers to follow the accounting policies existing pre-HKFRS conversion subject to certain requirements.	No special treatment.

Hong Kong: General insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	No carry-back but can be carried forward indefinitely.
Foreign branch income	Exempt as offshore sourced.
Domestic branch income	Calculated under ordinary rules.
Corporate tax rate	16.5%.
Other tax features	**Taxation**
Premium taxes	None.
Capital taxes and taxes on securities	Increase in authorised share capital in a Hong Kong incorporated company attracts ad valorem capital duty of $1 per $1,000, subject to a maximum of HK $30,000.
Captive insurance companies	No special treatment.
Value added tax (VAT)	None.
Qualifying reinsurance business	Offshore risk reinsurance business of professional reinsurer (non-life only) is taxed at 8.25%.

Hong Kong: Life insurance – overview

Definition	Accounting	Taxation
Definition of life insurance companies	Not applicable	A company that is authorised under the Insurance Companies Ordinance to carry on long-term (Life) insurance business, which includes the following classes of business: – Life and annuity; – Marriage and birth; – Linked long-term; – Permanent health; – Tontines; – Capital redemption; – Retirement scheme Cat. I; – Retirement scheme Cat. II; – Retirement scheme Cat. III. Life business only includes the following classes of business:- – Life and annuity; – Marriage and birth; – Linked long-term; and – Tontines.
Commercial accounts/ tax and regulatory returns	**Accounting**	**Taxation**
Basis for the company's commercial accounts	For companies incorporated in Hong Kong, financial statements should be prepared under the Hong Kong Companies Ordinance and accounting principles generally acceptable in Hong Kong.	Assessable profits shall be: (i) deemed to be 5% of onshore premium (premium receivable in Hong Kong or premium receivable outside Hong Kong from Hong Kong residents where the proposals are received in Hong Kong) less corresponding reinsurance premium or (ii) on election, based on adjusted surplus calculated by reference to actuarial-based statutory accounts. Such election once made is irrevocable and applies to future years.
Regulatory return	Regulatory returns as required under the Insurance Companies Ordinance.	N/A
Tax return	N/A	An annual return as required by the Inland Revenue Department.
General approach to calculation of income	**Accounting**	**Taxation**
Allocation of income between shareholders and policyholders	N/A	N/A

Hong Kong: Life insurance – overview (continued)

Calculation of investment return	Accounting	Taxation
Calculation of investment income and capital gains	Accounting treatments depends on the classification of financial assets specified in HKAS No. 39 “Financial Instruments: Measurement and Recognition”.	Ignored under deemed basis or included in the calculation of assessable income under adjusted surplus basis (except dividend income). Please refer to the above comments on the Nice Cheer case. (see Investments: Gains and losses on investments)
Calculation of underwriting profits or total income	**Accounting**	**Taxation**
Actuarial reserves	Hong Kong Financial Reporting Standard No.4 “Insurance Contracts” does not specify the bases of measurement for insurance contracts. It allows insurers to follow the accounting policies existing pre-HKFRS conversion subject to certain requirements.	See above. For returns in accordance with the Insurance Companies Ordinance, the basis of measurement should be in compliance with Chapter 41E of the Insurance Companies Ordinance
Acquisition expenses	Zillmer adjustment is made in reserving calculations.	See above.
Gains and losses on investments	Accounting treatments depends on the classification of financial assets specified in HKAS No. 39 “Financial Instruments: Measurement and Recognition”.	See above.
Reserves against market losses on investments	Hong Kong Financial Reporting Standard No.4 “Insurance Contracts” does not specify the bases of measurement for insurance contracts. It allows insurers to follow the accounting policies existing pre-HKFRS conversion subject to certain requirements.	See above.
Dividend income	Included in investment income.	Not taxable.
Policyholder bonuses	Hong Kong Financial Reporting Standard No.4 “Insurance Contracts” does not specify the bases of measurement for insurance contracts. It allows insurers to follow the accounting policies existing pre-HKFRS conversion subject to certain requirements.	See above.
Other special deductions	None.	None.
Reinsurance	**Accounting**	**Taxation**
Reinsurance premiums and claims	Hong Kong Financial Reporting Standard No.4 “Insurance Contracts” does not specify the bases of measurement for insurance contracts. It allows insurers to follow the accounting policies existing pre-HKFRS conversion subject to certain requirements.	Reinsurance premium paid out is deducted from gross premium for deemed basis and adjusted surplus basis.
Mutual companies/ stock companies	**Accounting**	**Taxation**
Mutual Companies	Hong Kong Financial Reporting Standard No.4 “Insurance Contracts” does not specify the bases of measurement for insurance contracts. It allows insurers to follow the accounting policies existing pre-HKFRS conversion subject to certain requirements.	No special treatment.

Hong Kong: Life insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	No carry-back but can be carried forward indefinitely.
Foreign branch income	Exempt as offshore operations.
Domestic branch income	Calculated under ordinary rules (see "Commercial accounts / tax and regulatory returns" above).
Corporate tax rate	16.5%
Policyholder taxation	**Taxation**
Deductibility of premiums	Generally not deductible.
Interest build-up	Not taxable.
Proceeds during lifetime	Not taxable.
Proceeds on death	Not taxable.
Other tax features	**Taxation**
Premium taxes	None.
Capital taxes and taxes on securities	Same as general insurance.
Captive insurance companies	No special treatment.
Value added tax (VAT)	None.

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Indonesia

General insurance – overview

Definition	Accounting	Taxation
Definition of property and casualty insurance company	A company that has a business licence from the Minister of Finance to operate as a loss insurance company.	Follow accounting standards.
Commercial accounts/ tax and regulatory returns	**Accounting**	**Taxation**
Basis for the company's commercial accounts	Indonesian financial accounting standards as established by the Financial Accounting Standard Board of Indonesian Institute of Accountants (DSAK-IAI). Particularly, Indonesian Statement of Financial Accounting Standard (SFAS) No. 28 – Accounting for Loss Insurance. In addition to SFAS No. 28, DSAK –IAI has issued SFAS No. 62 – Insurance Contract which will be effective on 1 January 2012.	Follow accounting standards.
Regulatory return	Quarterly and annual solvency return to the Ministry of Finance.	N/A.
Tax return	N/A.	Separate returns filed monthly and annually for corporate income.
Technical reserves/ equalisation reserves	**Accounting**	**Taxation**
Unearned premiums reserve (UPR)	Calculated by certain percentage on aggregate basis or individual amortisation on daily basis. (Minister of Finance requires percentage method, but accounting permits other methods).	To be computed at 40% of net written premium.
Unpaid claims reported	Calculated on case-by-case basis.	Tax-deductible.
Claims incurred but not reported (IBNR)	Calculated on case-by-case basis with specific methods.	Not deductible.
Unexpired risks	Calculated on a statistical basis (if any).	Generally deductible, except in the form of IBNR.
General contingency/ solvency reserves	Solvency margin set at least 120% of the loss risk that may occur as a result of deviations in the management of assets and liabilities.	N/A.
Equalisation reserves	As incurred.	
Expenses/ refunds	**Accounting**	**Taxation**
Acquisition expenses	No deferral. Charged in full in the year incurred.	Follow accounting standards.
Loss adjustment expenses on unsettled claims (claims handling expenses)	Provided by reference to IBNR.	Generally deductible, except if in the form of IBNR.
Experience-rated refunds	Actual basis.	Follow accounting standards.

Indonesia: General insurance – overview (continued)

Investments	Accounting	Taxation
Gains and losses on investments	Investment in debt and equity securities classified as: • Held to maturity – The investments is recorded in the statement of financial position which is initially recognised at fair value including transaction costs and subsequently measured at amortised cost, using effective interest method. • Trading – The investment is recorded in the statement of financial position at fair value. An unrealised gain or loss is charged to the statement of comprehensive income. • Available for sale – The investment is recorded in the statement of financial position at its fair value. An unrealised gain or loss is included as an equity component and will be recognised as a gain/loss when it has been realised.	Applicable to all debt or equity securities classified as held to maturity, trading or available for sale. Taxable at the time of realisation. Capital gain is derived from the difference between the selling price and acquisition cost. Unrealised gains/ losses are not taxable/ deductible.
Investment reserves	The company assesses at each reporting date whether there is objective evidence that investments (financial assets) is impaired. An investment is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the investments (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial assets or group of financial assets that can be reliably estimated. Impairment charges relating to investments (financial assets) are recognised into allowance for impairment losses (investment reserves) and/ or directly recognised in the statement of comprehensive income.	Reserves are generally non-deductible.
Investment income	Included in the statement of comprehensive income.	Indonesian sourced interest income is generally subject to 15% withholding tax. Interest income from a current account, central bank certificate or a bank deposit is subject to 20% final tax. Interest income from onshore bonds is subject to 15% final tax. Sale of listed shares is subject to 0.1% final tax on transaction value. Dividends from a domestic company are subject to 15% withholding tax, except if received by an Indonesian individual (including dividend received by policyholder), which is subject to 10% final tax. However, dividends received from an Indonesian company by a limited liability company incorporated in Indonesia (PT), a cooperative, and a state owned company (BUMN/BUMD) are exempt from income tax if the following conditions are met: 1. The dividends are paid out of retained earnings; 2. The company earning the dividends holds at least 25% of the paid-in capital in the company distributing the dividends. Any other income is included in taxable income.

Indonesia: General insurance – overview (continued)

Reinsurance	**Accounting**	**Taxation**
Reinsurance premiums and claims	Premiums paid/payable are deducted from gross premiums. Stated on gross basis. Claims recoveries netted in a statement of comprehensive income account against claims paid/payable.	Follow accounting standards. Payment of reinsurance premium is subject to the following withholding tax (WHT): • 10% if paid by the insured • 2% if paid by an insurance company • 1% if paid by a reinsurance company WHT exemption may be available under treaty relief.
Mutual companies	**Accounting**	**Taxation**
Mutual companies (all profits returned to members)	Not specifically regulated under current SFAS.	N/A.

Indonesia: General insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	Up to 5 consecutive years. No loss carry-back permitted.
Foreign branch income	To our knowledge, a foreign insurance company is not permitted to have a branch in Indonesia. However, world-wide income of Indonesian insurance companies derived from foreign branches, are subject to normal corporate tax. Related foreign prepaid tax can be claimed as a tax credit subject to certain mechanism.
Domestic branch income	Combined with head office income and taxed at normal income tax rates.
Corporate tax rate	25%. Small scale entrepreneur with turnover below IDR 50 billion can enjoy 50% reduction of corporate tax rate for taxable income up to IDR 4.8 billion.
Other tax features	**Taxation**
Premium taxes	None.
Capital taxes and taxes on securities	None.
Captive insurance companies	N/A.
Value added tax (VAT)	No VAT due on the insurance premium. 10% VAT payable on commission payable to intermediary companies. Insurance companies are non-VAT able taxpayers and cannot credit the VAT paid. The paid VAT, however, can be claimed as a deductible expense in the corporate tax return.

Indonesia: Life insurance – overview

Definition	Accounting	Taxation
Definition of life insurance companies	A company that has a business licence from the Minister of Finance to operate as a life insurance company.	Follow accounting standards.
Commercial accounts/ tax and regulatory returns	**Accounting**	**Taxation**
Basis for the company's commercial accounts	Indonesian financial accounting standards as established by Financial Accounting Standard Board of Indonesian Institute of Accountants (DSAK-IAI). Particularly, Indonesian SFAS No. 36 – Accounting for Life Insurance. In addition to SFAS No. 36, DSAK –IAI has issued SFAS No. 62 – Insurance Contract which will be effective on 1 January 2012.	Follow accounting standards.
Regulatory return	Quarterly and annual solvency return to the Ministry of Finance.	N/A.
Tax return	N/A.	Separate returns filed monthly and annually for corporate income.
General approach to calculation of income	**Accounting**	**Taxation**
Allocation of income between shareholders and policyholders	• Short-term contract premium – Premium is recognised as revenue during the contract period in accordance with the proportion of insurance coverage. • Long-term contract premium – Premium is recognised as revenue when the payment is due. • Invest in debt and equity securities classified as: o Held-to-maturity: The investments is recorded in the statement of financial position which is initially recognised at fair value including transaction costs and subsequently measured at amortised cost, using effective interest method. o Trading: The investment is recorded in the statement of financial position at fair value. Unrealised gain or loss is charged to the statement of comprehensive income. o Available-for-sale: The investment is recorded in the statement of financial position at its fair value. An unrealised gain/ loss is included as an equity component and will be recognised as gain/ loss when it has been realised.	Follow accounting standards. Follow accounting standards. Applicable to all debt or equity securities classified as held to maturity, trading or available for sale: Taxable at the time of realisation. Capital gain is derived from the difference between the selling price and acquisition cost. Unrealised gains/losses are not taxable/deductible.
Calculation of investment return	**Accounting**	**Taxation**
Calculation of investment income and capital gains	The investment return is recognised in the statement of comprehensive income	Investment income that derived from final taxed and non tax object income will be excluded from the corporate income tax calculation. Consequently, the expenses to generate this income are also non-deductible.

Indonesia: Life insurance – overview (continued)

Calculation of investment income and capital gains	**Accounting**	**Taxation**
Actuarial reserves	Liability for future policy benefits is stated based on actuarial calculation.	Movement of an actuarial reserve is taxable/ deductible if it is legalised by Capital Market and Financial Institution Supervisory Board, except if in the form of IBNR.
Acquisition expenses	Acquisition costs are allocated based on actuarial calculation because the liability for future policy benefits is calculated based on the net level premium method.	Follow accounting standards.
Gains and losses on investments	Refer to "General approach to calculation of income" above.	Marketable securities are taxed upon realisation. Unrealised gains/ losses are not taxable/ deductible.
Reserves against market losses on investments	The company assesses at each reporting date whether there is objective evidence that investments (financial assets) is impaired. An investments is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the investments (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial assets or group of financial assets that can be reliably estimated. Impairment charges relating to investments (financial assets) are recognised into allowance for impairment losses (investment reserves) and/ or directly recognised in the statement of comprehensive income.	Reserves are generally not deductible.
Dividend income	Dividend income is recognised at the declaration date.	Dividend income is generally taxable under corporate tax, except for dividend received from an Indonesian company by a limited liability company incorporated in Indonesia (PT), a cooperative, and a state owned company (BUMN/BUMD) which are exempt from income tax provided that all of the following conditions are met: 1. The dividends are paid out of retained earnings; 2. The company earning the dividends holds at least 25% of the paid-in capital in the company distributing the dividends.
Policyholder bonuses	Policyholders bonuses are recognised at incurred and recorded as expenses part of claim benefits in the statement of comprehensive income.	Payments defined as dividend are not tax deductible.
Other special deductions	N/A.	N/A.
Reinsurance	**Accounting**	**Taxation**
Reinsurance premiums and claims	Premiums paid/payable are deducted from gross premiums. Claims recoveries netted in a statement of comprehensive income account against claims paid/payable.	Follow accounting standards. Payment of reinsurance premium is subject to the WHT: • 10% if paid by the insured • 2% if paid by an insurance company • 1% if paid by a reinsurance company WHT exemption may be available under treaty relief.
Mutual companies/ stock companies	**Accounting**	**Taxation**
Mutual Companies	Not specifically regulated undercurrent SFAS.	An approved mutual fund is registered as a separate taxpayer. A specific tax regulation is available for mutual funds.

Life insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	Up to 5 consecutive years. No loss carry-back permitted.
Foreign branch income	To our knowledge, a foreign insurance company is not permitted to have a branch in Indonesia. However, world wide income of Indonesian insurance companies derived from foreign branches, are subject to the normal corporate tax. Related foreign prepaid tax can be claimed as a tax credit subject to certain mechanism.
Domestic branch income	Combined with head office income and taxed at normal income tax rates.
Corporate tax rate	25%. Small scale entrepreneur with turnover below IDR 50 billion can enjoy 50% reduction of corporate tax rate for taxable income up to IDR 4.8 billion.
Policyholder taxation	**Taxation**
Deductibility of premiums	Not deductible.
Interest build-up	Less than 3 years: the difference between a savings benefit received and premiums paid earlier is subject to 20% withholding tax.
Proceeds during lifetime	Payment from insurance companies to individuals relating to health insurance, personal accident insurance, life insurance, dual function insurance and scholarship insurance are not taxable. However, if the insurance product contains a savings component, please refer to saving benefit payment section. Payments defined as dividend are subject to 10% final tax.
Proceeds on death	Exempt.
Other tax features	**Taxation**
Premium taxes	None.
Capital taxes and taxes on securities	None.
Captive insurance companies	N/A.
Value added tax (VAT)	No VAT due on the insurance premium 10% VAT payable on commission payable to intermediary companies. Insurance companies are non-VAT able taxpayers and cannot credit the VAT paid. The paid VAT, however, can be claimed as a deductible expense in the corporate tax return

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Japan

General insurance – overview

Definition	Accounting	Taxation
Definition of property and casualty insurance company	A company which is licensed by the Financial Services Agency (FSA) to carry on insurance business and to which insurance legislation applies.	A company licensed as a general and casual insurance company and registered as a small short-term insurance company.
Commercial accounts/ tax and regulatory returns	**Accounting**	**Taxation**
Basis for the company's commercial accounts	Accounting principles for insurance companies regulated by Insurance Business Law (IBL) and the FSA.	N/A
Regulatory return	A separate return as required by the FSA.	N/A
Tax return	N/A.	A separate return as required by the tax authorities. A group consisting of a Japanese parent company and its 100%-owned domestic subsidiaries may elect to file a consolidated return. Because such an election is rare for insurance companies, this summary focuses solely on nonconsolidated tax filers.
Technical reserves/ equalisation reserves	**Accounting**	**Taxation**
Unearned premiums reserve (UPR)	In Japan, policyholder reserves are recorded based on the larger amount of unearned premiums or the remaining insurance balance calculated for each insurance line based on the formula in accordance with IBL and related regulations. Unearned premiums are calculated by time apportionment, e.g. 1/12ths.	In general, the UPR reserves for accounting purposes are tax deductible, provided that the UPR reserve is reported by a method recognised to the government.
Unpaid claims reported	Calculated on case-by-case basis. Estimated claims are reserved, and no discount factors are considered.	In general, the accounting reserve is tax deductible.
Claims incurred but not reported (IBNR)	Calculated based on a statistical method (e.g. chain ladder method) except for automobile liability insurance and earthquake insurance. Discount factors are not considered for calculation of IBNR in Japan.	This reserve is calculated per a different tax formula, which may give rise to book-tax differences.

Japan : General insurance – overview (continued)

Technical reserves/ equalisation reserves	Accounting	Taxation
Unexpired risks	No special treatment.	Generally not deductible.
General contingency/ solvency reserves	No special treatment.	Generally not deductible.
Equalisation reserves	Calculated based on the formula in accordance with IBL and related regulations. Equalisation reserves are recorded cumulatively for all general insurance except for automobile liability insurance and earthquake insurance.	Catastrophe reserves are allowed for certain types of policies. The tax limit is generally 3% or 4% (on or before 31 March 2013) of net annual written premiums aggregated by type of insurance. It is uncertain whether these deductions are allowed after 31 March 2013.
Expenses/ refunds	**Accounting**	**Taxation**
Acquisition expenses	Fully charged in the year incurred.	Tax deductible if classified as current expenses for accounting purposes.
Loss adjustment expenses on unsettled claims (claims handling expenses)	Charged when claims are paid.	Tax deductible.
Experience-rated refunds	Offset against premium when incurred. In Japan, experience-rated refunds apply to 'Loss of income insurance' and 'Marine cargo' only.	Taxed when recognised for accounting purposes.
Investments	**Accounting**	**Taxation**
Gains and losses on investments	Securities should be classified into one of three categories below: Securities that are actually traded for the purpose of gaining from short-term changes in market prices ("trading securities") should be measured at fair value on the balance sheet, recognizing unrealised gains or losses through the income statement. Debt securities that are designated as held-to-maturity (held-to-maturity debt securities) should be measured at amortised cost on the balance sheet. Securities other than trading securities and held-to-maturity debt securities (available-for-sale securities) should be measured at fair value, and the changes in fair value should be accounted for with unrealised gains/losses reported in shareholders' equity unless fair value hedge accounting is applied. Derivatives are valued at fair value and any unrealised gains/losses are recorded in the income statement unless deferred hedge accounting is applied.	There are three types of securities: 1) trading securities valued at market price on the closing date; 2) held-to–maturity debt securities amortisable over the period until maturity; 3) securities other than 1) and 2) above recorded book value. Please note that classification of 1), 2) and 3) above is similar to accounting, but not necessarily the same as accounting. Generally for derivatives, unrealised gains are taxable and unrealised losses are deductible. Special accounting treatment applies to hedging companies.

