



# The need to introduce a new tax incentive for family savings

A reform proposal in line with the recommendations of the European Union and the OECD, in light of the Swedish model

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## Editor's Note

Just a year ago, the OECD, together with the CNMV and the Ministry of Economy, presented in Spain its report "Capital Markets for a Vibrant and Sustainable Spanish Economy and Corporate Sector". A task commissioned to OECD experts to analyze the supply and demand of our capital markets and formulate, in their opinion, the necessary recommendations for action to grow markets, companies and wealth in Spain.

The recommendations in this report clearly include, marked as a "short-term" priority, creating an individual savings account with flexible investment options and a simplified tax framework. Numerous experts maintain that a proposal very similar to the one existing in Sweden, based on savings/investment products known as ISK accounts, is what they recommend for the urgency and needs of Spain.

Of course, we at BME couldn't agree more. In particular since in January 2024, a year prior to the publication of the OECD's work, we clearly supported this idea amongst the 56 measures proposed in our [White Paper to boost the competitiveness of the capital market and the economy in Spain.](#)

In this confluence of opinions, which has been further expanded by many other opinions from the specialists consulted, we consider that it is appropriate to take a step aimed at making progress with the necessary mechanisms to achieve in Spain a Personal Investment Plan (PPI, according to its Spanish acronym) that is for Spanish households as soon as possible. In this document, a proposal that we fully endorse is presented and substantiated.

## Family savings and investment in Spain

In general terms, we can define family savings as the portion of income earned by an individual that is not allocated to consumption. Saving involves preserving a portion of what has been earned, primarily with the aim of having liquidity available for future eventualities. To be more precise, we should add that saving does not only require setting aside a portion of one's income, but also trying to maintain the purchasing power of those accumulated savings in the future, to cover potential financial needs. This is especially important in high inflation scenarios.

Saving is important, at an individual level, to achieve the goals of stability (obtaining a "safety net") and financial independence, when sources of stable income diminish or disappear (for example, due to retirement). However, they are also important for the country as a whole, as savings are directly linked to the financing capacity. Countries with a high savings rate among their inhabitants start with the necessary foundation to continue financing their investments and increasing their future capacity.

To achieve the goal of maintaining or improving the purchasing power of that amount of money set aside or accumulated in the form of savings, individuals have a wide range of instruments that are colloquially and usually identified as savings instruments and investment instruments; however, these terms can sometimes be considered ambiguous. With this in mind, the instruments considered as savings instruments pursue two purposes: Capital preservation (i.e., minimizing risk) and availability. This usually translates into low or no returns. Savings accounts, checking accounts, and time deposits are classic savings instruments.

For their part, household investment involves placing savings in one or more instruments that generate returns in the form of periodic or non-periodic payments; or returns through increased value of the instruments subject to investment. The so-called investment involves assuming a certain degree of risk, which varies

depending on the type of investment, and, in certain cases, lower liquidity, but also the expectation of higher returns. Treasury Bills, Government Bonds and Notes, Private Fixed Income, Investment Funds, Funds and

Pension Plans, listed shares and also, in many cases, unlisted shares, financial and non-financial derivatives, among others, are considered investment instruments.<sup>1</sup>

Generally speaking, as long as household investment is aimed at pursuing more ambitious goals than the basic preservation of capital saved, we can address planning investment activities. Both that carried out by the individuals themselves and that which takes place with the participation of expert professionals.

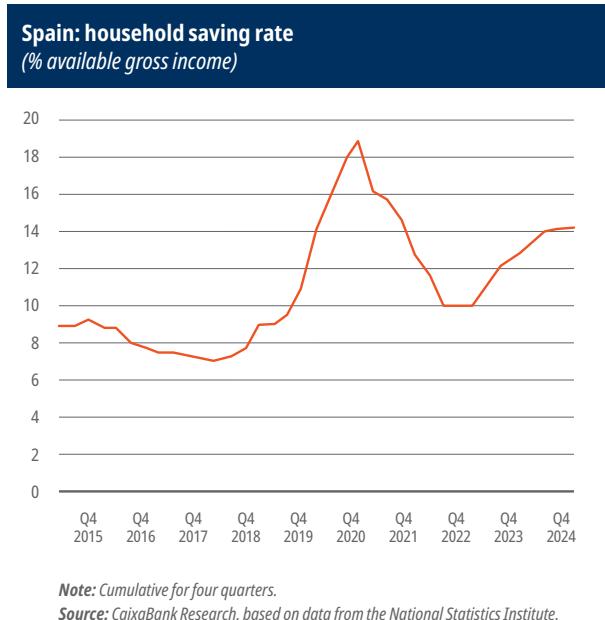
Having briefly defined the concepts commonly associated with the concept of saving versus investment in households, we must make a very brief reference to the reality of both phenomena in present-day Spain.

In Spain, according to EUROSTAT data, household savings rates in aggregate macroeconomic terms are typically and comparatively low (defined very simply as the percentage of average annual disposable income that is allocated to savings). This is directly related to the real disposable income of Spanish citizens. Personal savings in the euro area averaged 13.5% of disposable income between 1999 and 2024, with Spain falling slightly below the average, although in recent years the country has moved towards this figure.

In summary, the OECD, in its report for Spain entitled "Capital Markets for a Vibrant and Sustainable Spanish Economy and Corporate Sector", describes the situation as follows: "Household savings rates in Spain are low, an effect not only of limited income levels but also of the lack of attractive savings options available, the need to improve financial education and the obstacles to declaring capital gains."

According to data from the CaixaBank Research Report, based on sources from the National Institute of Statistics, the savings rate would have experienced this evolution.

<sup>1</sup> NAZIR ALONSO, Y., *Fiscalidad de las sociedades y fondos de inversión mobiliaria*, Lex Nova, Valladolid, 1999, p. 384.



Just as important as the savings rate (in macroeconomic terms) is the structure of those savings and their conversion into investment. Spain shows a very conservative investment structure, closely linked to classic savings instruments (deposits), without taking into consideration real estate investment and focusing only on financial instruments.

According to data published by INVERCO, corresponding to the second quarter of 2025, the total financial savings (financial assets) of Spanish families stood at 3.28 trillion euros at the end of June 2025, according to data from the financial accounts of the Spanish economy published by the Bank of Spain. Deposits account for an amount of 1.1 trillion euros. The weight of deposits dropped to 33.3% of total financial assets, its lowest level since the end of 2018, while it stood at 36.85% in 2024. Although a third of Spaniards' savings are channelled into deposits, there has been an increase in other higher-yield destinations. Thus, these same data show that Collective Investment Institutions experienced a further increase to 543.93 billion euros, reaching 16.6% of the total financial savings of Spanish families. While insurance amounts to 252,190 million euros (7.67%) and pension plans and funds to 134.625 billion euros (4.1%).<sup>2</sup>

As at September 2025, the six listed banks in Spain held 1.29 billion euros in fixed-term deposits and current accounts, representing a 5.6% increase compared to the previous six months.

In summary, the contextual data indicate that there is a slight trend increase in the savings rate of Spanish households, but this saving continues to be marked by a clear preference for low-yield options, especially bank accounts and fixed-term deposits. However, there is also a growing presence of collective investment schemes, especially investment funds, generally with a low risk profile.

Another important factor in characterizing the average Spanish saver and investor is the level of financial literacy. In this regard, JP Morgan Asset Management conducts a quarterly survey to measure investor confidence. In the survey published on October 6, 2025, prepared to understand the financial habits of 1,300 Spanish savers and investors, the results show, among other things, that:<sup>3</sup>

- **Only 18%** of respondents have concrete and planned financial goals, although this figure has improved slightly compared to the previous year.
- **Young people (30-35 years old)** are the most likely to set goals (37%), while those over 55 do so much less (15%).
- **40%** of investors prioritize not losing money compared to 29% who seek maximum profitability, although there is a slight tendency to take more risk than the previous year.
- **Financial planning is scarce:** 46% make ad-hoc contributions and only a third do so regularly, but with no clear objectives.
- **Retirement planning is inadequate:** 42.7% do not save for retirement, especially those aged over 55 (45.5%) and women (46%), although there has been a slight improvement year on year.

According to New Financial, in its report Designing Savings and Investment Accounts in the EU, up to 38% of Spanish households keep their money in bank accounts and deposits, second only to Poland (52%) and Germany (41%).<sup>4</sup>

<sup>2</sup> The OECD Capital Market Review of Spain 2024. Capital Markets for a Vibrant and Sustainable Spanish Economy and Corporate Sector, which offers a comprehensive assessment of Spanish capital markets and includes economic and fiscal policy recommendations, expresses a similar view.

<sup>3</sup> <https://am.jpmorgan.com/es/es/asset-management/adv/investment-themes/ics/>

<sup>4</sup> <https://www.newfinancial.org/reports/designing-savings-and-investment-accounts-in-the-eu>

Therefore, a lack of financial literacy and a conservative approach prevail, although there are positive signs among younger people and in the growing search for profitability.

Having established this reality, we should now focus on the fiscal aspect. Since we are referring here to individuals and families, the income from savings and private investment will be taxed under the Personal Income Tax (hereinafter IRPF). In addition to the revenue-raising purpose of the tax, it is necessary to ask whether its regulation can adopt an extra-fiscal aspect to incentivize a certain type of individual investment<sup>5</sup>.

We will refer to these issues below.

## II. Tax benefits for investment and savings by individuals in the Personal Income Tax (IRPF)

Personal income taxation in Spain is regulated by Law 35/2006, of November 28, on Personal Income Tax.

As set out in Law 44/1978, of September 8, on Personal Income Tax, it is a synthetic tax system that taxes all income<sup>6</sup>. Thus, Article 2 states that "the object of this Tax is the taxpayer's income, understood as the totality of their earnings, capital gains and losses and the imputations of income established by law, regardless of where they occurred and whatever the residence of the payer may be."

