



Thailand

International Comparison of Insurance Taxation*

May 2009

Thailand – General Insurance

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	<p>Thai GAAP is issued by The Federation of Accounting Professions (FAP) and is being converged to IFRS. Certain Thai GAAPs have recently been revised to align with the current IFRS. The absent IFRS in Thai GAAPs such as IAS39 , IAS 19, IFRS 4 and so on are being in draft.</p> <p>In addition, the following seven Thai existing accounting (reports) are not applicable for a non public company:</p> <ul style="list-style-type: none"> – Segment report – Statement of cash flow – Impairment of assets – Consolidated and separate financial statement – Investment in associates – Investment in joint venture – Related party disclosure – Financial assets and liability disclosure <p>Nevertheless, The Securities and Exchange Commission of Thailand (SEC) and The Federation of Accounting Profession (FAP) announced their intention to adopt full IFRS accounting frameworks for companies in the Thai Capital market. The first step is SET 50 companies who will fully adopt IFRS in 2011 but non-SET 50 companies have not yet been determined.</p>	Not applicable.
Regulatory return	<p>Prescribed by Office of Insurance Commission (OIC) under Non-life Insurance Act 1992 amended by the Non-Life Insurance Act (no.2), B.E. 2551.</p> <p>Methods of valuation assets and liabilities, including the method of unearned premium and claim reserve, are applied as stipulated by the OIC.</p>	Not applicable.

Thailand – General Insurance (continued)

Commercial Accounts/ Tax and Regulatory Returns	Accounting	Taxation
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)	UPR is calculated by time apportionment which are as follows: <ul style="list-style-type: none"> • Marine cargo: net premium written for the last 90 days • Travel accident: net premium written for the last 30 days • Other: not less than monthly pro-rata basis (1/24th). 	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.	This is tax deductible expenses.
Claims incurred but not reported (IBNR)	Calculated on actuarial methodologies but not less than 2.5% of new written premium.	This is not tax deductible expense.
Unexpired risks	No specific accounting standards.	This is a non tax-deductible expense.
General contingency/solvency reserves	No specific accounting standards.	This is a non tax-deductible expense.
Equalisation/catastrophe reserves	No specific accounting standards.	This is a non tax-deductible expense.
Investments	Accounting	Taxation
Gains and losses on investments	Realised gains and losses on investments are recognised when realized on the settlement date or trade date depending on the insurers 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 investments in debt instruments are subject to 0.011% specific business tax.
Investment reserves	Treatment on unrealised capital gain or loss is determined under Thai GAAP for investment (TAS40). There are 4 types of investments, trading securities, available for sale, held to maturity and general investment. They are initially recorded at cost. The subsequently present of each types of investments 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 for the unrealised losses from investment treated as trading portfolio.
Investment income	Interest income is recognised on a time proportion basis, taking into account 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.

Thailand – General Insurance (continued)

Expenses/Refunds	Accounting	Taxation
Acquisition expenses	Expense as incurred.	Expense linked to the business of insurance are tax-deductible when incurred.
Loss adjustment expenses on unsettled claims (claims handling expenses)	Expense as incurred.	Expense linked to the business of insurance are tax-deductible when incurred.
Experience-rated refunds (A refund or rebate of reinsurance premium, paid by a reinsurer. The amount of the refund is dependent upon the claims, experience and profitability of the business ceded by the company to the reinsurer.)	Credited when likely to be realized and are measurable.	This is included in gross income (and hence taxable) when earned.
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.	Reinsurance premiums are a tax deductible expense and reinsurance recoveries are taxable income.
Mutual Companies	Accounting	Taxation
Mutual companies (An insurance company without shareholders. A board elected, in most cases, by holders of participating policies and directs management.)	Not applicable.	No special treatment.

Thailand – General Insurance - Other Tax Features

Further corporate tax features	Taxation
Loss from previous years.	Tax loss is allowed to be carried forward for five accounting periods for offset against future taxable profits.
Foreign branch income (branch of a South African tax resident insurer in a foreign tax jurisdiction).	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 (branch of a Thai tax resident insurer carrying on business in the Thailand).	A branch of a foreign insurance company is subject to tax only on profits arising from or consequent to the business carried out 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 a tax deduction in computation of corporate income tax.
Captive insurance companies	No captive insurance business in Thailand.
Stamp duty	Non-life insurance policy is subject to stamp duty at Baht 1 on every Baht 250 or part thereof based on premiums.