Japan : General insurance – overview (continued)

Investments	Accounting	Taxation
Investment reserves	Reserves against price fluctuation of stocks and bonds are calculated pursuant to FSA regulations and recorded as part of Liabilities in the balance sheet.	Movement in this reserve will create a tax deduction or taxable income.
Investment income	Included in P&L.	50% to 100% of domestic dividend income (after deducting related unallocated interest expenses) may be excluded from income (depending on the percentage of shares owned). Dividend exclusion is uncommon, however, due to restrictions. Interest income is fully taxable. 95% of a dividend received by a Japanese company from an investment in a foreign company in which it has held at least 25% of the outstanding shares for a continuous period of six months or more ending on the date on which the dividend payment obligation is determined, can be excluded from the company's taxable income. Foreign tax paid directly on foreign dividends received from the foreign company is not eligible for a FTC claim.
Reinsurance	**Accounting**	**Taxation**
Reinsurance premiums and claims	Reinsurance premiums and claims are netted against written premiums and direct claims paid in P&L, respectively. Deposit accounting for non-risk transfer reinsurance has not been established in Japan.	Reinsurance premiums are normally tax deductible. Reinsurance claims are normally taxable
Mutual companies	**Accounting**	**Taxation**
Mutual companies (all profits returned to members)	Policyholder dividends are deducted from retained earnings.	For a mutual insurance company, interest on the capital foundation fund (Kikin) is tax-deductible. The interest is not recognised in the income statement, but is treated as deduction from surplus. The dividends exclusion rule is not applicable to the interest on Kikin distributed to shareholders.

Japan : General insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	Seven year carry-forward and one year carry-back (carry-back has been suspended since 1992).
Foreign branch income	Foreign income is combined with HO's income. Foreign income taxes may be creditable against Japanese corporate taxes, subject to limitations.
Domestic branch income	Calculated under ordinary rules. No special branch tax.
Corporate tax rate	36.21% (national 30.0% + local 6.21% (Tokyo metropolitan government rate)).
Other tax features	**Taxation**
Premium taxes	No premium tax is imposed on individual premium payments or contracts. Enterprise tax however, which is a prefectural tax, is imposed on aggregated annual net premiums (net of reinsurance) at the rates of 1.332% (Enterprise tax rate 0.765%, Local corporate special tax rate 0.567% (Tokyo metropolitan government rate.)). The taxable base is the sum of 10% to 45% of the net premiums by type of insurance. The taxable base of a small-short-term insurance company is the sum of 16% to 26% of the net premiums by type of insurance.
Capital taxes and taxes on securities	N/A.
Captive insurance companies	Japanese CFC legislation applies if the conditions are met.
Value added tax (VAT) / Goods and services tax (GST)	Transfer of property or provision of services by an enterprise in Japan is generally subject to Japanese consumption tax at 5%. However, Consumption Tax Law enumerates transfers of certain types of property or provision of certain types of service that are non-taxable and insurance premiums are included in the enumeration. Therefore insurance premiums are not taxable. Also, insurance claim is not subject to Japanese consumption tax.

Japan : Life insurance – overview

Definition	Accounting	Taxation
Definition of life insurance companies	A company which is licensed by the FSA to carry on insurance business and to which insurance legislation applies.	A company licensed as a life insurance company and registered as a small short-term life insurance company.
Commercial accounts/ tax and regulatory returns	**Accounting**	**Taxation**
Basis for the company's commercial accounts	Accounting principles for insurance companies regulated by Insurance Business Law and the FSA.	N/A.
Regulatory return	A separate return as required by the FSA.	N/A.
Tax return	N/A.	A separate return as required by the tax authorities. A group consisting of a Japanese parent company and its 100%-owned domestic subsidiaries may elect to file a consolidated return. Because such an election is rate for insurance companies, this summary focuses solely on nonconsolidated tax filers.
General approach to calculation of income	**Accounting**	**Taxation**
Allocation of income between shareholders and policyholders	Payments to the policyholders are calculated by the actuary based on the calculation manuals approved by the FSA.	Payments to the policyholders are normally tax-deductible. After-tax profits may be distributed to shareholders.
Calculation of investment return	**Accounting**	**Taxation**
Calculation of investment income and capital gains	Securities should be classified into one of three categories below: 1) Securities that are actually traded for the purpose of gaining from short-term changes in market prices ("trading securities") should be measured at fair value on the balance sheet, recognizing unrealised gains or losses through the income statement. 2) Debt securities that are designated as held-to-maturity (held-to-maturity debt securities) should be measured at amortised cost on the balance sheet. 3) Securities other than trading securities and held-to-maturity debt securities (available-for-sale securities) should be measured at fair value, and the changes in fair value should be accounted for with unrealised gains/losses reported in shareholders' equity unless fair value hedge accounting is applied. In addition to the above three categories, another category of policy reserve matching bonds is permitted for insurance companies to manage asset/liability duration matching. Policy reserve matching bonds shall be stated at amortised cost. Gains or losses on sales of bonds sold for the purpose of achieving target duration shall be posted to P&L as realised gain/loss in the period in which the sale occurs. Gains on sales of bonds sold for purposes other than achieving target duration shall be deferred and amortised over the remaining life of the bonds under the straight-line method, and losses on those sales shall be recognised as a loss in the year in which the sale is made. Derivatives are valued at fair value and any unrealised gains/losses are recorded in the income statement unless deferred hedge accounting is applied.	There are three types of securities: 1. Trading securities value at market price on the closing date; 2. Held-to-maturity debt securities amortisable over the period until maturity; 3. Securities other than 1. and 2. above recorded at book value. Please note that classification of 1), 2) and 3) above is similar to accounting, but not necessarily the same as accounting. Generally for derivatives, unrealised gains are taxable and unrealised losses are deductible. Special accounting treatment applies to hedging companies.

Japan : Life insurance – overview (continued)

Calculation of underwriting profits or total income	Accounting	Taxation
Actuarial reserves	Policyholder reserves are calculated based on the net level premium method or Zillmer method based on calculation manuals approved by FSA. In addition to the above, contingency reserve is recorded to correspond to the risks such as insurance risk and expected interest rate risk. Contingency reserve is calculated based on the formula in accordance with IBL and related regulations.	Tax-deductible pursuant to a formula driven by the net premium.
Acquisition expenses	Fully charged in year incurred.	Tax deductible.
Gains and losses on investments	See 'Calculation of investment return' above.	See 'Calculation of investment return' above.
Reserves against market losses on investments	Reserve for price fluctuations with respect to stocks and bonds must be calculated in accordance with FSA regulation and recorded as part of Liabilities in the balance sheet.	Reserve for price fluctuation is entirely taxable.
Dividend income	Included in P&L on a cash basis.	Dividend income is fully taxable if the provision for policyholders dividend reserve is deducted from taxable income. Otherwise, 50% to 100% of domestic dividend income (net of allocated interest) is excluded from the income (depending on the percentage of shares owned). 95% of a dividend received by a Japanese company from an investment in a foreign company in which it has held at least 25% of the outstanding shares for a continuous period of six months or more ending on the date on which the dividend payment obligation is determined, can be excluded from the company's taxable income. Foreign tax paid directly on foreign dividends received from the foreign company is not eligible for a FTC claim.
Policyholder bonuses	Reserve for policyholders' dividends is calculated in accordance with IBL and related regulations and recorded as part of Liabilities in the balance sheet.	Policyholder dividend reserve is tax deductible up to the amount of the dividend payable in the next year. However, the balance of the prior year's reserve, which was not paid or assigned to the policyholders, become taxable. If the taxable income is less than 7% of net book 'income' (as defined) plus the provision of the policyholder dividend for the year, the difference must be added to the taxable income.
Other special deductions	None.	None.

Japan : Life insurance – overview (continued)

Reinsurance	Accounting	Taxation
Reinsurance premiums and claims	Reinsurance premiums and claims are stated as separate components of operating income/ expense.	Reinsurance premiums are normally tax-deductible. Reinsurance claims are normally taxable.
Mutual companies/ stock companies	**Accounting**	**Taxation**
Mutual Companies	Reserve for dividends to policyholders is calculated in accordance with IBL and related regulations and recorded as part of Liabilities in the balance sheet.	For a mutual insurance company, interest on the capital foundation fund (Kikin) is tax-deductible. The interest is not recognised in the income statement, but is treated as a deduction from surplus. The dividends exclusion rule is not applicable to the interest on Kikin distributed to shareholders.

Japan : Life insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	Seven year carry-forward and one year carry-back (carry-back has been suspended since 1992).
Foreign branch income	Foreign income is combined with HO's income. Foreign income taxes may be creditable against Japanese corporate taxes, subject to limitations.
Domestic branch income	Calculated under ordinary rules. No special branch tax.
Corporate tax rate	36.21% (national 30.0% + local 6.21% (Tokyo metropolitan government rate)).
Policyholder taxation	**Taxation**
Deductibility of premiums	An individual policy holder of life insurance (except for private pensions) may deduct up to 50,000 yen.
Interest build-up	Not taxable.
Proceeds during lifetime	-
Proceeds on death	A policyholder's death benefit is subject to inheritance tax. Each heir is qualified to deduct up to 5 million yen and the remaining amount is taxed at a rate ranging from 10% to 50%.
Other tax features	**Taxation**
Premium taxes	No premium tax is imposed on individual premium payments or contracts. Enterprise tax however, which is a prefectural tax, is imposed on aggregated annual premiums (gross amount of the premiums excluded reinsurance) at the rates of 1.332% (Enterprise tax rate 0.765%, Local corporate special tax rate 0.567% (Tokyo metropolitan government rate.)). The taxable base is the sum of 10% to 45% of the net premiums by type of insurance. The taxable base of a small-short-term insurance company is the sum of 16% to 26% of the net premiums by type of insurance.
Capital taxes and taxes on securities	N/A.
Captive insurance companies	Japanese CFC legislation applies if the conditions are met.
Value added tax (VAT) / Goods and services tax (GST)	Transfer of property or provision of services by an enterprise in Japan is generally subject to Japanese consumption tax at 5%. However, Consumption Tax Law enumerates transfers of certain types of property or provision of certain types of service that are non-taxable and insurance premiums are included in the enumeration. Therefore insurance premiums are not taxable. Also, insurance claim is not subject to Japanese consumption tax.

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Korea

General insurance – overview

Definition	Accounting	Taxation
Definition of property and casualty insurance company	A company that carries on property and casualty insurance and to which insurance regulations applies.	Not defined by tax legislation.
Commercial accounts/ tax and regulatory returns	**Accounting**	**Taxation**
Basis for the company's commercial accounts	The financial statements have to comply with Korean International Financial Reporting Standards (K-IFRS).	Taxation based on financial accounting standards.
Regulatory return	A separate return as required by the Ministry of Finance and Economy and the Financial Supervisory Board.	N/A.
Tax return	N/A.	A separate annual return as required by the tax authorities.
Technical reserves/ equalisation reserves	**Accounting**	**Taxation**
Unearned premiums reserve (UPR)	An unearned premium reserve, which is the premium whose applicable period has not yet arrived as of the end of the current fiscal year, out of the premiums whose payment dates have matured before the end of the current fiscal year, shall be the amount calculated according to the manual for calculation of premium and policy reserve. The unearned premium reserve shall be calculated as follows; Unearned premium reserve = (m'-t)/m'*P Provided: • M : payment cycle (2,3,6,12), • t : number of months in which payments made, • P : net insurance premiums paid.	Accounts provision allowed in full.
Unpaid claims reported	Unpaid claims reported shall be the amount unpaid for the policies whose insured risk has occurred as of the end of every fiscal year and shall be calculated by each claim per incident or a statistical method, among others, the calculation basis of which shall be determined by the Governor.	Accounts provision allowed in full.
Claims incurred but not reported (IBNR)	Calculated by applying certain percentages of earned premium (as set out in the regulatory guidelines) and added to the reserve.	The liability reserve fund under corporate tax law shall be included in the calculation of losses within the scope of the amount IBNR: Where an insured accident occurs on the last day of the concerned business year or the amount of insurance money which must be paid is not determined, an appropriate amount of insurance money in consideration of the amount of damages: Provided, that for personal insurance it shall be the insurance money amount specified in the insurance contract.

Korea: General insurance – overview (continued)

Technical reserves/ equalisation reserves	Accounting	Taxation
Unexpired risks	Calculated in accordance with Supervision of Insurance Business	Accounts provision allowed in full.
General contingency/ solvency reserves	N/A	N/A
Equalisation reserves /Catastrophe reserves	The equalisation reserve shall be accumulated in an amount between 35/100 and 100/100 of the value calculated under the following formula for each fiscal year by each type of insurance until it reaches a certain ratio of the earned premiums prescribed in Supervision of Insurance Business in consideration of the existing amount accumulated and future trend of loss ratio. Cumulative equalisation reserve = Retained premiums by type of insurance x standard cumulative rate prescribed in Supervision of Insurance Business. Calculated based on Supervision of Insurance Business. The reserve is appropriated as the reserves in the retained earnings starting from 2011 since K-IFRS 1104 does not allow setting aside equalisation reserves as liabilities. On adoption of K-IFRS in 2011, the entirety of the reserve has been transferred to equity and included within the FY 2011 opening balance of retained earnings. Insurance types are classified into 6 insurance types: fire insurance, marine insurance, automobile insurance, casualty insurance, guarantee insurance, reinsurance assumed and overseas' primary insurance.	The equalisation reserve fund under the provisions of the Act shall be included in the calculation of losses within the scope of the amount calculated by multiplying the sum total of holding insurance premiums for short-term injury insurance in the concerned business year by the accumulation standard rates by insurance type that is determined by the Financial Supervisory Commission. Tax deduction for 90% of the increases in an equalisation reserve which is still required to be kept under the applicable statutory standard set by the FSS.
Policyholders' Dividend Reserve	Policyholders' dividends shall be classified into interest rate difference dividend, mortality dividend and expenses difference dividend. The reserve for policyholders' dividend shall be classified into policyholders' dividend reserve (interest rate difference dividend reserve, mortality dividend reserve and expenses difference dividend reserve) and policyholders' profit dividend reserve. The policyholders' share calculated pursuant to the Act shall be accumulated as the policyholders' dividend reserve, and the remaining share shall be accumulated in a gross amount as the policyholders' profit dividend reserve.	Accounts provision allowed in full.
Policy reserves	Calculated based on a case-by-case or the average payment method. Full amount of the estimated claim should be added to the reserve.	As the valuation standard of the FSS for technical reserves is now the same as that under K-IFRS, this effectively means that technical reserves provided under K-IFRS should be fully deductible going forward. Under article 30 of the CITA, the larger amount between tax limitation and the statutory limitation is tax deductible.

Korea: General insurance – overview (continued)

Expenses/ refunds	**Accounting**	**Taxation**
Acquisition expenses	In accordance with Article of Accounting Standards for Insurance Industry, acquisition costs are deferred and amortised over the premium payment period or seven years, whichever is shorter. For cancellations, any unamortised portion is written off immediately.	Follows accounting treatment.
Loss adjustment expenses on unsettled claims (claims handling expenses)	Accumulated future claim investigations fees are recognised in the LAE reserve that is treated as a liability under K-IFRS 1104 and under the applicable FSS statutory standards.	Tax deductible.
Experience-rated refunds	Credited in accordance to the experience rate.	Taxed when earned.
Maintenance expenses	Immediately charged in full in the year incurred.	Tax deductible.
Investments	**Accounting**	**Taxation**
Gains and losses on investments	Investments in equity securities or debt securities are classified into trading securities, available-for-sale securities and held-to-maturity securities, depending on the acquisition and holding purpose. Securities are initially recorded at cost plus incidental expenses. Valuation methods used include moving average for equity securities, and specific identification for debt securities.	Realised gains and losses are included in taxable income. Unrealised gains or losses are not taxable until realised.
Investment reserves	N/A.	N/A.
Investment income	Included in P&L.	Gross amounts included in taxable income.
Reinsurance	**Accounting**	**Taxation**
Reinsurance premiums and claims	Premiums paid/payable are deducted from gross premiums. Claims recoveries netted in the P&L account against claims paid/payable.	Follows accounting treatment.
Mutual companies	**Accounting**	**Taxation**
Mutual companies (all profits returned to members)	Not applicable (mutual companies cannot run an insurance business according to the Insurance Business Law in Korea).	Not applicable.

Korea: General insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	The tax base for corporate tax on income of domestic corporations for each business year shall be, within the scope of the income for each business year, the amount calculated by deducting the amount of deficits accruing during each business year within ten years before the first day of the current business year which were not thereafter deducted in the calculation of the tax base. In the deduction of losses, they shall be deducted in sequential order beginning with the losses first generated in the business year.
Foreign branch income	Resident insurers are taxed on a worldwide basis. Hence, the branch income will be taxed under the ordinary rules. However, Foreign branch income will be taxable with credit for foreign tax.
Domestic branch income	Calculated under ordinary rules.
Corporate tax rate	The corporate tax amount on the income for each business year of a domestic corporation shall be the amount calculated by applying the following tax rates to the tax base , and in case that there is the corporate tax to be levied on the income accruing from the transfer of land. Tax Base — Tax Rate 200,000,000 won or less — 10/100 of tax base More than 200,000,000 won — 20,000,000 won + 22/100 of the amount in excess of 2m won
Other tax features	**Taxation**
Premium taxes	Education tax (0.5% of adjusted gross revenue under the education tax).
Capital taxes and taxes on securities	Capital gains are included in taxable income. Gains arising from the disposal of land for non business purpose or houses designated under the presidential decree, with certain exceptions, will be subject to additional capital gain tax. Capital losses are deductible from taxable income (whatever the source). The Korean tax system makes no distinction between short-term and long-term gains.
Captive insurance companies	No special treatment.
Value added tax (VAT)	VAT does not apply financial service business, including insurance business.

Korea: Life insurance – overview

Definition	Accounting	Taxation
Definition of life insurance companies	A company that carries on life insurance business and to which specific regulations applies.	No special definition of life insurance business under the tax laws (defined by reference to the Insurance Business Law).
Commercial accounts/ tax and regulatory returns	**Accounting**	**Taxation**
Basis for the company's commercial accounts	The financial statements have to comply with Korean International Financial Reporting Standards (K-IFRS).	Taxation based on financial accounting standards
Regulatory return	Separate return required by the Ministry of Finance and Economy and Financial Supervisory Service.	N/A.
Tax return	N/A.	Separate annual return required.
General approach to calculation of income	**Accounting**	**Taxation**
Allocation of income between shareholders and policyholders	Residual income (after appropriating liability reserve is allocated between shareholders and policyholders) is based on the ratio prescribed by the regulatory guidelines.	Follows accounting rules (policyholders' income deducted from taxable profits).
Calculation of investment return	**Accounting**	**Taxation**
Calculation of investment income and capital gains	Realised gains and losses on investments (plus dividends and interest) are taken to the P&L.	Follows accounting rules. Unrealised gains or losses are not taxable.
Calculation of underwriting profits or total income	**Accounting**	**Taxation**
Actuarial reserves	The net premium method is usually applied; However, the Zillmer method is allowed.	Follows accounting rules. Policy reserves are deductible.
Acquisition expenses	Treated as deferred asset and generally amortised up to 7 years.	Follows accounting rules.
Gains and losses on investments	Unrealised gains and losses are recorded in capital adjustment. Realised gains and losses are included in the P&L account.	Taxed when realised and taken to P&L. Unrealised gains and losses are not taxable until realised.
Reserves against market losses on investments	Reserves against market losses on investments.	N/A.
Dividend income	Included in income (gross of withholding tax).	Gross amounts included in taxable income.
Policyholder bonuses	Deducted from profit before tax.	Tax deductible.
Other special deductions	None.	None.
Maintenance expenses	Immediately charged in full in the year occurred.	Tax deductible.
Reinsurance	**Accounting**	**Taxation**
Reinsurance premiums and claims	No special rules, however, it is recorded as an expense item when paid.	Follows accounting rules.
Mutual companies/ stock companies	**Accounting**	**Taxation**
Mutual Companies	N/A.	N/A.