Taxable income includes income from what we might call investment and savings income. The tax model established in Spain is a dual tax system<sup>7</sup>. This dual system means that all savings returns are subject to an equivalent rate and are not subject to the progressive tax rate applied to income from work or economic activities<sup>8</sup>. In the White Paper for tax reform prepared by the Committee of Expert Persons, published by the Institute for Fiscal Studies in 2022, it is stated on page 27 that "the Committee sets out its reasons for supporting the maintenance of its dual character, as opposed to the option of recovering its original condition as a synthetic tax..."<sup>9</sup>.

Specifically, the tax rates applicable to savings income, as provided for in Law 35/2006 of November 28, regulating Personal Income Tax, are as follows:

Taxable base Up to euros	Total tax liability Euros	Remaining taxable base of savings Up to euros	Applicable rate Percentage
0	0	6,000	19
6,000.00	1,140	44,000	21
50,000.00	10,380	150,000	23
200,000.00	44,880	100,000	27
300,000.00	71,880	From now on	30

<sup>5</sup> SUAU ALLES, A., *Fiscalidad de las operaciones financieras*, CISS, Valencia, 1999, p. 32.

<sup>6</sup> BLASCO DELGADO, C.-MALVAREZ PASCUAL, L.A., "La configuración sintética o analítica del Impuesto sobre la Renta de las Personas Físicas", *Quincena Fiscal*, nº 7, 1999, pages 11 et seq.

<sup>7</sup> See our contribution on *Fiscalidad de la inversión bursátil en el IRPF*, Madrid, 2006, IUSTEL.

<sup>8</sup> STEVENS, L.G.M., "Dual Income Tax System: A European Challenge?", *EC Tax Review*, 1996/I, page 7.

<sup>9</sup> In the European Union, the dual model was first implemented in Denmark in 1987 (although this country later abandoned this model) and from there it spread to Sweden in 1991 and Finland in 1993 (Norway introduced it in 1992). At present, the dual model is in force, subject to variations, in Germany, Austria, Belgium, Bulgaria, Cyprus, Croatia, Slovakia, Slovenia, France, Finland, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Netherlands, Portugal and Sweden. There are also two countries, Bulgaria and Romania, where a dual model exists, but without progressivity, and another, specifically Estonia, where one can also speak of a dual model, although only for some dividends.

Therefore, the Personal Income Tax Law defines a savings income that is taxed differently from other income subject to the tax. According to Article 6, 3, of the Personal Income Tax Law "for the purposes of determining the taxable base and calculating the Tax, income will be classified as general and savings." And Article 46 defines the so-called "savings income" as that which includes, on the one hand, the returns from participation in own funds, from the transfer of own capital to third parties and from capitalization operations, from life or disability insurance contracts and from capital investments. And, on the other hand, those that originate from capital gains and losses that become apparent on the occasion of transfers of assets<sup>10</sup>.

When it comes to tax incentives for savings in Spain, it is commonly held that there are mainly two types of incentives for savings: favorable tax treatment on yields generated on savings and the deductibility of certain contributions, such as those to pension plans.

Thus, on the one hand, it is generally understood that taxing these returns at fixed rates, apart from the progressive rate that taxes general returns, can be considered a tax benefit. In our understanding, that is not the case. When we talk about tax benefits for savings income, we refer to the classic conception of what is understood by tax benefit. We take the definition used by ARRIETA MARTINEZ DE PISON<sup>11</sup>, when he says that the concept of tax benefits should be understood here in broad terms, as any legal measure that seeks to alleviate the tax burden, under the guise of what is known as tax relief techniques (as coined by the Italian doctrine on the *agevolazione fiscale*<sup>12</sup> or the Anglo-Saxon *tax allowance*). Reduced rates fit within those broad terms. But only if those reduced rates serve a certain extra-fiscal purpose. The truth is that it is not exactly as such, rather it is a formula at the service of neutrality in the taxation of savings, as established in the Preamble of the Personal Income Tax Law. In it, the dualization of Personal Income Tax is justified by stating that "for reasons of fairness and growth, neutral treatment is given to yields generated on savings, eliminating the unjustified differences that currently exist between the different instruments in which they are materialized." And adding that "this prevents differences in the tax burden borne by different instruments from distorting

the financial reality of savings...". To this end, all income that the Law classifies as being generated on savings are incorporated into a single base that is taxed at a fixed rate that is identical for all of them and independent of when exactly they were generated...".

## II.1. Tax benefits for savings in the strict sense under Spanish Personal Income Tax (IRPF)

Based on the foregoing, it is clear that when we talk about tax benefits for savings, we limit ourselves to techniques for reducing the amount to be paid, such as deductions or allowances, which instrumentally serve for promotional or incentive purposes. And, from this point of view, the dual tax is therefore not a tax incentive for saving.

Therefore, there are few tax benefits for savings in personal income tax that deserve such a name (apart from the application of a tax rate different from that resulting from the progressive rate). And the few that exist are geared towards a specific type of savings. Long-term and, most importantly, geared towards social welfare.

### II.1.1. Tax benefits for long-term savings for supplementary social security

And so, as recognized in the Preamble of Law 35/2006, the aim is to promote long-term savings, bearing in mind that the legal framework of the tax intends, first and foremost, to promote supplementary social welfare. Thus, the deductibility of contributions to pension plans in the taxable base is maintained, in addition to the provision for advantageous treatment for company pension plans. This reduction, following the approval of the General State Budgets for 2022, is the lower of 30% of net income from work and other economic activities or 1,500 euros per year (article 51.1 of the Personal Income Tax Law). For employment schemes, the maximum limit is 8,500 euros. This applies to all social welfare instruments that meet the necessary characteristics, both standard pension plans and insured pension plans.

<sup>10</sup> ALVAREZ BARBEITO, P., "Problemas suscitados por la tributación de los rendimientos del capital en el ámbito de la Unión Europea", Revista Euroamericana de Estudios Tributarios, nº 5, 2000, page 274; OLIVARES BLANCO, T., "Transmisión de valores por títulos distintos de compraventa", Instituciones del Mercado Financiero, vol III, en Contratos sobre valores negociados. Liquidación y compensación bursátil, dirigida por ALONSO UREBA y MARTINEZ-SIMANCAS, La Ley Actualidad, Madrid, 2000, page 5023; SANZ GADEA, E., "Las ganancias de capital en el Impuesto sobre la Renta de las Personas Físicas", Revista de Contabilidad y Tributación, nº 164, 1996, page 151.

<sup>11</sup> ARRIETA MARTINEZ DE PISON, J., Técnicas desgravatorias y deber de contribuir, Mc Graw Hill, Madrid, 1999, pp. 92 and 93.

<sup>12</sup> See, among others, FICHERA, F., La agevolazioni fiscali, Cedam, Padova, 1992, pages 2 et seq.

With regard to private social security schemes, Spain has always followed the technique of focusing tax advantages at the time of contribution and not at the time of receiving the benefit. The receipt of pension benefits is not subject to any tax benefits, and tax is levied on all sums received, not on the return obtained. Which is quite curious, considering that the economic capacity of any citizen who has saved through these plans will be lower when the right to receive the benefit arises (particularly at the time of retirement) than when the contributions were made. The only "favorable" tax treatment (and this is said with many reservations) would be that the income received from these pension savings instruments is classified as employment income (article 17, 1, e) of the Personal Income Tax Law. The 40% reduction for lump-sum payments has even been eliminated, with the intention of encouraging payments in the form of regular benefits.

But, in this regard, the Personal Income Tax Law 35/2006 has done two things. First, limit the amount of these deductions. It has done so, as stated in the Statement of Reasons, "for reasons of fairness and complementarity with the public pension system." It was argued at the time that the average contribution from taxpayers did not exceed 2,000 euros per year and that they did not want to encourage very high contributions from taxpayers with high economic capacity. Secondly, efforts have been made to encourage the receipt of benefits in the form of income rather than in the form of capital. The Law, as stated in the aforementioned Statement of Reasons, "attempts to redirect tax incentives for supplementary social security towards those instruments whose benefits are received periodically." Precisely for this purpose, the elimination of the 40% reduction for single-payment receipts was arranged.

And, in particular, it pursues the concept of the individual systematic savings plan (PIAS), with the exemption provided for in Article 7(v) of the Personal Income Tax Law. This provision establishes that the PIAS is exempt at the time of redeeming the returns obtained, provided that the policyholder, the insured, and the beneficiary, in the event of survival, are the same person, the sum of the annual contributions does not exceed 8,000 euros, nor 240,000 euros over the entire duration of the policy, the contributions have been maintained for at least 5 years, and the capital is recovered in the form of a life annuity.

It also provides for the favorable treatment of life insurance, deposits, and financial contracts through which long-term savings plans are implemented, including individual long-term savings insurance (SIALP). The exemption for positive returns on movable capital from these savings plans is included in article 7 ñ) of the Personal Income Tax Law. The exemption is conditional upon the policyholder, insured and surviving beneficiary being the same person, the sum of the contributions per calendar year not exceeding 5,000 euros, the accumulated savings being received as a lump sum, and the taxpayer not making any withdrawal of the capital resulting from the Plan before the end of the five-year period from its opening.

Outside of these two types of savings instruments there are no other incentives that, strictly speaking, can be classified as such, with the exception of the taxation on immediate life annuities, not acquired by inheritance, legacy or any other succession title. These are taxed as capital income only at a percentage of each annual payment, which will be 40% if the holder is 39 or younger; 35% if aged between 40 and 49; 28% if aged between 50 and 59; 24% if aged between 60 and 65; 20% if between 66 and 69 and 8% if the holder is aged 70 or over (Article 25(3)(2) of the Personal Income Tax Law). In addition, reference must be made to the case where the holder is over 65 years of age and has decided to sell an asset and with the money obtained has contracted this savings insurance. These gains are exempt, pursuant to Article 38.3 of the Personal Income Tax Law, provided that the total amount obtained is used within six months to establish a guaranteed life annuity in their favor.

