Profile and Taxation of the Philippine Non-Life Insurance Industry*

I. INTRODUCTION

Financial risks and uncertainties due to unpredictable natural and man-made disasters are inevitable components of life that can cause temporary or permanent loss of income for an individual or an entire enterprise. Because of this, non-life insurance, also known as general insurance, has become an essential investment as it provides security and protection against financial losses and damages resulting from such unforeseen events. It plays a crucial role in providing financial security and peace of mind to both individuals and businesses alike. For individuals, non-life insurance offers coverage for their personal assets such as their homes and vehicles; while for businesses, it provides coverage for their properties, equipment, and liability risks, among others.

Non-life insurance is especially crucial in countries like the Philippines where there is frequent exposure to natural hazards such as typhoons, landslides, floods, and droughts. The onset of the COVID-19 pandemic has further amplified the importance of non-life insurance in mitigating financial shocks from unexpected events. Although insurance awareness in the country has increased due to the pandemic, investing in insurance product still remains to be a less priority for many especially for those who have little available disposable income. Just like other essential products, the price of non-life insurance has been escalating through the years.

Because of this, the government recognizes the urgent need to make non-life insurance products more affordable and accessible to the public. One of its proposals is to reduce the price of getting a non-life insurance such as a reduction in the documentary stamp tax (DST) imposed on non-life insurance products, which is being proposed under Package 4 of the Comprehensive Tax Reform Program (CTRP).

This paper provides basic information on the country's non-life insurance industry and its current tax treatment to serve as valuable input to fiscal policymakers. It also presents the DST proposals under Package 4 of the CTRP that would help lower the cost of non-life insurance products to help increase insurance penetration in the country.

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II. BACKGROUND INFORMATION

A. Non-life insurance products

Republic Act (RA) No. 10607, or the "The Insurance Code", as amended, defines a contract of insurance as an agreement whereby one undertakes for a consideration to indemnify another against loss, damage, or liability arising from an unknown or contingent event. There are a variety of insurance products available in the market which can be classified into two main categories, namely, life and non-life insurance products. Life insurance, as defined in Section 181 of the Insurance Code, is insurance on human lives and insurance appertaining thereto or connected therewith. In contrast, non-life insurance products are insurance on subjects other than human lives. While life insurance can be classified into permanent and term life policies, non-life insurance includes various types of insurance policies covering a range of entities such as people, property, and legal liabilities, among others. As per the Insurance Code, non-life insurance can be classified into the following:

1. Marine insurance – insurance against loss of or damage to (1) Vessels, craft, aircraft, vehicles, goods, freights, cargoes, merchandise, effects, disbursements, profits, moneys, securities, choses in action, instruments of debts, valuable papers, bottomry, and respondentia interests and all other kinds of property and interests therein, in respect to, appertaining to or in connection with any and all risks or perils of navigation, transit or transportation, or while being assembled, packed, crated, baled, compressed or similarly prepared for shipment or while awaiting shipment, or during any delays, storage, transhipment, or reshipment incident thereto, including war risks, marine builder's risks, and all personal property floater risks; (2) Person or property in connection with or appertaining to a marine, inland marine, transit or transportation insurance, including liability for loss of or damage arising out of or in connection with the construction, repair, operation, maintenance or use of the subject matter of such insurance (but not including life insurance or surety bonds nor insurance against loss by reason of bodily injury to any person arising out of ownership, maintenance, or use of automobiles); (3) Precious stones, jewels, jewelry, precious metals, whether in course of transportation or otherwise; and (4) Bridges, tunnels, and other instrumentalities of transportation and communication (excluding buildings, their furniture and furnishings, fixed contents and supplies held in storage); piers, wharves, docks and slips, and other aids to navigation and transportation, including dry docks and marine railways, dams and appurtenant facilities for the control of waterways;

2. Fire insurance – insurance against loss by fire, lightning, windstorm, tornado, earthquake, and other allied risks, when such risks are covered by extension to fire insurance policies or under separate policies;

3. Casualty insurance – 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; and

4. Contract of suretyship – an agreement whereby a party called the surety guarantees the performance by another party called the principal or obligor of an obligation or undertaking in favor of a third party called the obligee. It includes official recognizances, stipulations, bonds, or undertakings issued by any company by virtue of Act No. 536, as amended by Act No. 2206.

B. Regulatory framework

The Insurance Commission (IC) is the government agency responsible in regulating the insurance industry in the country. Entities seeking to engage in the non-life insurance market must obtain their license from the IC before being allowed to offer and provide non-life insurance products to the general public. Such entities include, but are not limited to the following: (a) corporations, partnerships, or associations as defined in Section 6 of the Insurance Code, as amended; (b) mutual benefit associations; (c) cooperative insurance; and (d) government-owned or controlled corporations engaged in the business of marine, fire and casualty insurance, and other forms of property insurance.

The Insurance Code, as amended, laid out the specific requirements for insurance companies in the country. In terms of capitalization, new domestic non-life insurance companies are required to have a minimum paid-up capital (PUC) of at least P1 billion pursuant to Section 194 of the Insurance Code, as amended. Meanwhile, companies that were already operating in the country at the time of the effectivity of the said law are required to have a minimum PUC of P250 million by June 30, 2013, which should increase every three years per Section 194 of RA 10607 to P550 million by December 31, 2016, P900 million by December 31, 2019, and P1.30 billion by December 2022.