Korea: Life insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	10-year carry-forward available.
Foreign branch income	Foreign branch income taxable with credit for foreign tax.
Domestic branch income	Taxed under ordinary rules.
Corporate tax rate	The corporate tax amount on the income for each business year of a domestic corporation shall be the amount calculated by applying the following tax rates to the tax base , and in case that there is the corporate tax to be levied on the income accruing from the transfer of land. Tax Base — Tax Rate 200,000,000 won or less — 10/100 of tax base More than 200,000,000 won — 20,000,000 won + 22/100 of the amount in excess of 2m won.
Policyholder taxation	**Taxation**
Deductibility of premiums	Tax deductible up to 1,000,000 Korean Won.
Interest build-up	Not taxable on individuals (except for savings-oriented policies).
Proceeds during lifetime	Not taxable on individuals (except for the interest portion of savings-oriented policies).
Proceeds on death	Inheritance tax imposed on the total proceeds received (except if the premiums are not fully paid by the predecessor).
Other tax features	**Taxation**
Premium taxes	Education tax of 0.5%.
Capital taxes and taxes on securities	Capital gains are included in taxable income. Gains arising from the disposal of land for non business purpose or houses designated under the presidential decree, with certain exceptions, will be subject to additional capital gain tax. Capital losses are deductible from taxable income (whatever the source). The Korean tax system makes no distinction between short-term and long-term gains.
Captive insurance companies	No special treatment.
Value added tax (VAT)	VAT does not apply financial service business, including insurance business.

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Malaysia

General insurance – overview

Definition	Accounting	Taxation
Definition of property and casualty insurance company	A company authorised under the Malaysian Insurance Act to carry out all insurance business other than life business.	Generally follows the definitions in the Insurance Act 1996.
Commercial accounts/ tax and regulatory returns	**Accounting**	**Taxation**
Basis for the company's commercial accounts	The financial statements have to comply with the Malaysian Companies Act, Malaysian Insurance Act, Malaysian Accounting Standards Board ("MASB"), Approved Accounting Standards in Malaysia for Entities Other Than Private Entities, and relevant guidelines and circulars issued by the Central Bank of Malaysia. MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities will be fully converged with International Financial Reporting Standards by 1 January 2012.	Generally, the tax returns will be based on the audited accounts although there may not be convergence in the accounting and tax treatments.
Regulatory return	For each insurance fund established in Malaysia under the Insurance Act, insurers must file monthly, quarterly and annual returns with the Central Bank of Malaysia (CBM). Such returns are prepared in accordance with the valuation basis and format prescribed by the CBM. For regulatory purposes, Malaysia adopted a risk-based capital ("RBC") framework effective from 1 January 2009.	Tax returns will also cross reference to the audited annual Insurance Act return.
Tax return	Not applicable.	Tax returns are lodged on an entity basis, 7 months following the close of the financial year end.
Technical reserves/ equalisation reserves	**Accounting**	**Taxation**
Unearned premiums reserve (UPR)	Written premiums are recognised over the risk period of the policy. UPR is usually calculated on a time apportionment method i.e. for Malaysian policies – 1/24th method except for marine cargo business for which 25% of premiums reversed and for foreign policies – 1/8th method.	Generally claimed per accounts except for marine, aviation or transit policies; calculated based on 25% of net premiums (i.e. net of deductible reinsurance premiums ceded). Reinsurance premiums ceded outside Malaysia are deductible to the extent of 95% of the premium paid.
Unpaid claims reported	Calculated on a case-by-case basis. Normally no discounting.	Allowed as per accounts – Net claims incurred.
Claims incurred but not reported (IBNR)	Generally calculated using statistical bases. Claim liabilities (include both reported claims and IBNR) must be certified by an approved actuary annually. The claim liabilities must include a minimum provision for adverse deviation, based on a 75% level of confidence. For financial statements prepared under the Companies Act, insurers generally adopt the same valuation as that used for regulatory purposes.	Allowed as per accounts – Net claims incurred.

Malaysia: General insurance – overview (continued)

Technical reserves/ equalisation reserves	**Accounting**	**Taxation**
Unexpired risks	Premium liabilities must be certified by an approved actuary annually. The premium liabilities refer to the higher of an insurer's UPR and its unexpired risk reserves calculated to include a provision for adverse deviation based on a 75% level of confidence. For financial statements prepared under the Companies Act, insurers generally adopt the same valuation as that used for regulatory purposes.	Generally allowed as per accounts except for marine, aviation or transit policies (as above).
General contingency/ solvency reserves	Under the RBC framework with effect from 1 January 2009, each insurer is expected to set an internal target capital level that reflects its own risk profile and risk management practices, and this internal target should be higher than the Central Bank's supervisory target capital level of 130%.	Not allowed for tax purposes.
Equalisation reserves	Normally no such reserve created.	Would not qualify for tax purposes.
Expenses/ refunds	**Accounting**	**Taxation**
Acquisition expenses	Expenses are deducted when incurred and properly allocated to the periods in which it is probable they give rise to income.	Expenses tax deductible in year incurred.
Loss adjustment expenses on unsettled claims (claims handling expenses)	Provision must be made in claim liabilities for all future claims handling costs.	Allowed as per accounts – Net claims incurred.
Experience-rated refunds	Benefits are credited when earned/received. This is taken into account in the valuation of premium liabilities.	Taxable as per accounts.
Investments	**Accounting**	**Taxation**
Gains and losses on investments	Effective from 1 January 2010, investments are categorised as fair value through profit or loss, held-to-maturity, loans and receivables and available for sale. The accounting for gains and losses on investments would depend on the classification of the investments. For financial statements prepared under the Companies Act, insurers generally adopt the same valuation as that used for regulatory purposes.	Gains and losses on investments are included as taxable income on a realised basis. Accordingly, gross proceeds (whether or not of an income nature) in connection with the realisation of those investments or any rights are taxable. The cost of acquiring and realising those investments or rights is tax deductible.
Investment reserves	Effective 1 January 2010, investments are categorised as fair value through profit or loss, held-to-maturity, loans and receivables and available for sale. Where investments are classified as 'available for sale', unrealised gains/losses on these investments are recognised directly in separate component of equity in the 'fair value reserve' until the investment is derecognised or impaired.	Not allowed for tax purposes.

Malaysia: General insurance – overview (continued)

Investments	Accounting	Taxation
Investment income	Recognised in profit or loss on an accrual basis.	Unless specifically exempted, investment income is taxable when earned. Exempt dividends may be received from investments in companies which had previously enjoyed or are currently enjoying the various tax incentives provided under the law. With effect from 1 January 2008, dividends received from companies under the single-tier system will also be exempted.
Reinsurance	**Accounting**	**Taxation**
Reinsurance premiums and claims	Accounted for on an earned/incurred basis. This is taken into account in the valuation of claims liabilities and premium liabilities.	Same tax treatment as general insurance business.
Mutual companies	**Accounting**	**Taxation**
Mutual companies (all profits returned to members)	No special treatment.	No special treatment.

Malaysia: General insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	Generally, there is : - Unlimited carry-forward of non-utilised business losses. - Prior to YA 2012, current year adjusted loss from the general insurance business would need to be allocated to other business sources of the insurance company (i.e. Life Fund, Shareholders Fund, etc.) - Pursuant to Section 60(10D) of the Income Tax Act, 1967 (which was introduced in the Budget 2012), with effect from YA 2012, any unabsorbed losses from sources other than the life fund of an insurer (i.e. general business, shareholders' fund, etc.) will be quarantined and is only allowed to be utilised against the statutory income of an insurer other than the life fund for subsequent years of assessment. - No carry-back of trade losses allowed for insurance companies. - 70% (with effect from YA 2009) of the current year tax losses in a company can be set off against income of one or more companies within the Group, subject to certain conditions such as: • Both claimant and surrendering companies must have paid-up capital of above RM2.5 million; • Both companies are related companies; i.e. 70% direct / indirect ownership / residual profits / residual assets; • Both companies must have 12 months basis period ending on the same day; and • Both companies are Malaysian residents and incorporated in Malaysia.
Foreign branch income	Resident insurers are taxed on a worldwide basis. Hence, the branch income will be taxed under the normal rules. However, unilateral and bilateral relief is available to offset the double tax.
Domestic branch income	No segregation of domestic branch income. Taxed on consolidated basis.
Corporate tax rate	Normal tax rate is 25% with effect from YA 2009. Concessionary tax rate of 5% on inward reinsurance and offshore insurance businesses. "Offshore insurance" means insurance of a risk under a general policy where the risk is outside Malaysia and the insurance policy is issued by an insurer resident in Malaysia or by a branch in Malaysia of an insurer not resident in Malaysia, and where any risk is in transit in Malaysia it shall be deemed to be outside Malaysia. "Inward re-insurance" means any reinsurance of a risk under a policy where the risk is outside Malaysia and the original insurance policy: (a) is issued by an insurer not resident in Malaysia but not issued by a branch in Malaysia of such insurer; or (b) is issued by a branch outside Malaysia of an insurer resident in Malaysia, and where any risk is in transit in Malaysia it shall be deemed to be outside Malaysia.

Malaysia: General insurance – other tax features (continued)

Other tax features	Taxation
Premium taxes	None.
Capital taxes and taxes on securities	There is no capital gains tax. With effect from 1 April 2007 to 31 December 2009, any gains on disposal of real properties or shares in real property companies would not be subject to real property gains tax pursuant to the exemption granted under the Real Property Gains Tax (Exemption) (No. 2) Order 2007. For any disposal of chargeable assets made by any person between 1 January 2010 to 31 December 2011, a tax at a fixed rate of 5% on the gains arising from the disposal that are disposed within 5 years from the date of acquisition of such chargeable assets pursuant to the Real Property Gains Tax (Exemption) (No. 2) Order 2009. In the recent Budget 2012 which was announced on 7 October 2011, it is proposed that with effect from 1 January 2012, the RPGT rate be increased to 10% for the disposal of real properties (residential and commercial properties) within 2 years to curb speculative activities in the property market. For disposal made within 2 to 5 years from ownership, RPGT at 5% is applicable. Disposal after 5 years of ownership is not subject to RPGT. Generally, service tax at the rate of 6% (with effect from 1 January 2011) is applicable for provision of all types of insurance policies to all business organizations except for insurance policies to cover risks relating to international transportation of goods and insurance policies to cover risks outside Malaysia. (Prior to 1 January 2011, the rate of service tax was 5%). Stamp duties are imposed on certain instruments or document and the rates vary according to the nature of the documents and the values involved. The key items which attract stamp duties include the following: - Transfers of marketable securities - 0.3% of the consideration or value (whichever is the greater) on the date of transfer. - Instruments transferring property, calculated on the money value of the consideration or the market value of the property, whichever is the greater : • On first RM100,000 – 1% • On next RM400,000 – 2% • On the excess – 3% - Service contracts – ad valorem stamp duty of 0.5% Stamp duty on policy of insurance attract nominal amount of stamp duty of RM10 except for life policy where the sum insured does not exceed RM 5,000.
Captive insurance companies	Generally, captive insurance companies are located in Labuan. An offshore captive insurance company is subject to tax in Labuan at the rate of 3% based on net profits as reflected in the audited accounts or upon election at RM 20,000.
Value added tax (VAT) / Goods and services tax (GST)	Not applicable.

Malaysia: Life insurance – overview

Definition	Accounting	Taxation
Definition of life insurance companies	A company authorised under the Malaysian Insurance Act to carry out insurance business concerned with life policies.	Generally follows the definitions in the Insurance Act 1996.
Commercial accounts/ tax and regulatory returns	**Accounting**	**Taxation**
Basis for the company's commercial accounts	The financial statements have to comply with the Malaysian Companies Act, Malaysian Insurance Act, MASB, Approved Accounting Standards in Malaysia for Entities Other Than Private Entities and relevant guidelines, and circulars issued by the Central Bank of Malaysia. MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities will be fully converged with International Financial Reporting Standards by 1 January 2012.	Generally, the tax returns will be based on the audited accounts although there may not be convergence in the accounting and tax treatments.
Regulatory return	For each insurance fund established in Malaysia under the Insurance Act, insurers must file monthly, quarterly and annual returns with the Central Bank of Malaysia. Such returns are prepared in accordance with the valuation basis and format prescribed by the Central Bank of Malaysia. For regulatory purposes, Malaysia adopted a risk-based capital (RBC) framework effective from 1 January 2009.	Tax returns will also cross reference to the audited annual Insurance Act return.
Tax return	Not applicable.	Tax returns are lodged on an entity basis, 7 months following the close of the financial year end.
General approach to calculation of income	**Accounting**	**Taxation**
Allocation of income between shareholders and policyholders	The Insurance Act requires separate insurance funds to be set up for participating policies, non-participating policies and investment-linked policies. There is separate accounting for policyholders'/shareholders' profits within an insurer's accounts. The distribution of surpluses out of the insurance funds is subject to regulatory restrictions.	Life Fund (including Investment-linked Fund) and Shareholders' Fund are taxed separately. Allocation of income to shareholders via actuarial surplus transferred is taxable under the Shareholders' Fund. Any actuarial deficit in the Life Fund is allowed a tax deduction under the Shareholders' Fund.
Calculation of investment return	**Accounting**	**Taxation**
Calculation of investment income and capital gains	Investment income is recognised in profit or loss on an accrual basis. Effective 1 January 2010, investments are categorised as fair value through profit or loss, held-to-maturity, loans and receivables and available for sale. The accounting for gains and losses on investments would depend on the classification of the investments. For financial statements prepared under the Companies Act, insurers generally adopt the same valuation as that used for regulatory purposes.	Unless specifically exempted, investment income is taxable when earned. Exempt dividends may be received from investments in companies which had previously enjoyed or are currently enjoying the various tax incentives provided under the law. With effect from 1 January 2008, dividends received from companies under the single tier system would also be exempted. Gross proceeds (whether or not of an income nature) in connection with the realisation of those investments or any rights are taxable and the cost of acquiring and realising those investments or rights is tax deductible.

Malaysia: Life insurance – overview (continued)

Calculation of underwriting profits or total income	Accounting	Taxation
Actuarial reserves	The valuation of policy liabilities is carried out by the appointed actuary using bases specified by the Central Bank. Under the valuation, future cash flows are projected based on realistic assumptions and discounting at the appropriate interest rates. For financial statements prepared under the Companies Act, insurers generally adopt the same valuation as that used for regulatory purposes. As required under the guidelines and circulars issued by BNM, insurance contracts liabilities include actuarial liabilities, unallocated surplus and fair value reserves supporting the life fund.	Not allowed for tax purposes.
Acquisition expenses	No separate accounting for deferred acquisition expenses. Acquisition expenses are also included in the projected cash flows that the actuary uses for the valuation of policy liabilities.	Not allowed for tax purposes. Generally, the Life Fund is not eligible to claim expenses when computing its tax liability. However, the cost of acquiring and realising those investments or rights is tax deductible when there is a realisation of those investments.
Gains and losses on investments	Effective 1 January 2010, investments are categorised as fair value through profit or loss, held-to-maturity, loans and receivables and available for sale. The accounting for gains and losses on investments would depend on the classification of the investments.	Gross proceeds (whether or not of an income nature) in connection with the realisation of those investments or any rights are taxable and the cost of acquiring and realising those investments or rights is tax deductible.
Reserves against market losses on investments	Effective 1 January 2010, investments are categorised as fair value through profit or loss, held-to-maturity, loans and receivables and available for sale. The accounting for market losses on investments would depend on the classification of the investments.	Not allowed for tax purposes.
Dividend income	Recognised in profit or loss on an accrual basis, and included in investment income.	Taxable unless it is exempted. Exempt dividends may be received from investments in companies which had previously enjoyed or are currently enjoying the various tax incentives provided under the law. With effect from 1 January 2008, dividends received from companies under the single-tier system would also be exempted.
Policyholder bonuses	Accounted for as an allocation of surplus of the participating fund. All allocations from the participating fund (both to policyholders and to shareholders) are subject to specified regulatory rules.	Not allowed for tax purposes
Other special deductions	None.	Where an amount of actuarial surplus from the life fund of an insurer is transferred to the shareholders' fund, any amount of tax charged on the portion of that surplus shall be set-off against the tax charged on the chargeable income from the shareholders' fund of that insurer in respect of the life business.

Malaysia: Life insurance – overview (continued)

Reinsurance	Accounting	Taxation
Reinsurance premiums and claims	Accounted for on an earned/ incurred basis. Taken into account in projected cash flows that the actuary uses for the valuation of policy liabilities.	Same tax treatment as general insurance business.
Mutual companies/ stock companies	**Accounting**	**Taxation**
Mutual Companies	No special treatment.	No special treatment.

Malaysia: Life insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	Generally, there is : - Unlimited carry-forward of unabsorbed business losses to be utilised only against income of Life Fund. - No carry-back of trade losses allowed for insurance companies. - 70% (with effect from YA 2009) of the current year tax losses in a company can be set-off against income of one or more companies within the Group, subject to certain conditions such as: • Both claimant and surrendering companies must have paid-up capital of above RM 2.5 million; • Both companies are related companies; i.e. 70% direct / indirect ownership / residual profits / residual assets; • Both companies must have 12 months basis period ending on the same day; and • Both companies are Malaysian residents and incorporated in Malaysia.
Foreign branch income	Insurance companies are taxed on world scope and the branch income will be taxed under ordinary rules. However, unilateral and bilateral relief is available to counter double taxation.
Domestic branch income	No segregation of domestic branch income. Taxed on consolidated basis.
Corporate tax rate	Normal tax rate for Life Fund (including Investment-linked Fund) is 8%. Tax rate for Shareholders' Fund is 25% (effective YA 2009).
Policyholder taxation	**Taxation**
Deductibility of premiums	Tax deductible for companies, except for key-man insurance. For individuals, deductions available are as follows : - Deduction for Life insurance premiums / statutory contribution to the Employees Provident Fund and / or other approved funds is limited to RM 6,000. - Effective YA 2010, this relief has been increased to RM 7,000. The increased relief amount of RM 1,000 is given solely on annuity scheme premium from insurance companies contracted with effect from 1 January 2010 and additional premium paid on existing annuity scheme commencing from 1 January 2010. - In the recent Budget 2012, it was proposed that the RM1,000 relief above be increased to RM3,000 for contributions made to Private Retirement Scheme approved by the Securities Commission and on annuity premiums. This relief is effective from YA 2012 to YA 2021. - Deduction for insurance premiums for education or medical benefits is limited to RM 3,000. - Deduction for annuity premium on annuity purchased through EPF Annuity Scheme is limited to RM 1,000. (This relief has been abolished with effect from YA 2011.).
Interest build-up	Not taxable.
Proceeds during lifetime	Annuity or periodical payment is taxable at the prevailing tax rate except for sums received by way of annuities granted under annuity contracts issued by Malaysian life insurers. For the purposes of this exemption, "Malaysian life insurers" means life insurers and Takaful operators whose ownership or membership is held in majority by Malaysian citizens.
Proceeds on death	Not taxable for individuals.