Therefore, the first partial conclusion to be drawn is obvious. There are few tax benefits for saving in the personal income tax (even fewer benefits that can really be considered as such) and the few that exist are for a very specific type of saving. Long-term, pension-related savings, free from risk and aimed at complementing public pensions, are encouraged. Savings are promoted that are not primarily intended to finance business projects, but rather to complement public retirement benefits.

This bias towards long-term savings highlights one of the most criticized aspects of tax incentives: that they may potentially be contrary to the principle of neutrality. The lack of neutrality in the taxation of savings in our country has been evidenced by international organizations, precisely in the wake of criticisms of the treatment that contributions to pension plans and funds receive in Spain (such as the Recommendations of the Council of the European Union of

29 May 2013, regarding the Budgetary Stability and Reform Program of the Kingdom of Spain 2013-2016 and of the International Monetary Fund and the OECD, since 2010).

The conservative orientation of savings does not favor directing them towards productive investments. This confirms a scenario where savers obtain meager returns and which does not promote either efficiency in saving or financial literacy, by largely ruling out the assumption of any type of risk. And at the same time, it does not allow companies to have access to financing, which makes them much more dependent on bank loans than their competitors in other more developed financial markets, where raising capital is easier.

In contrast to the pension plan system briefly outlined above, in the Basque Country, Voluntary Social Welfare Entities (EPSV) have been very successful. Their legal regime is different from that of state plans, among other things because they have legal personality, so the contributors are partners and not participants. Consequently, they elect the members of their governing bodies and, like the plans, lack an imposed management company. But above all, there is a substantial difference in terms of their tax incentives, bearing in mind that the Regional Tax Regulations 3/2014, of January 17, on Personal Income Tax in Guipúzcoa, 3/2013, of December 5, in Vizcaya and 33/2013, of November 27, in Álava, provide for, as regards contributions to Voluntary Social Welfare Institutions, a deduction of up to 5,000 euros per year, compared to 1,500 euros in Spain as a whole. In addition, a deduction of up to 8,000 euros can be claimed for contributions to employment plans. And, at the time of redemption, taxation is, as in the case of Spain as a whole, considered as earned income, although when received in the form of capital, a 40% reduction is permitted. Obviously, only habitual residents in the Basque chartered territories can access this more advantageous tax regime.

But we must change tack and focus on savings formulas that offer higher returns and are better suited to the idea that resources should be allocated to the productive economy. We will refer to savings in the form of capital and their taxation in Spain, emphasizing the non-existence of the so-called *tax toll*.<sup>13</sup>

### II.1.2. Taxation of savings in the form of capital

The composition of savings and investment by individuals and families in Spain is, as we have pointed out, primarily focused on low-risk products. Specifically, to low-performance instruments: Demand deposits, time deposits, and collective investment instruments that mainly invest in low-risk fixed income.

Conversely, the mobilization of savings by individuals towards higher-risk investments, allowing for the formation capital and channeled into investments, lacks incentives; we could even go as far as saying that their tax treatment could be significantly improved.

Several factors support the improvement of the dividend tax regime in Spain.

On the one hand, the international context. Obtaining dividends refers to an economic factor (investment in securities) that is very easily geographically mobile, supported by the free movement of capital. This free movement of capital is a fact that cannot be ignored in the current context of economic globalization and internationalization of the economy. There is an international framework that must be taken into account when implementing appropriate tax treatment for savings, and specifically for dividends. Furthermore, the free movement of capital is an essential freedom in the European Union, which has underpinned negative or second-degree tax harmonization, and which, through rulings by the Court of Justice of the European Union (including classic rulings such as *Casati*, *Bachmann*, *Verkooijen*, etc.), has had a transcendental influence on the configuration of our tax system<sup>14</sup>.

In addition to the need to take the international context into account within the framework of the free movement of capital, effective dividend taxation must consider the need to mitigate the *double taxation of dividends or economic double taxation* that occurs concerning dividend income that has already been taxed by the company that distributes said dividends. In Spain, individuals cannot currently apply specific mechanisms to correct double taxation of dividends. Furthermore, when it comes to cross-border dividends, this economic double taxation is compounded

<sup>13</sup> ESTEBAN PAUL, A., *Fiscalidad de los productos financieros*, IEF-Escuela de Administración Pública, Madrid, 2005, p. 24.

<sup>14</sup> SOUSA SANTOS AGUIAR, N.T.; "La fiscalidad de los beneficios societarios y de los capitales en la Unión Europea", *Revista del Centro de Estudios Financieros*, nº 262, 2005, p. 22.

by a legal double taxation, which needs to be eliminated to ensure fairness in the taxation of this income. This issue is facilitated by Spain's extensive network of double taxation agreements, the application of which neutralizes the overtaxation of international dividends. However, for individuals, there is no exemption framework for dividends and capital gains generated on their sale as is the case for legal persons with a more than 5% holding in subsidiaries (Article 21 of Law 27/2014 on Corporate Income Tax). In general, the Personal Income Tax regulations no longer include the various methods for avoiding double taxation that were previously provided for. The dividend was taxed in full at the marginal rate of the tax scale and subsequently deducted from the taxable amount<sup>15</sup>.

In Spain, this overtaxation is not mitigated, not even because tax is levied at fixed rates and progressive rates, typical of savings income. And even less so after the elimination, effective from January 1, 2015, of the exemption for the first 1,500 euros of dividends. Nor is it due to the fact, already denounced on page 150 of the White Paper for tax reform, that in the increasing rate applied to the savings base, the marginal rate of the first bracket may be higher than that applied in the general rate. Nor the excessive rigidity of the compensation system, which does not allow the entirety of a loss generated on the transfer of shares in the stock market to be offset in the same period against positive income generated on the inclusion of the distributed dividend into the tax base. All of this may discourage investment in listed equities.

Added to this is the need to be careful when taxing the different ways an investor can obtain a return on their equity stake in a company.

Thus, in contrast to the option of receiving the dividend in cash, taxed as savings income at the rates applicable to the savings base, the alternative would be the scrip dividend, which entails the non-taxation of the dividend paid in company shares. This takes the form of a capital increase involving the issuance of new bonus shares, charged to reserves from undistributed profits, after granting free allocation rights for subscription. While the non-taxation of shares created is positive as it allows for the deferral of the tax burden and the consequent planning, it also introduces a factor of non-neutrality when deciding on shareholder remuneration.

Furthermore, the dual tax regime in the Personal Income Tax (IRPF) meant, among other things, equal taxation for the receipt of dividends and for capital gains from the sale or redemption of shares. Both represent ways of receiving the earnings generated on the investment. However, there are still differences regarding the various forms of investment in the stock market.

### III. Neutrality problems in the tax treatment of equities. The fiscal toll

When it comes to the collection of dividends, for individuals who invest in equities, there are no special tax provisions as regards the receipt of a dividend from an Exchange Traded Fund (ETF), a listed real-estate investment trust (REIT) or a variable capital investment company (SICAV). But there are differences that affect the aforementioned neutrality. For example, only ETFs that have the status of *Undertakings for Collective Investment in Transferable Securities* (UCITS) will be exempt from withholding tax.

As for capital gains, both the transfer of participation in a fund to a third party and the redemption by the fund itself are taxed as such. However, it has always been criticized that capital gains realized through the sale of shares to third parties are subject to taxation when the entire proceeds are reinvested in shares of another fund. To this end, the Report on the Personal Income Tax Reform dated April 3, 2002 recommended the elimination of this tax, known as the *tax toll*, considering it an obstacle hindering exchanges between different forms of savings. According to the Commission that prepared this Report, "from a purely tax point of view, what matters is the maintenance of savings for a certain period and not necessarily the permanence of those savings in a certain type of investment."

Indeed, the absence of a *tax toll* in these cases can be considered a tax advantage as it results in a deferral, which is a form of tax benefit. The purpose of this benefit would be to favor the maintenance of long-term savings. The aim is to eliminate the tax barriers that hinder mobility between the positions held by investors in mutual funds, to which end the mere change of such positions towards placements

<sup>15</sup> BLASCO DELGADO, C., Los incrementos y disminuciones de patrimonio en el IRPF, Lex Nova, Valladolid, 1997, p. 254.

in other funds, regardless of their nature and without the liquid product of the investment being available at any time to its holder, "should not generate capital gains or losses"<sup>16</sup>.

In line with this recommendation, Law 46/2002 of December 18, reforming Personal Income Tax, introduced a *deferral system*. This deferral regime is currently found in Article 94.1(a) of the Personal Income Tax Law, which states that "when the amount obtained as a result of the redemption or transfer of shares or units in collective investment institutions is allocated, in accordance with the procedure established by regulation, to the acquisition or subscription of other shares or units in collective investment institutions, the capital gain or loss will not be taken into account, and the new shares or units subscribed will retain the value and acquisition date of the shares or units transferred or redeemed, in the following cases:

- 1.** In the redemptions of shares in collective investment schemes (CIS) that are considered investment funds.
- 2.** In transfers of shares of collective investment schemes with a corporate form, provided that the following two conditions are met:
  - a. That the number of members of the collective investment schemes whose shares are being transferred is greater than 500.

