

Q&A and Good practices on the role of deferred taxes (DTA, DTL and LAC DT) in Solvency II

How does an insurer value deferred tax assets and liabilities (DTA and DTL) on the balance sheet and how does an insurer determine the loss-absorbing capacity of deferred taxes (LAC DT)?

Deferred taxes can have a material impact on the financial position of insurers. For example, they may result in a higher or lower level of own funds and may also lead to a lower Solvency II capital requirement (SCR). This Q&A describes the relevant Solvency II regulations for deferred taxes and the way in which DNB assesses this. It also addresses the risk management and capital management requirements set by the Solvency II regulations in relation to deferred taxes.

Disclaimer Q&A and Good practices

This Q&A contains blocks with examples – good practices – of how you can implement the relevant regulations with respect to deferred taxes.

The status of these Good practices (boxes) and Q&A (main text) differ. Q&As provide further insight into DNB's policy practice through interpretation of statutory supervisory rules. Institutions can adhere to the law in other ways. In that case, they will have to justify to DNB that they comply with the law or regulations.

Good practices offer suggestions and recommendations for institutions under DNB's supervision. These are examples of possible applications that DNB considers reflect an appropriate fulfilment of statutory obligations. DNB good practices are indicative in nature and institutions are free to choose other applications, provided they adhere to the law.

1. Definitions

Deferred tax liability (DTL)

A deferred tax liability (DTL) indicates that an insurer will have to pay more tax in the future, as profits¹ realised under Solvency II have not yet been included in the tax results. This is reflected in a higher valuation of assets or a lower valuation of liabilities on the Solvency II balance sheet compared to the fiscal balance sheet.

Deferred tax asset (DTA)

A deferred tax asset (DTA) indicates that an insurer is expected to pay less tax in the future. A deferred tax asset arises if an insurer has incurred Solvency II losses that have not yet been included in the tax results. DTAs are also created if an insurer offsets past tax losses already realised against future tax profits. This way, the insurer pays less or no tax on these future profits. An important condition for the recognition and valuation of a DTA on the Solvency II balance sheet is that an insurer has sufficient taxable profits to be able to actually utilise the DTA. These may also be the taxable profits underlying the DTL on other balance sheet items, provided that the DTL reverses at the same time as the DTA.

Loss-absorbing capacity of deferred taxes (LAC DT)

The loss-absorbing capacity of deferred taxes (LAC DT) allows for a reduction of the Solvency II capital requirements (SCR). LAC DT is the difference between DTA and

¹ In this document, SII profits and losses are understood to mean increases and decreases in SII own funds, more particularly the surplus of assets over liabilities.

DTL before and after shock. LAC DT may change due to the following three changes in DTA and DTL.

- If an insurer has not yet paid taxes on certain Solvency II profits, and these profits are lost following a shock, the liability to pay taxes on these profits – the DTL – also disappears.²
- The net DTA position after shock can also increase due to an increase in the DTA. For example, if part of the loss due to shock directly results in a tax loss. If the insurer can offset this tax loss against future tax profits, it will have to pay no or less tax on these future profits.
- The part of the shock loss that does not directly result in a tax loss may also cause the DTA to increase after shock. This loss is reflected in an increase or decrease in the valuation differences between the Solvency II balance sheet and the fiscal balance sheet.

Also after shock, the insurer needs sufficient DTL or other taxable profits to utilise the increased DTA, and these profits/DTL must reverse at the same time as the DTA.

2. Valuation of deferred taxes on the Solvency II balance sheet

Relevant regulations for the valuation of deferred taxes on the Solvency II balance sheet can be found in different articles³:

- Article 15 of the Solvency II Regulation.
- Guidelines 9 to 11 of the Guidelines on recognition and valuation of assets and liabilities other than technical provisions (Guidelines on valuation).

The following sections highlight a number of concerns regarding the relevant provisions in these regulations.

2.1 Timing: offsetting DTA and DTL

Section 1.28 of the Guidelines on valuation states that insurers may set off DTA and DTL provided they relate to taxes levied by the same tax authority and reverse in the same period. For example, insurers with a more short-term DTL compared to their DTA may only offset the part of this DTA against the DTL that reverses at the same time. In situations where the timing of DTL and DTA is different, both the DTL and the DTA will be included on the Solvency II balance sheet. When determining the timing of DTL and DTA, insurers may take into account the carry-back and/or carry forward of unused tax losses and tax planning activities, e.g. maintaining investments for a certain period of time or selling investments at a particular time, provided they record these planning activities and provided these activities are in line with their other policies, such as investment and risk management policies. As a result, insurance companies may have both DTL and DTA on their balance sheets.