Malaysia: Life insurance – other tax features (continued)

Other tax features	Taxation
Premium taxes	None.
Capital taxes and taxes on securities	There is no capital gains tax. With effect from 1 April 2007 to 31 December 2009, any gains on disposal of real properties or shares in real property companies would not be subject to real property gains tax pursuant to the exemption granted under the Real Property Gains Tax (Exemption) (No. 2) Order 2007. For any disposal of chargeable assets made by any person between 1 January 2010 to 31 December 2011, a tax at a fixed rate of 5% on the gains arising from the disposal that are disposed within 5 years from the date of acquisition of such chargeable assets pursuant to the Real Property Gains Tax (Exemption) (No. 2) Order 2009. In the recent Budget 2012 which was announced on 7 October 2011, it is proposed that with effect from 1 January 2012, the RPGT rate be increased to 10% for the disposal of real properties (residential and commercial properties) within 2 years to curb speculative activities in the property market. For disposals made within 2 to 5 years from ownership, RPGT at 5% is applicable. Disposal after 5 years of ownership is exempted from RPGT. Generally, service tax at the rate of 6% (with effect from 1 January 2011) is applicable for provision of all types of insurance policies to all business organizations except for insurance policies to cover risks relating to international transportation of goods and insurance policies to cover risks outside Malaysia. (Prior to 1 January 2011, the rate of service tax was 5%). Stamp duties are imposed on certain instruments or document and the rates vary according to the nature of the documents and the values involved. The key items which attract stamp duties include the following: - Transfers of marketable securities - 0.3% of the consideration or value (whichever is the greater) on the date of transfer. - Instruments transferring property, calculated on the money value of the consideration or the market value of the property, whichever is the greater : • On first RM100,000 – 1% • On next RM400,000 – 2% • On the excess – 3% - Service contracts – ad valorem stamp duty of 0.5% Stamp duty on policy of insurance attract nominal amount of stamp duty of RM10 except for life policy where the sum insured does not exceed RM 5,000.
Captive insurance companies	Generally, captive insurance companies could be located in Labuan. An offshore captive insurance company is subject to tax in Labuan at the rate of 3% based on net profits as reflected in the audited accounts or upon election, at RM 20,000.
Value added tax (VAT) / Goods and services tax (GST)	Not applicable.

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New Zealand

General insurance – overview

Definition	Accounting	Taxation
Definition of property and casualty insurance company	A company to which insurance legislation applies.	No definition for tax purposes.
Commercial accounts/ tax and regulatory returns	**Accounting**	**Taxation**
Basis for the company's commercial accounts	IFRS for periods beginning on or after 1 January 2007	N/A
Regulatory return	Insurance Companies' Deposit Act return. Insurance (Prudential Supervision) Act 2010. This is expected to be in force by March 2012 upon which the Insurance Companies' Deposit Act 1953 will be no longer required.	N/A
Tax return	N/A	General Insurance business required to be included in annual tax return.
Technical reserves/ equalisation reserves	**Accounting**	**Taxation**
Unearned premiums reserve (UPR)	Calculated by time apportionment, 356ths method is usually applied.	Calculated by time apportionment, 356ths method is usually applied.
Unpaid claims reported	Reported claims unpaid are recognised as an expense in the income statement and outstanding claims liability in the balance sheet. Estimation of these includes assessing individual claims and past claims experience. Discounted for future years' payments. Reinsurance is also accounted for and separately disclosed.	A deduction will be allowed for the value of the reserve included in the insurer's financial statements prepared in accordance with NZIFRS4. Definition of the outstanding claims reserve in tax legislation includes reference to recoveries from reinsurers which are netted off against the outstanding claims.
Claims incurred but not reported (IBNR)	Calculated based on experience or statistical method. Discounted for future years' payments.	A deduction will be allowed for the value of the IBNR included in the insurer's financial statements prepared in accordance with NZIFRS4.
Unexpired risks	Companies are required to assess unexpired risks through the liability adequacy test, if applicable, to establish an unexpired risk reserve after writing off deferred acquisition costs and related intangible assets.	Not defined by tax legislation. Reviewed on a case by case basis.
General contingency/ solvency reserves	The unexpired risk and claim provisions include a prudential margin to allow for the risk that best estimates may not prove to be sufficient. The minimum probability of sufficiency for the purposes of calculating the prudential margin is normally 75%.	A deduction will be allowed for the prudential margin included in the insurer's financial statements prepared in accordance with NZIFRS 4.
Equalisation reserves	NZIFRS4 prohibits provisioning for possible claims under contracts that are not in existence at balance date e.g. catastrophe/equalisation provisions.	Non deductible.

New Zealand: General insurance – overview (continued)

Expenses/ refunds	Accounting	Taxation
Acquisition expenses	Acquisition costs incurred in obtaining and recording policies of insurance must be recognised as assets where they can be reliably measured and it is probable that they will give rise to premium revenue that will be recognised in subsequent reporting periods. The acquisition costs are amortised systematically over the reporting periods expected to benefit.	Generally deductible when incurred and not amortised in line with accounting.
Loss adjustment expenses on unsettled claims (claims handling expenses)	Generally included in outstanding claims reserves on a claim by claim basis.	A deduction will be allowed to the extent claims handling expenses are included within outstanding claims.
Experience-rated refunds	Credited when earned.	Follows accounting treatment.
Investments	**Accounting**	**Taxation**
Gains and losses on investments	Gains or losses arising as changes on investments held at fair value are taken through the Income Statement unless they are designated as available for sale. Fair value gains or losses arising on investments held for sale are recognised in 'other comprehensive income' until the asset is derecognised. For investments held at amortised cost, a gain or loss is recognised in the income statement on de-recognition or impairment and through the amortisation process.	Gains and losses on debt instruments and derivatives are taxable on an accruals basis and/ or realisation basis, depending on the circumstances. Gains and losses on Australian listed equities (including unit trusts) held directly are generally taxable on a realisation basis. Portfolio Investment Entity (PIE) principles apply to the new policyholder tax base such that capital gains and losses on Australasian shares are excluded from policyholder base income. Gains and losses on certain Australasian equities and NZ equities held by portfolio investment entities are exempt from tax. Non-Australasian offshore portfolio equity investments are taxed on a deemed income basis (referred to as a fair dividend rate) of 5% per annum. Gains and losses on real property are taxable on a realised basis.
Investment reserves	Investments are held at fair value unless they are designated as held to maturity in which case they are measured at amortised cost using the effective interest rate method. Only applicable to available for sale assets which are not considered to be backing insurance liabilities.	Non-deductible.
Investment income	Included in the Income Statement on an accrual basis.	Income from debt instruments and derivatives are generally taxable on an accruals basis, with several spreading methods available. Rental income is taxable on an accruals basis. Dividends are generally taxable when received. Certain offshore portfolio equity investments are taxed on a deemed income basis (referred to as a fair dividend rate) of 5% per annum.

New Zealand: General insurance – overview (continued)

Reinsurance	**Accounting**	**Taxation**
Reinsurance premiums and claims	Premiums paid/payable are an expense to the insurer. Claims recoveries are shown as a separate revenue item.	Follows accounting treatment. General insurance premiums paid offshore to non-resident insurers with no taxable presence in New Zealand are generally taxable at 2.8% of the gross premium amount.
Mutual companies	**Accounting**	**Taxation**
Mutual companies (all profits returned to members)	No special treatment.	No special treatment.

New Zealand: General insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	Carry-forward subject to shareholder continuity tests for companies; no same business concessions or loss carry-backs are permitted.
Foreign branch income	Taxable to resident company with relief for foreign tax paid. Exceptions in some circumstances if approved by NZ Revenue authorities.
Domestic branch income	Calculated using ordinary rules.
Corporate tax rate	28% from income year starting on 1 April 2011 for resident and non-resident insurers.
Other tax features	**Taxation**
Premium taxes	Effective 2.8% tax on gross premiums (including reinsurance premiums) paid to offshore insurers from 1 April 2011.
Capital taxes and taxes on securities	None.
Captive insurance companies	No special provisions. Controlled foreign company legislation may apply to captives.
Value added tax (VAT) / Goods and services tax (GST)	Goods and services tax (GST) of 15% is typically imposed on general insurance premiums.

New Zealand: 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 the business of providing, for consideration, benefits contingent upon the death or survival of human beings.
Commercial accounts/ tax and regulatory returns	**Accounting**	**Taxation**
Basis for the company's commercial accounts	IFRS for reporting periods on or after 1 January 2007.	N/A.
Regulatory return	Commercial accounts plus information prescribed by the Life Insurance Act 1908, which includes an actuary's report. Insurance Companies' Deposit Act return.	N/A.
Tax return	N/A.	Taxation of shareholder base and policyholder base required in one annual tax return.
General approach to calculation of income	**Accounting**	**Taxation**
Allocation of income between shareholders and policyholders	A life insurer must recognise in its financial statements, revenues and expenses of the entity, whether they are designated as relating to policyholders or to shareholders. A separation of liabilities to policyholders is measured by the margin on service method as prescribed by the NZ Society of Actuaries and disclosed in the life insurer's Statement of Financial Position.	Vertically separate tax bases apply for policyholder and shareholder income. Policyholder income includes investment income attributable to policyholder interests less expenses directly associated with generating that income. Shareholder income includes investment income from risk policies and the risk portion of savings products plus other income attributable to shareholders. Expenses in relation to the life risk component of premiums and claims are deductible.
Calculation of investment return	**Accounting**	**Taxation**
Calculation of investment income and capital gains	Investment income is taken to the Income Statement on an accrual basis. Realised/unrealised gains and losses on investments plus dividends and interest are taken to the Income Statement. Fair value gains or losses arising on Investments held for sale are recognised in 'other comprehensive income' until the asset is derecognised.	Gains and losses on debt instruments and derivatives are taxable on an accruals basis and/ or realisation basis, depending on the circumstances. Gains and losses on listed Australian equities (including unit trusts) held directly are currently taxable on a realisation basis. Portfolio Investment Entity (PIE) principles apply to the policyholder tax base such that capital gains and losses on listed Australasian shares are excluded from policyholder base income. Gains and losses on certain listed Australasian equities held by portfolio investment entities are exempt from tax. Non-Australasian offshore portfolio equity investments are taxed on a deemed income basis (referred to as a fair dividend rate) of 5% per annum. Gains and losses on real property are taxable on a realised basis.

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New Zealand: Life insurance – overview (continued)

Calculation of underwriting profits or total income	Accounting	Taxation
Actuarial reserves	Calculated by an actuary based on Margin of Services method as prescribed by NZ Society of Actuaries. Use of projection or accumulation method is allowed; however, use of the accumulation method should not result in a materially different result from that obtained by using the projection method.	All tax reserving amounts must be "actuarially determined" for each class of policies. Actuarially determined means when an actuary has calculated the amount using relevant actuarial standards and a proper and reasonable calculation methodology.
Acquisition expenses	Recognised as expenses when incurred, although generally offset by identifying a portion of the planned margins included in policyholder liabilities as relating to the recovery of acquisition costs.	Tax-deductible when incurred as part of life insurer income, with no requirement to amortise over the term of policies.
Gains and losses on investments	Refer to comments under "General Insurance" above	Investment income is to be allocated, based on prescribed methods, to either the shareholder base or policyholder base, depending on whose benefit the investment income is derived.
Reserves against market losses on investments	Refer to calculation of investment income and capital gains above.	Refer to calculation of investment income and capital gains above
Dividend income	Included in the Income Statement.	Generally taxable. When dividends received from NZ companies carry an imputation credit, this can be offset against the life insurer's tax liability.
Policyholder bonuses	Included in policyholder liabilities.	Included in the policyholder income calculation as part of an increase in actuarial reserves.
Other special deductions	No.	The policyholder base can carry forward excess deductions and surplus imputation credits converted to deductions with no requirement to meet a continuity of ownership test.
Reinsurance	**Accounting**	**Taxation**
Reinsurance premiums and claims	Income and expenses from reinsurance are recognised in the Income Statement, but only if the contract provides for the transfer of risk against loss or liability from a ceding insurer to the reinsurer.	Reinsurance premiums paid and reinsurance claims received will be netted against premiums and claims in the shareholder base, provided the reinsurance contracts were offered or entered into in New Zealand.
Mutual companies/ stock companies	**Accounting**	**Taxation**
Mutual Companies	No special treatment.	As for accounting.

New Zealand: Life insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	Shareholder base tax losses can be carried-forward and applied to future shareholder income, subject to specific shareholder continuity rules. Shareholder base tax losses cannot be carried-back or offset against policyholder base income. Policyholder base tax losses incurred under the new rules can be carried-forward and applied to future policyholder income without any requirement for continuity. Policyholder base tax losses cannot be offset against shareholder base income.
Foreign branch income	Life insurance income is generally only taxable in New Zealand to the extent policies are offered or entered into in New Zealand.
Domestic branch income	Life insurance income is generally only taxable in New Zealand to the extent policies are offered or entered into in New Zealand.
Corporate tax rate	The shareholder base will generally be taxed at the company rate (currently 28%) and the policyholder base at 28%. However in some instances it is possible for the policyholder income to be taxed at the 10.5% rate.
Policyholder taxation	**Taxation**
Deductibility of premiums	Generally non-deductible in the policyholder's hands on the basis that the life insurer accounts for policyholder tax as earned.
Interest build-up	Not applicable.
Proceeds during lifetime	Proceeds from life insurance policy are effectively tax paid. Policyholders are not required to return proceeds as taxable income.
Proceeds on death	Proceeds from life insurance policy are effectively tax paid. Policyholders are not required to return proceeds as taxable income.
Other tax features	**Taxation**
Premium taxes	None.
Capital taxes and taxes on securities	No specific rules.
Captive insurance companies	Same tax rules apply as for other insurance companies.
Value added tax (VAT) / Goods and services tax (GST)	No GST will be payable on life insurance premiums (both risk and investment components). GST may apply on fees charged for policy administration and other service provided by the life insurer.

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Papua New Guinea

General insurance – overview

Definition	Accounting	Taxation
Definition of property and casualty insurance company	The term "general insurance business" is defined in the Insurance Act, 1995.	Undefined term for income tax purposes
Commercial accounts/ tax and regulatory returns	**Accounting**	**Taxation**
Basis for the company's commercial accounts	Generally accepted accounting principles (GAAP) & International Financial Reporting Standards (IFRS). Companies Act, 1997.	N/A.
Regulatory return	Separate audited annual return as required under Insurance Act.	N/A.
Tax return	N/A.	Annual income tax return required under the Income Tax Act, 1959.
Technical reserves/ equalisation reserves	**Accounting**	**Taxation**
Unearned premiums reserve (UPR)	In accordance with the pattern of the incidence risk – usually calculated by time apportionment e.g., 365th method or 24th method use.	Pro rata of premiums per accounts net of acquisition costs.
Unpaid claims reported	Calculated on a case-by-case basis. Undiscounted for future years' payments.	Deductible on a case-by-case basis or based on statistical estimate in accordance with generally accepted accounting practices.
Claims incurred but not reported (IBNR)	Calculated on experience and/ or the statistical method.	Deductible based on the statistical estimate in accordance with GAAP.
Unexpired risks	Companies are required to establish an unexpired risk reserve after writing off deferred acquisition costs and related intangible assets. This is referred to as liability adequacy test under IFRS 4.	Not allowed.
General contingency/ solvency reserves	Unlike under GAAP, claims provisions do not include a separate prudential margin. Rather claims provisions are presented as the sum of case estimates and IBNR. It is acknowledged that case estimates are set with certain inherent prudential margins as companies normally book claim reserves on a conservative basis.	General reserves in addition to actuarial reserves not allowed. Prudential margins may be allowed for tax purposes.
Equalisation reserves	Profit smoothing not permitted. Reserves may be established as an appropriation of profits.	Not allowed.

Papua new Guinea: General insurance – overview (continued)

Expenses/ refunds	**Accounting**	**Taxation**
Acquisition expenses	Portion relating to unearned premium is deferred to the extent that it is recoverable.	Deductible immediately.
Loss adjustment expenses on unsettled claims (claims handling expenses)	Generally not included within claims provisions.	Direct claims expense allowed as part of claims provision. Indirect claims handling expenses only allowed as incurred.
Experience-rated refunds	Can be taken into account in ascertaining accounting result.	Taxed when taken to profit and loss (P&L) account.
Investments	**Accounting**	**Taxation**
Gains and losses on investments	Taken to P&L – both realised and unrealised on investments integral to insurance activities.	A distinction is drawn between gains/ losses of a revenue nature and those of a capital nature. Gains of a capital nature are not taxable (losses of a capital nature are not deductible). However gains of a revenue nature form part of ordinary income and will be taxable (losses of a revenue nature are deductible). Unrealised gains are not assessable and unrealised losses are not deductible.
Investment reserves	Generally taken at fair value through P&L.	Unrealised gains are not assessable and unrealised losses are not deductible.
Investment income	Taken to P&L on an accruals basis.	Interest and dividend income are generally included in assessable income on a receipts basis. Dividend income will be fully rebated. Foreign tax credits attaching to interest and dividends from overseas can also be offset against the company's tax liability. In some instances interest and dividend income can be exempt from income tax in Papua New Guinea (PNG).
Reinsurance	**Accounting**	**Taxation**
Reinsurance premiums and claims	Reinsurance premiums deducted from gross premiums when paid and recognised in the P&L over the period of reinsurance. Reinsurance claims deducted from gross claims when received.	Reinsurance premiums paid and claims received are deductible and assessable respectively. Reinsurance premiums paid to non-resident companies may be subject to tax at an effective rate of up to 4.8% (i.e., the 48% non-resident company tax rate applied to the deemed taxable income of the non-resident reinsurer being 10% of the reinsurance premiums paid or credited).
Mutual companies	**Accounting**	**Taxation**
Mutual companies (all profits returned to members)	No special treatment.	A mutual insurance association formed for the purpose of insuring its members against loss, damage or risk of any kind in respect of property is deemed to be a company carrying on an insurance business for the purposes of the Income Tax Act. The assessable income of a mutual insurance association includes all premiums derived by it (including those derived from its members), but does not include premiums received in respect of policies of life assurance or consideration received in respect of annuities granted.

Papua new Guinea: General insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	20 year loss carry-forward period for losses incurred subject to a continuity of ownership or, failing that, a same business test. No loss carry-back or loss transfer provisions.
Foreign branch income	Assessable in PNG (subject to double tax treaty protection) with a foreign tax credit allowed equal to the lesser of the foreign tax paid or the PNG tax payable on that income. Deduction not allowed for foreign sourced losses against PNG sourced income, however foreign sourced losses may be carry-forward to be offset against foreign sourced income for up to 20 years.
Domestic branch income	Calculated under ordinary rules. No branch tax is applicable.
Corporate tax rate	30% for resident companies and 48% for non-resident companies.
Other tax features	**Taxation**
Premium taxes	No special treatment.
Capital taxes and taxes on securities	No special treatment.
Captive insurance companies	No special treatment.
Value added tax (VAT)	The supply of goods and services in PNG by a registered person on or after 1 July 1999 is subject to a Goods and Services Tax ("GST") at the rate of 10%. GST applies to general insurance premiums but not life insurance.

Papua new Guinea: Life insurance – overview

Definition	Accounting	Taxation
Definition of life insurance companies	Defined in the Life Insurance Act, 2000 as a company carrying on "life insurance business" as also defined in that Act.	A company the sole or principal business of which is life assurance.
Commercial accounts/ tax and regulatory returns	**Accounting**	**Taxation**
Basis for the company's commercial accounts	GAAP and IFRS. Companies Act, 1997.	N/A.
Regulatory return	Separate audited annual return as required under the Life Insurance Act.	N/A.
Tax return	N/A.	Annual income tax return required under the Income Tax Act, 1959.
General approach to calculation of income	**Accounting**	**Taxation**
Allocation of income between shareholders and policyholders	N/A.	Net investment income and realised gains on investments are arguably taxable, however in the context it is noted that PNG does not generally tax gains of a capital nature. The assessable income of a life assurance company does not include premiums received in respect of policies of life assurance or consideration received in respect of annuities granted. Management fees and profits arising from life insurance (investment) policies are assessable.
Calculation of investment return	**Accounting**	**Taxation**
Calculation of investment income and capital gains	All income taken to P&L.	As above.

