

APAC Insurance Tax update (Part 1)



Speakers



Brendan Egan
Financial Services Tax
Senior Director
Deloitte Singapore



Mohd Fariz Mohd Faruq
Tax Partner
Deloitte Malaysia



Ronnie Bernas
Tax Partner
Deloitte Philippines



Natalie Yu
Tax Partner
Deloitte China



Philip Moralee
Tax Director
Deloitte Hong Kong

Australian tax insurance Update

Pillar Two

- Application of the Undertaxed Profit Rule (UTPR) for fiscal years commencing on or after 1 Jan 2025. Coordination with the head office jurisdiction is required in order to obtain the data points in assessing UTRP tax liability exposure for Australian constituent entities
- First year Australian Pillar Two filings due this year, e.g., 30 Jun 2026 lodgment date for the year ended 31 Dec 2024. The Australian Pillar Two returns are still in draft pending finalisation by the Australian Taxation Office.
- ATO website guidance has been updated to address Pillar Two specific interactions with other Australian domestic tax rules

Country by Country Reporting/Transfer Pricing

- Australian public country-by-country reporting will impact in-scope groups for income years commencing on or after 1 Jul 2024, with the first reports due to the ATO from 30 Jun 2026.
- High TP documentation expectations in ATO assurance reviews, requiring commerciality of international related party arrangements and arm's length nature of pricing to be set out in detail.

Income Tax—Hybrid mismatch rules

- ATO assurance reviews continue to focus on the application of the hybrid mismatch rules
- To attain high assurance, taxpayers must have contemporaneous evidence to support the self-assessment against the ATO Practical Compliance Guideline PCG 2021/5 '*Imported hybrid mismatch rule - ATO's compliance approach*' and demonstrate that reasonable enquiries have been made of suitably qualified and responsible representatives

Australian tax insurance

Update continued

Insurance Duty (State)

- Ongoing issues with the classes of insurance that is subject to Victorian gradual abolition of duty
- Rates of duty applicable in New South Wales to new products, such as Cyber

Indirect Tax

- ATO's increased focus from a GST perspective
- For general insurance, the ATO is reviewing how general insurers set up processes, systems and data flows for GST compliance, particularly in relation to claims processing and determining GST adjustments

China tax insurance Update

Intensive tax investigations

- 2025 is marked as a year of intensive tax investigation with various forms of tax audits, tax inspections, self-inspections, tax alerts in new e-tax system.
- Financial Industry including insurance sector is one of the key industries subject to tax investigations.

Changes to VAT Law

- VAT law and its implementation rules effective from 1 Jan 2026—bringing new challenges to VAT tax administration

China promulgated IFRS 17 related CIT rules

- Effective from 1 Jan 2026—retained earning/loss related to GAAP change shall be included as tax income/loss, affecting CIT in year 2026, or/and next 5 years CIT filing if choosing adopting such impact in next 5 years.

Pillar 2

- Still no clear timeline but tax authorities have asked the Chinese entities that have overseas operations to assess the impact

Hong Kong tax insurance Update

Transfer Pricing

- Updates to the HK TP legislation in HK to reference the 2022 OECD Guidelines brings Chapter X related to financial transactions into focus, meaning insurance groups, specifically their treasury centers, should review their intra-group loans, guarantees and other financial transactions to check the transactions are properly delineated and priced at arm's length

Corporate Tax/Pillar Two

- Re-domiciliation
- Pillar Two readiness

CRS 2.0

- HK launched consultation
- Expect to be implemented in 2028

Malaysia

Insurance and Takaful Updates

The adoption of MFRS 17 has introduced significant complexity into tax return preparation for insurers

- Insurers are preparing income tax returns based on the Director General of Insurance Report instead of the Audited Financial Statements.
- The IRBM has yet to issue guidelines on the tax treatment from the adoption of MFRS 17.

The adoption of e-invoicing has put insurance agents at greater risk of being selected for tax audit

- Self billed mechanism by insurance companies on the commission paid to insurance agents.
- There has been recent increase in insurance agents and agencies being selected for tax audit.

Stamp duty self assessment

- Phased implementation from 1 Jan 2026 to 1 Jan 2028.
- Stamp duty voluntary disclosure programme until Jun 2026 for contracts executed from the year 2023.

E-invoice compliance audit on insurers

- The IRBM has issued their e-invoice Compliance Review Framework on 15 Dec 2025.
- Some insurance companies have been selected for e-invoice audit with the IRBM's focus on reconciling e-invoice records with the accounts.