Example offsetting DTA and DTL

An insurer encounters the following valuation differences:

- A liability with a duration of 10 years and a lower valuation of 40 on the fiscal balance sheet compared to the Solvency II balance sheet; at a tax rate of 25% this corresponds to a potential DTA of 10.
- An bond with a term to maturity of 5 years and a lower valuation of 40 on the fiscal balance sheet compared to the Solvency II balance sheet; at a tax rate of 25% this corresponds to a potential DTL of 10.

² For example: a share is purchased for EUR 100 and is recognised on the fiscal balance sheet for that amount. Its market value has increased to EUR 200. At a tax rate of 25%, its DTL/tax liability on the SII balance sheet is EUR 25 based on a profit of EUR 100. After shock, the market value has decreased to EUR 122. The DTL/tax liability is then reduced to EUR 4.40 based on a profit of EUR 22.

³ Please refer to paragraph 5 for an overview of the relevant regulations.

Assuming a linear decrease of the valuation differences, this implies the following projection for the deferred taxes:

t	1	2	3	4	5	6	7	8	9	10
DTA	1*	1*	1*	1*	1*	1*	1*	1*	1*	1*
DTL	2	2	2	2	2	0	0	0	0	0

* The insurer can only substantiate the DTA on the liability if the insurer is able to realise sufficient fiscal profits.

In the first five years the insurer has sufficient DTL available to offset the DTA; from year 6 to year 10 the insurer will have to realise other fiscal profits to substantiate the DTA:

t	1	2	3	4	5	6	7	8	9	10
DTA	0	0	0	0	0	1*	1*	1*	1*	1*
DTL	1	1	1	1	1	0	0	0	0	0

On the Solvency II balance sheet remains a DTL of 5 and a DTA of 5, provided that there are sufficient fiscal profits at the insurer's disposal to substantiate the DTA from year 6 to year 10.

In this example there is a possibility to offset the loss and its corresponding DTA in year 6 with the fiscal profit and its corresponding DTL in year 5 (carry back):

t	1	2	3	4	5	6	7	8	9	10
DTA	0	0	0	0	0	0	1*	1*	1*	1*
DTL	1	1	1	1	0	0	0	0	0	0

In this case a DTL of 4 and a DTA of 4 remains, provided that the insurer has sufficient fiscal profits available to substantiate the DTA from year 7 to 10.

2.2 Future profits

Under Article 15(3) of the Solvency II Regulation, insurers may only assign a positive value to DTA on the Solvency II balance sheet if it is probable that future taxable profits will be available against which the (net) DTA can actually be utilised. The following sections elaborate on a number of points for attention when substantiating future profits for the utilisation of DTA.

2.2.1 Returns

Returns on investments and liabilities may be a source of future profits to substantiate the utilisation of potential DTA.

In the case of investments in shares, the insurer must break down the total market value returns on investments into dividend returns and price movement results. This breakdown is important for the tax timing of the returns on equity investments, because dividend returns are a direct tax result (and possibly subject to different tax treatment), while capital gains or losses only become available when the shares are sold. The same applies to real estate investments. The insurer must break down the total returns into operational rental income results minus costs, and real estate value development results. In the case of bonds, the insurer must determine the probability of default. In the projection of the Solvency II result, the insurer earns the risk-free market rate plus the part of the spread corresponding to the difference in the probability of default implied by the full credit spread and the lower presumed

probability of default.⁴ For the tax projection, the insurer assumes that the insurer earns the tax yield on these bonds, adjusted for the presumed probability of default.

2.2.2 Excess returns and uncertainty

For the purpose of substantiating DTA after shock, Article 207(2c:c of the Solvency II Regulation requires insurers to assume that the return rates on the investments after shock are equal to the implicit returns of the forward rates derived from the risk-free interest rate term structure, unless the insurer is able to provide credible evidence of returns in excess of those implicit returns (excess returns). Similarly, an insurer can take into account expected excess returns on investments and liabilities to substantiate DTA on the balance sheet before shock, for example by assuming the release of the risk margin or returns over the risk-free interest rate for investments as profits.