On the other hand, the rules are more stringent for foreign insurance companies. Under Sec. 197 of the Insurance Code, as amended, no foreign companies are allowed to operate in the country unless they have unimpaired capital or assets and reserve of not less than P1 billion. They are also required to deposit with the IC for the benefit and security of their policyholders and creditors in the Philippines, securities satisfactory to the IC Commissioner consisting of good securities in the country, including new issues of stock of registered enterprises with actual market value of not less than the amount required, provided that at least 50% of such securities shall consist of bonds or other instruments of debt of the Government of the Philippines, its political subdivisions and instrumentalities, or of GOCCs and entities, including the Bangko Sentral ng Pilipinas (BSP). Provided, further, that its total investment in any registered enterprise shall not exceed 20% of the net worth of said foreign insurance company nor 20% of the capital of the registered enterprise, unless previously authorized in writing by the Commissioner.

In terms of reserve requirements, non-life insurance companies shall maintain a reserve for unearned premiums on their policies in force, which shall be charged as a liability in any determination of its financial condition. Such reserve shall be calculated based on the 24th method[1]. Foreign companies, be it life or non-life, are required to set aside an amount corresponding to the legal reserves of the policies written in the Philippines, which shall be invested only in the classes of Philippine securities described in Section 206 of the Investment Code, as amended. No investment in stocks or bonds of any single entity shall, in the aggregate exceed 20% of the net worth of the investing company or 20% of the capital of the issuing company, whichever is the lesser, unless otherwise approved in writing by the IC. The securities purchased and kept in the Philippines shall not be sent out of the territorial jurisdiction of the Philippines without the written consent of the IC.

Aside from the abovementioned requirements, the IC also makes sure that the policyholders and the public as a whole are adequately protected by demanding quality management from insurance companies. It requires that the directors or officers to be elected or appointed are of good moral character, unquestioned integrity, and recognized competence. Moreover, before the IC issues a certificate of authority, the Commissioner must be satisfied that the name of the company is not that of any other known company transacting a similar business in the Philippines, or a name so similar as to be calculated to mislead the public. The IC also requires foreign companies to file a written power of attorney designating some person who shall be a resident of the Philippines as its general agent, on whom any notice provided by law or by any insurance policy, proof of loss, summons, and other legal processes may be served in all actions or other legal proceedings against such company, and consenting that service upon such general agent shall be admitted and held as valid as if served upon the foreign company at its home office. Such foreign company shall make and file with the Commissioner an agreement or stipulation, executed by the proper authorities of said company in form and substance provided under Section 196 of the Amended Insurance Code.

Upon accomplishing all the requirements, the IC will grant the certificate of authority to the insurance company. The certificate of authority will expire on the last day of December, three years following the date of its issuance, and can be renewed every three years thereafter, provided that the company continues to comply with the provisions of the Amended Insurance Code, instructions, rulings, or decisions of the IC.

[1] An accounting method for computing an unearned premium reserve. It is computed by combining premiums having the same term (e.g., twelve, six, three or one month, or any other term), each group being divided by the month in which premiums where written and each premium deemed to have been written in the middle of the month. It is based on the assumption that premiums are received evenly over each month and risk is spread evenly over the year.

There also exists companies that conduct both life and non-life insurance businesses concurrently called composite insurance companies. However, the term “composite insurance company” was not mentioned in the Insurance Code, as amended, although Section 193 of the Code mentions that “No insurance company may be authorized to transact in the Philippines the business of life and non-life insurance concurrently unless specifically authorized to do so by the Commissioner.” Aside from confirming that composite insurance companies may operate in the country, no other information was given about the regulation of said entities in the Code. However, as early as 1992, the capitalization requirements of composite insurance companies have always been computed separately for their life and non-life businesses. As per the IC Department Order (DO) No. 27-1992, a new composite insurance company shall have a PUC of no less than P150 million: P75 million for its non-life business and the other P75 million for its life business. Moreover, at least P50 million contributed surplus fund was also required by the DO, P25 million of which is for the non-life business while the other P25 million is for the life business.

Two decades later, this policy on the capitalization requirements of composite insurance companies was reiterated in DO 15-2012, as follows:

Table 1

PUC Amounts and Schedule of Compliance for Insurance Companies with Existing License

Paid-up capital (In pesos)	Compliance date
250,000,000.00	On or before December 31, 2012 (Pursuant to DO 27-2006 and IMC No. 10-2006)
400,000,000.00	On or before December 31, 2014
600,000,000.00	On or before December 31, 2016
800,000,000.00	On or before December 31, 2018
1,000,000,000.00	On or before December 31, 2020

C. Profile of the industry

The non-life insurance business has always dominated the insurance industry since its introduction in the 1880s. Data show that there were 61 non-life insurance companies on average from 2017 to 2021, 50 of which were domestic companies while the remaining 11 were foreign companies. This is more than double the 27 average number of life insurance companies in the country, of which 18 were domestic while nine were foreign companies. On the other hand, there were five composite insurance companies on average from 2017 to 2021, three of which were domestic companies while the remaining two were foreign companies (See Table 2).

