Taxes on Life Insurance in ASEAN

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Let us take a look at the life insurance tax regime in all the ten Association of Southeast Asian Nations (Asean) states of: Brunei Darussalam, Cambodia, Vietnam, Thailand, Indonesia, Malaysia, Myanmar, Lao PDR, Singapore, and the Philippines.

<u>Corporate income tax</u>

The Philippines has the highest corporate income tax within Asean at 30% of the net taxable income derived from all sources within and without the Philippines. A minimum corporate income tax (MCIT) of 2% of gross income is imposed when the minimum income tax exceeds the regular corporate income tax.

Of the other nine Asean states, Indonesia and Myanmar comes next at 25%, then Lao PDR at 24%. Thailand and Vietnam have corporate income taxes rates at 20%. Brunei Darussalam had recently reduced its corporate income tax rates to 18.50%. Singapore has a 17% standard corporate income tax rate. Malaysia, on the other hand, has an 8% corporate income tax on the life insurance fund which includes investment-linked funds and 24% is imposed on shareholder’s fund of a life insurance company. Finally, Cambodia, has a special income tax rate of 5% on gross premiums. Cambodia, Malaysia and Singapore all have special income tax rate provisions for life insurance companies.

ASEAN Country	Corporate income tax rate
Philippines	30%
Indonesia	25%
Myanmar	25%
Lao PDR	24%
Thailand	20%
Vietnam	20%
Brunei Darussalam	18.50%
Singapore	17%
Malaysia	8%
Cambodia	5%

Business Taxes

Business taxes are applied only in two Asean countries. They are the Philippines and Thailand. In the Philippines, a 2% premium tax, instead of a VAT, is imposed on total (gross) premiums collected from every person, company or corporation doing life insurance business. In Thailand, on the other hand, a specific business tax (SBT) of 2.5% of the gross receipts from the operation of the business and 10% municipal tax on SBT is imposed on the interest and fees for the life insurance services. This is effectively at 2.75%.

The other Asean states impose no such business taxes. Malaysia had previously imposed a 6% service tax on life insurance but later exempted life insurance businesses from the Goods and Service Tax (GST).

Documentary Stamp Tax (DST)

Four Asean countries impose no stamp duties or Documentary Stamp Tax (DST) on life insurance companies. These are: Singapore, Vietnam, Cambodia, and Lao PDR. Meanwhile, the other six Asean countries impose varying rates of stamp duties.

Malaysia imposes a stamp duty of US$ 2.49 (MYR 10) on life insurance policies exceeding US$ 1,244.49 (MYR 5,000), the highest in Asean. Indonesia imposes a stamp duty of US$ 0.228 (IDR 3,000) on insurance contracts worth US$ 18.97 to US$ 75.89 (IDR 250,000 to IDR 1millión); and US$ 0.455 (IDR 6,000) for insurance worth more than US$ 75.89 (IDR 1milion). The second highest in Asean.

The Philippines imposes a Documentary Stamp Tax (DST) dependent on the value of the insurance that ranges from US$ 0.213 to US$ 2.13 (Php 10 to Php 100.00). Life insurance policies not exceeding US$ 2,127.67 (Php100,000) are exempt from DST.

Brunei Darussalam imposes US$ 0.074 (BRD 0.10) for every US$ 741.52 (BRD 1,000) of the sum insured. Thailand imposes US$ 0.028 (THB 1) for every US$ 56.91 (THB 2,000), but only to a maximum of US$ 0.569 (THB 20) with any renewal of life insurance policy subject only to half the rate in the original policy. Myanmar imposes stamp duty with a range from US$ 0.009 to US$ 0.026 (MMK 10 to MMK 30).

Tax on Variable Unit-Linked (VULs) or investment-linked insurance

Five Asean countries have no particular tax laws on VULs, other than those already imposed on regular life insurance contracts. These five are: Brunei Darussalam, Cambodia, Myanmar, Thailand, and Lao PDR. For Vietnam, as of 2017, there is likewise no particular tax law on VULs. But generally, investment incomes earned by individuals are subject to a 5% personal income tax while management fees of companies are taxed at 20%.

In Malaysia, a special income tax rate of 8% is imposed on investment-linked funds.

In the Philippines, the 2% premium tax is only imposed on the insurance portion of the VUL and not on the investment portion. On the other hand, the management fee earned by the insurance companies, for the management of the investment portion, is subject to 30% regular corporate income tax (RCIT) or 2% minimum corporate income tax (MCIT), whichever is higher and 12% VAT if the insurance company is VAT-registered or 3% if not VAT registered.

In Singapore, income tax is imposed on investment-linked funds. In Indonesia, investment income from VULs is subject to a final tax or non-taxable. Management fees are subject to VAT.

Value-Added Tax (VAT) or Goods and Service Tax (GST)

VAT or GST is not applied on any life insurance business in Asean.

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