However, assumed excess returns to substantiate DTA on the Solvency II balance sheet are subject to uncertainty, since excess returns result from risks by default. While Article 207(2a:c) of the Solvency II Regulation refers to an increased degree of uncertainty after shock, this uncertainty also exists before shock. This article also states that the degree of uncertainty on profits increases as the projection horizon becomes longer. Similarly, Section 1.29b of the Guidelines on valuation states this for profits from new business. Uncertainty not only applies to returns on investments, but also to profits and losses on the technical provisions, for example to the presumed release of the risk margin.

Good practice

A possibility for an insurer to take into account uncertainty in the excess returns on existing investments and liabilities is by applying reduction factors to the excess returns, as Section 1.29 of the Guidelines on valuation and Article 207(2c:d) of the Solvency II Regulation prescribes for new business after shock. Increasing uncertainty in the results on liabilities can be taken into account by applying reduction factors to the release of the risk margin that increase with the projection horizon.

Example risk margin:

Assume an insurer with a risk margin of 100 and liabilities with a duration of 10 years. The risk margin is not acknowledged on the fiscal balance sheet resulting into a potential DTA of 25 at a tax rate of 25%, which manifests itself as follows assuming a linear decrease:

t	1	2	3	4	5	6	7	8	9	10
DTA potential	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5

If the risk margin is fully released, this results in profits under Solvency II. These Solvency II results are not fiscal results meaning that these will not be taxed. These untaxed results reflect the tax advantage and with that the DTA on the risk margin. As Solvency II regulation states that insurers should take into account uncertainty, only part of the risk margin will be released and the release of the risk margin cannot fully substantiate the full DTA on the risk margin. The following projection illustrates how an insurer can take a certain measure of uncertainty into account

⁴In the case of a risk-neutral projection where the insurer does not assume surplus returns, the assumed probability of default is equal to the probability of default implied by full credit spread in the market.

regarding the release of the risk margin as a source of profit, whilst taking into account that the Solvency II regulation states that this uncertainty increases with the length of the projection horizon.

t	1	2	3	4	5	6	7	8	9	10
DTA substantiated	2.4	2.3	2.1	2.0	1.9	1.8	1.6	1.5	1.4	1.3

In this example the insurer is able to substantiate 18,1 of the 25 of potential DTA on the risk margin. The remaining potential DTA can be substantiated with other sources of profit or DTL.

When taking into account uncertainty in the valuation of DTA on the balance sheet, the insurer applies the same method it uses to substantiate DTA after shock in calculating LAC DT.

2.2.3 New business

To substantiate future profits, an insurer may assume to realise profits with new business. The risk-neutral assumption for results on new business is neither losses nor profits. Both the investments and the acquired liabilities result in risk-free returns, i.e. a nil result on balance. If the insurer assumes excess returns, new business could result in positive Solvency II and tax results. This applies to the investment returns on invested premiums as well as on the technical result. Section 1.29 of the Guidelines on valuation states that an insurer takes into consideration that the degree of uncertainty relating to future taxable profits resulting from expected new business increases as the projection horizon becomes longer, and particularly when these projected profits are expected to arise in periods beyond the normal planning cycle of the business plan.

2.2.4 UFR drag and LTG measures

In the projections of future profits in the existing portfolio, the insurer also considers the impact of the Solvency II UFR extrapolation method on annual profits and losses. This must be in line with the diminishing impact of the extrapolation method (UFR drag) reported in the national annual statement on alternative extrapolation. The insurer takes account of the fact that this diminishing impact is mostly significant during the initial years. Similarly, the insurer also considers the impact on future profits of any long-term guarantee (LTG) measures applied (e.g. VA drag).

2.3 Tax planning, carry-back and carry-forward

In the valuation of DTA, an insurer can take into account tax planning by carrying losses and profits backwards or forwards. This offers the possibility to utilise a larger part of the potential DTA. In doing so, the insurer takes into account the statutory time limits for such set-offs and ensures that the way in which this is done is consistent with the tax planning communicated to the tax authorities.

2.4 Fiscal unity

If an insurer is part of a fiscal unity, it is possible to use taxable profits (DTL) within the fiscal unity for the utilisation of the insurer's potential DTA, provided the DTL within the fiscal unity is recognised at the same time as the potential DTA. Similarly, an insurer can offset its DTL with DTA elsewhere within the fiscal unity.

2.5 Capital and dividend policy

In its projections, the insurer takes into account capital withdrawals in accordance with the capital and dividend policy.