Table 2

Number of Insurance Companies in the Philippines, CYs 2017-2021

Year	Composite			Life			Non-Life			Total
	Domestic	Foreign	Total	Domestic	Foreign	Total	Domestic	Foreign	Total	
2017	3	1	4	20	9	29	53	11	64	98
2018	3	2	5	19	9	28	49	11	60	94
2019	3	2	5	17	9	26	50	11	61	93
2020	3	2	5	18	10	28	50	11	61	95
2021	3	2	5	17	10	27	47	11	58	91
Average	3	2	5	18	9	28	50	11	61	94

Note. Data gathered from Insurance Commission. (2023). *Key statistical data 2017 – 2021*. Retrieved from https://www.insurance.gov.ph/summary-from-2017-2021-preliminary-figures/

According to the Financial Inclusion in the Philippines Dashboard of the BSP, there were an average of 132 million policy owners (including dependents) from 2017 to 2021, 26.54 million or 20.04% of which were covered by non-life insurance companies. Meanwhile, life insurance companies and Mutual Benefit Associations (MBA)[2] cover the majority of policyholders at 53.28 million (40.59%) and 52.64 million (39.70%), respectively. This suggests that even though non-life insurance companies dominate the population of insurance companies in the country, the number of non-life policyholders remains low compared to other types of insurance products (See Table 3 and Figure 1).

Table 3

Number of Policyowners, Including Dependents, by Type of Insurance Provider, 2017-2021 (In Million Pesos)

Year	Non-life insurance companies	Life insurance companies	MBAs	Total
2017	23.00	43.40	39.60	106.00
2018	14.10	50.90	46.70	111.70
2019	25.70	53.40	52.40	131.50
2020	37.00	58.20	59.20	154.40
2021	32.90	60.50	65.30	158.70
Average	26.54	53.28	52.64	132.46

[2] Any society, association or corporation, without capital stock, formed or organized not for profit but mainly for the purpose of paying sick benefits to members, or of furnishing financial support to members while out of employment, or of paying to relatives of deceased members of fixed or any sum of money.

Note. Data gathered from Bangko Sentral ng Pilipinas. (2017). *Financial inclusion in the Philippines dashboards as of fourth quarter 2017.* Retrieved from https://www.bsp.gov.ph/Media_And_Research/Financial%20Inclusion%20Dashboard/2017/FIDashboard_4Q2017.pdf

Data gathered from Bangko Sentral ng Pilipinas. (2018). *Financial inclusion in the Philippines dashboards as of fourth quarter 2018.* Retrieved from https://www.bsp.gov.ph/Media_And_Research/Financial%20Inclusion%20Dashboard/2018/FIDashboard_4Q2018.pdf

Data gathered from Bangko Sentral ng Pilipinas. (2019). *Financial inclusion in the Philippines dashboards as of fourth quarter 2019.* Retrieved from https://www.bsp.gov.ph/Media_And_Research/Financial%20Inclusion%20Dashboard/2018/FIDashboard_4Q2018.pdf

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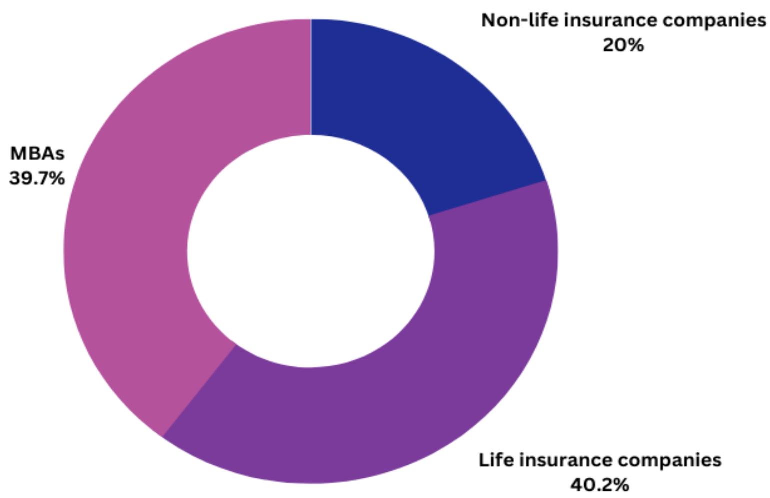
Figure 1

Percentage Share of Policy Owners, Including Dependents, by Type of Insurance Provider, 2017-2021



Note. This figure is based from the Table 3 data.

However, although the number of players in the non-life insurance industry remained virtually the same, the profitability of the product continued to increase over the years. The net premiums written by non-life insurance companies grew by 2.30% on an annual average, reaching P49.82 billion from 2017 to 2021. In 2020, a slight decline in the net premiums collected can be observed where the amount fell from P53.86 billion in 2019 to 47.56 billion, recording a -11.70% growth rate. This decrease can be attributed to the COVID-19 pandemic measures implemented by the government to mitigate its negative impact on Filipino citizens. RA 11469, otherwise known as the "Bayanihan to Heal as One Act", was enacted during the pandemic to provide an emergency subsidy to low-income households and individuals, tax reliefs, a grace period for the payment of all taxes, loans, and rents, among others. Insurance premiums were not covered by the mandatory grace period in RA 11469 since they do not represent payments for loan obligations. Nevertheless, the IC encouraged all insurance companies to extend the grace period for the payment of insurance premiums or contributions by at least another 31 days pursuant to its Circular Letter (CL) 2020-18. It also urged all institutions offering insurance to extend the coverage of their health insurance policies and HMO agreements to customers infected with COVID-19 or any related conditions and waive provisions in their respective health insurance contracts that may become barriers to health care access and treatment pursuant to CL 2020-24.