- b. That the taxpayer has not participated, at any time within the 12 months prior to the date of the transfer, in more than 5% of the capital of the collective investment schemes.<sup>17</sup>

The benefit of deferral constitutes a comparative advantage for those who invest through collective investment schemes and, above all, for those who do so through investment funds. But this advantage does not affect similar situations in the same way, so it creates distortions that negatively impact neutrality. Thus, this deferral regime also applies to pension plans and indexed funds, but not to shares or exchange-traded funds (ETFs). ETFs, despite being mutual funds, do not enjoy the incentivizing tax treatment available to individuals who invest in traditional (non-listed) mutual funds, which consists of deferring the capital gains obtained on sales or redemptions when the proceeds are fully reinvested in other mutual funds. As indicated on page 29 of the *White Paper on boosting the competitiveness of Spanish capital markets*, prepared in January 2024 by Bolsas y Mercados de Valores (BME), "practice has shown that the absence of tax deferral on returns in cases of reinvestment reduces the competitiveness of ETFs compared to traditional mutual funds, meaning a regulatory change should be considered to offer equal tax treatment."<sup>18</sup>

In short, investment in equity only generates tax benefits when invested via CIS, mutual funds and index funds; however, this does not extend, for example, to other vehicles, such as European Long-Term Investment Funds (ELTIF), which can invest in stock market securities with a capitalization of up to 1.5 billion euros. Nor does it exist in Spain, as highlighted in page 32 of BME's White Paper, an investment vehicle traded on multilateral trading systems with an attractive incentive tax regime<sup>19</sup>.

<sup>16</sup> The Commission that prepared the Report for the Reform of Personal Income Tax of April 3, 2002 extended this proposal to other products besides shares; such as insurance contracts. The Report stated "existing tax barriers should also be removed so that any savings product or insurance contract subject to a specific term or maturity can be freely exchanged for another, provided that the remaining term of the investment is respected, the liquidation value of the product or contract being abandoned has been initially agreed upon for any point in its life, and that, in addition, the liquid proceeds of the exchange transaction are not in any case available to its holder until the end of the full period initially planned."

<sup>17</sup> Only the portion of the capital gain corresponding to the reinvested amount benefits from this deferral regime, so the portion of the amount obtained in the transfer or reimbursement that has not been reinvested because it is insufficient to cover the cost of a new share or participation whose acquisition or subscription must be in full will not enjoy this tax advantage (Consultation of the Directorate General of Taxes of September 10, 2003). Although it may apply to the transfer or reimbursement of shares whose original acquisition was made directly by the taxpayer abroad, without the intervention of a marketing entity. And, this privileged regime will be excluded, provided that the amount derived from the redemption or transfer of the shares or holdings is made available by any means, as recognized by the Directorate General of Taxes in Consultation of September 5, 2003. ETFs do not have this deferral regime and this reduces their competitiveness.

<sup>18</sup> <https://www.bolsasymercados.es/dam/descargas/estudios/whitepaper-fostering-competitiveness-spanish-capital-markets-en.pdf>

<sup>19</sup> CAÑO ALONSO, J.C., Tributación de las Instituciones de Inversión Colectiva y de sus accionistas y partícipes, Thomson-Aranzadi, Pamplona, 2004, p. 234.



When an individual makes a direct investment in shares and equity, they do not benefit from specific tax advantages. In these cases, moreover, the system does not correct the double taxation of dividends, it is not neutral, and some of its most important advantages, such as the removal of the tax toll, are reserved for those who are able to invest through collective investment schemes<sup>20</sup>.

Therefore, there is no investment instrument with good tax treatment that allows the savings of the average investor to be channeled towards participation in equity (capital) of commercial entities.

To date, with a limited number of exceptions, there has not been a favorable trend towards the introduction of some of these instruments, with the exception of the proposal made in the Report by the Expert Commission for Reforming the Spanish Tax System (Lagares Commission) released in February 2014; pages 138 and 139 of this report proposed a figure similar to the 401(k) accounts in the United States, which we will analyze later along with other similar instruments that exist in the EU.

#### IV. European Union strategies to channel citizens' savings towards productive investments. Special reference to the pan-European label for savings instruments

The problem of savings in Spain and the difficulty in directing them towards the productive sector is an issue that also occurs within the European Union. This issue was addressed in the report entitled *The Future of European Competitiveness*, known as the Draghi Report, dated September 9, 2024<sup>21</sup>, commissioned by the European Commission and proposing a strategy to improve the competitiveness of the European Union. According to the Report, the European Union needed to invest an additional 800 billion euros by 2030 in areas such as the green, social and digital transition, defense spending and the promotion of SMEs and innovative companies. At the same time, estimates place household savings in the European Union at approximately 35 trillion euros. Of these 35 trillion euros, around 11 trillion euros are deposited in accounts or deposits with low or zero returns. This limits the Union's ability to finance strategic priorities and

<sup>20</sup> The tax toll has traditionally been reserved for unit-linked insurance. See MALDONADO MOLINA, F.J., "Los seguros de vida unit linked", Derecho de los Negocios, October 2000, page 3 and ALIAGA AGULLO, E., "Régimen Tributario de los seguros Unit Linked", Impuestos, nº 15, August 2000, page 20.

<sup>21</sup> [https://commission.europa.eu/topics/competitiveness/draghi-report\\_en](https://commission.europa.eu/topics/competitiveness/draghi-report_en)

requires a commitment to policies that encourage this volume of savings to be placed in more attractive products, with favorable tax treatment and incentives for investment in Europe<sup>22</sup>.

According to the European Central Bank, a volume of up to 8 million euros could be rerouted to more productive investments, amounting to about 350 billion euros per year, almost half of what the Draghi Report estimates as the Union's financial needs in the coming years.

It is precisely to this end that the European Commission has first adopted its Capital Markets Union (CMU) strategy, and, more importantly and most recently, the Savings and Investments Union (SIU) and, within this context, has launched a key initiative to improve the way in which the Union's financial system channels savings towards investments that can increase investment and productivity. The aim of these initiatives is to offer citizens of the European Union wider access to capital markets, which will result in companies having more, better and faster financing options. Especially small and medium-sized enterprises that cannot rely solely on bank financing. The European Union estimates that household savings amount to around 10 trillion euros in bank deposits, which offer savers minimal or no return. The Savings and Investment Union Strategy to improve financial opportunities for citizens and businesses in the European Union aims to offer them the opportunity to pursue higher returns on their savings and, in turn, to channel that flow of money largely towards financing domestic businesses.

As for the proposal made by the Savings and Investment Union (SIU), there is one line of work that the EU has established and that has been prioritized over others. That is "*citizens and savings*", in relation to which it recognizes that retail savers already play a central role in financing the European Union's economy in the form of their bank deposits "...however, they should have the opportunity, if they so wish, to invest a larger part of their savings in capital market instruments that offer them higher returns, with their retirement in mind."

This was reflected in the European Commission Communication entitled "Savings and Investment Union (SIU) (COM 2025/124)" of March 19, which pursues its strategy to promote citizens' wealth and economic competitiveness in the EU. The main measures to achieve its objectives include the creation of a European model of savings and investment accounts or products, based on the existing best practices and recommendations as regards product taxation. According to the European Commission's Communication, "this measure will be implemented through a recommendation to be published in the third quarter of the year." This recommendation will ultimately be published on September 30, 2025.

This European Union policy is materializing on several fronts.

On the one hand, the Savings and Investment Union Commission (which opened a public consultation that concluded on June 5, 2025) has clearly opted for the launch of new products such as savings and investment accounts, as was made clear at the joint Conference of the European Stability Mechanism and the Florence School of Banking and Finance on the Savings and Investment Union (SIU).

The result of this policy would be the European Commission's Consultation on the future Recommendation on savings and investment accounts (June 10, 2025). The purpose of this consultation was to gather information on the characteristics of savings and investment accounts, prior to the publication of the recommendation on September 30, 2025.

But above all, this policy has crystallized in the idea of the French Minister of Economy, Finance and Industrial and Digital Sovereignty, Éric Lombard, and the Spanish Minister of Economy, Trade and Business, Carlos Cuerpo, expressed on June 5, 2025, and which emerged within the European Competitiveness Lab on March 10, 2025, with the support of France, Germany, the Netherlands, Portugal, Luxembourg and Estonia. This idea is embodied in the pan-European label for savings instruments, called Finance Europe. Finance Europe envisions the creation of a financial product label, which would aim to create an attractive framework for the development of retail investment solutions in the European economy, in line with the objectives of the Savings and Investment Union (SIU).

<sup>22</sup> MALHERBE, J., "Nacimiento de un Derecho Fiscal Europeo de la empresa, de sus accionistas y de sus prestamistas", Conference at the Fiscal Institute of Madrid, 2005, page 7; SIMON ACOSTA, E.-MATEO RODRIGUEZ, L., "La armonización de la imposición sobre la renta del capital mobiliario", Impuestos, v. II, 1986, pages 925-929.

In particular, these States agreed on the basic principles of implementation of this *Finance Europe* label, with regard to the characteristics of the account/product, leaving the definition of the taxation associated with its use to the discretion of each country participating in the initiative.

Unlike other initiatives in the area of savings, the label will not be included, for the time being, in any Regulation or Directive<sup>23</sup>. It will therefore not be included within the framework of a public certification activity. This is something that, for now, is linked to a mere initiative, so we are dealing with a European seal that is not granted by any public authority. If it is included in a Regulation, it will become part of the administrative certification or conformity activity carried out by the European Union, similar to other cases, such as the Pan-European Individual Pension Product (PEPP) and the label that identifies it, provided for in Regulation (EU) 2019/1238 of the European Parliament and of the Council of 20 June 2019. In contrast, the use of the Pan-European label falls within the framework of an unofficial activity, with the national supervisors of each Member State being responsible for verifying compliance with the criteria for its use. That is, the financial institutions themselves will assess whether their products meet the requirements to be able to use this label.

The label is a non-regulatory mark that may be used in relation to investment instruments that meet certain requirements. These instruments, in the words of the Commissioner for Financial Services and the Savings and Investment Union, María Luisa Albuquerque, come under the umbrella term *Savings and Investment Accounts* (SIA). Finally, the European Commission adopted the Union Recommendation of 30 September 2025 on Savings and Investment Accounts (SIA)<sup>24</sup>. Nor was a Directive approved on this occasion, so we are faced with a provision without binding effects or a transposition date, although this also avoids the blockage that could occur due to the unanimity requirements of the directives that contemplate tax harmonization measures. Everything hinges on a supposed *de facto* harmonization when member states develop this investment instrument in their domestic legal systems.