Papua new Guinea: Life insurance – overview (continued)

Calculation of investment income and capital gains	Accounting	Taxation
Actuarial reserves	Prudential standards require that claims reserves should be set up using actuarial valuation methodologies. The statutory accounts are prepared on the same basis.	Actuarial calculations are required to determine the “calculated liabilities” of a life assurance company.
Acquisition expenses	Acquisitions expenses relating to unearned premium are deferred.	Acquisition expenses are deductible as incurred to the extent they relate to the derivation of the assessable income of a life assurance company.
Gains and losses on investments	Realised and unrealised gains/ losses included in net investment revenue.	Realised gains on investments are arguably taxable and realised losses are deductible, however in the context it is noted that PNG does not generally tax gains of a capital nature or allow deductions for losses of a capital nature.
Reserves against market losses on investments	All investments are valued at market value in accounts.	Unrealised gains are not assessable and unrealised losses are not deductible.
Dividend income	All dividend income taken to P&L.	Dividend income forms part of the assessable, however, it will be fully rebated. Foreign tax credits attaching to dividends from overseas can also be offset against the company’s tax liability.
Policyholder bonuses	Treated as expense for financial reporting.	Policyholders’ bonuses non-deductible.
Other special deductions	N/A.	Where the “calculated liabilities“ exceed the value of the company’s assets at the balance date, the company is not liable to pay income tax in respect of the income derived in that year from the business of life assurance.
Reinsurance	**Accounting**	**Taxation**
Reinsurance premiums and claims	Reinsurance premiums deducted from gross premiums when paid. Reinsurance claims deducted from gross claims when received.	Reinsurance premiums paid and claims received are deductible and assessable respectively. Reinsurance premiums paid to non-resident companies may be subject to tax at an effective rate of up to 4.8% (i.e., the 48% non-resident company tax rate applied to the deemed taxable income of the non-resident reinsurer being 10% of the reinsurance premiums paid or credited).
Mutual companies/ stock companies	**Accounting**	**Taxation**
Mutual Companies	No special treatment.	The assessable income of a mutual insurance association includes all premiums derived by it (including those derived from its members), but does not include premiums received in respect of policies of life assurance or consideration received in respect of annuities granted.

Papua new Guinea: Life insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	20 year loss carry-forward period for losses incurred subject to a continuity of ownership or, failing that, a same business test. No loss-carry-back or loss-transfer provisions.
Foreign branch income	Assessable in PNG (subject to double tax treaty protection) with a foreign tax credit allowed equal to the lesser of the foreign tax paid or the PNG tax payable on that income. Deduction not allowed for foreign sourced losses against PNG sourced income, however foreign sourced losses may be carry-forward to be offset against foreign sourced income for up to 20 years.
Domestic branch income	Calculated under ordinary rules. No branch tax is applicable.
Corporate tax rate	30% for resident companies and 48% for non-resident companies.
Policyholder taxation	**Taxation**
Deductibility of premiums	Generally not deductible except for certain "key man" policies taken out by businesses.
Interest build-up	Not taxable.
Proceeds during lifetime	Not taxable.
Proceeds on death	Not taxable.
Other tax features	**Taxation**
Premium taxes	No special treatment.
Capital taxes and taxes on securities	No special treatment.
Captive insurance companies	No special treatment.
Value added tax (VAT)	The supply of goods and services in PNG by a registered person on or after 1 July 1999 is subject to a GST at the rate of 10%. GST applies to general insurance premiums but not life insurance.

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Philippines

General insurance – overview

Definition	Accounting	Taxation
Definition of property and casualty insurance company	Non-life insurance company is one which solicits insurance on the security of property such as: marine, fire and casualty insurance companies; surety, fidelity, indemnity and bonding companies; and such other persons as may be authorised by the Insurance Commission. (RMC 30- 2008). Casualty insurance is insurance covering loss or liability arising from accident or mishap, excluding certain types of loss, which by law or custom, are considered as falling exclusively within the scope of other types of insurance such as fire or marine. It includes, but is not limited to, employer's liability insurance, motor vehicle liability insurance, plate glass insurance, burglary and theft insurance, personal accident and health insurance as written by non- life insurance companies and other substantially similar kinds of insurance. (Title 3 Sec. 174, Insurance Code).	A company offering property and casualty insurance would be considered a non-life insurance company which is defined under existing tax rules as one which solicits insurance on the security of property such as: marine, fire and casualty insurance companies; surety, fidelity, indemnity and bonding companies; and such other persons as may be authorised by the Insurance Commission. (RMC 30-2008).
Commercial accounts/ tax and regulatory returns	**Accounting**	**Taxation**
Basis for the company's commercial accounts	Financial statements are prepared in accordance with Philippine Financial Reporting Standards ("PFRS") which is aligned with International Financial Reporting Standards ("IFRS"). The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards ("PAS"), interpretations of the Philippine Interpretations Committee ("PIC"), Standing Interpretations Committee ("SIC") and International Financial Reporting Interpretations Committee ("IFRIC") which have been approved by the Financial Reporting Standards Council ("FRSC") and adopted by the Securities and Exchange Commission ("SEC").	Audited commercial accounts or financial statements which are attached to the annual tax return would be the same as the one prepared for financial reporting purposes. Taxation is based on the audited commercial accounts as adjusted according to tax rules.
Regulatory return	Based on the uniform chart of accounts for general insurance companies and professional reinsurer issued by the Insurance Commission (Circular Letter No. 34- 2006). The audited financial statements are filed with the Insurance Commission ("IC") and SEC.	Not applicable.

Philippines: General insurance – overview (continued)

Commercial accounts/ tax and regulatory returns	Accounting	Taxation
Tax return	Not applicable.	Non-life insurance companies are generally required to file income tax returns, value-added tax ("VAT") returns, premium tax returns (for the premiums on health and accident insurance received by non-life insurance companies), withholding tax returns, fringe benefit tax ("FBT") returns, and documentary stamp tax ("DST") returns. Generally, the payment of tax shall be made on the same date the return is filed. • Corporate income tax returns are filed on a quarterly and annual basis. The quarterly declaration shall be filed within 60 days following the close of each of the first 3 quarters of the taxable year. The final adjustment return shall be filed on or before the 15th day of the 4th month following the close of the fiscal year (e.g., on or before April 15 for those operating on calendar year basis). • VAT declarations/returns are filed on a monthly and quarterly basis. The deadline for filing is 20 and 25 days following the close of each month or quarter, respectively. • Premium tax returns are filed on a monthly basis, on or before the 20th day following the end of each month. • For monthly withholding tax returns (expanded, final and withholding tax on compensation), and withholding VAT returns (if applicable), the deadline for filing is 10 days after the end of each month, except for the month of December which is filed on or before January 15th of the following year. • FBT returns, if applicable, are filed on a quarterly basis no later than 10 days after the end of each quarter. • DST returns, are filed within 5 days after the close of the month when the taxable document is executed. Non-life insurance companies are also subject to local business tax which shall be paid to the local government of the city or municipality where its head office and branches are located, no later than January 20 of each year. Further, if the insurance company has real property, it shall be subject to real property tax, which may be paid in four equal installments during the year, i.e., on or before March 31, June 30, September 30, and December 31.

Philippines: General insurance – overview (continued)

Technical reserves/ equalisation reserves	Accounting	Taxation
Unearned premiums reserve (UPR)	This represents the unearned portion of premium income recognised from policies in force as at report date. (IC Circular 34- 2006, Section - Liabilities [2]). Reported as liability under PFRS. The proportion of written premiums, gross of commissions payable to intermediaries, attributable to subsequent periods or to risk that have not yet expired, is deferred as provision for unearned premiums using the 24th or 365th method.	1. Net addition to reserve funds can be claimed as deduction but only in the year in which the addition is actually made and not in the year a reserve is provided. The released reserves are taxable as income in the year of actual release (Sec. 37(A), Tax Code). In compliance with the IC rules, non-life insurance companies are required to maintain a reserve for unearned premiums which shall be equal to 40% of the gross premiums, less returns and cancellations, received on policies or risks having no more than a year to run. For marine cargo risks, the reserve is 40% of the premiums written in the policies upon yearly risks and the full amount of the premiums written during the last two months of the calendar year upon all other marine risks not terminated (Sec. 213, PD 612).
Unpaid claims reported	Also called outstanding claims reserve, this represents the outstanding liability for claims which have already been reported and not settled. (IC Circular 34- 2006, Section - Liabilities (2)). Reported as unpaid losses and claims with corresponding liability account.	Deductible.
Claims incurred but not reported (IBNR)	Reserve required to cover the future liability for claims arising from incidents that have occurred but have not been reported. (IC Circular 34- 2006, Section - Liabilities (2)). IBNR is estimated at each reporting date. Reserve for IBNR liability is then recorded in the accounts.	Not deductible.
Unexpired risks	A category of Reserve for Unearned Premium pertaining to the estimate of the total liability (including expenses) in respect of the exposed to risk after the valuation date, of policies written prior to that date, which could show that the reserve required was greater or smaller than the unexpired premium reserve. If the required reserve is greater, then an additional reserve is needed (IC Circular 34- 2006, Section - Liabilities (2)). The change in the provision for unearned premiums is taken to the statements of income in the order that revenue is recognised over the period of risk. Further provisions are made to cover claims under unexpired insurance contracts which may exceed the unearned premiums and the premiums due in respect of these contracts.	Not deductible.

Philippines: General insurance – overview (continued)

Technical reserves/ equalisation reserves	Accounting	Taxation
General contingency/ solvency reserves	General contingency for losses are not allowed to be reflected in the financial statements. Solvency reserves representing additional capital contributions from stockholders to meet the minimum Margin of Solvency is reported as part of Equity accounts. Contingency surplus represents contributions of the stockholders to cover any deficiency in the Margin of Solvency as required under the Insurance Code and can be withdrawn only upon the approval of the Insurance Commission. (IC Circular 34- 2006, Section - Equity (3)).	Not deductible.
Equalisation reserves	Claims Equalization Reserve is in addition to the specific provisions already detailed and its purpose is to cushion any large year to year fluctuations in the actual claims experience. By definition the large claim at the tail of the frequency distribution is a rate event but must happen some time. One year may well have more than another and without a cushion, the company's accounts would progress irregularly. This reserve including catastrophe reserve may not be held explicitly but may in practice be represented by the stockholders' equity or in the case of a mutual company, excess assets. (IC Circular 34- 2006, Section - Liabilities (2)). Catastrophe Reserve is occasionally a single event or combination of events (e.g., earthquake) may give rise to multiple claims of huge total dimensions far beyond that would be regarded as adequate provision for claims to be expected within normal experience. The catastrophe could put a severe strain or even extinguish the assets of the company, especially if the company is operating on a worldwide basis. (IC Circular 34- 2006, Section - Liabilities (2)). Reserve for Catastrophe Loss represents the company's reserve for allied perils caused by catastrophic events. (IC Circular 34- 2006, Section - Liabilities (2)). Reserve for catastrophe loss is not allowed under PFRS/IFRS but is allowed and reflected in the regulatory return filed with the IC.	Not deductible.

Philippines: General insurance – overview (continued)

Expenses/ refunds	Accounting	Taxation
Acquisition expenses	Commission and other acquisition costs incurred during the financial period that vary with and are related to securing new insurance contracts and or renewing existing insurance contracts, but which relates to subsequent financial periods, are deferred to the extent that they are recoverable out of future revenue margins. All other acquisition costs are recognised as an expense when incurred. Subsequent to initial recognition, these costs are amortised on a straight- line basis over the life of the contract. Amortization is charged to the statements of income. The unamortised acquisition costs are shown as Deferred acquisition costs in the assets section of the balance sheets.	Deductible if actually incurred.
Loss adjustment expenses on unsettled claims (claims handling expenses)	Estimated at each reporting date and included as part of provisions.	Not deductible.
Experience-rated refunds	Not a common practice in the Philippines. Accounted as a credit when earned or may be booked as a receivable if prudently estimated.	Taxable when earned/realised.
Investments	**Accounting**	**Taxation**
Gains and losses on investments	Gains and losses are recognised based on PAS 32/39 (similar to IAS 32/39).	Gains/losses are taxable/deductible when realised.
Investment reserves	Based on marked to market valuation and amortised costs. Recognised under PAS32/39.	Not deductible.
Investment income	Interest income is recognised based on effective interest method. Dividend income is recognised when the company's right to receive the payment is established. Gain and losses from sale of investments is recognised when investments are sold or disposed. Gain and losses from sale of Investment is based on the difference between the carrying amount of the investment and actual proceeds from the sale.	Unless specifically exempt, investment income is generally subject to final withholding tax.

Philippines: General insurance – overview (continued)

Reinsurance	Accounting	Taxation
Reinsurance premiums and claims	Reinsurance premiums assumed represent the aggregate premiums assumed from ceding companies under treaty or facultative agreements. (IC Circular 34- 2006, Section - Income Accounts (4)). Reinsurance premiums ceded represent premium on outward cessions under treaty or facultative agreements with reinsurers. (IC Circular 34- 2006, Section - Income Accounts (4)). Losses on reinsurance assumed represent the aggregate losses and claims the company has incurred on its acceptances under treaty or facultative agreements. (IC Circular 34- 2006, Section - Underwriting Expense Accounts (5)). Loss recoveries on reinsurance ceded represents the aggregate share of the reinsurers on the claims and losses and adjustment expenses of the company on business ceded under treaty or facultative agreements. (IC Circular 34- 2006, Section - Underwriting Expense Accounts (5)). Recognised similar to premium and claims.	Reinsurance assumed (net of returns, cancellations) is taxable. Ceded reinsurance, claims losses, maturities and benefits net of reinsurance recoveries form part of direct cost thus, deductible in the year incurred for income tax purposes.
Mutual companies	**Accounting**	**Taxation**
Mutual companies (all profits returned to members)	If a new insurance company is organised as a mutual company, in lieu of capital stock, it must have available cash assets of at least five million pesos above all liabilities for losses reported, expenses, taxes, legal reserve and reinsurance of all outstanding risks and the contributed surplus fund equal to the amounts required of stock corporations. A stock insurance company doing business in the Philippines may, subject to the pertinent law and regulations which now are of hereafter may be in force, alter its organisation and transform itself into a mutual insurance company. (Section 188 of the Insurance Code). Accounted in the same principles as those applicable to common insurance companies and in accordance with PFRS.	Subject to income tax and VAT. The insurance policies issued by mutual insurance companies are exempt from DST. (Sec. 199(A), Tax Code). **Mutual Insurance Companies** In the case of mutual fire and mutual employers' liability and mutual workmen's compensation and mutual casualty insurance companies, said companies shall not return as income any portion of the premium deposits returned to their policyholders, but shall return as taxable income all income received by them from all other sources plus such portion of the premium deposits as are retained by the companies for purposes other than the payment of losses and expenses and reinsurance reserves. (Sec. 37(B), Tax Code). **Mutual Marine Insurance Companies.** Mutual marine insurance companies shall include in their return of gross income, gross premiums collected and received by them less amounts paid for reinsurance, but shall be entitled to include in the deductions from gross income amounts repaid to policyholders on account of premiums previously paid by them and interest paid upon those amounts between the ascertainment and payment thereof (Sec. 37(C), Tax Code).

Philippines: General insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	Net operating loss of the business for any taxable year immediately proceeding the current taxable year, which had not been previously offset as deduction from gross income shall be carried over as a deduction from gross income for the next 3 consecutive taxable years immediately following the year of such loss. Any loss incurred in a taxable year during which the taxpayer was exempt from income tax shall not be allowed as a deduction (Sec. 34(D) (3), Tax Code).
Foreign branch income	Generally, taxable. The tax paid overseas is creditable.
Domestic branch income	Combined with head office income and taxed at normal corporate income tax rates. However, premiums earned may be subjected to varying local business tax rates if such premiums were generated by the branches located in various cities and/or municipalities.
Corporate tax rate	30% regular corporate income tax ("RCIT") which is based on taxable net income or 2% minimum corporate income tax ("MCIT") which is based on taxable gross income, whichever is higher. Note that MCIT shall only be applicable beginning on the fourth taxable year immediately following the year in which such corporation commenced its business operations.
Other tax features	**Taxation**
Premium taxes	Generally, premiums received by a non-life insurance company are not subject to premium tax. However, premiums on health and accident insurance received by a non-life insurance company shall be considered as premium on life insurance, therefore, subject to premium tax (RMC 59-2008).
Capital taxes and taxes on securities	On the sale of shares of stock not traded in the stock exchange, a final tax of 5% (on the first P100,000 gain) plus 10%(for gains in excess of P100,000) on the net capital gains realised during the taxable year (Sec. 27 (D), Tax Code). However, sale of shares of stock listed and traded though the local stock exchange shall be subject to 1/2 of 1% percentage tax (Sec. 127 (A), Tax Code).
Captive insurance companies	No special treatment.
Value added tax (VAT)	Premiums collected by non-life insurance companies are subject to 12% VAT, except premiums on health and accident insurance. Reinsurance premiums are not subject to VAT because the tax on such premiums had already been paid by the direct insurer (RMC 30-2008, RR 4-2007). Insurance and reinsurance commissions are subject to 12% VAT (RR 4-2007).

Philippines: Life insurance – overview

Definition	Accounting	Taxation
Definition of life insurance companies	A company which deals with the insurance on human lives and insurance appertaining thereto or connected therewith. The service likewise includes soliciting group insurance, and health and accident insurance policies which the company is nevertheless authorised to pursue as part of its business activity (RMC 30-2008).	A company which deals with the insurance on human lives and insurance appertaining thereto or connected herewith. The service likewise includes soliciting group insurance and health and accident insurance policies which the company is nevertheless authorised to pursue as part of its business activity (RMC 30-08).
Commercial accounts/ tax and regulatory returns	**Accounting**	**Taxation**
Basis for the company's commercial accounts	AFS are based on PFRS which is aligned with International Financial Reporting Standards. The term PFRS in general includes all applicable PFRS, PAS, interpretations of the PIC, SIC, and IFRIC which have been approved by FRSC and adopted by SEC.	Audited commercial accounts or financial statements which are attached to the annual tax return would be the same as the one prepared for financial reporting purposes. Taxation is based on the audited commercial accounts as adjusted according to tax rules.
Regulatory return	Based on the uniform chart of accounts for life insurance companies and mutual benefits association issued by the Insurance Commission (Circular Letter No. 33-2006). The AFS are filed with IC and SEC.	Not applicable.

Philippines: Life insurance – overview (continued)

<table>
<tr><th>Commercial accounts/ tax and regulatory returns</th><th>Accounting</th><th>Taxation</th></tr>
<tr><td>Tax return</td><td>The annual income tax return of the insurance company is filed with the AFS to the Bureau of Internal Revenue on or before the 15th day of the fourth month following the close of the tax payer's taxable year.

Other tax returns are accounted for in the same principle as described in Taxation.</td><td>Life insurance companies are generally required to file income tax returns, percentage tax returns (premium tax and gross receipts tax), VAT returns (as applicable), withholding tax returns, FBT returns and DST returns. Generally, the payment of the tax shall be made on the same date the return is filed.

• Corporate income tax returns are filed on a quarterly and annual basis. The quarterly declaration shall be filed within 60 days following the close of each of the first 3 quarters of the taxable year. The final adjustment return shall be filed on or before the 15th day of the 4th month following the close of the fiscal year (e.g., on or before April 15 for those operating on calendar year basis).

• VAT declarations/returns are filed on a monthly and quarterly basis. The deadline for filing is 20 and 25 days following the close of each month or quarter, respectively.

• Percentage tax returns are filed 20 days after the close of each month;

• For monthly withholding tax returns (expanded, final and withholding tax on compensation), and withholding VAT returns (if applicable), the deadline for filing is 10 days after the end of each month, except for the month of December which is filed on or before January 15th of the following year.

• FBT returns, if applicable, are filed on a quarterly basis not later than 10 days after the end of each quarter.

• DST returns are filed within 5 days after the close of the month when the taxable document is executed.

Life insurance companies are also subject to local business tax which shall be paid to the local government of the city or municipality where its head office an branches are located, not later than January 20 of each year.

