

TAX REPORTING

1. INCOME TAXES ACCORDING TO IFRS GROUP FINANCIALS

In the following, we give an overview of the profit before income taxes, effective income tax expense, effective income tax rates², and corporate income tax rates 2017 of our most important tax flagship countries³ and for the Allianz Group in total as reported in our IFRS Group Financials:

	Profit before income taxes €mn	Income taxes € mn	Effective tax rate %	Corporate tax rate %
Germany	1842.3	512.9	27.8%	31.0%
USA	2478.1	811	32.7%	35.0%
France	1266.1	498.8	39.4%	34.4%
Italy	1334.3	342.2	25.6%	24.0%
Switzerland	494.2	76.2	15.4%	21.0%
Spain	413.2	97.7	23.6%	25.0%
Belgium	240.8	48	19.9% ⁴	34.0%
Other	2079.1	553.9	26.6%	n.a.
Group	10148.1	2940.7	29.0%	n.a.

In principle, taxable profit is the local GAAP accounting profit adjusted by any tax modifications according to local tax regulations. Technical reserves set up for policyholder liabilities are generally tax-deductible. Some countries restrict the amount of technical reserves that can be deducted, some countries exclude specific types of technical reserve from the deduction. The effective tax rate is the tax rate calculated by dividing the income taxes by the profit before income taxes according to IFRS. Deviations from the corporate tax rate result from any deductions, allowances, incentives or other adjustments unique to that country. A reconciliation of Allianz Group's expected income tax expense to the effective tax expense can be seen in the tax footnote of our IFRS Group Financials.

2. INCOME TAXES PAID:

In the following we give an overview of the income taxes paid in our flagship countries and for the Allianz Group in total:

	Income taxes paid € mn
Germany	-141.006
USA	442.309
France	402.381
Italy	431.383
Switzerland	70.536
Spain	88.278
Belgium	42.901
Other	762.218
Group	2,099.000

The amount of income taxes paid in 2017 of EUR 2,099mn is not equal to the income tax expense recorded in our IFRS Group Financials 2017 of EUR 2,940.7mn. This is due to a number of reasons:

- The income tax expense is based upon the accrual accounting concept that allows for the allocation of a tax expense to the same period in which the underlying taxable item is realized. Contrary to that, cash tax paid during a financial year may include payments or refunds relating to prior financial years and may exclude final payments or refunds that occur in the next financial year.

- Furthermore, the profit before income taxes in our Financial Statements may differ from the taxable income reported in tax returns. For example, depreciation periods may vary for accounting and tax purposes. These differences result in deferred taxes in the financial statements to reflect any future taxable events (2017: deferred tax expense € 811.8mn). Income tax expense may also be impacted by items that do not result in an immediate cash payment, such as provisions for uncertain tax positions.
- The net refunds in Germany especially result from refunds of income taxes already accounted in prior years. Furthermore, taxes paid do not include taxes paid in non-German branches which are allocated to the respective jurisdiction.

² Income taxes according to IAS 12 (current and deferred income taxes) based on Allianz IFRS Group Financials 2017; profit before income taxes based on consolidated figures w/o intercompany benefit/expense elimination.

³ Flagship countries for tax purposes are Germany, USA, France, Italy, Switzerland, Spain and Belgium.

⁴ The deviation of the effective tax rate and the corporate tax rate in Belgium results from tax benefits due to revaluation of deferred taxes based on an enacted corporate income tax rate reduction.

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3. INSURANCE PREMIUM TAXES (IPT) COLLECTED:

In the following we give an overview of the IPT paid in our flagship countries:

	Insurance premium taxes paid € mn
Germany	1817.8
USA	57.4
France	882.4
Italy	863.5
Switzerland	62.9
Spain	230.5
Belgium	93.1
Total	4007.6

IPT is a type of indirect tax levied on insurance premiums. The IPT is charged to the policyholder and in most countries remitted by the insurer to the nominated tax office.

The IPT rates differ from country to country and with regard to the type of insurance (motor, fire, etc.).

4. WAGE TAXES COLLECTED

	Wage taxes paid € mn
Germany	723.2
USA	612.7
France	85.3
Italy	199.2
Switzerland	1.8
Spain	26.4
Belgium	70
Total	1718.6

Wage taxes are paid on behalf of our staff and we are required to withhold them from wages; they are usually calculated as a percentage of the salaries we pay and include income taxes, social security contributions, and health provisions.

5. VALUE ADDED TAX (VAT) PAID

	Value added tax paid € mn
Germany	363.8
USA	2.6
France	129.9
Italy	120.5
Switzerland	8.2
Spain	38.9
Belgium	24.5
Total	688.4

Allianz Group incurs VAT and similar sales taxes on goods and services which it purchases. In most countries, insurance products are exempt from VAT and sales tax; as a consequence, our insurance businesses can usually only recover a small proportion of the VAT and sales tax incurred, while the non-recoverable part results in a cost to the Group.

6. TAXES COLLECTED ON PAYMENTS TO THE POLICYHOLDER

	Tax on payments to policyholders € mn
Germany	69.5
USA	310.2
France	258.6
Italy	168.5
Switzerland	0.5
Spain	54.3
Belgium	43.9
Total	905.5

In some countries, we are required to deduct tax from annuity/pension payments made to our policyholders and remit this to the relevant tax authority. The tax rates differ from country to country. In general, the policyholder is allowed to credit this tax on the personal income tax liability.