



Taiwan

International Comparison of Insurance Taxation*
May 2009

Taiwan – General Insurance

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 GAAP and Commercial Accountings Act and Rules for the Preparation of Financial and Business Reports by General Insurance Institutions. Taiwan has not adopted IFRS 4 (local equivalent - Statement of Financial Accounting Standards No. 40). Conversion from the existing Taiwanese GAAP to IFRS 4 is expected to be implemented in 2011.	Generally based on audited commercial accounts.
Regulatory return	Year end return is audited for all insurers.	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 P&L as operating expense. 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 expense. A Decrease in reserves is taken to P&L as operating income.
Unexpired risks	Not required.	N/A.
General contingency/solvency reserves	Normally not created.	N/A.
Equalisation reserves/catastrophe 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.	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 expense. A Decrease in reserves is taken to P&L as operating income.

Taiwan - General Insurance (continued)

Expenses/Refunds	Accounting	Taxation
Acquisition expenses	Operating expenses.	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	Will be taken into account in the valuation of premium reserves.	Tax deductible when set aside as part of premium reserves.

Investments	Accounting	Taxation
Gains and losses on investments	Realized 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 IAS 39 for recognition and measurement of financial instruments.	Only realized gains / losses are taxable/deductible. For capital gains/losses derived/incurred on onshore security investments, see “Capital taxes and taxes on securities” below.
Investment reserves (investment revaluation reserve)	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 realized gains / losses are taxable/deductible.
Investment income	Taken to P&L on an accrual basis.	Only realized gains / losses are taxable/deductible. Dividends derived from investment in domestic companies are income tax exempt.

Reinsurance	Accounting	Taxation
Reinsurance premiums and claims	Reinsurance premium paid is regarded as an operating expense and is deducted from the gross premium when paid. Reinsurance claims recovered is regarded as operating income.	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.

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 income tax return of the Taiwan Headquarter, 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 is required to maintain separate accounts and required to lodge a corporate income tax return in Taiwan.
Corporate tax rate	<p>25%. Currently proposed by the Taiwanese government to bring the corporate tax rate down to 20%.</p> <p>An additional 10% undistributed retained earnings tax is levied on any retained earnings not distributed (not applicable to branch). Such tax paid by 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.</p>

Other tax features	Taxation
Premium taxes	2% business tax applies to insurance premiums. 1% business tax applies to reinsurance premiums.
Capital taxes and taxes on securities	<p>No separate capital gain tax regime in Taiwan. 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).</p> <p>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 corporate bonds or any securities offered to the public which have been duly approved by the government.</p> <p>However, trading of corporate bonds and financial bonds issued by Taiwanese issuers or companies are temporarily exempt from STT assessment until December 31, 2009.</p>
Captive insurance companies	No special treatment.

Taiwan – Life Insurance

Definition	Accounting	Taxation
Definition of Life Assurance 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 and Business Reports by Life Insurance Institutions. Taiwan has not adopted IFRS 4 (local equivalent - Statement of Financial Accounting Standards No. 40). Conversion from the existing Taiwanese GAAP to IFRS 4 is expected to be implemented in 2011.	Generally based on audited commercial accounts.
Regulatory return	Year end return is audited for all insurers.	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.	Tax Deductible.
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 IAS 39 for recognition and measurement of financial instruments.	Only realized gains / losses are taxable/deductible. For capital gains/losses derived/incurred on onshore security investments, see "Capital taxes and taxes on securities" below.

Taiwan – Life Insurance (continued)

Calculation of underwriting profits or total income	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 an operating expense. A decrease in reserves is taken to P&L as operating income.
Acquisition expenses	Recognised as operating expense.	Tax deductible in the year incurred.
Gains and losses on investments	See "Calculation of investment income and capital gains" above.	See "Calculation of investment income and capital gains" above.
Reserves against market losses on investments	Normally not created.	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 expenses.	Deductible.
Other special deductions	Nil.	N/A.
Reinsurance	Accounting	Taxation
Reinsurance premiums and claims	Reinsurance premium paid is regarded as operating expense and is deducted from the gross premium when paid. Reinsurance claims recovered is regarded as operating income.	Reinsurance premiums paid and claims recovered are deductible and assessable, respectively, in calculating the underwriting profits.
Mutual companies/Stock companies	Accounting	Taxation
Mutual Companies (All profits returned to members)	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 Headquarter, 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 is required to maintain separate accounts and required to lodge a corporate income tax return in Taiwan.
Corporate tax rate	25%. Currently proposed by the Taiwanese government to bring the corporate tax rate down to 20%. An additional 10% undistributed retained earnings tax is levied on any retained earnings not distributed (not applicable to branch). Such tax paid by 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.

Policyholder taxation	Taxation
Deductibility of premiums	Individual policyholder can claim tax deduction on insurance premiums paid up to maximum TWD 24,000 per annum.
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	2% business tax applies to insurance premiums. 1% business tax applies to reinsurance premiums.
Capital taxes and taxes on securities	No separate capital gain tax regime in Taiwan. 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 corporate bonds or any securities offered to the public which have been duly approved by the government. However, trading of corporate bonds and financial bonds issued by Taiwanese issuers or companies are temporarily exempt from STT assessment until December 31, 2009.
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