By type of non-life insurance product, motor car insurance collected the most profits with an average of P25.53 billion (51.23% share) within the years under review, followed by casualty insurance at P12.24 billion (24.56%), fire insurance at P6.33 billion (12.70%), contract of suretyship at P3.81 billion (7.65%), and marine insurance at P1.92 billion (3.86%) (See Table 4 and Figure 2).

Table 4

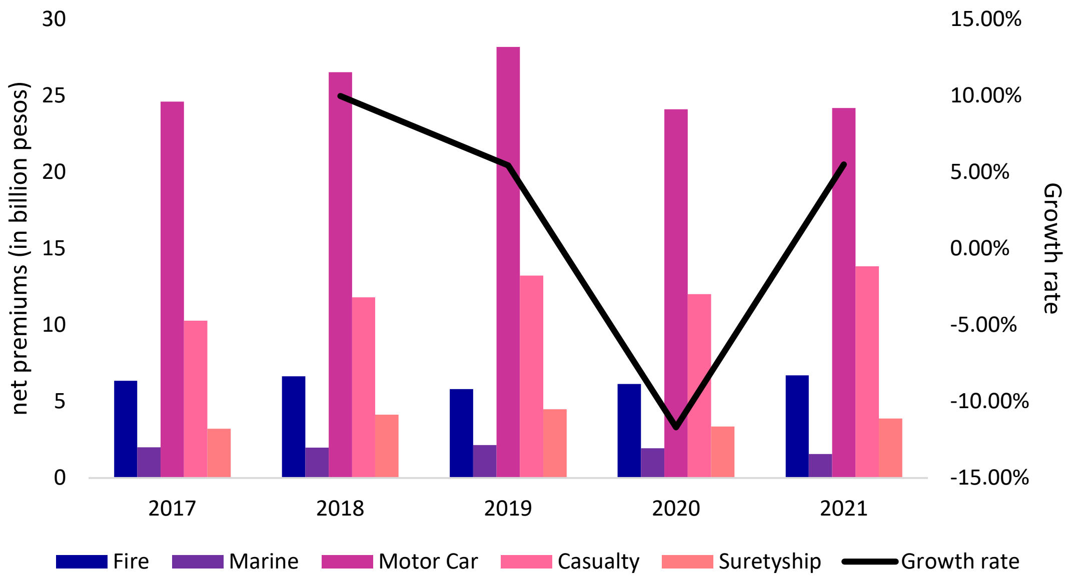
Non-life Insurance Net Premiums by Type of Product, 2017 – 2021 (In Billion Pesos)

Particulars	2017	2018	2019	2020	2021	Average	% Share
Fire	6.34	6.64	5.81	6.14	6.71	6.33	12.70
Marine	2.00	1.98	2.14	1.94	1.56	1.92	3.86
Motor Car	24.61	26.54	28.19	24.11	24.18	25.53	51.23
Casualty	10.28	11.80	13.23	12.02	13.84	12.24	24.56
Suretyship	3.21	4.13	4.49	3.35	3.88	3.81	7.65
Total	46.45	51.08	53.86	47.56	50.18	49.83	100.00

Note. Data gathered from Insurance Commission. (2023). *Key statistical data 2017 – 2021.* Retrieved from https://www.insurance.gov.ph/summary-from-2017-2021-preliminary-figures/

Figure 2

Non-Life Insurance Net Premiums, 2017-2021 (In Billion Pesos)



Note. This figure is based from the Table 4 data.

III. TAXATION OF NON-LIFE INSURANCE

Pursuant to the National Internal Revenue Code (NIRC) of 1997, as amended, commercial non-life insurance companies are subject to the regular corporate income tax (RCIT) based on their net income or to the minimum corporate income tax (MCIT) based on their gross income. Upon the enactment of RA 11534, otherwise known as the "Corporate Recovery and Tax Incentives for Enterprises Act" (CREATE Act), domestic corporations with net taxable income not exceeding P5 million and with total assets (excluding land where the business entity's office, plant, and equipment are situated) not exceeding P100 million shall be taxed at 20% CIT, while all other domestic corporations and resident foreign corporations are subject to 25% CIT. Effective January 1, 2021, the CIT rate for nonresident foreign corporations is 25% from the previous 30%. On the other hand, an MCIT of 2% of the gross income beginning in the fourth taxable year following the year of commencement of business operations shall apply when the MCIT is greater than the computed CIT under Section 27(A) of the NIRC of 1997, as amended. However, as a temporary COVID-19 relief measure, the MCIT rate was reduced to 1% effective July 1, 2020, until June 30, 2023.

With regard to their income from investments and other passive income, the taxation is the same with other corporations as they basically invest in the same kinds of securities. The investment income of non-life insurance firms is subject to a final withholding tax (FWT) which ranges from exempt to 20%, depending on the type of security and the type of passive income such as interests, dividends, and capital gains. For example, the interest income of a regular peso deposit of non-life insurance companies is subject to 20% FWT; capital gains from the sale of unlisted shares of stock are subject to 15% capital gains tax; sale, barter or exchange of shares of stock listed and traded through the local stock exchange is subject to 0.60% stock transaction tax; and intercorporate dividends are exempt from income tax.

Moreover, non-life insurance companies are subject to a 12% value-added tax (VAT) based on the gross receipts of non-life products they offer as per Section 108 of the NIRC of 1997, as amended. In the case of fire, earthquake, and explosion hazard insurance, a fire service tax of 2% of all premiums, excluding reinsurance premiums, is also imposed pursuant to Section 12 of RA 9514, or the “Revised Fire Code of the Philippines of 2008”.