Service Tax expansion

- Post implementation challenges

Singapore tax insurance—Update

Transfer Pricing

- Updates to the HK TP legislation in HK to reference the 2022 OECD Guidelines brings Chapter X related to financial transactions into focus, meaning insurance groups, specifically their treasury centers, should review their intra-group loans, guarantees and other financial transactions to check the transactions are properly delineated and priced at arm's length

Pillar Two

- Pillar Two readiness—registration will commence in May 2026 and must be completed by 30 Jun 2026. Failure to register may attract a **10% surcharge** on any Top-up tax payable

CRS Audits and CRS 2.0

- Applicable to specified insurance companies in Singapore
- Increased activity by IRAS as to the SGFI is meeting their reporting obligations
- CRS expected to be implemented in 2028

Indirect Tax—GST

- Adjustments to ACAP
- Partial Exemption—GST Special Methods, increased input tax recovery

InvoiceNow—e-invoicing implementation dates

- Various implementation dates from 1 Apr 2026 to 1 Apr 2031

The Philippines tax insurance Update



Insurance Commission Circular Letter No. 2025-11

- Updated Regulatory Framework for HMOs
- Revised Capitalisation Requirements
- Stronger Financial & Liquidity Controls

RMO 1-2026—Revised Policies, Controls, and Procedures for Tax Audit

- Application of Single-Instance Audit Framework:
- Consolidation of pending eLAs
- Issuance of new eLA
- Transfer of Task Force Audits and Assessment
- Transition of VAT Audit Sections (VATAS) and Large Taxpayers VAT Audit Units
- Audit and Assessment Proper
- Sanctions

Capital Markets Efficiency Promotion Act (CMEPA)

- Stock transaction tax reduced to 0.1%
- Imposed a flat 20% final tax on Interest income
- 15% capital gains tax on unlisted shares
- UITFs and mutual funds exempt from DST

E-invoicing

- Managing the roll out of e-invoicing

Thailand tax insurance Update

Adoption of IFRS 17

- TFRS 17 became effective 1 Jan 2025, however, no material progress or formal guidance issued by the Revenue Department (TRD).
- Active dialogue with relevant bodies including the OIC, TLAA, TGIA and the Federation of Accounting Profession, however, progress remains stalled by the rigid revenue recognition tax principle.
- Companies now face an imminent annual CIT (PND 50) filing deadline without confirmed tax treatment guidance. Clients are adopting these approaches:
 - Maintaining two sets of books (TFRS 17 for regulators and TFRS 4 for tax purposes);
 - Engaging auditors to review dual financial statements; or
 - Most commonly, filing tax returns based on TFRS 4 and performing extensive manual reconciliations to align with TFRS 17 audited figures.

Transfer Pricing

- In FY2026, full implementation of TP regulations. Taxpayers are selected for TP audit using risk-based approach.
- TP Notice Letter issued to high-risk taxpayers requiring them to submit highly detailed TP documentations covering multiple years, together with supporting information. Taxpayers are given 180 days to prepare from receiving the Notice.
- TP documentation must align with tax filings, such as CIT and WHT filings and TP Disclosure forms.
- Acceptance of documents is preliminary only. Incomplete, inconsistent, or insufficient documentation may still be treated as non-compliance, potentially triggering penalties.

Vietnam tax insurance Update

Bonus cap for insurance agents—Circular 67

- From 1 Jan 2026, new policies capped at 20% for terms \leq 1 year and 30% for terms $>$ 1 year; renewals capped at 7%
- Market Observation—Life insurers to effectively lower the payments to insurance agents to such level

VAT law and its implementation rules effective from 1 Jan 2026

- Increasing scrutiny from competent authorities on non-deductible expenses for CIT purposes as they are not deemed directly related to insurance business or associated with business conditions

Invoice issuance—Decree 70

- Requirement to issue invoices on an accrual basis rather than cash basis
- Challenges to update invoice issuance system and correspondence with clients, especially for lapsed contracts

Personal Income Tax for agents—Tax and SI audit practice

- Individual insurance agents are re-assessed as subject to progressive PIT rates for employment income rather than 10% withholding on service income

