

PRESS RELEASE

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TAX COLLECTIONS FROM PHILIPPINE INSURERS UP BY 12% IN 2015

Manila, Philippines – Philippine insurance companies are key contributors of revenue to the government in the form of taxes. In 2015, insurance businesses paid significant taxes from sources such as documentary stamp tax (DST), value-added tax (VAT), final withholding tax, other withholding tax (such as expanded or creditable withholding tax and withholding tax on compensation) and premium tax.

Tax collected in 2015 from life and non-life insurance companies totaled PHP19.38 billion as against the PHP17.21 billion in 2014, based on data collected by the Insurance Commission. This 12.67% increase or PHP2.18 billion can be attributed to huge payments of DST, VAT and other taxes.

Government revenue collections from DST (i.e., on insurance policies, debt instruments and original issue of shares of stocks) mildly increased to PHP5.86 billion in 2015 from PHP5.63 billion in 2014. This reflects a minimal growth in DST by 4.18% or PHP235.49 million.

Moreover, VAT payments by insurers posed a significant increase of PHP1.54 billion or 32.34%, from PHP4.77 billion in 2014 to PHP6.32 billion in 2015.

Meanwhile, although revenue contributions from withholding taxes amounted to PHP3.23 billion in 2015, this amount still shows a dip from the previous year's collections of PHP3.29 billion or 1.76% decrease.

As income from investments represents a big source of revenue for life insurance companies, expanded and creditable withholding taxes served as the major contributor of tax collections with PHP3.11 billion in 2015; which is PHP187.58 million greater than the PHP2.92 billion reported in 2014, or an increase by 6.41%. This was followed by contributions from final withholding taxes with PHP1.32 billion worth of tax collections in 2015 from PHP1.22 billion in the previous year, an upsurge of PHP134 million (10.94%).

On the other hand, DST and VAT comprise bulk of tax revenues collected from non-life insurers. In 2015, DST registered PHP5.81 billion tax payments by said companies, while VAT remittance to the government totaled PHP4.62 billion. DST and VAT increased by 4.33% or PHP241.10 million and by 13.86% or PHP561.78 million, both in 2014, respectively. Non-life insurance policies are subject to DST at a rate of 12.5% or PHP0.50 on every PHP4.00, or a fractional part thereof, of the amount of premium charged, while premiums collected on these policies are generally subject to 12% VAT.

Whereas premium tax is considered a significant source of cash flows to the government, both life and non-life insurance companies generated modest collections from this source, as compared to DST, VAT or withholding taxes.

In 2015, premium tax remittances to the government totaled PHP957.30 million, 9.66% or PHP84.35 million more than the PHP872.95 million reported payments in 2014.

For life insurance companies, the increase in the number of policies issued from 2014 to 2015, allowed for an improved premium tax collection from PHP777.69 million in 2014 to PHP854.97 million in 2015, an increase of PHP77.28 million or 9.94%.

Likewise, the continued increase in premiums written by non-life insurance companies (from health and accident insurance contracts) brought about by innovation and development of insurance products to meet the changing needs of the insuring public, led to the growth of premium tax collections from PHP95.26 million in 2014 to PHP102.33 million in the subsequent year, an increase of PHP7.07 million or 7.43%.

Insurance Commissioner Emmanuel F. Doooc concluded that, "truly, the increase in tax payments arising from the insurance business is not only a reflection of development of the local insurance market, but also a manifestation of how the insurance industry and insuring public exercise their responsibilities to the country as taxpayers."

With the upsurge in the sale of microinsurance products, Commissioner Doooc is optimistic that the microinsurance sector shall help increase the tax revenues.



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