Non-life insurance policies are also subject to the DST depending on the instrument/transaction. On policies of insurance upon properties, as well as on fidelity bonds and other insurance policies, the DST is P0.50 on each P4.00 (12.50%) of the amount of premium charged shall be collected. For health and accident insurance policies issued by a non-life company, the same DST rates imposed on life insurance under Section 183 apply, to wit:

Table 5

DST Rates Imposed on Health and Accident Insurance Policies Issued by a Non-life Company

Particulars	DST
If the amount of insurance does not exceed P100,000	Exempt
If the amount of insurance exceeds P100,000 but does not exceed P300,000	P20.00
If the amount of insurance exceeds P300,000 but does not exceed P500,000	P50.00
If the amount of insurance exceeds 500,000 but does not exceed 750,000	P100.00
If the amount of insurance exceeds P750,000 but does not exceed P1,000,000	P150.00
If the amount of insurance exceeds P1,000,000	P200.00

Meanwhile, indemnity bonds are subject to a DST of P0.30 on each P4.00 (7.50%) of the premium charged.

The total tax collection from the non-life insurance industry reached an average of P17.83 billion from 2017 to 2021, growing by 9.81% annually. On average, P8.68 billion (48.66%) was paid as DST, P8.29 billion (46.47%) as VAT, P770 million as CIT, and P100 million as FWT. In 2020, a 7.51% decline in the collection was observed, owing to the economic slowdown brought about by the COVID-19 pandemic during the said year. However, tax collection quickly recovered in 2021, increasing by 20.97% from P17.60 billion to P21.29 billion (See Table 6).

Table 6

Total Tax Collection from the Non-Life Insurance Industry by Type of Major Taxes 2017 – 2021 (In Billion Pesos)

Year	CIT	FWT	VAT	DST	Total	Growth rate (%)
2017	0.63	0.09	6.65	7.58	14.95	-
2018	0.82	0.08	7.17	8.21	16.28	8.90
2019	0.81	0.14	8.98	9.1	19.03	16.89
2020	0.81	0.08	8.24	8.47	17.60	(7.51)
2021	0.77	0.11	10.39	10.02	21.29	20.97
Average	0.77	0.10	8.29	8.68	17.83	9.81
% share to total	4.31	0.56	46.47	48.66	100.00	-

Note. Bureau of Internal Revenue, official communication, May 30, 2023.

IV. PROPOSALS UNDER PACKAGE 4 OF THE CTRP

Package 4 of the CTRP is primarily designed not to generate revenue for the government but to fix the tax system to deepen the capital and financial markets,[3] so in the long term can generate a future revenue stream to fund the government's priority programs, create more and better jobs, and boost the inclusive and sustainable growth of the economy. It aims to achieve a simpler, fairer, more efficient, and regionally competitive tax system for passive income and financial intermediaries. The current Package 4 bill, or House Bill No. 4339, was approved on the third and final reading at the House of Representatives on November 14, 2022, and was transmitted to the Senate on November 15, 2022. Currently, there are four Package 4 bills filed in the Senate.

One of the primary objectives of Package 4 includes the rationalization of DST on financial transactions to reduce the friction cost in the capital market and financial intermediation. Under Package 4, all DST on non-life insurance products will be unified.

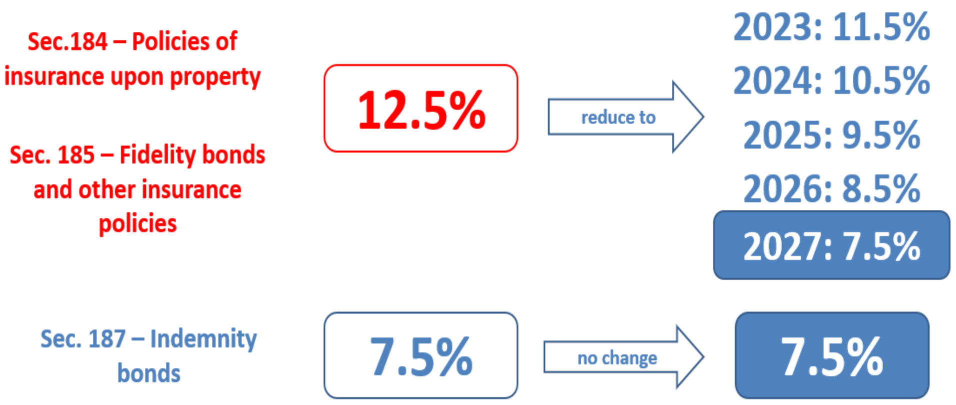
Currently, the 12.50% DST imposed on non-life insurance products under Section 184 of the NIRC of 1997, as amended, is the highest among the instruments/transactions liable to the DST. Package 4 will gradually reduce the DST on non-life insurance products by 1%

[3] A deep capital market is indicated by a high number of instruments traded in the exchange (spread), high amount if capital represented by each of those instruments (capitalization), and high volume of those instruments that change hands each trading day (liquidity) (Umeano, 2021).

every year until it reaches 7.50%. Likewise, the DST on fidelity bonds and other insurance policies under Section 185 will be gradually reduced by 1% every year until it reaches 7.50%. While DST on indemnity bonds under Section 187 is retained at 7.50%. These measures are proposed to lower friction costs and harmonize the DST on all non-life and similar insurance products (See Figure 3).