Further, if the insurance company has real property, it shall be subject to real property tax, which may be paid in four equal installments during the year, i.e. on or before March 31, June 30, September 3 and December 31.</td></tr>
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Philippines: Life insurance – overview (continued)

General approach to calculation of income	Accounting	Taxation
Allocation of income between shareholders and policyholders	Income attributable to shareholders is dividends and is reported as reduction to equity. Income attributable to premium deposits and any other return on "investment" portion of the policy is reported as liability, either as dividend or interest payable.	Taxation will follow accounting allocation.
Calculation of investment return		
Calculation of investment income and capital gains	Interest income on investment in securities is computed under the effective interest method. Gain from sale of Investment is based on the difference between the carrying amount of the investment and actual proceeds from the sale. Capital gains tax based on tax rules are discussed in the right column below.	Same as for general insurance.
Calculation of investment income and capital gains	**Accounting**	**Taxation**
Actuarial reserves	Based on standard set of actuarial assumptions. All valuations of policies, additions thereto, unpaid dividends, and all other obligations outstanding shall be made upon the net premiums basis, according to the standard adopted by the company, which standard shall be stated in its annual report. Such standard of valuation, whether of the net level premium, full preliminary term, any modified preliminary term, or select and ultimate reserve basis, shall be according to a standard table of mortality with interest at not more than six per centum (6%) compound interest as mandated by the Insurance Commission.	Additions required by law to reserve funds are deductible in the year incurred and classified as part of direct cost of life insurance companies. The released reserves are taxable as income in the year of actual release (Sec. 37(A), Tax Code).
Acquisition expenses	Expensed as incurred.	Deductible.
Gains and losses on investments	Recognised when investments are sold or disposed. Gain and losses from sale of Investment is based on the difference between the carrying amount of the investment and actual proceeds from the sale.	The recognition of gains/losses should arise from a closed and completed transaction. Thus, gains/losses are taxable/deductible when realised.
Reserves against market losses on investments	Gains/ losses arising from fair value changes of available-for-sale securities are charged /credited to equity. Losses/gains on financial assets at fair value through profit or loss are directly treated as part of income during the period. Recognised based on PAS 32/39 (similar to IAS 32/39).	Not deductible.

Calculation of investment income and capital gains	Accounting	Taxation
Dividend income	Dividend income is recognised in profit or loss when the right to receive the payment is established.	Generally taxable at 30%. However, dividends received by a domestic or resident foreign insurance corporation from a domestic corporation are exempt from tax (Sec. 28, Tax Code).
Policyholder bonuses	Reported as part of benefit payments when due.	Deductible for RCIT purposes. May also be deductible for MCIT purposes if the same qualifies as benefits granted to policyholders.
Other special deductions	None.	Only investment expenses relating to investment income that has not been subjected to final tax shall be allowed as deduction to arrive at the taxable income. However, it cannot form part of the direct cost (RMC 59-2008).
Reinsurance	**Accounting**	**Taxation**
Reinsurance premiums and claims	Recorded as reinsurance assets and liabilities. Premiums and claims on assumed reinsurance are recognised as income and expenses in the same manner as if the reinsurance were considered direct business. Related premiums are recorded in a statement of income as reinsurance premium or deducted from the gross insurance premium.	Reinsurance assumed (net of returns, cancellations) is taxable. Ceded reinsurance, claims losses, maturities and benefits net of reinsurance recoveries form part of direct cost thus, deductible in the year incurred for income tax purposes.
Mutual companies/ stock companies	**Accounting**	**Taxation**
Mutual Companies	Any domestic stock life insurance company doing business in the Philippines may convert itself into an incorporated mutual life insurer. To that end it may provide and carry out a plan for the acquisition of the outstanding shares of its capital stock for the benefit of its policyholders, or any class or classes of its policyholders, by complying with the specific requirements of the Insurance Code (Section 262 of the Insurance Code). Once the corporation is conducted for mutual benefit, ratably, of its policyholders of the class or classes for whose benefit the stock was acquired, it shall have power to issue non-assessable policies on a reserve basis subject to all provisions of law applicable to incorporated life insurers issuing non-assessable policies on a reserve basis. Policies so issued may be upon the basis of full or partial participation therein as agreed between the insurer and the insured (Section 266 of the Insurance Code). Accounted in the same principles as those applicable to common insurance companies and in accordance with PFRS.	Subject to income tax but exempt from premium tax and DST if purely cooperative company.

Philippines: Life insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	Net operating loss of the business for any taxable year immediately proceeding the current taxable year, which had not been previously offset as deduction from gross income shall be carried over as a deduction from gross income for the next 3 consecutive taxable years immediately following the year of such loss. Any loss incurred in a taxable year during which the taxpayer was exempt from income tax shall not be allowed as a deduction (Sec. 34(D)(3), Tax Code).
Foreign branch income	Generally, taxable. The tax paid overseas is creditable.
Domestic branch income	Combined with head office income and taxed at normal corporate income tax rates. (RCIT or MCIT) However, premiums earned may be subjected to varying local business tax rates if such premiums were generated by the branches located in various cities and/or municipalities.
Corporate tax rate	30% RCIT which is based on taxable net income or 2% MCIT which is based on taxable gross income, whichever is higher. Note that MCIT shall only be applicable beginning on the fourth taxable year immediately following the year in which such corporation commenced its business operations.
Policyholder taxation	**Taxation**
Premium taxes	2% of the total premium collected from every person, company or corporation, except purely cooperative companies or associations, doing life insurance business of any sort in the Philippines. (Sec. 123, Tax Code). Premiums on health and accident insurance received by a non-life insurance company shall be considered as premium on life insurance, therefore, likewise subject to the 2% premium tax (RMC 59-2008).
Capital taxes and taxes on securities	On the sale of shares of stock not traded in the stock exchange, a final tax of 5% (on the first P100,000 gain) plus 10%(for gains in excess of P100,000) on the net capital gains realised during the taxable year (Sec. 27 (D), Tax Code). However, sale of shares of stock listed and traded though the local stock exchange shall be subject to 1/2 of 1% percentage tax (Sec. 127 (A), Tax Code).
Captive insurance companies	No special treatment.
Value added tax (VAT)	Insurance and reinsurance commissions, re-insurance fees, reinstatement fees, renewal fees, and penalties paid to a life insurance company are subject to 12% VAT (RMC 59-2008; RR 4-2007). Management fees, rental income, or income earned by a life insurance company from services which can be pursued independently of the insurance business activity are also subject to 12% VAT.

Philippines: Life insurance – other tax features

Other tax features	Taxation
Premium taxes	2% of the total premium collected from every person, company or corporation, except purely cooperative companies or associations, doing life insurance business of any sort in the Philippines. (Sec. 123, Tax Code). Premiums on health and accident insurance received by a non-life insurance company shall be considered as premium on life insurance, therefore, likewise subject to the 2% premium tax (RMC 59-2008).
Capital taxes and taxes on securities	On the sale of shares of stock not traded in the stock exchange, a final tax of 5% (on the first P100,000 gain) plus 10%(for gains in excess of P100,000) on the net capital gains realised during the taxable year (Sec. 27 (D), Tax Code). However, sale of shares of stock listed and traded though the local stock exchange shall be subject to 1/2 of 1% percentage tax (Sec. 127 (A), Tax Code).
Captive insurance companies	No special treatment.
Value added tax (VAT)	Insurance and reinsurance commissions, re-insurance fees, reinstatement fees, renewal fees, and penalties paid to a life insurance company are subject to 12% VAT (RMC 59-2008; RR 4-2007). Management fees, rental income, or income earned by a life insurance company from services which can be pursued independently of the insurance business activity are also subject to 12% VAT.

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Singapore

General insurance – overview

Definition	Accounting	Taxation
Definition of property and casualty insurance company	A company authorised under the Insurance Act to carry out general (or non-life) insurance business.	Generally follows the definitions in the Insurance Act.
Commercial accounts/ tax and regulatory returns	**Accounting**	**Taxation**
Basis for the company's commercial accounts	Singapore Companies Act and Singapore Financial Reporting Standards (FRS). Singapore has adopted both FRS 39 and FRS 104 (based on International Accounting Standards (IAS) 39 and International Financial Reporting Standards (IFRS) 4, respectively) with effect from the 2005 financial year.	Generally based on audited commercial accounts (Companies Act accounts).
Regulatory return	Separate insurance funds must be maintained for Singapore policies and Offshore policies. For each insurance fund established in Singapore under the Insurance Act, insurers must file quarterly and annual Insurance Act returns with the Monetary Authority of Singapore (MAS). Such returns are prepared in accordance with the valuation and format prescribed by the Insurance Act. For regulatory purposes, Singapore has adopted a risk-based capital (RBC) framework with effect from 1 Jan 2005.	The audited annual Insurance Act returns may be used for tax filing purposes if separate Companies Act accounts are not prepared.
Tax return	N/A.	A separate annual tax return as required by the Inland Revenue.
Technical reserves/ equalisation reserves	**Accounting**	**Taxation**
Unearned premiums reserve (UPR)	UPR is usually calculated based on a time apportionment method unless the incidence of risk warrants a more appropriate method. For regulatory purposes, UPR is calculated using net premiums written which may be reduced by actual commissions payable where the 1/24th method or some other more accurate method is used.	Generally allowed as per accounts.
Unpaid claims reported	Calculated on case-by-case. Normally no discounting.	Accounts provision generally allowed in full.
Claims incurred but not reported (IBNR)	For regulatory purposes, claim liabilities (which include both reported claims and IBNR claims) must be certified by an approved actuary annually. Under the Insurance Act, claim liabilities must include a minimum provision for adverse deviation, based on a 75% level of sufficiency. In the Companies Act accounts, insurers generally adopt the same valuation as that used in Insurance Act returns for regulatory purposes.	In practice, a provision for claim liabilities (which include both reported claims and IBNR claims) based on the amount certified by the approved actuary under the Insurance Act has been generally accepted as fully deductible by the Inland Revenue.

Singapore: General insurance – overview (continued)

Technical reserves/ equalisation reserves	Accounting	Taxation
Unexpired risks	Under the Insurance Act, premium liabilities must not be less than the higher of an insurer's UPR and its unexpired risk reserves calculated to include a provision for adverse deviation based on a 75% level of sufficiency at the fund level and by class of business. Premium liabilities must be certified by an approved actuary annually. In the Companies Act accounts, insurers generally adopt the same valuation as that used for regulatory purposes.	Accounts provision generally allowed.
General contingency/ solvency reserves	The Insurance Act specifies minimum fund solvency and capital adequacy requirements that must be met by all insurers. A contingency reserve fund is required for financial guarantee insurers and insurers writing certain specialised risks such as mortgage risk and trade credit and political risk.	Solvency reserves are not tax-deductible. Contingency reserves are generally not tax deductible as they are not incurred in the basis period. However, if the particular reserve is in connection with certain approved offshore risks, the insurer may apply for deduction under a special tax incentive scheme. Note that the window period to apply for this scheme expires on 1 July 2012.
Equalisation reserves	Normally no such reserve created.	Same as for contingency reserves above.
Expenses/ refunds	**Accounting**	**Taxation**
Acquisition expenses	Generally recognised as incurred, but may also be deferred as actual commissions may be used to reduce net premiums written for the purposes of computing UPR.	Generally follows accounting treatment.
Loss adjustment expenses on unsettled claims (claims handling expenses)	Provision must be made in claim liabilities for all future claims handling costs.	In practice, deductible in line with claim liabilities.
Experience-rated refunds	Benefits recognised when earned/ received. Taken into account in the valuation of premium liabilities for regulatory purposes.	Taxable when earned, but generally follows accounting treatment.
Investments	**Accounting**	**Taxation**
Gains and losses on investments	In the Insurance Act returns, investments are marked-to-market with the resultant effect that both realised and unrealised gains/ losses on investments are included in profit & loss (P&L). In the Companies Act accounts, FRS 39 would apply and the accounting for gains/ losses on investments would depend on how the investments of the insurer are designated under that FRS.	Under basic tax principles, investment gains/ losses are generally treated as on revenue account and included in taxable income on a realised basis. A deduction for a provision in diminution in value of these investments is allowed, provided the market valuation of the investments is ascertainable. This treatment has been modified where an insurer is required to prepare financial statements in accordance with FRS 39 and the said financial statements are used for tax filing. For these insurers, in so far as the investments are on revenue account, the tax treatment (known as the FRS 39 tax treatment) would follow accounting, that is, the gains/ losses would be taxable/ deductible in the same year it is accounted for in the P&L for FRS 39 purposes. An insurer may choose to opt out of the FRS 39 tax treatment (certain rules apply), in which case, the basic tax principle of taxing gains/ losses on a realised basis would apply.

Singapore: General insurance – overview (continued)

Investments	**Accounting**	**Taxation**
Investment reserves	In the Insurance Act returns, there are no investment reserves as both realised and unrealised gains/ losses on investments are included in P&L. In the Companies Act accounts, all financial instruments are now required to be measured and recognised in accordance with FRS 39. Where investments are designated as "available for sale" unrealised gains/ losses on these investments are recognised directly in equity in the "fair value reserve".	See "gains and losses on sale of investments" above. Under the FRS 39 Tax treatment, unrealised gains/ losses included directly in equity in the "fair value reserve" are not taxable/ deductible until they are "recycled" into the P&L. Where an insurer has opted out of the FRS 39 Tax treatment, the basic tax principle of taxing gains/ losses on a realised basis would apply.
Investment income	Included in P&L on an accrual basis. In the Companies Act accounts, the accounting for investment income follows FRS 39 where applicable.	Unless specifically exempt, investment income is included in taxable income when earned. This treatment is modified, however, under the FRS 39 tax treatment, where applicable. Examples of exempt investment income: • Singapore dividends paid out under the one-tier system; • Foreign sourced dividends received by Singapore tax residents that have been subject to tax in the foreign jurisdiction from which the income is received, and the highest rate of tax levied on business profits in that jurisdiction is at least 15% in the year the foreign dividends are received in Singapore.
Reinsurance	**Accounting**	**Taxation**
Reinsurance premiums and claims	Accounted for on an earned/ incurred basis. Taken into account in the valuation of premium liabilities for regulatory purposes.	Taxable/ deductible when earned/ incurred. Tax treatment generally follows accounting treatment.
Mutual companies	**Accounting**	**Taxation**
Mutual companies (all profits returned to members)	No special treatment.	No special treatment.

Singapore: General insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	Generally, there is: • Unlimited carry-forward of trade losses subject to a continuity of substantial ownership (>50%) test; • One year carry-back of trade losses limited to Singapore USD 100,000. • Group tax relief available for qualifying Singapore group companies. Restrictions/ rules may apply when losses are set off against profits of different income classes.
Foreign branch income	Generally taxable if the foreign income is received in Singapore. For Singapore tax-resident companies, a tax credit for foreign taxes incurred may be available. In addition, for Singapore tax-resident companies, the remittance of foreign branch profits derived from a trade carried out in a foreign jurisdiction may be exempt from tax if it has been subject to tax of a similar character to income tax in the foreign jurisdiction from which the income is received, and the highest rate of tax levied on business profits in that jurisdiction is not less than 15% in the year the foreign branch profits are received in Singapore.
Domestic branch income	Calculated under ordinary rules based on branch accounts.
Corporate tax rate	Normal tax rate is 17%. Partial exemption applies to the first Singapore USD 300,000 of normal chargeable income. Numerous incentives exist to reduce the applicable tax rate, all of which are subject to qualifying conditions: • 10% on qualifying income derived from insuring and reinsuring offshore risks. • 5% on qualifying income derived from writing approved offshore Takaful and Retakaful business. • Tax-exemption on qualifying income derived from approved marine hull and liability insurance business. • Tax-exemption on qualifying income derived from writing certain approved offshore specialised risks (e.g. political, terrorism, energy, aviation & aerospace, and agriculture risks). • Tax-exemption on qualifying income derived by approved captive insurers from insuring and reinsuring offshore risks.
Other tax features	**Taxation**
Premium taxes	None.
Capital taxes and taxes on securities	None.
Captive insurance companies	Qualifying income derived from insuring and reinsuring offshore risks may be tax-exempt upon application and approval.
Value added tax (VAT) / Goods and services tax (GST)	Non-life direct insurance (not reinsurance) premiums are subject to Goods and services tax (GST). The non-life direct premiums can be zero-rated if the premiums are for the insurance of international transportation, or if the insured "belongs" outside Singapore (provided that the insurance is not directly in connection with goods or land in Singapore), or the insurance is directly in connection with goods that are outside Singapore or are to be exported. Insurance premiums that can qualify for zero-rating include international marine and aviation insurance, travel insurance and export credit insurance. Non-life reinsurance premiums are exempt, but if the cedent "belongs" outside Singapore, the reinsurance premiums may be zero-rated. GST rate is currently 7%.

Singapore: Life insurance – overview

Definition	Accounting	Taxation
Definition of life insurance companies	A company authorised under the Insurance Act to carry out life insurance business.	Generally follows the definitions in the Insurance Act.
Commercial accounts/ tax and regulatory returns	**Accounting**	**Taxation**
Basis for the company's commercial accounts	Singapore Companies Act and Singapore FRS. Singapore has adopted both FRS 39 and FRS 104 (based on IAS 39 and IFRS 4, respectively) with effect from the 2005 financial year.	Generally based on audited commercial accounts (Companies Act accounts). If the insurer carries out participating business, the participating fund is taxable based on the regulatory return (audited annual Insurance Act return).
Regulatory return	For each insurance fund established in Singapore under the Insurance Act, insurers must file quarterly and annual Insurance Act returns with the Monetary Authority of Singapore (MAS). Such returns are prepared in accordance with the valuation and format prescribed under the Insurance Act. For regulatory purposes, Singapore has adopted a risk-based capital (RBC) framework with effect from 1 Jan 2005.	The audited annual Insurance Act return may be used for tax filing purposes if separate Companies Act accounts are not prepared.
Tax return	N/A.	A separate annual tax return as required by the Inland Revenue.
General approach to calculation of income	**Accounting**	**Taxation**
Allocation of income between shareholders and policyholders	The Insurance Act requires separate insurance funds to be set up for Singapore policies (Singapore Insurance Fund – SIF) and offshore policies (Offshore Insurance Fund – OIF). In addition, both the SIF and OIF must be further segregated into separate insurance funds maintained for participating policies, non-participating policies and investment-linked policies. There is separate accounting for policyholders and shareholders profits within an insurer's accounts. The transfer of profits out of the insurance funds is subject to regulatory requirements.	Tax is generally calculated on a fund by fund basis with certain allocations of common expenses/ deductions across funds. The participating fund is principally taxed, with some adjustments, based on its allocations (to policyholders and shareholders) for the year. The resulting taxable income is allocated between policyholders and shareholders based on specified tax rules for the purposes of identifying the appropriate rate of tax. The non-participating fund, investment-linked fund and shareholders' fund are generally taxed based on the overall profit of the respective funds.
Calculation of investment return	**Accounting**	**Taxation**
Calculation of investment income and capital gains	In the Insurance Act returns, investments are marked to market, with the resultant effect that both realised and unrealised gains/ losses are included in P&L. In the Companies Act accounts, FRS 39 would apply and the accounting for gains and losses on investments would depend on how the investments of the insurer are designated under that FRS.	Under basic tax principles, investment income is taxable when earned and capital gains (which are generally treated as on revenue account) are taxable when realised. A deduction for a provision in diminution in value of investments is allowed, provided the market valuation of the investment is ascertainable. This treatment has been modified where an insurer is required to prepare financial statements in accordance with FRS 39 and the said financial statements are used for tax filing. For these insurers, under default FRS 39 tax treatment, the income and capital gains would be taxable in the same year it is accounted for in P&L for FRS 39 purposes. An insurer may choose to opt out of FRS 39 tax treatment (certain rules apply), in which case, the basic tax principle of taxing investment income on an earned basis and taxing capital gains on a realised basis would apply.