3. Calculation of loss-absorbing capacity of deferred taxes (LAC DT)

LAC DT is calculated as the difference in value of the deferred taxes on the Solvency II balance sheet before shock and the Solvency II balance sheet after shock. This shock equals the basic SCR plus operational risk (bSCR*). For this purpose, the insurer also values deferred taxes after this shock loss in accordance with Article 15 of the Solvency II Regulation and the provisions of the preceding chapter. It makes no difference whether insurers calculate their SCR using a full or partial internal model or using the standard formula. Article 207 of the Solvency II Regulation and the Guidelines on loss-absorbing capacity of technical provisions and deferred taxes (Guidelines on LAC DT) impose additional requirements on the substantiation of LAC DT.

Guideline 13 states that insurers may set LAC DT to zero if calculating it is too burdensome.

3.1 Situation and financial position after shock

Both the insurer's situation (e.g. interest rates) and financial position (e.g. asset allocation) are important for the valuation of deferred taxes after shock. Hereby the insurer takes into account the effect of diversification in the capital requirement: the loss after shock on investments and liabilities is lower than the loss based on the individual gross SCR shocks.

Good practice

The insurer assigns the diversification advantage to the various (sub)modules proportionally to the shock losses. After adjustment for diversification, the insurer deducts the shock losses from the investments and liabilities on the Solvency II balance sheet in such a way that the Solvency II own funds after shock corresponds to the Solvency II own funds before shock minus the SCR (excluding LAC DT).

In the case of shares this means the following: if equity risk represents 20% of the SCR before diversification, the share loss is reduced by 20% of the diversification advantage. For example: if the share loss before diversification amounts to EUR 500 million and the total diversification advantage is EUR 250 million, the share loss will be reduced by EUR 50 million (= 20% of the total diversification advantage of EUR 250 million).

3.1.1 SCR and MCR compliance after shock

There is no explicit requirement that insurers have to meet their SCR and MCR after shock.

3.2 Future management actions

An insurer may presume to undertake future management actions after the shock loss has occurred, provided that these actions meet the requirements of Article 23 of the Solvency II Regulation.

3.2.1 External recapitalisation

External recapitalisation is to increase eligible own funds using funds from outside the group to which the insurer belongs. Pursuant to Article 23 of the Solvency II

Regulation, future management actions must be realistic, and nothing should prevent the insurer from carrying them out. This means external recapitalisation cannot not qualify as a future management activity, since its success – i.e. the willingness of external parties to provide capital in times of stress – depends on uncertain factors which the insurer itself cannot fully influence or control.

External recapitalisation can only qualify as a future management action if it is unconditionally available to the insurer and nothing prevents the insurer from increasing its eligible own funds after shock.

3.2.2 Internal recapitalisation

An insurer can use internal recapitalisation as a future management action to substantiate LAC DT. Internal recapitalisation is the transfer of capital within the group to the entity to which the bSCR* shock applies. In doing so, the insurer takes into account the financial position of the other entities within the group after shock on the entity concerned and any diversification effects between the different entities in the group. The insurer has also included and documented the internal recapitalisation after losses in its policy, for both the solo entity and the group.

Good practice

An insurer determines the financial position of the other entities after the bSCR* shock in the case of internal recapitalisation as follows:

- To establish the capital needed by the specific entity whose LAC DT is to be substantiated, the insurer applies the bSCR* shock of that specific entity.
- To determine whether sufficient capital is available within the group to recapitalise that specific entity, the insurer considers the capital positions of the other group entities, working on the assumption that the other entities are simultaneously subject to their own relevant shocks.
- The relevant shocks for the other group entities must be such that the sum of the relevant shocks for the other group entities plus the bSCR* shock of the specific entity whose LAC DT is substantiated equals the bSCR* of the group. The insurer allocates any diversification to the group entities, but not to the specific entity whose LAC DT is substantiated.
- For that specific entity, the shock loss equals the bSCR*. An example is provided below.
- The capital transfer can be realised within the currently applicable recovery period.

Example: An insurance group comprising of two entities, entity A and entity B, is assumed.

	Entity A	Entity B	Group
Own funds	325	175	500
bSCR*	200	100	250

Substantiation of entity A's LAC DT

Entity A, after its bSCR* shock of 200, has own funds of 125 at an assumed capital requirement of 200 after shock. A recapitalisation option is withdrawing own funds from entity B to supplement entity A's own funds. To establish entity B's actual own funds, the insurer will first apply to entity B's balance sheet the shock that is relevant to entity B. The shock should be applied to the extent that the sum of all shocks applied to all entities equals the bSCR* for the group. The bSCR* for the group is 250 and the shock applied to entity A is 200, which means that the insurer must apply a shock of 50 to entity B in order to establish its post-shock own funds.