Thailand – Life Insurance

Definition	Accounting	Taxation
Definition of Life Assurance 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	<p>Thai GAAP is issued by The Federation of Accounting Professions (FAP). Thai GAAP is being converged to IFRS. Certain Thai GAAPs have recently been revised to align with the current IFRS. The absent IFRS in Thai GAAPs such as IAS39 , IAS 19, IFRS 4 and so on are being in draft.</p> <p>In addition, the following seven Thai existing accounting (reports) are not applicable for non public company.</p> <ul style="list-style-type: none"> – Segment report – Statement of cash flow – Impairment of assets – Consolidated and separate financial statement – Investment in associates – Investment in joint venture – Related party disclosure – Financial assets and liability disclosure <p>Nevertheless, The Securities and Exchange Commission of Thailand (SEC) and The Federation of Accounting Profession (FAP) announced their intention to adopt full IFRS accounting framework for companies in the Thai Capital market. The first step is the SET 50 companies will fully adopt IFRS in 2011 but non-SET 50 companies have not yet been determined.</p>	Not applicable.
Regulatory return	<p>Prescribed by Office of Insurance Commission (OIC) under Life Insurance Act 1992 amended by the Life Insurance Act (no.2), B.E. 2551.</p> <p>Methods of valuation assets and liabilities, including the method of unearned premium and claim reserve, are applied as stipulated by the OIC.</p>	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.

Thailand – Life Insurance (continued)

Calculation of investment return	Accounting	Taxation
Calculation of investment income and capital gains	<p>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.</p> <p>Dividends are recognised when the right to receive payment is established.</p> <p>Realised gains and losses on investments are recognised when realized on settlement date or trade date depend on insurer accounting policy. The investment cost is allowed on weighted average or FIFO basis.</p>	<p>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.</p>
Calculation of underwriting profits or total income	Accounting	Taxation
Actuarial reserves	Net premium valuation (NPV) as stipulated by the OIC.	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 the 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, the Thai insurer does not apply deferred acquisition cost. Those expenses are recognised when occurred.	This is a tax deductible expense when incurred.
Gains and losses on investments	Gains and losses on investments are recognised when realized on the settlement date or trade date depending on the insurers 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 instruments are subject to 0.011% specific business tax.
Reserves against market losses on investments (Impairment of financial assets)	Treatment on unrealised capital gain or loss is determined under Thai GAAP for investment (TAS40). There are 4 types of investments, 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 if the unrealised losses from investments are 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 it 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.

Thailand – Life Insurance (continued)

Calculation of underwriting profits or total income	Accounting	Taxation
Policyholder bonuses	No specific requirement to set up policyholder bonuses. Nevertheless some insurer do set up guaranty bonus in their technical reserve.	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.
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.	Reinsurance premiums are a tax deductible expense and reinsurance recoveries are taxable income.
Mutual companies/Stock companies	Accounting	Taxation
Mutual companies (An insurance company without shareholders. A board elected, in most cases, by holders of participating policies and direct management).	Not applicable in Thailand.	No special treatment.

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 (branch of a South African tax resident insurer in a foreign tax jurisdiction).	Thai companies are taxed on their worldwide income. Foreign tax credit is allowed under unilateral basis and 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 (branch of a Thai tax resident insurer carrying on business in the Thailand).	A branch of a foreign insurance company is subject to tax only on profits arising from or consequent to the business carried out 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.
Interest build-up	This is exempt income for an individual policyholder as it is regarded as part of policy claim.
Proceeds during lifetime	This is exempt income for an individual policyholder.
Proceeds on death	This is exempt income for an 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.
Stamp duty	Life insurance policy is subject to a stamp duty at Baht 1 on every Baht 2,000 or part thereof based on sum assured limited to a total stamp duty of Baht 20.



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