Singapore: Life insurance – overview (continued)

Calculation of underwriting profits or total income	Accounting	Taxation
Actuarial reserves	For regulatory purposes, the valuation of policy liabilities is carried out by the appointed actuary using bases specified in the Insurance Act and MAS' guidance. Under the RBC framework, future cash flows are projected based on realistic assumptions and discounting at the appropriate interest rate. For Companies Act accounts, insurers generally adopt the same valuation as that used for regulatory purposes.	For the non-participating fund and the investment-linked fund, an increase in policy liabilities (valued in accordance with the rules specified in the Insurance Act) is deductible while a decrease in policy liabilities is taxable.
Acquisition expenses	Generally recognised as incurred. Distribution costs are also included in the projected cash flows that the actuary uses for the valuation of policy liabilities. No separate accounting for deferred acquisition expenses, but there is an element of deferral via the valuation of policy liabilities.	Generally follows accounting treatment.
Gains and losses on investments	See "Calculation of investment return" above.	See "Calculation of investment return" above.
Reserves against market losses on investments	See "Calculation of investment return" above.	See "Calculation of investment return" above.
Dividend income	Normally accounted for on a receipt basis and included in investment income.	Singapore dividends are now exempt under the one-tier taxation system. If foreign-sourced dividends are earned by a non-Singapore tax-resident insurer (e.g. a foreign insurer operating through a branch in Singapore), the foreign-sourced dividends are taxable. If foreign-sourced dividends are earned and received by a Singapore tax-resident insurer, the dividends are exempt from tax if it has been subject to tax of a similar character to income tax in the foreign jurisdiction from which the income is received, and the highest rate of tax levied on business profits in that jurisdiction is not less than 15% in the year the foreign dividends are received in Singapore. If the exemption does not apply, then the foreign sourced dividends are taxable. The Singapore tax-resident insurer may be able to claim a foreign tax credit for the foreign tax paid against the Singapore tax payable on the same dividends.
Policyholder bonuses	Accounted for as an allocation of surplus of the participating fund. All allocations from the participating fund (both to policyholders and to shareholders) are subject to specified regulatory rules.	Part of the taxable income of the life insurer's participating fund. See "General approach to calculation of income" above.
Other special deductions	None.	None.
Reinsurance	**Accounting**	**Taxation**
Reinsurance premiums and claims	Accounted for on an earned/incurred basis. Taken into account in projected cash flows that the actuary uses for the valuation of policy liabilities.	Taxable/deductible when earned or incurred. Tax treatment generally follows accounting treatment.
Mutual companies/ stock companies	**Accounting**	**Taxation**
Mutual Companies	No special treatment.	No special treatment.

Singapore: Life insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	Generally, there is: • Unlimited carry-forward of trade losses subject to a continuity of substantial ownership (>50%) test; • One year carry-back of trade losses limited to Singapore USD 100,000. • Group tax relief available for qualifying Singapore group companies. Restrictions/ rules may apply when losses are set off against profits of different income classes.
Foreign branch income	Generally taxable if the foreign income is received in Singapore. For Singapore tax-resident companies, a tax credit for foreign taxes incurred may be available. In addition, for Singapore tax-resident companies, the remittance of foreign branch profits may be exempt from tax if it has been subject to tax of a similar character to income tax in the foreign jurisdiction from which the income is received, and the highest rate of tax levied on business profits in that jurisdiction is not less than 15% in the year the foreign branch profits are received in Singapore.
Domestic branch income	Calculated under ordinary rules based on branch accounts.
Corporate tax rate	Normal rate 17%. Partial exemption applies to the first Singapore USD 300,000 of normal chargeable income. Income allocated to policyholders (participating fund) taxable at 10%, qualifying income derived by an approved insurer from insuring and reinsuring offshore risks taxable at 10%, qualifying income derived from writing approved offshore Takaful and Retakaful business taxable at 5% and qualifying income derived by approved captive insurers from insuring and reinsuring offshore risks is tax-exempt.
Policyholder taxation	**Taxation**
Deductibility of premiums	Limited to the lower of Singapore USD 5,000 or 7% of capital sum insured with an insurance company that has an office or branch in Singapore. No deduction if the statutory contributions to the Central Provident Fund (CPF) and/or other approved pension funds exceed Singapore USD 5,000. Where statutory CPF contributions do not exceed Singapore USD 5,000, the amount of deductible premium will be Singapore USD 5,000, reduced by the statutory CPF contributions.
Interest build-up	Not taxable to the policyholder, but is taxed in the life insurance company as above.
Proceeds during lifetime	Tax-exempt if derived directly by an individual. Different rules may apply in certain specified situations.
Proceeds on death	Tax-exempt if derived directly by an individual. Different rules may apply in certain specified situations.
Other tax features	**Taxation**
Premium taxes	None.
Capital taxes and taxes on securities	None.
Captive insurance companies	Qualifying income derived from insuring and reinsuring offshore risks may be tax-exempt upon application and approval.
Value added tax (VAT) / Goods and services tax (GST)	Life insurance and reinsurance premiums are both 'exempt' supplies. However, if the insured or cedent "belongs" outside Singapore, the premium may be zero-rated. GST rate is currently 7%.

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Taiwan

General insurance – overview

Definition	Accounting	Taxation
Definition of property and casualty insurance company	A company authorised under the Insurance Act to carry out general insurance business. General insurance business is non-life insurance which includes fire insurance, marine insurance, land and air insurance, liability insurance, bonding insurance, and any other type of insurance approved by the competent authority.	Generally follows the definition in the Insurance Act.
Commercial accounts/ tax and regulatory returns	**Accounting**	**Taxation**
Basis for the company's commercial accounts	Taiwanese Generally Accepted Accounting Principles (GAAP) and Commercial Accountings Act and Rules for the Preparation of Financial Reports by Insurance Institutions. Taiwan has adopted Statement of Financial Accounting Standards No. 40 which mirrors International Financial Reporting Standards (IFRS) 4 in 2011. Furthermore, insurance companies will apply IFRS in 2013 and start parallel running R.O.C. GAAP and IFRS in 2012. (TIFRS is implemented based on IFRS standards translated and announced by the Financial Supervisory Commission (FSC))	Generally based on audited commercial accounts.
Regulatory return	Insurance companies must present annual and interim financial statements and risk-based capital (RBC) reports.	N/A.
Tax return	N/A.	A separate annual tax return certified by CPA as required by the tax authority.
Technical reserves/ equalisation reserves	**Accounting**	**Taxation**
Unearned premiums reserve (UPR)	Valued by an appointed actuary in accordance with rules specified in the Insurance Act, Rules Governing the Setting Aside of Various Reserves of Insurance Enterprises.	Reserves set aside that are in conformance with regulatory requirement are tax deductible. An increase in reserves is taken to profit and loss (P&L) as operating costs. A decrease in reserves is taken to P&L as operating income.
Unpaid claims reported	Estimation made based on documentation received requesting for compensations.	Operating expense recognised at the time when claims are paid.
Claims incurred but not reported (IBNR)	Valued by appointed actuary in accordance with rules specified in the Insurance Act, Rules Governing the Setting Aside of Various Reserves of Insurance Enterprises.	Reserves set aside that are in conformance with regulatory requirement are tax deductible. An increase in reserves is taken to P&L as operating costs. A decrease in reserves is taken to P&L as operating income.
Unexpired risks	Deficiency reserve is valued by an appointed actuary in accordance with rules specified in the Insurance Act, Rules Governing the Setting Aside of Various Reserves of Insurance Enterprises.	N/A.

Taiwan: General insurance – overview (continued)

Technical reserves/ equalisation reserves	Accounting	Taxation
General contingency/ solvency reserves	Normally not created.	N/A.
Equalisation reserves	Valued by appointed actuary in accordance with rules specified in the Insurance Act, Rules Governing the Setting Aside of Various Reserves of Insurance Enterprises. Upon Taiwan's adoption of IFRSs, these reserves (special reserve) will be reversed to shareholder's equity.	Catastrophe reserves set aside in conformance with regulatory requirement are tax deductible. Equalisation reserves set aside are also tax deductible. An increase in reserves is taken to P&L as operating costs. A decrease in reserves is taken to P&L as operating income.
Expenses/ refunds	**Accounting**	**Taxation**
Acquisition expenses	It cannot be deferred and should be recognised as operating expenses when occurred.	Deductible as incurred.
Loss adjustment expenses on unsettled claims (claims handling expenses)	Included within claims reserves.	Deductible in line with unpaid reported claims.
Experience-rated refunds	Credited when earned.	Tax deductible when set aside as part of premium reserves.
Investments	**Accounting**	**Taxation**
Gains and losses on investments	Realised gains – taken to P&L. Unrealised gains – varies depending on how investments are classified (i.e. financial instruments held for trading purposes, held for sale or held to maturity). Taiwan follows Statement of Financial Accounting Standards No. 34 for recognition and measurement of financial instruments. There are some differences between SFAS No.34 and IAS 39. After adopting IFRSs in 2013, the accounting treatment of financial instruments, adopting the IAS 39 or not, will depend on FSC's related regulation.	Only realised gains/ losses are taxable/ deductible, except for capital gains/ loss derived from sale of land, domestic shares and bonds transactions which are exempt/ non-deductible from regular income tax assessment. Please see also "Other tax features - Capital taxes and taxes on securities" below.
Investment reserves	Normally not created, as where investments are designated as "available for sale", unrealised gains/ losses are taken to equity in the "Unrealised Gains or Losses on Financial Instruments".	Only realised gains/ losses are taxable/ deductible.
Investment income	Taken to P&L on an accrual basis.	Taxable, except for dividends derived from investment in domestic companies which are income tax exempt.
Reinsurance	**Accounting**	**Taxation**
Reinsurance premiums and claims	Reinsurance premiums paid/ payable are deducted from gross premiums. Claims recoveries netted in P&L against claims paid/ payable.	Reinsurance premiums paid and claims recovered are deductible and assessable, respectively, in calculating the underwriting profits.
Mutual companies	**Accounting**	**Taxation**
Mutual companies (all profits returned to members)	No mutual companies in Taiwan.	N/A.

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Taiwan: General insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	10 years limit for carry-forward of trade losses.
Foreign branch income	Included as part of the income tax return of the Taiwan headquarters, nevertheless, foreign tax paid by the foreign branch can be claimed as foreign tax credit, subject to certain limitation.
Domestic branch income	The domestic branch of a foreign insurer is required to maintain its accounts separately and required to lodge a corporate income tax (CIT) return in Taiwan.
Corporate tax rate	The current CIT rate under the regular income tax regime is 17%. An additional 10% undistributed retained earning tax is levied on any retained earnings not distributed (not applicable to branch). Such tax paid an enterprise is available as an imputation tax credit to resident enterprise or individual shareholders against their income tax liabilities. It is also available as a tax offset to foreign shareholders who are taxed on dividends received subject to certain tax limit. In addition to above regular income tax regime, the Income Basic Tax, also known as the alternative minimum tax ("AMT"), at the current rate of 10% applies as well. The AMT payable is calculated as follows: $\text{Income Basic Tax} = \underbrace{[(\text{taxable income} + \text{certain exempt income}) - \text{TWD } 2{,}000{,}000]}_{\text{AMT Income}} \text{ x Applicable tax rate}$ Exempt income includes trading of securities and futures, etc. Where the regular income tax payable is greater than or equal to the income basic tax calculated, the regular income tax payable shall be paid. If the income basic tax is greater than the regular income tax payable, income basic tax shall be paid.
Other tax features	**Taxation**
Premium taxes	Generally, monetary receipts or invoices issued for premium are subject to 0.4% stamp duty, except for certain conditions. Please see also "Value added Tax (VAT)" section.
Capital taxes and taxes on securities	No separate capital gain tax regime in Taiwan. Capital gains derived from sale of land, domestic shares and bonds transactions are exempt from regular income tax assessment. However, these gains are included in the above AMT calculation. Securities transaction tax (STT) applies to disposal of securities (i.e. share certificates issued by companies, corporate bonds and any securities offered to the public which have been duly approved by the government, except all government bonds). STT is imposed upon gross sales price of securities transferred and the tax rates are 0.3% for share certificates issued by companies and 0.1% for ETF, TDR or any securities offered to the public which have been duly approved by the government. Trading of domestic corporate bonds and financial bonds are currently exempt from STT until 31 December 2016.
Captive insurance companies	No special treatment.
Value added tax (VAT)	Financial institutions engaged in insurance are regarded as non-VAT entity (also known as gross business receipt tax entity "GBRT entity"). For GBRT entities, 2% GBRT applies to insurance premiums, and 1% GBRT applies to reinsurance premiums, which are non-creditable nor refundable.

Taiwan: Life insurance – overview

Definition	Accounting	Taxation
Definition of life insurance companies	A company authorised under the Insurance Act to carry out life insurance business. Life insurance business includes life insurance, long-term health insurance, long-term personal injury insurance, annuities, group life insurance and investment linked products.	Generally follows the definition in the Insurance Act.
Commercial accounts/ tax and regulatory returns	**Accounting**	**Taxation**
Basis for the company's commercial accounts	Taiwanese GAAP and Commercial Accountings Act and Rules for the Preparation of Financial Reports by Insurance Institutions. Taiwan has adopted Statement of Financial Accounting Standards No. 40 in 2011. Furthermore, Taiwan will apply IFRS in 2013 and start parallel running R.O.C. GAAP and IFRS in 2012. (TIFRS is implemented based on IFRS standards translated and announced by FSC.)	Generally based on audited commercial accounts.
Regulatory return	Insurance companies must present annual and interim financial statements and risk-based capital (RBC) reports.	N/A.
Tax return	N/A.	A separate annual tax return certified by CPA as required by the tax authority.
General approach to calculation of income	**Accounting**	**Taxation**
Allocation of income between shareholders and policyholders	A separate reserve is set aside for the portion of income to be distributed to policyholders. Income is allocated to profit participating policyholders according to a certain percentage prescribed on the profit participating policy.	Allocation of income to policyholders is treated as tax deductible expense.
Calculation of investment return	**Accounting**	**Taxation**
Calculation of investment income and capital gains	Realised gains – taken to P&L. Unrealised gains – varies depends on how investment are classified (i.e. financial instruments held for trading purposes, held for sale or held to maturity). Taiwan follows Statement of Financial Accounting Standards No. 34 for recognition and measurement of financial instruments. There are some differences between SFAS No.34 and IAS 39. After adopting IFRS in 2013, the accounting treatment of financial instruments, adopting the IAS 39 or not, will depend on FSC's related regulation.	Only realised gains/ losses are taxable/ deductible, except for the following: • capital gains/ loss derived from sale of land, domestic shares and bonds transactions which are exempt/ non-deductible from regular income tax assessment. • dividends derived from investment in domestic companies which are income tax exempt. Please see also "Other tax features - Capital taxes and taxes on securities" below.
Calculation of investment income and capital gains	**Accounting**	**Taxation**
Actuarial reserves	Various reserves are valued by appointed actuary in accordance with rules specified in the Insurance Act, Rules Governing the Setting Aside of Various Reserves of Insurance Enterprises.	Reserves set aside that are in conformance with regulatory requirement are tax deductible. An increase in reserves is taken to P&L as operating costs. A decrease in reserves is taken to P&L as operating income.
Acquisition expenses	It cannot be deferred and should be recognised as operating expenses when occurred.	Tax deductible in the year incurred.

Taiwan: Life insurance – overview (continued)

Calculation of investment income and capital gains	Accounting	Taxation
Gains and losses on investments	See "Calculation of investment income and capital gains" above.	Only realised gains/ losses are taxable/ deductible, except for capital gains/ loss derived from sale of land, domestic shares and bonds transactions which are exempt/ non-deductible from regular income tax assessment. Please see also "Other tax features - Capital taxes and taxes on securities" below.
Reserves against market losses on investments	Normally not created, except for investments designated as "financial assets at fair value through P&L" and "available for sale". The market value variation shall be reflected regardless of gains or losses.	N/A.
Dividend income	Included in investment income.	Dividends derived from investment in domestic companies are income tax exempt.
Policyholder bonuses	Bonuses paid are treated as operating costs.	Tax deductible.
Other special deductions	Nil.	N/A.
Reinsurance	**Accounting**	**Taxation**
Reinsurance premiums and claims	Reinsurance premiums paid/ payable are deducted from gross premiums. Claims recoveries netted in P&L against claims paid/ payable.	Reinsurance premiums paid and claims recovered are deductible and assessable, respectively, in calculating the underwriting profits.
Mutual companies/ stock companies	**Accounting**	**Taxation**
Mutual Companies	No mutual companies in Taiwan.	N/A.

Taiwan: Life insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	10 years limit for carry-forward of trade losses.
Foreign branch income	Included as part of income tax return of the Taiwan headquarters, nevertheless, foreign tax paid by the foreign branch can be claimed as foreign tax credit subject to certain limitations.
Domestic branch income	The domestic branch of a foreign insurer is required to maintain its accounts separately and required to lodge a CIT return in Taiwan.
Corporate tax rate	The current CIT rate under the regular income tax regime is 17%. An additional 10% undistributed retained earning tax is levied on any retained earnings not distributed (not applicable to branch). Such tax paid an enterprise is available as an imputation tax credit to resident enterprise or individual shareholders against their income tax liabilities. It is also available as a tax offset to foreign shareholders who are taxed on dividends received subject to certain tax limit. In addition to above regular income tax regime, the Income Basic Tax, also known as the alternative minimum tax (“AMT”), at the current rate of 10% applies as well. The AMT payable is calculated as follows: $\text{Income Basic Tax} = [\underbrace{(\text{taxable income} + \text{certain exempt income}) - \text{TWD } 2{,}000{,}000] \times \text{Applicable tax rate}}_{\text{AMT Income}}$ Exempt income includes trading of securities and futures, etc. Where the regular income tax payable is greater than or equal to the income basic tax calculated, the regular income tax payable shall be paid. If the income basic tax is greater than the regular income tax payable, income basic tax shall be paid.
Policyholder taxation	**Taxation**
Deductibility of premiums	Individual policyholder can claim tax deduction on insurance premiums paid up to maximum TWD 24,000 per annum for life insurance and labour insurance. There is no ceiling for health insurance.
Interest build-up	Not taxable.
Proceeds during lifetime	Generally not taxable for life insurance and annuities except where the person entitled to the proceeds is not the original insured of the policy.
Proceeds on death	Not taxable if the proceeds are below TWD 30 million.
Other tax features	**Taxation**
Premium taxes	Generally, monetary receipts or invoices issued for premium are subject to 0.4% stamp duty, except for certain conditions. Please see also “Value added Tax (VAT)” section.
Capital taxes and taxes on securities	No separate capital gain tax regime in Taiwan. Capital gains derived from sale of land, domestic shares and bonds transactions are exempt from regular income tax assessment. However, these gains are included in the above AMT calculation. STT applies to disposal of securities (i.e. share certificates issued by firms, corporate bonds and any publicly offered securities which have been approved by the government, except all government bonds). STT is imposed upon gross sales price of securities transferred and the tax rates are 0.3% for share certificates issued by firms and 0.1% for ETF, TDR or any securities offered to the public which have been approved by the government. Trading of domestic corporate and financial bonds are STT-exempt until 31 Dec. 2016.
Captive insurance companies	No special treatment.
Value added tax (VAT)	Financial institutions engaged in insurance are regarded as non-VAT entity (also known as gross business receipt tax entity “GBRT entity”). For GBRT entities, 2% GBRT applies to insurance premiums, and 1% GBRT applies to reinsurance premiums, which are non-creditable nor refundable.

