

Director  
Special Tax Regimes Unit  
Corporate and International Tax Division  
Treasury  
Langton Cres  
Parkes ACT 2600

## **Taxation of general insurers – Aligning tax treatment of contracts with AASB17**

Dear Director,

Before I retired in 2018, I worked as a senior technical adviser in the Australian Taxation Office, specialising in the income tax treatment of life and general insurance companies.

Based on my experience I offer a suggestion concerning the tax risk adjustment to general insurance policy liabilities.

Specifically, I submit that the tax risk adjustment should arguably reflect the confidence level (percentage probability of adequacy or POA) the company uses to work out its APRA risk margin for capital adequacy testing, not the POA used in working out the AASB 17 risk adjustment.

The accounting POA percentage seemingly depends on commercial judgments by management, such as risk appetite, which would be very difficult for tax administrators to challenge, and which are arguably not an appropriate determinant of tax liability.

Subject to input from APRA and industry actuaries, I suggest that the APRA POA could be more readily reviewable and provide greater comparability and equity between the tax treatment of different companies.

Directly linking the accounting POA to tax outcomes could also be perceived by users as influencing the percentage used in the accounts.

Please note that I am only referring here to the actual POA percentage, and not suggesting an actual substitution of the APRA risk margin for the AASB risk adjustment.

Thank you for the opportunity to comment.

Yours faithfully

Ian Elliott