The purpose of the SIA is to attract funds to finance companies, meaning they would have to allocate at least 70% of their capital to projects in the European Economic Area. Given their medium- and long-term projections, they should consider a minimum investment horizon of five years. Furthermore, the products will not be covered by any public capital guarantee scheme. The intention is for a substantial portion to be invested in equities, without a permanent capital guarantee, with the aim of promoting productive investment and thus contributing to economic growth. They should allow a wide range of providers, including banks and investment firms, and offer a wide variety of products.

Therefore, Europe is strongly committed to SIA, savings products for the average investor that allow these savings to be channeled towards the financing of business projects in the European Economic Area and encourage companies to reduce their dependence on bank debt. And that such products can be labelled as *Finance Europe*, if they meet three criteria: That the financial product has at least 70% of its assets invested in European companies; that it has a minimum investment horizon of five years and that a substantial part of the funds raised is invested in equities.

As for the first one, that is, that at least 70% is invested in the European sphere, "European assets" should be understood as those located in the European Economic Area. This will be determined based on the registered office, central administration or main business center of the issuers. In the case of funds, the criterion will be applied at the level of the underlying assets in which the fund invests (look-through), and not at the place of authorization and/or registration of the fund itself. It is urged that these minimum investment percentages be verified at least every six months.

Regarding the minimum five-year horizon, it is something that is repeatedly stated. When the creation of new savings instruments is suggested, minimum holding periods are usually proposed, along with some negative consequence (such as the loss of tax benefits) in the event that such minimum periods are not respected. This is something we must value negatively in the context of the objectives of the proposal we support in this document, since it is a clear restriction or disincentive for the massive mobilization of family savings that is being pursued.

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<sup>23</sup> This policy has materialized through simple recommendations, that is, non-binding acts, which do not impose any legal obligation on Member States, but express the viewpoint and expectations of the Union itself on the adoption of best practices regarding access for retail investors to capital markets. Additionally, it is recognized that coordinated efforts by Member States would be more effective compared to isolated and uncoordinated measures.

<sup>24</sup> [eur-lex.europa.eu/legal-content/ES/TXT/PDF/?uri=PI\\_COM:C\(2025\)6800](http://eur-lex.europa.eu/legal-content/ES/TXT/PDF/?uri=PI_COM:C(2025)6800)

The requirement that a high percentage of shares or stakes be allocated to companies in the European Economic Area has also been criticized. The report prepared by Judith Arnal for FEDEA "The mirage of *Finance Europe*: why labeling savings does not solve imbalances"<sup>25</sup> quantifies the real costs of the geographical restriction proposed in the *Finance Europe* standard on page 16. According to the report, "the results show that limiting investment to European assets substantially reduces profitability (3.73% versus 5.61% annually), increases volatility (20.91% versus 16.49%) and results in 2.6 times lower efficiency as measured by the Sharpe ratio."

Regarding the substantial portion being invested in equities, it is said that SIA should offer retail investors access to a wide range of non-complex financial products, such as equity and debt instruments, as well as structured deposits and bonds admitted to trading on regulated markets and undertakings for collective investment in transferable securities (UCITS). Member States may extend the scope to include European Long-Term Investment Funds (ELTIFs) of Regulation (EU) 2015/760 and certain retail alternative investment funds (AIFs). Pension funds could also be investment targets. The recommendation explicitly excludes complex products, highly leveraged instruments, and crypto assets. It is recommended to limit eligible instruments to those issued or traded within the Union itself.

These new savings products should be able to be supplied by different providers (credit institutions, investment services companies, investment fund managers and pension fund managers and insurance companies), enabling the widest possible dissemination within a framework of great flexibility.

And regarding the operation of the SIAs, there are several requirements that should be considered. We must prioritize an approach focused on mobilizing new investment flows, avoiding the mere reallocation of existing investments that meet certain requirements. The integration of suitable pre-existing products should be permitted without introducing regulatory or fiscal duplications, excluding unnecessary complexities or additional costs that could pose a deterrent.

SIA can take different forms. Although people commonly talk about savings *accounts* the term *account* has faced objections, as it has been argued that the word could be limiting, meaning a more "neutral" name would be better. The term "investment plan" is suggested, although we believe that the term "account" has more tradition and we do not see serious drawbacks to its use. In any case, many different savings or investment solutions can be encompassed under the umbrella of this new standard. For example, accounts, funds, or insurance products, which can be new or pre-existing products.

The European strategy insists that an essential aspect of SIAs would be the way in which they are treated from a tax perspective. An appeal is made for the need for favorable taxation, comparable at least to the most advantageous taxation available in the country for savings products. The European initiatives did not address specific fiscal measures. The Commission's 2025 Recommendation offers a non-exhaustive list of tax measures that could be adopted, such as tax deductions when opening or contributing to a SIA, exemption from tax on returns generated by said instrument, the deferral of taxation on the withdrawal of funds and uniform or reduced tax rates for income generated. Therefore, it will be the Member States, in accordance with the principle of subsidiarity that governs the exercise of regulatory and tax powers in Europe, that will introduce these tax benefits. It is made clear that any tax incentive will be determined individually by each Member State of the European Union. Therefore, any tax advantage associated with the label will be determined at the national level, based on the tax policies of each Member State.

Thus, as mere recommendations, the documents that refer to the SIA are limited to "encouraging" Member States to apply the most favorable tax treatment available under national legislation.

Hence, each State decides how to implement this advantageous tax treatment. This can be done through deferral of taxation or total or partial exemptions of dividends and/or capital gains. The Commission explicitly recommends considering the possibility of providing tax

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<sup>25</sup> <https://fedeia.net/el-espejismo-de-finance-europe-por-que-etiquetar-el-ahorro-no-resuelve-los-desequilibrios-estructurales-europa/>

incentives for contributions (by allowing, for example, their deduction) or focusing on returns, deferring taxation or providing total or partial exemptions for income. If it is planned to exempt income or capital gains from taxation, it is suggested that the benefit be limited to a maximum amount, which is set at 30,000 euros. This would mean that, from the entry into force of this advantageous tax treatment, all investments made in eligible assets up to that amount (at acquisition value) would be included in this investment solution, and therefore they would be exempt from taxation, provided that the other requirements that may eventually be established are met (when it comes to asset type, geographical location, maintenance period, etc.).

Thus, in Spain it would be necessary to provide for these tax benefits. The need to introduce these tax incentives into our legal system, and specifically into the Personal Income Tax Law, is something that has been highlighted by all economic operators who have positively valued the pan-European label initiative. Thus, INVERCO, in addition to supporting the Finance Europe initiative, has said that "... we consider it essential that there be tax incentives so that this label attracts new investment flows." <sup>26</sup>

## V. The need to establish a new savings instrument for individuals and to provide it with tax advantages. Experiences from other countries

The next question we must ask ourselves is whether the Spanish legislator should create a new savings instrument for individuals that meets the minimum characteristics already outlined.

Thus, there is no obligation on the part of the Kingdom of Spain to transpose a regulatory EU provision, since the *pan-European standard for savings instruments* is not established in any Directive. If this were the case, the Kingdom of Spain would risk non-compliance with Union law if it did not create a pan-European savings product, incurring liability, since if a Member State does not adopt national measures to transpose the directive, or if these are unsatisfactory, the Commission may initiate infringement proceedings and bring proceedings against that State before the Court of Justice. However, since this is not a mandatory rule in Spain, the legislator will have absolute freedom to configure and adopt a savings instrument of this type.

In this sense, and when selecting a possible name, we will opt for Special Investment Plan or, better yet, Personal Investment Plans (PPI, by its Spanish acronym).

Several international organizations have expressed support for such an instrument. Thus, for example, the OECD issued the report *OECD Capital Market Review of Spain 2024. Capital Markets for a Vibrant and Sustainable Spanish Economy and Corporate Sector*. The report offers a comprehensive assessment of Spanish capital markets and, therefore, contains numerous economic and fiscal policy recommendations. Page 12 of this report includes a series of key recommendations for improving capital markets in Spain. And the first of these is, precisely, to "create an individual savings account for investment"<sup>27</sup>. And it is justified because "greater engagement of households with capital markets can contribute to improving all these aspects."<sup>28</sup> Therefore, following successful examples from other European countries, a key recommendation is the creation of an individual savings account for investment. The OECD says that "this account should offer savers the flexibility to decide their own asset allocation and benefit from the simplified taxation of capital gains. Tax incentives could be applied if deemed appropriate"<sup>29</sup>.

Furthermore, it must be taken into account that the international order of financial products is harmonized through competition, so not providing for a product of this type when it exists in other countries affects Spain's competitiveness in a scenario of free movement of capital.

<sup>26</sup> <https://www.inverco.es/temas-estadistica/tendencias-iic-europa/>

<sup>27</sup> create a dedicated individual investment savings account...

<sup>28</sup> increased household engagement in capital markets can contribute to improvements in all these areas.

<sup>29</sup> This account should give savers the flexibility to decide on their own asset allocation and benefit from simplified capital gains taxation. Fiscal incentives could apply if deemed appropriate.

This international context is supported by the fact that several countries in the European area, and outside the Union, have created savings instruments for individuals and families that can meet the parameters of the pan-European label. The results obtained have been different.

We're going to give some details about the most well-known accounts or plans.

## V.1. United States

Outside the European Union, the United States has created a savings instrument that was fashionable because it was mentioned on pages 138 and 139 of the Lagares Commission Report for the reform of the tax system, from February 2014, which we have already referred to. These are known as 401(k) accounts in the United States, which the press at the time dubbed as *SICAVs for the poor*<sup>30</sup>.