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Thailand

General insurance – overview

Definition	Accounting	Taxation
Definition of property and casualty insurance company	Companies having been licensed to engage in the non-life insurance business under the Non-life Insurance Act 1992 amended by the Non-Life Insurance Act (no.2), B.E. 2551.	Companies having been licensed to engage in the non-life insurance business under the Non-life Insurance Act 1992 amended by the Non-Life Insurance Act (no.2), B.E. 2551.
Commercial accounts/ tax and regulatory returns	**Accounting**	**Taxation**
Basis for the company's commercial accounts	Thai GAAP is issued by The Federation of Accounting Professions (FAP) and also format of financial reporting is prepared in accordance with format stipulated by the Office of Insurance Commission ('OIC'). Thai GAAP is being convergence to IFRS. Certain Thai GAAPs have recently been revised to align with the current IFRS. The absent IFRS in Thai GAAPs such as IAS39 or IFRS 9, IFRS 4 and so on are being in draft and not clear determine the effective date.	Not applicable.
Regulatory return	OIC will administer new regulations on measurement of the adequacy of an insurer's capital based on standardised risk base capital ('RBC') framework starting 30 September 2011 onward. A separate RBC return annually audited and semi-annually reviewed annual return is required by OIC.	Not applicable.
Tax return	Not applicable	Corporate income tax returns must be filed twice a year. A half-year return must be filed within two months after the end of the first six months of an accounting period. The annual tax return is to be filed within 150 days from the closing date of an accounting period.
Technical reserves/ equalisation reserves	**Accounting**	**Taxation**
Unearned premiums reserve (UPR)	Generally calculated by time apportionment and considering the amount of insurance protection not yet provided. UPR on RBC return deduct the standard commission which is not more than the rate allowable by law on the time apportioned calculation.	This is allowed as a deductible expense for tax purposes provided that it does not exceed 40% of net written premiums during the accounting period. Such reserves must be treated as revenue in computing the taxable net profits of the following accounting period.
Unpaid claims reported	Measurement as the expected ultimate cost of settlement of all claims. The recoveries attributable to salvage and subrogation is considered and separately present except for having the right of offset. No discounted rate is considered.	This is tax deductible expenses.

Thailand: General insurance – overview (continued)

Technical reserves/ equalisation reserves	Accounting	Taxation
Claims incurred but not reported (IBNR)	Calculated on actuarial methodologies. The provision for adverse derivation ('PAD') at confident level 75%tile would be booked depending on management choice the accounting policies.	This is not tax deductible expense because of a reserve in nature.
Unexpired risks	A premium deficiency shall be recognised if expected claim costs, loss adjustment expenses (LAE), and maintenance costs exceed UPR premiums. Investment income and reinsurance may be considered in evaluating premium.	This is a non tax-deductible expense.
General contingency/ solvency reserves	No specific accounting standards.	This is a non tax-deductible expense.
Equalisation reserves	No specific accounting standards.	This is a non tax-deductible expense.
Expenses/ refunds	**Accounting**	**Taxation**
Acquisition expenses	Normally is expense as incurred. However, a few companies choose accounting policy to defer acquisition cost. As at 31 December 2011 when the annual RBC return rollout, the direct commission which is not more than the rate allowable is deferred in line with the unearned premium. The company management could choose to apply this practice on their financial statement.	Expenses linked to the business of insurance are tax-deductible when incurred.
Loss adjustment expenses on unsettled claims (claims handling expenses)	A liability of costs expected to be incurred in connection with the settlement of unpaid claim shall be accrued.	Expenses linked to the business of insurance are tax-deductible when incurred.
Experience-rated refunds	A separate liability shall be accrued, based on experience and the provisions of the contract.	It is deductible expense when an obligation to pay is incurred or taxable when a right to claim is occurred.
Investments	**Accounting**	**Taxation**
Gains and losses on investments	Realised gains and losses on investments are recognised when realised on settlement date or trade date depend on insurer accounting policy. The investment cost is allowed on weighted average or FIFO basis.	Gains and losses on investments are subject to corporate income tax upon realisation. Gains from investment in debt instrument are subject to 0.011% specific business tax.
Investment reserves	Treatment on unrealised capital gain or loss is determined under Thai GAAP for investment (TAS105). There are 4 types of investment, trading securities, available for sale, held to maturity and general investment. They are initially recorded at cost. The subsequently present of each types of investment are trading securities revalue through profit and loss; available for sale revalue through equity; held to maturity present at amortisation cost less impairment; and general investment present at cost less impairment.	Unrealised gains/ losses are not taxable or deductible except the unrealised losses from investment treated as trading portfolio.

Thailand: General insurance – overview (continued)

Investments	Accounting	Taxation
Investment income	Interest income is recognised on a time proportion basis, taking account of the principal outstanding and the yield rate at acquisition date over the period to maturity. Dividends are recognised when the right to receive payment is established.	Income from investment is generally subject to corporate income tax. Full or half of local dividend income shall be exempt if the conditions under Section 65 bis (10) of the Revenue Code are met. Foreign dividend income is taxable income, however Thai companies may treat as exempt income if the conditions under Royal Decree 442 are met. The exemption of dividend income (from both local and foreign source) does not provide to Thailand branch of foreign insurance company. Interest from investment in debt instrument is subject to 0.011% specific business tax.
Reinsurance	**Accounting**	**Taxation**
Reinsurance premiums and claims	Premiums paid/payable are recognised as an outward reinsurance premium expense as incurred. Claims recoveries are recognised in P&L in the accounting period incurred. Unearned premium reserve and loss reserve are recorded of reinsurance and assets for prepaid reinsurance premium. Reinsurance recoverable is established. The reinsurance balances and related balance shall present on gross basis otherwise there is the setoff arrangement.	Reinsurance premiums are tax deductible expense and reinsurance recoveries are taxable income.
Mutual companies	**Accounting**	**Taxation**
Mutual companies (all profits returned to members)	Not applicable.	Not applicable.

Thailand: General insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	Tax loss is allowed to be carried forward for five accounting periods for offset against future taxable profits.
Foreign branch income	Thai companies are taxed on their worldwide income. Foreign tax credit is allowed under unilateral basis under the limitation that the credit cannot exceed the amount of Thai tax payable on the income derived for non-treaty source income or subject to any double taxation agreements relief for treaty source income.
Domestic branch income	A branch of a foreign insurance company is subject to tax only on profits arising from or consequent to the business carried on in Thailand at the rate of 30%. Branch profits remitted to the foreign head office are subject to additional withholding tax at the rate of 10%.
Corporate tax rate	30% (rate may be reduced subject to conditions and validity of tax relief)
Other tax features	**Taxation**
Premium taxes	There is no premium tax on insurance transactions in Thailand, apart from the levy on motor insurance premiums to fund the Victims Compensation Fund.
Capital taxes and taxes on securities	There is no specific legislation governing capital taxes. Capital gain is required to be included as taxable income for corporate income tax calculation. Capital loss is allowed to be tax deduction in computation of corporate income tax.
Captive insurance companies	No captive insurance business in Thailand.
Value added tax (VAT)	The premium on the non-life insurance policy is subject to value added tax. The current rate is 7% which is applicable until 30 September 2012, after that the rate will increase to 10%.

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Thailand: Life insurance – overview

Definition	Accounting	Taxation
Definition of life insurance companies	Companies having obtained license to engage in the life insurance business under the Life Insurance Act 1992 amended by the Life Insurance Act (no.2), B.E. 2551.	Companies having obtained license to engage in the life insurance business under the Life Insurance Act 1992 amended by the Life Insurance Act (no.2), B.E. 2551.
Commercial accounts/ tax and regulatory returns	**Accounting**	**Taxation**
Basis for the company's commercial accounts	Thai GAAP is issued by The Federation of Accounting Professions (FAP) and also format of financial reporting is prepared in accordance with format stipulated by the Office of Insurance Commission ('OIC'). Thai GAAP is being convergence to IFRS. Certain Thai GAAPs have recently been revised to align with the current IFRS. The absent IFRS in Thai GAAPs such as IAS39 or IFRS 9, IFRS 4 and so on are being in draft and not clear determine the effective date.	Not applicable.
Regulatory return	OIC will administer new regulations on measurement of the adequacy of an insurer's capital based on standardised risk base capital ('RBC') framework starting 30 September 2011 onward. A separate RBC return annually audited and semi-annually reviewed annual return is required by OIC.	Not applicable.
Tax return	Not applicable.	Corporate income tax returns must be filed twice a year. A half-year return must be filed within two months after the end of the first six months of an accounting period. The annual tax return is to be filed within 150 days from the closing date of an accounting period.
General approach to calculation of income	**Accounting**	**Taxation**
Allocation of income between shareholders and policyholders	Single reporting entity. No par and non par account.	Single reporting entity for tax purposes. No par and non par account.
Calculation of investment return	**Accounting**	**Taxation**
Calculation of investment income and capital gains	Interest income is recognised on a time proportion basis, taking account of the principal outstanding and the yield rate at acquisition date over the period to maturity. Dividends are recognised when the right to receive payment is established. Realised gains and losses on investments are recognised when realised on settlement date or trade date depend on insurer accounting policy. The investment cost is allowed on weighted average or FIFO basis.	Investment income and capital gains are treated as ordinary revenue for corporate income tax purposes. Full or half of dividend income shall be exempt if the conditions under Section 65 bis (10) of the Revenue Code are met. Interest income is subject to 2.75% specific business tax.

Thailand: Life insurance – overview (continued)

Calculation of investment income and capital gains	Accounting	Taxation
Actuarial reserves	The company can choose either Net premium valuation (NPV) which reflect the actuarial assumptions when the insurance contract is made or gross premium valuation (GPV) which is best estimate of insurance liability calculated based on regulatory return (Thai RBC framework). The provision for the risk of adverse deviation (PAD) would be added depends on management decision.	The reserve for policyholder liabilities is allowable as a deductible expense provided it does not exceed 65% of the premiums received in the accounting period after deduction of reinsurance premiums. Where a life insurance policy has been terminated, the outstanding amount of the policyholder liability relating to that policy must be included as revenue in the accounting period in which the policy was terminated.
Acquisition expenses	Generally, Thai insurer does not apply deferred acquisition cost. Those expenses are recognised when occurred.	This is tax deductible expense when incurred.
Gains and losses on investments	Gains and losses on investments are recognised when realised on settlement date or trade date depend on insurer accounting policy. The investment cost is allowed on weighted average or FIFO basis.	Gains and losses on investments are subject to corporate income tax upon realisation. Gains from investment in debt instrument are subject to 0.011% specific business tax.
Reserves against market losses on investments	Treatment on unrealised capital gain or loss is determined under Thai GAAP for investment (TAS105). There are 4 types of investment, trading securities, available for sale, held to maturity and general investment. They are initially recorded at cost. The subsequently present of each types of investment are trading securities revalue through profit and loss; available for sale revalue through equity; held to maturity present at amortisation cost less impairment; and general investment present at cost less impairment.	Unrealised gains or unrealised losses are not taxable or deductible except the unrealised losses from investment treated as trading portfolio.
Dividend income	Dividends are recognised when the right to receive payment is established.	Full or half of local dividend income shall be exempt if the conditions under Section 65 bis (10) of the Revenue Code are met. Foreign dividend income is taxable income; however Thai companies may treat as exempt income if the conditions under Royal Decree 442 are met. The exemption of dividend income (from both local and foreign source) does not provide to Thailand branch of foreign insurance company.
Policyholder bonuses	No specific requirement to set up policyholder bonuses. Nevertheless some insurers do set up guaranty bonus in their technical reserve. Nevertheless, the company which would to apply regulatory return technical reserve on their financial statement, the policyholder bonuses are included on GPV models.	This is treated as part of actuarial reserves in order to calculate the deductible amount under 65% thresholds.
Other special deductions	Not applicable.	No special treatment.

Thailand: Life insurance – other tax features

Reinsurance	Accounting	Taxation
Reinsurance premiums and claims	Premiums paid/payable are recognised as an outward reinsurance premium expense as incurred. Claims recoveries are recognised in P&L in the accounting period incurred. Unearned premium reserve and loss reserve are recorded of reinsurance and assets for prepaid reinsurance premium. Reinsurance recoverable is established. The reinsurance balances and related balance shall present on gross basis otherwise there is the setoff arrangement.	Reinsurance premiums are tax deductible expense and reinsurance recoveries are taxable income.
Mutual companies/ stock companies	**Accounting**	**Taxation**
Mutual Companies	Not applicable.	Profit sharing from investment in unit trust of mutual fund may be exempt from income tax when meeting required conditions.

Thailand: Life insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	Tax loss is allowed to be carried forward for five accounting periods for offset against future taxable profits.
Foreign branch income	Thai companies are taxed on their worldwide income. Foreign tax credit is allowed under unilateral basis under the limitation that the credit cannot exceed the amount of Thai tax payable on the income derived for non-treaty source income or subject to any double taxation agreements relief for treaty source income.
Domestic branch income	A branch of a foreign insurance company is subject to tax only on profits arising from or consequent to the business carried on in Thailand at the rate of 30%. Branch profits remitted to the foreign head office are subject to additional withholding tax at the rate of 10%.
Corporate tax rate	30% (rate may be reduced subject to conditions and validity of tax relief).
Policyholder taxation	**Taxation**
Deductibility of premiums	Life Insurance premium up to Baht 100,000 subject to specific condition is allowed as deduction against assessable income for personal income tax calculation. The premium paid for pension life insurance can be deducted in the amount not exceeding 15% of assessable income subject to a maximum of Baht 200,000. However, this additional deduction together with the contribution to the registered provident fund, contribution to the civil servant pension fund, contribution to the welfare fund and investment in a retirement mutual fund may not exceed Baht 500,000 in the same tax year.
Interest build-up	This is exempt income for individual policyholder as it is regarded as part of policy claim.
Proceeds during lifetime	This is exempt income for individual policyholder.
Proceeds on death	This is exempt income for individual policyholder.
Other tax features	**Taxation**
Premium taxes	There is no premium tax on insurance transactions in Thailand, apart from the levy on motor insurance premiums to fund the Victims Compensation Fund.
Capital taxes and taxes on securities	There is no specific legislation governing capital taxes. Capital gain is required to be included as taxable income for corporate income tax calculation. Capital loss is allowed to be tax deduction in computation of corporate income tax.
Captive insurance companies	No captive insurance business in Thailand.
Value added tax (VAT)	The premium on life insurance policy is not subject to value added tax. Although the life insurance is business subject to specific business tax, the premium on life insurance policy is not the subject to special business tax.

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Vietnam

General insurance – overview

Definition	Accounting	Taxation
Definition of property and casualty insurance company	No separate definition. Based on the Law on Insurance, non-life insurance means the types of insurance products being property insurance, civil liability insurance and other insurance products which are not life insurance.	No separate definition.
Commercial accounts/ tax and regulatory returns	**Accounting**	**Taxation**
Basis for the company's commercial accounts	Vietnamese accounting standard (VAS). Chart of accounts and template for the financial statements for insurance companies regulated under Decision 150/2001/QD-BTC dated 21 Dec 2001 and Decision 1296/TC/QD-CDKT dated 31 Dec 1996. Decree 46/2007/ND-CP dated 27 March 2007, Circular No. 156/2007 dated 20 Dec 2007 and Circular 86/2009/TT-BTC dated 28 April 2009 on financial regime applicable to insurers and insurance brokers.	Taxation is based on commercial accounts, as adjusted according to tax legislation.
Regulatory return	The insurer must file the following reports to the Ministry of Finance (MoF): • Annual Financial statements; • Statistics report and professional reports on a monthly, quarterly and annual basis.	N/A.
Tax return	N/A.	Quarterly provisional returns: within 30 days from the quarter end. Annual return: within 90 days from the financial year end.
Technical reserves/ equalisation reserves	**Accounting**	**Taxation**
Unearned premiums reserve (UPR)	UPR is calculated according to one of the following methods: • Percentage of total premiums; • On a daily basis; • A coefficient of the term of insurance contract (1/8, 1/24).	Generally allowed in full if according to Circular No. 156/2007 as amended by Circular 86/2009.
Unpaid claims reported	Calculated on a case by case based on the claim for which the insurer is liable and notified or made but unpaid at year end.	Generally allowed in full if according to Circular No. 156/2007 as amended by Circular 86/2009.

Vietnam: General insurance – overview (continued)

Technical reserves/ equalisation reserves	Accounting	Taxation
Claims incurred but not reported (IBNR)	Loss triangle method or follow the formula below: = (Total indemnity for claims unmade at the end of the last 3 consecutive fiscal years) divided by (Total indemnity for losses arising in the last 3 consecutive fiscal years) x Indemnity for losses arising in the current fiscal year x (Net revenue from business operations of the current fiscal year) divided by (Net revenue from insurance business operations of the previous fiscal year) x (Average delay in making claims of current fiscal year) divided by (Average delay in making claims of previous fiscal year).	Generally allowed in full if according to Circular No. 156/2007 as amended by Circular 86/2009.
Unexpired risks	Not stipulated.	Generally not tax deductible.
General contingency/ solvency reserves	Not stipulated. Minimum solvency margins: The minimum solvency margin of a non-life insurer shall be the greater of the following two calculations: • 25% of the total premiums actually retained at the time of determination of the solvency margin; • 12.5% of the total primary insurance premiums plus reinsurance premiums at the time of determination of the solvency margin.	Generally not tax deductible.
Equalisation reserves	To be made annually until the balance in the reserve is equal to 100% of premiums actually retained in the fiscal year of the insurer. Contributions made annually shall be from 3-5 % of premiums actually retained.	Generally allowed in full if according to Circular No. 156/2007 as amended by Circular 86/2009.
Expenses/ refunds	**Accounting**	**Taxation**
Acquisition expenses	Direct and indirect cost arising from the conclusion of insurance contracts must be deducted in year incurred.	Generally tax deductible immediately.
Loss adjustment expenses on unsettled claims (claims handling expenses)	Recorded on an accrual basis.	Incurred expenses are tax deductible; accrued expenses are tax deductible if certain conditions are fulfilled.
Experience-rated refunds	Not stipulated.	Not stipulated.
Investments	**Accounting**	**Taxation**
Gains and losses on investments	Included in P&L on accrual basis.	Realised investment gains/ losses are included in taxable income.
Investment reserves	From reserves: • Investments from owner's capital; • Idle capital from insurance reserves; • Other reserves. Only permitted to use the above reserves within a limitation to invest in specific fields.	There is no specific regulation. Generally, reserves are from profit after tax, except specific reserves mentioned above.

Vietnam: General insurance – overview (continued)

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

Vietnam: General insurance – other tax features

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

Vietnam: Life insurance – overview

Definition	Accounting	Taxation
Definition of life insurance companies	Based on the Law on Insurance, life insurance means types of insurance products related to the life or death of an insured person.	No separate definition.
Commercial accounts/ tax and regulatory returns	**Accounting**	**Taxation**
Basis for the company's commercial accounts	Vietnamese accounting standard (VAS). Chart of accounts and template for the financial statements for insurance companies regulated under the Decision 150/2001/QD-BTC dated 21 Dec 2001 and Decision 1296/TC/QD-CDKT dated 31 Dec 1996. Decree 46/2007/ND-CP dated 27 March 2007, Circular No. 156/2007 dated 20 Dec 2007 and Circular 86/2009/TT-BTC dated 28 April 2009 on financial regime applicable to insurers and insurance brokers.	Taxation is based on commercial accounts, as adjusted according to tax legislation.
Regulatory return	The insurer must file the following reports to the Ministry of Finance (MoF): • Annual financial statements; • Annual statement of operation of Universal Life Fund (if any); • Annual statement of split fund; • Statistics report and professional reports on a monthly, quarterly, annual basis.	N/A.
Tax return	N/A.	Quarterly provisional returns: within 30 days from the quarter end. Annual return: within 90 days from the financial year end.
General approach to calculation of income	**Accounting**	**Taxation**
Allocation of income between shareholders and policyholders	Any transaction regarding the assets, capital sources, revenue or expenses directly relating to any one fund shall be recorded separately for such fund. The appointed actuary of the insurance enterprise shall be responsible to ensure that transactions which relate to a number of funds shall be collated and allocated to each fund on a fair and appropriate basis. An enterprise must confirm and register with the MoF its principles for allocation, prior to applying them. The MoF must provide approval to any changes in these principles. Statement of a split fund should be audited.	No specific regulation.
Calculation of investment return	**Accounting**	**Taxation**
Calculation of investment income and capital gains	Same as for general insurance.	Same as for general insurance.

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Vietnam: Life insurance – overview (continued)

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

Vietnam: Life insurance – other tax features

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

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