Figure 3

Proposed Reforms on the Taxation of Non-Life Insurance Under Package 4



From 2016 to 2021, the government through the BIR collected an average of P9.68 billion and P855.53 million in tax revenues from the DST on policies of insurance upon property and the DST on fidelity bonds and other insurance policies, respectively. Using the available data, the estimated DST collection that will be collected as the rates are decreased are as follows:

Table 7

Projected Non-Life DST Collection Under Package 4 (In Billion Pesos)

	BIR DST Collection		
Year	Tax rate (%)	Section 184	Section 185
2016	12.50	7.84	0.77
2017	12.50	8.94	0.75
2018	12.50	9.20	0.89
2019	12.50	10.90	0.92
2020	12.50	9.69	0.80
2021	12.50	11.49	1.00
2022[a]	12.50	1.06	12.37

Projected DST Collection

Year	Tax rate (%)	Section 184	Section 185
2023	11.50	(1.06)	(0.09)
2024	10.50	(2.29)	(0.19)
2025	9.50	(3.70)	(0.30)
2026	8.50	(5.30)	(0.42)
2027	7.50	(7.13)	(0.56)
2028	7.50	(7.67)	(0.59)
Total		(27.15)	(2.15)

Note. [a] BIR data for 2022 is not yet available. Value estimated using collections from previous years.

Looking at the estimated values, the government is expected to forego a total of P29.30 billion on the proposed gradual reduction of DST rates on non-life insurance products. However, it is important to highlight that the main purpose of Package 4 is to fix the tax system to deepen the capital market and encourage financial inclusion. Hence, it is only expected that the government will incur some losses, albeit insignificant if juxtaposed to the benefits it may bring to the Filipino people, the non-life insurance industry, and the BIR in terms of higher tax compliance and simpler tax administration.

V. COMPARATIVE TAX TREATMENT OF NON-LIFE INSURANCE IN ASEAN COUNTRIES

A. Brunei Darussalam

Brunei Darussalam imposes a CIT at the statutory rate of 18.50% charged at a threshold basis, as follows: (a) 25% of the first BND100,000 (PHP3.93 million)[4] in assessable income; and (b) 50% of the next BND150,000 (PHP5.91 million) in assessable income (Medina, 2022). Non-life policies are also subject to stamp duty at varying rates depending on the type of policy, as follows: (Attorney General's Chambers, 2003)

1. Policy of sea insurance –

   a. when the amount insured does not exceed BND1,000 (PHP39,367.42) – 10 cents (PHP3.94)

   b. when the amount insured exceeds BND1,000 (PHP39,367.42) – 25 cents (PHP9.84)

   c. for time policies on hulls of vessels, for every BND1,000 (PHP39,367.42) or part thereof insured – 25 cents (PHP9.84);

[4] Data for the exchange rate gathered from Bangko Sentral ng Pilipinas. (n.d.). *Monthly and annual Philippine peso cross rates.* Retrieved May 30, 2023 from https://www.bsp.gov.ph/sitepages/statistics/exchangerate.aspx

2. Fire policy – 25 cents (PHP9.84); and

3. Accident Policy – 10 cents (PHP3.94).

B. Cambodia

In Cambodia, an enterprise having principal activity in the insurance or reinsurance of property or other risks is liable to an income tax at the rate of 5% of the gross premiums received in the tax year of the insurance and reinsurance of risk. For its non-insurance activities, a 20% tax on profit applies (Fontaine, 2022). Insurance services in the country are considered non-taxable supplies and are therefore exempt from VAT (PwC, 2023).

C. Indonesia

Non-life insurance companies in Indonesia are generally subject to a flat rate of 22% CIT. A public insurance company is entitled to a 3% tax cut off the standard rate, provided that it satisfies the following conditions: (1) at least 40% of their paid-in shares are listed in the local stock exchange; and (2) the public consists of at least 300 parties, each holding less than 5% of the paid-in shares (PwC Indonesia, 2022). Moreover, insurance contracts are also subject to stamp duty at the standard rate of IDR10,000 (PHP36.79)[5] (Koty, 2021). Similar to Cambodia, insurance services in Indonesia are exempt from VAT (Deloitte, 2022).

D. Lao PDR

All companies, including non-life insurance companies, incorporated under Lao PDR's jurisdiction are subject to a profit tax (PT) on their worldwide income, while foreign companies will be subject to the PT on their income derived within the country. The standard PT rate is 20% but may be reduced to 13% if the company becomes public (PwC, 2023). Further, non-life insurance is generally subject to 7% VAT except for activities relating to health insurance (DFDL, 2019; Tilleke & Gibbins, 2021).

E. Malaysia

In Malaysia, non-life insurance companies are subject to 24% CIT on income accruing in or derived in the country. A service tax of 6% ad valorem is also imposed on all licensed insurers or takaful operators (PwC Malaysia, 2023). As for stamp duty, according to Inland Revenue Board of Malaysia (2021), policies of sea insurance, fire

[5] Data for the exchange rate gathered from Bangko Sentral ng Pilipinas. (n.d.). *Monthly and annual Philippine peso cross rates.* Retrieved May 30, 2023 from https://www.bsp.gov.ph/sitepages/statistics/exchangerate.aspx

policies, accident policies, third-party policies, and comprehensive policies[6] are all subject to a tax of RM10.00 (PHP123.87)[7].