401(k) accounts represented a major innovation, included in the groundbreaking (*The United States Revenue Act of 1978, Pub. L. 95-600, 92 Stat. 2763, enacted November 6, 1978*) which was passed during President Carter's administration and represented one of the most important reforms to the *USA Revenue Code* (IRC) or Internal Revenue Code. Promulgated on November 6, 1978, this law introduced a reform that basically reduced the tax burden on personal taxation of individuals and legal entities.<sup>31</sup> The *United States Revenue Act* added section 401(k) to the Internal Revenue Code, which, although initially intended to establish a series of tax improvements regarding the taxation of corporate officers, was used to develop one of the main tax-advantaged long-term savings instruments. This instrument came into force on January 1, 1980.

In short, 401(k)s are employer-sponsored retirement savings plans. Therefore, they have a point of similarity with employment pension plans in Spain, as they are promoted by employers.

The traditional 401(k) model does not offer tax benefits on contributions, with taxation being deferred until the funds are withdrawn. In return, withdrawals of funds are not

allowed before a certain age, which is usually set at 73 years. From that age onwards, the *Required Minimum Distributions* (RMD) rules may apply, which impose a minimum annual disbursement, calculated by dividing the account balance for the previous year by a life expectancy factor provided by the *Income Revenue Service* (IRS). Non-compliance with the RMD rules carries a penalty of 25% on the amount not drawn.

Generally speaking, taxation is characterized by the possibility of deducting all or a percentage from the Personal Income Tax base and not the tax liability. This deduction has a limit that, for 2025, was set by the IRS at \$23,500 annually. On the contrary, the benefit, once received, is taxed as income subject to the general rate, whatever its origin may have been. The only exception is if the recipient of the income has lost their US citizenship or residency. If the person drawing the contributions is a non-resident foreigner (the United States uses nationality and residency as connecting factors for taxation purposes), the withdrawal will be subject to a withholding tax of 30%, unless the non-resident is from a country with a double taxation agreement with the United States.

Concerning the introduction of a model similar to 401(k), we are opposed to such a possibility. These accounts are savings instruments, but closer to the concept of pension plans in Europe, as they are defined as a long-term tax-deferred investments to provide financial security when you retire. For that reason alone, it does not seem to be the model we intend to follow, as it does not fit within the schemes that the pan-European label aims to promote.

On the positive side, a savings instrument of this type establishes an individual account model, as opposed to collective investment formulas, such as SICAVs. More importantly, it provides for the deferral of taxation on interest, dividends or capital gains, in this case to the time at when the funds are available.

On the negative side, the proposals made in Spain to introduce an instrument similar to the American 401(k) affect the current pension plan model: deduction of contributions, which entails tax relief at the marginal rate

<sup>30</sup> [https://www.elconfidencial.com/economia/2014-03-17/llegan-a-espana-las-sicavs-para-pobres-se-podrá-invertir-en-cualquier-co-sa-sin-tributar\\_102948/](https://www.elconfidencial.com/economia/2014-03-17/llegan-a-espana-las-sicavs-para-pobres-se-podrá-invertir-en-cualquier-co-sa-sin-tributar_102948/)

<sup>31</sup> Reducing the number of tax rates, increasing the personal exemption from 750 to 1,000 dollars, reducing corporate tax rates (the top rate was cut from 48% to 46%), increasing the standard deduction from 3,200 to 3,400 dollars (joint returns), increasing the capital gains exclusion from 50% to 60% (thus reducing the tax rate on realized capital gains to 28%), and repealing the non-business exemption for state and local gasoline taxes.

of each taxpayer and taxation upon receipt, but against all wealth, not just the capital gains obtained. The Lagares Commission Report suggested that the deduction for contributions should be applied to the tax liability and at the minimum tax rate (in other words, not reducing the base to the marginal rate of each taxpayer). On the contrary, the redemption amount should only be taxed in relation to the difference in value actually experienced and the tax rate applicable to savings income. But it was an option that was definitely ruled out.

This account model does favor the strengthening of financial culture bearing in mind that, given its individual nature, it transfers the responsibility for the final destination of investments to the citizen themselves, insofar as the account holder can handle it themselves. Therefore, limits on the assets in which they can invest are particularly important (in the United States, investment possibilities are broad, and can even be invested in real estate). However, on the negative side, we would have a means of saving based on the unavailability of the contributions, since it is clearly conditioned by its pension purpose. 401(k)s are savings plans that fall under what in the United States are known as Individual Retirement Arrangements (IRAs). It does not, therefore, seem to be the most attractive option, since it would not change the current structure of savings for individuals and families nor allow it to be mobilized for the financing of the productive economy.

Therefore, this is an option that we must discard, in favor of other alternatives more appropriate to the European context.

## V.2. Canada

Another country, outside the European Union, that has a savings and investment instrument, which deserves to be briefly mentioned, is Canada. These are *Tax Free Savings Accounts* or TFSAs.

The TFSA was created in 2009 and is regulated by the Canada Income Tax Act (R.S.C., 1985), which defines what income is exempt, how the contribution space is calculated, and when taxes are applicable (for example, in the case of excess contribution or foreign investments with dividends) under the leadership of the Canada Revenue Agency (CRA).<sup>32</sup>

Any tax resident in Canada aged 18 or over with a valid social insurance number (SIN), as well as non-residents with a SIN, can subscribe to it; however, their contributions will be subject to a 1% monthly tax while they remain in the account. In countries with a double taxation agreement with Canada, it would be necessary to consider whether this measure, when applied to non-residents who do not have Canadian nationality, violates the prohibition of discrimination included in the agreements.

The account balance can be invested in savings accounts, guaranteed investment certificates, stocks and bonds, exchange-traded funds, or mutual funds.

The TFSA operates with a double limit. On the one hand, a maximum limit of annual contributions, set by the CRA and known as the *maximum dollar limit*. Annual contributions can be made up to that limit, which for 2025 is 7,000 Canadian dollars (4,288.27 euros).

There is a second personal limit, known as the contribution room. This second limit affects total account contributions since 2009, when it was created. Each citizen's contribution room begins to be defined the year they turn 18 and accumulates year after year. The balance accumulated by each saver since 2009 cannot exceed 102,000 Canadian dollars (62,486.22 euros).

The unique aspect of its privileged tax regime is that income (dividends or capital gains) received from the TFSA is totally exempt from income tax. In addition to the favorable tax treatment, the TFSA offers maximum flexibility, as it is possible to access the funds at any time without penalty.

The amount withdrawn is added to the "individual contribution room" for the following year, as long as any capital gain or change in the value of investments made through a TFSA does not affect the contribution room.

The TFSA is a model widely used by both Canadian residents and non-residents (despite the 1% supplementary tax levied on the latter). Its tax appeal is attributable to the exemption of income, both dividends and capital gains, as well as the significant flexibility in the management of funds.

<sup>32</sup> <https://www.canada.ca/content/dam/cra-arc/formspubs/pub/rc4466/rc4466-25e.pdf>

However, for the purpose of finding an external reference for the account that Spain could design, within the framework of the pan-European label, we consider it preferable to opt for some continental experience, closer to our financial culture.

### V.3. Great Britain

Although outside the European Union following Brexit and effective 1 February 2020, Great Britain has an established tradition when it comes to savings instruments like the one in question, known there as an individual special savings account (ISSA) or, simply, an individual savings account (ISA).

The British ISA is provided for in the Income Tax Regulations 1998. It was introduced through the reform of 6 April 1999 and with two forms, the Stocks and Shares ISA and the Cash ISA.<sup>33</sup> In 2017, two more options were added: Innovative finance ISA (IFISA) and the Lifetime ISA (LISA). Equity ISAs may be the closest to the type of savings instrument we propose, as the invested funds can be allocated to shares or equity holdings. Following their creation, ISAs replaced personal equity plans (or PEPs) although Lifetime ISA may also be of interest. Its predecessor are tax exempt special savings accounts (or TESSA, very similar to a cash ISA<sup>34</sup>).

They all operate in the form of an account, rather than a fund (unlike 401(k)s in the United States), although, similar to the latter, they are also individual in nature and geared towards small investors. Such is the case that, to facilitate access for small savers without experience or special knowledge, the Government introduced a voluntary CAT (Charges, Access and Terms) rule for ISAs to make it easier for inexperienced customers to understand them, with a view to attracting more investors at lower costs.

It is worth noting that the funds in an ISA can be invested in a multitude of assets.

In the case of Stocks and Shares ISAs, in company shares, investment funds and unit trusts, corporate bonds and government bonds (gilts), providing for investments on financial markets with the tax benefits to be addressed later, which is not the case for investments in shares or funds outside an ISA. In the case of Cash ISAs, the funds can be invested in deposits in bank accounts and building societies and in some National Savings and Investments (NS&I) products. Lifetime ISAs, in cash and in shares and funds, and Innovative Finance ISAs in peer-to-peer loans (direct loans to individuals or companies without bank intermediation), crowdfunding debentures (investment in corporate debt through crowdfunding platforms) or funds with notice periods or redemption periods that cannot be held in a Stocks and Shares ISA.

But it is above all the favorable taxation that characterizes the different ISA models. Anyone who subscribes to an account of this type must be a resident domiciled in Great Britain. The maximum annual contribution limit is 20,000 pounds per year (about 23,000 euros per year) although there is no minimum contribution. That maximum limit has been frozen by law until 2030, although there are rumors that the Government may reduce this limit next spring.

All interest, dividends, and capital gains generated by an ISA are fully exempt from taxes. Thus, dividends received on shares in which an equity ISA has invested are exempt. Capital gains from the sale of shares or holds in which a share ISA has invested are not subject to taxation, although losses are not offset. Not only is there no tax to pay, but there is no obligation to declare. Furthermore, they are not subject to UK tax returns.

In 2024, new regulations were introduced concerning British ISAs, allowing multiple ISA accounts to be opened and the possibility of making transfers between them without tax implications. However, shares or holdings held outside of an ISA cannot be transferred to an ISA, unless they originate from an employee share plan.