This shock does not have to be broken down into risk drivers or be specified in a comprehensive post-shock entity B balance sheet, as this merely concerns establishing entity B's available own funds following the shock for entity A's recapitalisation. Following the shock, entity B will have 125 in own funds at an assumed post-shock capital requirement of 100. Depending on the group's policy on the minimum capitalisation of its entities, there may be room for transferring a maximum of 25 in own funds from entity B in order to recapitalise entity A. In this instance entity A has 150 in own funds at an assumed capital requirement of 200 and the insurer can subsequently assume future returns based on this amount of own funds to substantiate LAC DT.

Substantiation of entity B's LAC DT

Within the same group, entity B has own funds of 75 after its bSCR* shock of 100. To assess whether entity A has room to (partially) recapitalise entity B, the insurer will first apply the relevant shock to entity A's balance sheet. The relevant shock in this example equals 150, representing the bSCR* for the group of 250 decreased by the bSCR* shock of 100 applied to entity B. Entity A's loss of own funds of 150 results in post-shock own funds of 175. This means that entity A is not able to meet its assumed capital requirement of 200, leaving no room to recapitalise entity B.

3.3 Timing: offsetting DTA and DTL

With regard to the timing for offsetting DTA and DTL, the same requirements apply as for shock.

3.4 Future profits

In addition to the requirements for the valuation of DTA on the balance sheet, Article 207(2) of the Solvency II Regulation imposes additional requirements on the utilisation of future profits in substantiating DTA after shock.

3.4.1 Returns

Even after shock, returns on investments and liabilities may be a source of future profits to substantiate potential DTA after shock.

For bonds and loans, an insurer determines an increased probability of default in credit spreads *after shock*. The increase in this probability corresponds to the increase in credit spreads after shock (and diversification). This increase in the probability of default is such that the result on the decreased value of bonds and loans is lower than before shock, as Article 207(2b) also requires that assumptions after shock are not more favourable than shock.

3.4.2 Excess returns and uncertainty

Article 207(2c:c) requires that projections of investment results after shock are based on risk-free returns. The insurer may take into account excess returns on investments only if it is able to provide credible evidence of the likelihood of these higher returns.

Article 207(2b) states that an insurer cannot apply assumptions that are more favourable than those used for the pre-shock situation. This means that excess returns cannot exceed those assumed before shock and that the release of the risk margin cannot be higher than before shock. Article 207(2a:c) adds that an insurer in its projections also takes into account the increased uncertainty after shock, including the fact that this uncertainty increases as the projection horizon becomes longer. This means that if the insurer applies reduction factors to excess returns

and the release of the risk margin, these reduction factors not only increase with the projection horizon, but are also greater after shock than before shock.

The method by which the insurer takes into account uncertainty is consistent with the way insurer takes into account uncertainty in the determination of the DTA on the balance sheet. This is necessary to establish whether the degree of uncertainty after shock actually increases.

3.4.3 New business

When substantiating future profits, an insurer may presume to undertake new business. Before as well as after shock, the risk-neutral assumption for results on new business is that both the investments and the liabilities acquired result in risk-free returns, i.e. a net zero result. If the insurer assumes excess returns after shock, new business could result in positive Solvency II and tax results. The result on new business is lower than before shock, since Article 207(2a:c) prescribes that the insurer must take into account the increased degree of uncertainty. Therefore, when using reduction factors to include uncertainty in the projections, these reduction factors for the result on new business shall be greater than before shock.

3.4.4 UFR drag and LTG measures

An insurer may assume the annual loss of own funds resulting from the UFR drag and the LTG measures to be equal to the losses before shock.

3.5 Tax planning, carry-back and carry-forward

Tax planning after shock offers the same possibilities as before shock.

3.6 Fiscal unity

Guideline 9 of the Guidelines on LAC DT states that an insurer does not make use of any offsetting options within the fiscal unity when substantiating DTA after shock. If an insurer makes use of these possibilities for the valuation of DTA on the balance sheet, LAC DT becomes equal to the difference in deferred taxes of that insurer before shock without offsetting within the fiscal unity and deferred taxes after shock, also without offsetting. Apart from this adjustment, the insurer keeps all other assumptions and methods in the situations before and after shock fixed.