Appendix



Key Takeaways for the Insurance Industry China

General Outlook

- **Intensive tax investigations**—2025 is marked as a year of intensive tax investigation with various forms of tax audits, tax inspections, self-inspections, tax alerts in new e-tax system. Financial Industry including insurance sector is one of the key industries subject to tax investigations.
- **VAT law and its implementation rules effective from 1 Jan 2026**—bringing new challenges to VAT tax administration
- **China promulgated IFRS 17 related CIT rules**—being effective from 1 Jan 2026—retained earning/loss related to GAAP change shall be included as tax income/loss, affecting CIT in year 2026, or/and next 5 years CIT filing if choosing adopting such impact in next 5 years
- **Pillar 2**—still no clear timeline but tax authorities have asked the Chinese entities that have overseas operations to access the impact

Intensive Tax Investigations

Tax authorities pay close attention to the application of various tax incentive policies. The financial sector has become a key focus due to the relatively abundant income tax and value-added tax (VAT) incentives, as well as the large scale of enterprises in this industry.

Key areas under tax investigation for insurance companies:

- Core insurance operations
 - Income tax—applicability of R&D super deduction; expenditures related to non-insurance business;
 - VAT—eligibility for tax exemption on long-term life insurance products, and other insurance policies
- Investment activities of insurance companies:
 - Income tax—applicability of exemptions on certain investment income such as government bonds/local government bonds; applicability of exemptions when investing in tax-exempt instruments through instruments
 - VAT—applicability of tax exemption for financial inter-institutional transactions and investing in tax-exempt products through financial instruments; irrevocable input VAT on purchase related to VAT exempted sales

Key Takeaways for the Insurance Industry China

VAT law and its implementation rules effective from 1 Jan 2026

- VAT law and its implementation rules effective from 1 Jan 2026, followed by a series of supplemental rules

Major changes

- VAT rates for general taxpayers remain 11%/9%/6%/0%, the tax rate for certain industry is changed (i.e. tele-communication). Financial Industry remains 6% VAT rate.
- Tax exemption items divided into long-term and phased ones (valid until 31 Dec 2027); tax exemptions applicable to financial industry remain while most of the exemptions are phased and will be subject to further rules for extension.
- Significant change on input VAT credit where:
 - Introduced a concept of “mixed-used” assets, which cannot be fully deductible input VAT
 - Input VAT on purchase of long-term assets (fixed assets, intangible assets, or real estate) cannot be fully deductible on purchase, need to be gradually credit against out put VAT during the lifetime in accordance with the depreciation and amortisation instead
 - Input VAT on purchase for use of non-VATable activities are not deductible
 - VAT year end true-up mechanism

Major Impact to Financial Institutions

- VAT liability increase
 - In consideration of tax audit inspections, attention should be paid to whether the eligibility for tax exemption
 - Due to changes in the input tax credit policy, the amount of input tax eligible for credit will decrease, especially for enterprises with a relatively high proportion of tax-exempt or non-taxable income in their revenue
 - Overall VAT liability on financial institutions may be increased where different sectors may have difference impact
- VAT Compliance Management significantly increases
 - Due to changes in the input tax credit policy for on purchase of long-term assets, need to establish a dedicated long-term asset management ledger to manage the intended use and the depreciation and amortisation for VAT purposes.

Key Takeaways for the Insurance Industry China

China promulgated IFRS 17 related CIT rule—being effective from 1 Jan 2026—effect on retained earnings arising from adoption of new GAAP shall be included as tax income/loss of **the first year** of application or evenly allocated and included in the taxable income of next 5 years. Deduction limits on commission fee and IBNR will be possibly remain. Still needs further clarification on how to capture these amounts from the accounts prepared under new GAAP.

Item	Rules
Tax Period	<ul style="list-style-type: none"> 2026 or the first year when an insurance company adopts the new accounting standard.
The Cumulative Effect on Return Earnings	<ul style="list-style-type: none"> The cumulative effect on retained earnings arising from adoption of the new accounting standard shall be included in the taxable income of the first year of application as a pre-tax amount; or shall be evenly allocated and included in the taxable income of each year over a period of five years starting from the first year of application.
Early Adoption before 2026	<ul style="list-style-type: none"> The difference between the taxable income calculated based on the new accounting standard and the previously declared taxable income during the period of first year of adoption through the year 2025, shall be included in the taxable income for the year 2026, or shall be evenly allocated and included in the taxable income over five years starting from 2026.
Tax adjustments/tax benefit	<ul style="list-style-type: none"> Adjust in the occurrence year and no need to make adjustment repeatedly.
Insurance reserve	<ul style="list-style-type: none"> The tax rules of reserve for unexpired liability, reserve for life insurance liability and reserve for long-term health insurance liability shall not be prevailed.
Tax Period	<ul style="list-style-type: none"> 2026 or the first year when an insurance company adopts the new accounting standard.