To understand these characteristics of ISAs, consult the following table:

<sup>33</sup> PEPs became equity and holding ISAs, with an exemption that allowed them to hold investments that could not be made in an equity and holding ISA, as long as the investment complied with pre-2001 PEP rules.

<sup>34</sup> For a time, there were Mini ISAs, Maxi ISAs, and TESSA-exclusive ISAs. A Mini ISA could contain cash or shares, potentially a lot if managed by a fund manager or platform, while a Maxi ISA could contain both cash and shares.

ISA type	What might it include?	Main tax breaks	Annual contribution limit	Restrictions
Cash ISA	Bank and building society accounts, Some NS&I products.	Tax-free interest	£20,000	Cash only. Investments in shares cannot be included
Stocks and Shares ISA	Company shares, mutual funds, corporate and government bonds	Tax-free dividends and capital gains	£20,000	Shares already owned cannot be transferred (except for employee plans)
Lifetime ISA	Cash Stocks and funds	Tax-free returns + state bonus	£4,000 (part of the overall limit)	For first home or retirement purposes only. Penalty for other uses
Innovative Finance ISA	Loans <i>peer-to-peer</i> - Crowdfunding debentures - Some alternative funds	Tax-free interest	£20,000	Existing investments cannot be transferred

With this in mind, the tax framework is particularly advantageous, with the exception of a limit on contributions (which does not exist in Great Britain for investments via mutual funds outside of ISAs) and the lack of compensation for capital losses. The tax treatment in the United Kingdom is comparatively better than that of traditional accounts, whose interest is taxed. It is better than the case of mutual funds outside of ISAs and alternative funds, in which both dividends and capital gains are taxable, usually at rates between 19% and 28%, and in the case of alternative funds, transfers between funds are not possible without tax being levied.

In summary, ISAs allow you to invest or save in a variety of assets with clear tax advantages: The returns generated within the account are tax-exempt and do not require declaration. Other investment products may offer flexibility or advantages in contributions, but they typically do not match the full tax exemption of ISAs. In particular, Stocks and Shares ISA and Cash ISA are similar to a traditional savings account, although the interest generated is tax-free.

Evidence of the effectiveness of anticipating these tax benefits is the success that ISA accounts have had in Great Britain. Thus, the number of ISA accounts subscribed in fiscal year 2023-24 increased to 15 million, the highest level in 13 years. And British households deposited a record 103

billion pounds sterling (about 118 billion euros) during that period. The most noteworthy aspect is the increase in demand for Cash ISAs, which accounted for 69.5 billion pounds (approximately 79.65 billion euros), up by 67% year on year. All of this was encouraged by the high interest rates set by the Bank of England, which led to an increase in interest rates on cash savings.

The wide variety of assets in which one can invest in the British ISA system is also worthy of particular recognition.

#### V.4. France

In France there is the figure of the *Plan d'Épargne en Actions* (PEA), regulated in the *Code Monétaire et Financier* (Monetary and Financial Code), especially in articles L221-30 and following and D221-112. There are two types of PEA available under French legislation: The classic PEA (banking or insurance) and the PEA-SME, oriented towards investment in small and medium-sized enterprises<sup>35</sup>.

The PEA consists of a securities account and an associated cash account, or a capitalization contract if arranged with an insurer. The funds deposited therein can only be invested in shares of companies (excluding certain specific shares) based in the European Union, Iceland or Norway, in investment certificates, cooperative, mutual and equal

<sup>35</sup> BELTRAME, P., Introducción a la Fiscalidad en Francia, trad, SANZ DIAZ-PALACIOS/MORENO GONZALEZ, S., Atelier, Barcelona, 2003, p. 77.



certificates and in funds (SICAV, FCP, ETF) that invest mainly in European shares. As noted in Article L221-31 of the Monetary and Financial Code, certain securities are excluded, such as non-voting preferred shares.

Article L221-30 of the Monetary and Financial Code stipulates that only natural persons of legal age with tax domicile in France may open a PEA and that each person may only have one PEA. Most importantly, the maximum contribution per natural person is 150,000 euros per holder for the classic PEA and 225,000 euros for the PEA-PME, with a total maximum of 225,000 euros when combined.

The most noteworthy aspect of the PEA tax regime, especially the classic one, is the full exemption of dividends received and capital gains from disposal and redemption, with the requirement that it be maintained for at least five years. This means that the exemption begins to operate once permanence for more than five years is verified. In that case, after that PEA maintenance period, the only tax burden to bear will be social contributions, 17.2% on the profits obtained. This is provided for in article L221-32 of the Monetary and Financial Code. Furthermore, it can be transferred from one entity to another without losing the tax advantages.

If there is an early withdrawal of funds, the plan is closed. And, furthermore, this has tax consequences. Accumulated profits are taxed at 30%. That percentage is obtained by adding 17.2% social security contributions and 12.8% income taxes. However, after five years, partial withdrawals can be made while maintaining the PEA, thus preserving the exemption for subsequent withdrawals. Alternatively, there is the option of converting the capital into a lifetime annuity exempt from income tax.

Articles D221-109 and subsequent of the regulatory development sets out that the contract for opening a PEA must provide information about the contribution limit and the consequences of non-compliance.

Furthermore, the balance of a PEA is not declared in the Real Estate Wealth Tax.

PEAs are a system that has worked reasonably well in France. They have the advantage of excellent tax treatment, with a total exemption from both dividends and capital gains. This system is also advocated by the fact that the funds contributed to a PEA can be dedicated to investments in shares of companies based in the European Union, Iceland or Norway, aligning with the aims of the pan-European initiative of mobilizing individual savings towards productive sectors and with the requirement that at least

70% be invested in European companies. In fact, other vehicles are available in France alongside PEAs that fall under the category of venture capital funds, such as the *Fonds Communs de Placement à Risques* or FCP. Specifically, under the subcategories of FCPI (*Fonds Communs de Placement dans l'Innovation*) and FIP (*Fonds d'Investissement de Proximité*), regulated in article L214-30 of the Monetary and Financial Code<sup>36</sup>. Compared to other alternatives across Europe (such as the Italian PIR, which will be discussed below) the French PEA has greater penetration than the Italian PIR, which is known for its significant restriction on the products in which the funds can be invested. The Italian PIR, with geographical restrictions and tax benefits conditional on permanence, had accumulated a managed volume of 19 billion euros in 2023. The balance of the French PEA, which has a somewhat broader design, came to 101 billion euros in 2022. As indicated in the report "The Mirage of Finance Europe: Why labeling savings does not solve imbalances"<sup>37</sup>, this may be an indication that "the more the investment universe is restricted, the less interest the financial product arouses for retail investors."

The requirement that the investment is held for a minimum of five years works against adopting a model similar to the French PEA in Spain, as it prevents greater dynamism in the market and the necessary flexibility that should be afforded to this type of savings instruments. However, the minimum maintenance requirement would be in line with the savings instruments intended to be introduced under the strategy of *Finance Europe*, which discusses the promotion of products "with a long-term investment horizon, for example, a minimum 5-year investment period."

## V.5. Italy

In Italy, the 2017 *legge di bilancio* (budget law) (Law of December 11, 2016, n. 232), Article 118, paragraphs 11-25, introduced Individual Long Term Savings Plans (*Piani Individuali di Risparmio* or PIR), which have been in force since January 1, 2017. PIRs were modified by the Decree Law of October 26, 2019, n. 124 (converted into Law 157/2019), and by the *Rilancio* Decree of 2020, which introduced what are known as alternative PIRs. The regulations establish investment limits, portfolio composition, and conditions for maintaining tax exemption.

Thus, for the ordinary PIR it is expected that each individual can contribute annually, at most 40,000 euros. The total accumulated in an ordinary PIR cannot exceed 200,000 euros per person. On the one hand, joint ownership of a PIR is not possible. On the other hand, this limit is independent of the number of PIRs that each person possesses. Unlike the French PEA, where only one PEA per person is allowed, the same does not apply in the case of the Italian PIR. And in the alternative PIR the investment limits are higher and, in addition, they can vary, depending on the current regulations and the type of instrument.

The characteristic feature of Italian PIRs is that they are geared towards channeling private savings towards the real economy, especially towards small and medium-sized Italian companies. Its funds are invested in companies with low capitalization and not integrated into the main national stock market indices (in the Italian case, the FTSE MIB).

The resources provided to these entities can be allocated to various financial instruments, such as shares, bonds, investment fund units and even bank current accounts. However, certain percentages are established that function as a "diversification restriction", in order to reserve a portion of the funds for investment in the financing of small and medium-sized enterprises.

Thus, for ordinary PIRs, at least 70% of the total value of the plan must be invested, for at least two-thirds of the year, in financial instruments (stocks, bonds, etc.) of companies resident in Italy or in other countries of the European Economic Area with a stable presence in Italy. Within that 70%, at least 25% must be invested in instruments of companies that are not included in the FTSE MIB index of the Italian Stock Exchange or in equivalent indices of other markets. And, at least 5% must be invested in instruments of companies that are not included in the FTSE MIB or the FTSE Mid Cap of the Italian Stock Exchange or similar indices, which are the equivalent of the Spanish MAB.

For the alternative PIR, at least 70% of the total value of the plan must be invested in financial instruments of companies resident in Italy or in the European Economic Area with a stable presence in Italy, excluding companies included in the FTSE MIB and FTSE Mid Cap indices, as well as in loans and credits to such companies. The remainder

<sup>36</sup> FCPIs are entities in which at least 70% of the assets are made up of small businesses that can be classified as innovative. This designation applies to commercial entities in which research and development expenses represent at least 10% of deductible expenses or, where this percentage is not achieved, they are able to prove that they develop or will develop new or substantially improved products, services or processes relative to the state of the art in the corresponding sector in the foreseeable future.

<sup>37</sup> <https://fedeia.net/el-espejismo-de-finance-europe-por-que-etiquetar-el-ahorro-no-resuelve-los-desequilibrios-estructurales-europoe/>

of the portfolio (up to 30%) can be freely invested in other financial instruments. You can invest up to a maximum of 10% in shares of a single company.