3.7 Capital and dividend policy

Also after shock, an insurer takes into account capital withdrawals in the projections in accordance with the capital and dividend policy, given the insurer's financial situation after shock.

4. Risk management, capital management and reporting

An insurer also includes its substantiation of DTA and LAC DT in its risk management policy and capital management. In addition, the insurer reports sufficiently extensively on deferred taxes, in order to provide DNB and other stakeholders with adequate information to form an opinion. The following sections will elaborate further on these elements.

4.1 Risk management

Article 260(1h) of the Solvency II Regulation states that an insurer's risk management includes policies concerning the methods and assumptions for the substantiation of LAC DT and that the insurer involves key functions in the selection and assessment of these methods and assumptions. In addition, the policy includes

the actuarial function's or risk management function's assessment of and possible concerns about the methods and underlying assumptions used by the insurer for the projection of future profits to substantiate DTA and LAC DT. The insurer also assesses risks and the possible changes in LAC DT taking into account the overall dependency on the solvency and financial condition of deferred taxes in coherence with the risk management policy. In particular, the insurer determines the dependency of the financial position on future profits.

4.2 Capital management

Article 297(1i) of the Solvency II Regulation states that the Solvency and Financial Condition Report (SFCR) relating to DTA must contain, inter alia, the following three elements: the potential DTA, recognised DTA and a description of future taxable profits and DTA for the substantiation of recognised DTA. In addition, if DTA is substantial, the SFCR must contain a description of underlying assumptions for the substantiation of DTA.

As regards LAC DT, the SFCR must include the amount of LAC DT and a description of the underlying elements (DTL, carry-back and future taxable profits) of LAC DT. Where the amount of LAC DT is substantial, the SFCR must also include a description of underlying assumptions of the presumed future profit projections.

Pursuant to Article 311(1d) and 311(2d) of the Solvency II Regulation, the Regular Supervisory Report (RSR) must contain at least the same information with regard to DTA and LAC DT as the SFCR. In addition, the RSR must include a further description of the underlying assumptions based on the future taxable profit projections and an analysis of the sensitivity of net DTA and LAC DT to changes in the underlying assumptions.

4.3 Reporting and documentation

An insurer must document all assumptions, methods and calculations underlying the substantiation of the DTA and LAC DT in such a way that it is able to provide insight into each step of the calculations and the substantiation.

The insurer must carry out the calculations and substantiation of DTA and LAC DT to the extent that they depend on future profits at such a detailed level that it is clear how the insurer takes all material and relevant tax regulations into account. In order to demonstrate this sufficiently, insurers must at least have the following information available:

- The timing of temporary valuation differences and their expected reversal, both by balance sheet item and in total. These include projections of both the Solvency II result and the tax result.
- Losses and tax credits still to be settled and the extent of their utilisation, broken down by tax period.
- The amounts of recognised deferred taxes as well as the causes of deferred taxes (by balance sheet item). The insurer must specify the run-off pattern of the deferred taxes, including a description of the assumptions about tax planning used by the insurer.
- A description of the current and future financial situation, taking account of the impact of shock loss.
- A substantiation of the credibility of returns exceeding the risk-free interest rates.
- All assumptions used in the calculation and substantiation of DTA on the balance sheet and LAC DT.
- Where applicable, the insurer must explain simplifications used and demonstrate that they do not impede the required level of detail.

Good practice

An insurer uses the spreadsheet made available by DNB that provides insight into the projection of the Solvency II and fiscal results, both by balance sheet item and in total. Insurers can include this spreadsheet in addition to their RSR for the quantitative substantiation of their DTA and LAC DT.

5. Relevant regulations

This guidance and good practices document covers the following Solvency II regulations and EIOPA guidelines:

- Commission Delegated Regulation Solvency II (2015/35;2019/981)
 - Article 15 – Deferred taxes
 - Article 23 – Future management actions
 - Article 76 – Tier 3 Basic own-funds - List of own-fund items
 - Article 207 – Adjustment for the loss-absorbing capacity of deferred taxes
 - Article 260(1h) – Risk management areas
 - Article 297(1i) – Capital management
 - Article 311(1d) and Article 311(2d);
- Guidelines on recognition and valuation of assets and liabilities other than technical provisions (Guidelines on valuation)
 - Guidelines 9-11
- Guidelines on loss-absorbing capacity of technical provisions and deferred taxes (Guidelines on LAC DT)
 - Guideline 9 – Arrangements for the transfer of profits or losses
 - Guideline 13 – Relief where demonstration of eligibility is burdensome