F. Myanmar

Non-life insurance companies in Myanmar that are incorporated and operating under the Myanmar Companies Act or in conjunction with the Myanmar Investment Law or Myanmar Special Economic Zone Law are subject to 22% CIT. Resident companies are taxed on a worldwide income basis, while non-resident companies and those operating under the Myanmar Special Economic Zone Law are taxed only on income from sources within the country (PwC, 2023). A commercial tax at the rate of 5% is also levied on all services in Myanmar, including non-life insurance services (PwC, 2023). Further, certain types of non-life insurance policies are subject to stamp duty under the Myanmar Stamp Act, to wit:

1. Sea insurance – MMK10.00 (PHP0.28)[8];
2. Fire insurance and other classes of insurance covering goods, merchandise, personal effects, crops, and other property against loss or damage – MMK50 (PHP1.42) (when the sum insured does not exceed MMK500,000.00 (PHP14,165)) and MMK100 (PHP2.83) (general rate);
3. Accident and sickness insurance – MMK10.00 (PHP0.28) (against railway accident valid for a single journey only) and MMK30.00 (PHP0.85) (general rate); and
4. Insurance by way of indemnity – MMK10.00 (PHP0.28).

G. Singapore

Meanwhile, a regular CIT at the rate of 17% is imposed on non-life insurance companies in Singapore as per the Income Tax Act of 1947. However, the Minister may make regulations to provide for concessionary rates ranging from exempt to 10% subject to certain conditions (Singapore Statutes Online, 2023). The provision of non-life insurance contracts is also considered a taxable supply of services and is therefore subject to the goods and services tax or GST at the rate of 8% on the premiums collected unless it qualifies as an international service which can be zero-rated (Inland Revenue Authority of Singapore, 2023).

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[6] Combining any two or more of the following risks – fire, personal injury, or sickness of the insured, damage, loss, theft, and third-party claims.

[7] Data for the exchange rate gathered from Bangko Sentral ng Pilipinas. (n.d.). *Monthly and annual Philippine peso cross rates.* Retrieved May 30, 2023 from https://www.bsp.gov.ph/sitepages/statistics/exchangerate.aspx

[8] Data for the exchange rate gathered from Exchange-Rates.Org. (n.d.). *Myanmar kyat (MMK) to Philippine peso (PHP) exchange rate history for 2022*. Retrieved May 30, 2023 from https://www.exchange-rates.org/exchange-rate-history/mmk-php-2022

H. Thailand

Non-life insurance companies that were incorporated in Thailand are subject to the standard CIT rate of 20% on their worldwide income, while foreign companies are taxed on their profits arising from their business carried on in the country (PwC, 2023). VAT is also levied on non-life insurance policies at 7% (the standard rate is 10%, but is currently reduced to 7% until September 30, 2024, unless further extended by the government) based on premium and stamp duty on the policy which insurers collect from insured (KPMG, 2023). Furthermore, stamp duty at the following rate is imposed on non-life insurance policies under the Revenue Code of Thailand:[9]

1. Insurance policy against loss (for every THB250 (PHP388.88)[10] or fraction thereof of the insurance premium) – THB1.00 (PHP1.56);

2. Any other insurance policy (For every THB2,000 (PHP3,111.06) or fraction thereof of the amount insured) – THB1.00 (PHP1.56);

3. Annuity policy (For every THB2,000 (PHP3,111.06) baht or fraction thereof of the principal amount, or, if there is no principal amount, for every THB2,000 (PHP3,111.06) or fraction thereof of 33 1/3 times the annual income) – THB1.00 (PHP1.56);

4. Insurance policy where reinsurance is made by an insurer to another person – ½ of the rate for the original policy; and

5. Renewal of insurance policy – ½ of the rate for the original policy.

I. Vietnam

In Vietnam, non-life insurance companies are subject to the standard CIT rate of 20%, as well as a VAT at the standard rate of 10%, except for the following: health insurance and reinsurance are allowed VAT exemptions; companies may enjoy a 0% VAT for insurance services provided to companies located in non-tariff zones or overseas organizations and individuals; and overseas organization without a permanent establishment in Vietnam are not subject to VAT (Nguyen, 2022).

Annex A provides the comparative tax treatment of non-life insurance in ASEAN countries.

[9] Data for stamp duty gathered from The Revenue Department of Thailand. (2020). *Stamp Duty.* Retrieved from https://www.rd.go.th/english/21986.html

[10] Data for the exchange rate gathered from Bangko Sentral ng Pilipinas (n.d.). *Monthly and annual Philippine peso cross rates.* Retrieved May 30, 2023 from https://www.bsp.gov.ph/sitepages/statistics/exchangerate.aspx

VI. CONCLUSION

Non-life insurance has indeed proven itself as an essential component of present-day life. Recent data shows that the industry remains resilient and poised for growth despite the challenges it faced during the COVID-19 pandemic. However, there is still much work to be done in terms of improving public access, particularly to the underserved segments of society.

The COVID-19 pandemic highlighted the importance of insurance especially for the vulnerable and low-income populations. As Filipinos become more aware of the importance of having insurance during the pandemic to help rebuild their lives, Package 4 provides needed tax reliefs on non-life insurance to encourage them to patronize these products and help them live life knowing that they have financial security. The proposal to equate the differentiated DST rates imposed on non-life insurance products will surely increase the accessibility of said financial products by making them more affordable for everyone. This will also make tax compliance and administration much simpler, which will ultimately result in significant progress in the non-life insurance industry and in the long run, higher revenue for the government.