APAC Insurance Tax update (Part 2)



Speakers



Brendan Egan
Financial Services Tax Senior Director
Deloitte Singapore



Dionisius Damijanto
Tax Partner
Deloitte Indonesia



Senthuran Elalingam
Tax Partner
Deloitte Singapore

Insurance Update—Indonesia

Key updates for insurance Industry in Indonesia

Tax Matters on IFRS 17 Implementation

- Transition Provision (Recalculation of Beginning Retained Earning and Tax Loss Carried Forward for tax purposes)
- Onerous Contracts Treatment
- Attributable Expenses
- Premium Reserves
- VAT on Management Fee Unit Link

Value Added Tax on Unit Link Policy

- Accounting Treatment of ULP
- Indonesian VAT Framework
- Core VAT Issue
- Prevailing Industry Position

Unit Link Policy Reserve Deductibility (ND-1257)

- Tax Regulatory Analysis of a Unit Linked Policy (ULP)
- Deductibility of ULP Reserves for corporate income tax purposes
- Correction of ULP Reserves creates inconsistency

Tax Matters on IFRS 17 Implementation in Indonesia



The Directorate General of Taxes (DGT) plans to issue a Draft Minister of Finance Regulation (RPMK) concerning the Tax Implications of PSAK 117 (IFRS 17), which will become effective in 2026

Key Issues in Draft Minister of Finance Regulation (RPMK)

Transition Provision (Recalculation of Beginning Retained Earning and Tax Loss Carried Forward for tax purposes)	<p>Industry proposal regarding Transition Provision:</p> <ul style="list-style-type: none">• Any excess difference representing additional income may be allocated over a minimum period of five (5) years, while any shortfall representing a reduction of income may be deducted as an expense over at least five (5) years.• Such excess or shortfall differences shall be taken into account in the calculation of Corporate Income Tax under Article 17 Indonesian Income Tax Law (IITL) for Fiscal Year 2026, effective 1 Jan 2026 as the cut-off starting position.• Tax loss carryforwards may be offset against the additional excess Retained Earnings (RE) difference.• If an underpayment of tax arises from the excess difference, the tax payment will be due in Apr 2027 in accordance with the prevailing tax regulations.
Onerous Contract	<p>Industry proposal regarding Onerous Contracts:</p> <ul style="list-style-type: none">• If a fiscal adjustment is made for expenses recognised at the beginning of the period and for the subsequent reversal/income arising in later periods in relation to an onerous contract, then all recoveries and reversals of recoveries arising from reinsurance contracts held (RCH) related to the onerous contract must likewise be subject to fiscal adjustment, in order to ensure symmetry between the recognition of expenses and income.
Attributable Expense	<p>Industry proposal regarding Attributable Expense:</p> <ul style="list-style-type: none">• Directly attributable expenses be deducted based on their initial recognition (as recorded under PSAK 104), prior to any attribution or allocation in accordance with PSAK 117.

The Directorate General of Taxes (DGT) plans to issue a Draft Minister of Finance Regulation (RPMK) concerning the Tax Implications of PSAK 117 (IFRS 17), which will become effective in 2026

Key Issues in Draft Minister of Finance Regulation (RPMK)

Premium Reserve	<p>Industries proposal regarding Premium Reserve:</p> <ul style="list-style-type: none">• The implementation of PSAK 117, which changes the reserving concept (including premium reserves), requires clarification that the Insurance Service Result—as the core performance measure under PSAK 117—should constitute taxable income and deductible expenses for Corporate Income Tax purposes pursuant to Article 4(1) and Article 6 of the Income Tax Law.• Regulatory alignment is required through the revocation of PMK-81/2009 and its related implementing guidelines (SE-97/PJ/2011, SE-08/PJ/2019, and ND-1257/WPJ.04/2024), which are closely linked to the previous reserving framework.• Such revocation should apply specifically to conventional life insurance companies impacted by PSAK 117 implementation and should not apply to Sharia life insurance companies that have not yet adopted PSAK 117.
VAT on Management Fee Unit Link	<p>Industries proposal regarding VAT on Management Fee Unit Link:</p> <ul style="list-style-type: none">• PAYDI/Unit-Link is a type of life insurance product; therefore, all income derived from PAYDI/Unit-Link products constitutes insurance service income, which is exempt from Value Added Tax (VAT).• Accordingly, all investment management activities performed within PAYDI/Unit-Link policies to generate income from such products form an inseparable and integral part of a single insurance product. As such, they qualify as VAT-exempt insurance services pursuant to Article 4A paragraph (3) letter d of Law No. 8 of 1983 on Value Added Tax on Goods and Services and Sales Tax on Luxury Goods, as most recently amended by Law No. 18 of 2000 and Law No. 42 of 2009 (Third Amendment to Law No. 8 of 1983), as well as the Law on Harmonisation of Tax Regulations.

