Personal Investment Plan (PPI)

Definition

PPIs consist of a basket, portfolio or savings account for individuals composed or materialized mainly by a predefined selection of investment and business financing products traded on securities markets. These financial assets are interchangeable with each other without any tax cost for such transactions. The account is subject to a special tax regime that is settled once a year.

Main objectives of the Account for Spain

- Increase the quantity and quality of financing available for the growth of Spanish companies.
- Attracting household savings towards business financing processes through markets.
- To increase the number of investors, improve the financial literacy of families, and increase the liquidity of our capital markets.

Main features of the product offered

1. **The investment products that can form the portfolio of each PPI** are: Shares of companies listed in countries of the European Economic Area (EEA), both on regulated markets and MTFs; corporate bonds of companies established in the EEA and listed on regulated markets and MTFs; European equity index ETFs; simple derivatives without special characteristics (known as *plain vanilla*) and traded on organized markets, excluding complex high-risk derivatives; other products that invest in corporate finance such as European Long-Term Investment Funds (ELTIFs).

2. **No limit on minimum or maximum contributions** neither at the beginning nor throughout the life of the PPI. This is because, for tax purposes, contributions are added independently to the tax base of the capital subject to taxation in each tax year.

3. **Full transferability.** No limit or tax cost for assets integrated into PPIs with the same ownership and from other accounts if they are investment assets eligible to be part of a PPI.

4. **No minimum stay periods**

5. **No limit on withdrawals.** The method of calculating the tax base in the fiscal year does not make it necessary.

6. **Without capital guarantee** from the State.

7. **Simplified taxation based on the proven and successful Swedish model:** a single annual payment calculated as a part of the average value of the capital held and contributed to the PPI over a fiscal year[1]. The account provider (e.g., a bank, securities company, investment firm, or similar) is responsible for calculating the standard income and sending verification information to the Spanish Tax Agency.

Who can open a PPI and who can market them

- Each adult may have as many PPIs as they want, but only one per entity.
- **The offering of PPIs can be made by many types of authorized financial entities, not just banks.**

Annex

The Investment Savings Account for Spain (PPI) is a proposal by BME[2] developed in light of the most urgent needs of the Spanish economy, the recommendations of the OECD and the results of experience garnered from neighboring countries.

- Spain needs to make rapid progress in improving its productivity and competitiveness
- We urgently need to increase the average size of our companies
- The proposal aligns with the recommendations of experts for Spain and for Europe
- **The Swedish model, which this proposal resembles, is the one that has proven most effective in achieving the objectives pursued for Spain.**

1 *A single annual tax is applied to a return imputed to the PPI, which is calculated using a procedure identical to that used for ISK in Sweden: A capital base is determined as the value resulting from adding the account balance at the end of each calendar quarter plus the contributions to the PPI made during the year. From this base, thus obtained, an amount is deducted that functions as a minimum exemption and that can be from around €10,000 to nearly €30,000 as proposed by the EC. The result of this calculation is divided by 4 to find the standard income or return. The actual tax base is calculated on said return by multiplying it by a theoretical rate which is the rate of the sovereign debt for one year in force at the end of the tax year in question plus one percentage point. Of the resulting value, 19% would be the amount proposed to be paid to the Spanish Public Treasury, which is settled through the standard IRPF model.*

2 *BME proposal based on the work carried out by César García Novoa, Professor of Financial and Tax Law at the University of Santiago de Compostela.*