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Annex A

Comparative Tax Treatment of Non-life Insurance in ASEAN Countries

Country	Nature and rate of tax			
	CIT	VAT	VAT-like taxes/other business taxes	DST/Stamp duty
Philippines	20% RCIT – domestic corporations with net taxable income not exceeding P5 million and with total assets (excluding land where the business entity's office, plant, and equipment are situated) not exceeding P100 million;	12% VAT based on the gross receipts	Fire service tax – 2% of all premiums, excluding reinsurance premiums on fire, earthquake, and explosion hazard insurance.	On policies of insurance upon properties - PHP0.50 on each PHP4.00 (12.5%) of the amount of premiums charged;
	25% RCIT – all other domestic corporations and resident foreign corporations;			On fidelity bonds and other insurance policies - PHP0.50 on each PHP4.00 (12.5%) of the amount of premiums charged;
	2% MCIT (1% until June 30, 2023) – when the MCIT is greater than the computed CIT.			On indemnity bonds – 7.5% of the premium charged.
Brunei Darussalam	18.5% CIT charged at a threshold basis, as follows: (a) 25 percent of the first BND100,000 (PHP3.93	N/A	N/A	Policy of sea insurance – (a) when the amount insured does not exceed

Country	Nature and rate of tax			
	CIT	VAT	VAT-like taxes/other business taxes	DST/Stamp duty
	million) in assessable income; and (b) 50 percent of the next BND150,000 (PHP5.91 million) in assessable income.			BND1,000 (PHP39,367.42) – 10 cents (PHP3.94) (b) when the amount insured exceeds BND1,000 (PHP39,367.42) – 25 cents (PHP9.84) (c) for time policies on hulls of vessels, for every BND1,000 (PHP39,367.42) or part thereof insured – 25 cents (PHP9.84); Fire policy – 25 cents (PHP9.84); Accident Policy – 10 cents (PHP3.94).
Cambodia	CIT of 5% of the gross premiums received in the tax year of the insurance and reinsurance of risk. For its non-insurance activities, a 20% tax on profit applies.	Exempt	N/A	N/A

Country	Nature and rate of tax			
	CIT	VAT	VAT-like taxes/other business taxes	DST/Stamp duty
Indonesia	22% CIT. A public insurance company is entitled to a 3% tax cut off the standard rate, subject to certain conditions.	Exempt	N/A	IDR10,000 (PHP36.79) – standard rate
Lao PDR	20% standard profit tax, but may be reduced to 13% if the company becomes public.	7% Vat, except for activities relating to health insurance	N/A	N/A
Malaysia	24% CIT	N/A	6% service tax	Policies of sea insurance, fire policies, accident policies, third party policies, and comprehensive policies – RM10.00 (PHP123.87)
Myanmar	22% CIT – companies that are incorporated and operating under the Myanmar Companies Act or in conjunction with the Myanmar Investment Law or Myanmar Special Economic Zone Law.	N/A	5% commericial tax	Sea insurance – Kyat 10.00 (PHP0.28); Fire insurance and other classes of insurance covering goods, merchandise, personal effects, crops, and other property against loss or damage – MMK50 (PHP1.42) (when the sum insured does not exceed MMK500,000.00

Country	Nature and rate of tax			
	CIT	VAT	VAT-like taxes/other business taxes	DST/Stamp duty
				(P14,165)) and MMK100 (PHP2.83) (general rate); Accident and sickness insurance – MMK10.00 (PHP0.28) (against railway accident valid for a single journey only) and MMK30.00 (PHP0.85) (general rate); and Insurance by way of indemnity – MMK10.00 (PHP0.28).
Singapore	17% CIT, but the Minister may make regulations to provide for concessionary rates ranging from exempt to 10% subject to certain conditions	N/A	8% goods and services tax (GST) on the premiums collected unless it qualifies as an international service which can be zero-rated	N/A
Thailand	20% CIT	7% VAT (the standard rate is 10%, but is currently reduced to 7% until September 30, 2023 unless further extended by the government) based on premium and stamp duty on	N/A	Insurance policy against loss (for every THB250 (PHP388.88) or fraction thereof of the insurance premium) – THB1.00 (PHP1.56);

Country	Nature and rate of tax			
	CIT	VAT	VAT-like taxes/other business taxes	DST/Stamp duty
		the policy which insurers collect from insured		Any other insurance policy (For every THB2,000 (PHP3,111.06) or fraction thereof of the amount insured) – THB1.00 (PHP1.56); Annuity policy (For every THB2,000 (HPP3,111.06) or fraction thereof of the principal amount, or, if there is no principal amount, for every THB2,000 (PHP3,111.06) or fraction thereof of 33 1/3 times the annual income) – THB1.00 (PHP1.56); Insurance policy where reinsurance is made by an insurer to another person – ½ of the rate for the original policy; and Renewal of insurance policy – ½ of the rate for the original policy.

Country	Nature and rate of tax			
	CIT	VAT	VAT-like taxes/other business taxes	DST/Stamp duty
Vietnam	20% CIT	10% VAT, except for the following: health insurance and reinsurance are allowed VAT exemptions; companies may enjoy a 0% VAT for insurance services provided to companies located in non-tariff zones or overseas organizations and individuals; and overseas organization without a permanent establishment in Vietnam are not subject to VAT.	N/A	N/A