Unit Link Reserve Deductibility (ND-1257) in Indonesia

Nota Dinas (ND) 1257

Tax and Social Macro Impacts in Indonesia

ND-1257 indicates that Unit Linked reserve entirely must be fiscally adjusted

On Jun 19, 2024, the South Jakarta 1 Regional Office of the Directorate General of Taxes (KANWIL) issued internal tax office letter ND-1257/WPJ.04/2024 (ND-1257) concerning the clarification of the reserve costs for PAYDI/Unit Linked products that are deductible from Gross Income. The conclusion of ND-1257 indicates that Unit Linked reserve entirely must be fiscally adjusted.

Tax Regulatory Analysis

Unit-Linked Products Are Life Insurance Products	<ul style="list-style-type: none">Life insurance companies are legally permitted to offer unit-linked products, which combine death risk coverage and fund investment benefits.The Financial Services Authority through Financial Services Authority Decision No. KEP-104 Year 2006 (confirms that Unit Linked products fall under life insurance product).Therefore, tax office's interpretation through ND-1257 treating unit-linked products separated from core life insurance activities is incorrect, as both elements are integral and inseparable under the Insurance Law.
Deductibility of Unit-Linked Premium Reserves in Corporate Income Tax Calculation	<ul style="list-style-type: none">Life insurance company must cover both death risk and fund investment benefits of policyholder, as such premium reserves for both traditional and unit-linked products are part of the insurance core business.For tax deductibility, Life insurance company must report premium reserves to the OJK to gain approval, as required by the Income Tax Law and PMK-81/2009. Therefore, the DGT's view in ND-1257 excluding unit-linked reserves from deductible core business expense is incorrect.
Correction of Unit-Linked Premium Reserves Creates Inconsistency	<ul style="list-style-type: none">Under Article 4(1) of the Indonesia Income Tax Law, all life insurance premiums, both traditional and unit-linked premiums, are taxable.Therefore, the related premium reserves, used to cover future claims, should be deductible. ND-1257 acknowledges tax treatment of unit link premium income while it disallows deductions for increases in unit link reserve, creating inconsistencies.

Value Added Tax on Unit Link Policies in Indonesia

Value Added Tax on Unit Link Indonesia Tax Perspectives

1. Accounting Treatment (IFRS 17 / PSAK 117)

- Premium (incl. variable/management fee) recognised as Insurance Revenue
- Includes Fulfilment Cash Flows + Risk Adjustments + Contractual Service Margin (CSM)
- Variable fee via CSM release over coverage period
- ❖ **Investment management element embedded within insurance revenue**

2. Indonesia VAT Framework

- Insurance services are VAT exempted

3. Core VAT Issue

- **Unit Link** = legally a life insurance product, however Tax Office views it contains:
 - **Protection component**
 - **Investment component (asset management-like)**

Key issues:

VAT Exempt insurance service?

or **Separable taxable asset management services?**

Prevailing Industry Position

- Unit Link = **Single integrated** insurance contract
- All revenue (inc. variable fee) is part of insurance service
- Hence, treated as **VAT exempt** insurance service



Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms, and their related entities (collectively, the “Deloitte organization”). DTTL (also referred to as “Deloitte Global”) and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

Deloitte Asia Pacific Limited is a company limited by guarantee and a member firm of DTTL. Members of Deloitte Asia Pacific Limited and their related entities, each of which is a separate and independent legal entity, provide services from more than 100 cities across the region, including Auckland, Bangkok, Beijing, Bengaluru, Hanoi, Hong Kong, Jakarta, Kuala Lumpur, Manila, Melbourne, Mumbai, New Delhi, Osaka, Seoul, Shanghai, Singapore, Sydney, Taipei and Tokyo.

This communication contains general information only, and none of DTTL, its global network of member firms or their related entities is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

No representations, warranties or undertakings (express or implied) are given as to the accuracy or completeness of the information in this communication, and none of DTTL, its member firms, related entities, employees or agents shall be liable or responsible for any loss or damage whatsoever arising directly or indirectly in connection with any person relying on this communication.