The composition of their portfolio shows that they are savings instruments that offer great flexibility. This is because they can have various legal forms, including investment funds or variable capital investment companies.

In addition to this flexibility and the possibility of directing savers' contributions towards the financing of small and medium-sized enterprises, consideration must also be given to its tax framework, based on a total exemption from income tax on capital gains and dividends (Article 44 of the Consolidated Text of the Income Tax [TUIR]). Therefore, the regulation of PIRs assumed the alternative of exempting income from taxation, both in the form of dividends and capital gains. These are taxed in Italy at 26%.

To qualify for the exemption, the capital gains must not be derived from the transfer for consideration of qualified shares (meaning those representing a percentage of rights of more than 2% or 20% or equity exceeding 5% or 25% depending on whether they are securities traded on regulated markets or other shares - Article 67, paragraph 1, letter c of the TUIR). The shares or voting rights of the spouse and relatives up to the third degree and companies directly or indirectly controlled by them are taken into account.

Furthermore, several additional requirements are established to enjoy this tax benefit. On the one hand, the maximum amount that can be invested per year is 30,000 euros and 150,000 euros for a period of five years. The investment must be maintained for a period of five years, starting from the date it was made. If the money is withdrawn before five years or the portfolio composition requirements are not met, the exemption is only lost if the redeemed funds are not reinvested in another similar instrument within 90 days. If this does not happen, the corresponding taxes, plus interest, will have to be paid. Financial instruments included in a PIR are also exempt from inheritance tax.

Therefore, Italy, through the PIRs, chooses to stimulate investment in collective investment instruments aimed at low-capitalization companies. This implies, as always when an exemption is foreseen, introducing a factor of inequality in the treatment of income that requires justification. Such a justification could be the social interest generated by the capitalization of small businesses. However, the differentiated treatment of income according to its origin is always a distorting factor and introduces an exception in an income tax with synthetic aims.

Among the positive aspects of the PIR regime that could lead us to adopt a similar model in Spain, is its consolidation as a model instrument aimed at channeling savings towards the financing of companies, especially small and medium-sized enterprises. In this respect, it fulfills the requirement that the funds be invested primarily in equities, to contribute to the equity financing of European companies. It also requires that at least 70% be invested in companies, although Italian companies are given priority. However, this is also a flaw, as the aforementioned report "The Mirage of *Finance Europe*" has pointed out: why labeling savings does not solve imbalances"<sup>38</sup>. This report highlights geographical restrictions as a factor that explains why the Italian PIR has had less take up than, for example, the French PEA. In 2023, PIRs had a managed volume of 19 billion euros. The French PEA, as previously mentioned, achieved a balance of 101 billion euros in 2022.

Furthermore, the figure contemplated in Italy has a regime that differs from that of a savings account. And its major drawback is that the tax benefits are conditional on the permanence of the funds. Both the PEA and the PIR link tax benefits to a minimum holding period of five years: Only if the investor maintains their investment for that time are capital gains exempt from taxation. Therefore, there is a rigorous minimum maintenance regime, although it could fit within the pan-European requirement for products with a long-term time horizon, for example, a minimum investment period of five years.

## V.6. Sweden

Finally, we will take a look at the model considered an example of success: the Swedish model, which is also the closest to the priority reform proposal

<sup>38</sup> <https://fedeia.net/el-espejismo-de-finance-europe-por-que-etiquetar-el-ahorro-no-resuelve-los-desequilibrios-estructurales-europenos/>

proposed by the OECD for Spain and which fully aligns with our assessment. Specifically, the so-called Swedish savings account or *InvesteringssparKonto* (ISK). As with French PEAs and Italian PIRs, in Sweden neither dividends nor capital gains from investments channeled through an ISK are taxed.

This is an account model that overcame the stagnation of individual savings instruments that existed in Sweden, where individual investment was practically limited to funds for salaried workers.

In the meantime, Sweden developed legislation that enabled the average Swedish citizen to acquire a high level of financial literacy. For example, the launch of the public savings funds *Allemans* to facilitate the process of issuing funds to entities other than banks. These funds began investing in foreign markets, expanding the universe of investment assets for savers.

But the problem of the difficulty of direct investment for small savers remained. Managing their investment assets was no easy task. This issue was addressed by the initiative launched in 2012 as regards a special savings account to encourage citizens to invest in the equity funds of domestic publicly traded companies. The *Investeringssparkonto* (ISK) permitted investments in stocks, funds and other securities.

Specifically, the money invested in an ISK can be used to subscribe to financial instruments (for example, shares) admitted to trading on a regulated market (formerly called a stock exchange) or instruments that are traded on an MTF platform within the European Economic Area, as well as shares in funds.

Only individuals can subscribe to an ISK. Furthermore, as with Italian PIRs, joint ownership of an ISK is not possible; it can only be in the name of a single person or an inherited estate.

In any case, its great appeal lies in its unique taxation, since the aim of the ISK tax regime is not only to provide tax benefits for interest and capital gains but also to

promote simplified taxation. Instead of paying taxes on each individual capital gain or loss, tax is levied through an objective method, which is based on a fictitious return calculated from the account balance at the end of the year. That is, neither dividends nor capital gains are taxed. Instead, a standardized tax system based on the account value is applied. That is, rather than paying taxes on gains, an annual tax is paid based on the total value of assets and deposits in the account. The result is a simple, predictable and very attractive structure from an operational point of view.

It is a highly successful model. In the thirteen years the account has been in force, 3.5 million people, a third of the Swedish population, have taken out a long-term investment instrument for an average amount of approximately 26,400 euros per citizen.

Turning to taxation, which is an essential factor in the Swedish ISK model, and following the information provided by the Swedish Tax Agency (*Skatteverket*)<sup>39</sup>, we can point out the following:

- Its operation is based on a quarterly tax system levied on the entire account, which can include deposits, shares or mutual funds, to which a fixed interest rate is applied to calculate tax that has only been adjusted twice to maintain neutrality.
- No taxes are paid on earnings, dividends, interest or other income earned in the ISK account. Nor should gains or losses be declared in the income tax return. Since there is no individual taxation, losses, fund fees, deposit fees, and other expenses related to assets in the ISK cannot be deducted.
- The only exception is the taxation from 2025 onwards when, at any time during the year, the interest rate on ISK cash balances exceeds the interest rate on Swedish State Bonds (*Statslåneräntan*) in effect at the end of November of the year prior to the tax year. In such cases, taxes must be paid on that interest. Therefore, tax is levied when, at any point during the year, the interest rate exceeds the higher of these two values: The rate of government bonds at the end of November of the previous year + 1 percentage point, or 1.25%.
- Losses generated within the ISK and fund fees, custody fees and other expenses related to ISK assets are not deductible.

<sup>39</sup> <https://www.skatteverket.se/privat/skatter/vardepapper/investeringssparkontoisk.4.5fc8c94513259a4ba1d800037851.html>

- On the contrary, *Schablonkatt*, an annual tax, is applied based on the value of the account rather than the yield, making it a tax on notional income or allocated returns, known as *Schablonintäkt*.
- *Schablonkatt* is quantified based on the average annual value of the assets multiplied by a theoretical rate (the risk-free rate plus one percentage point). That is, each year a tax is paid which is a percentage of the total value of the capital recorded in the account adjusted by various procedures, but regardless of whether a profit or loss has been obtained from the investment and divestment operations carried out within the account.
- The bank or financial institution providing the account is responsible for calculating the base capital and allocated income (*Schablonintäkt*) by applying the official formula; it then reports this data to the Swedish Tax Agency, which includes the information in the income tax return and determines the tax, which is 30% on the allocated income. Finally, the account holder is responsible for paying the amount that appears pre-filled in their annual return.

### a) Calculation of the capital base, based on the average annual value of the account

As we already said, the taxable base levied on the Swedish account is not the actual returns and gains or losses, but an estimated standard income called *Schablonintäkt*. Unlike traditional accounts, you don't pay taxes every time you sell at a profit, but instead pay a small annual amount based on the total value of the account.

To determine it, the first thing to do is calculate the capital base, based on the average annual value of the account.

Following the rules for 2025, that average account value is calculated first. This capital base is called *Capitalunderlag*.

Following the rules set out by the *Skatteverket*, the average account value is calculated first. To do this, the total value of the assets in the ISK account is determined at the beginning of each quarter, that is, on January 1, April 1, July 1 and December 1.

Summary of the calculation formula:

Tax Rate: The tax is not on the actual profit, but on an estimated standard income (*schablonintäkt*).

Calculation of estimated standard income (2026): based on the state loan interest rate (*statslåneräntan*) as at November 30, 2025, which was 2.55 %.

- Formula:  $2.55\% + 1\% = 3.55\%$ .
- Final tax: 30% of the estimated standard income (equivalent to 1.065% of the capital).
- Exemption: The first 300,000 SEK of the capital base are exempt from tax from January 2026.

#### Practical example:

Let's imagine that the account is opened at the beginning of the year and contributions are made throughout the year. The Tax Agency (*Skatteverket*) calculates the capital base by adding the value at the beginning of each quarter and all contributions made.

Valuation by quarters and contributions:

Date	Event/Valuation	Amount (SEK)
January 1	Value at the beginning of T1	0
January 4	INITIAL CONTRIBUTION	+ 500,000
April 1	Value at the beginning of Q2 (after market*)	520,000
July 1	Value at the beginning of Q3 (after market*)	510,000
August 15	SUBSEQUENT CONTRIBUTION	+ 50,000
October 1	Value at the start of Q4 (after market)	580,000

\* Hypothetical calculation considering the market value after a positive return on the assets in the account, which may come from capital gains due to revaluation, dividend returns, coupons received and accrued coupons in the case of fixed income.

The sum of the balances is added to any deposits or contributions made during the year. Transfers from another ISK account do not count as contributions. It is worth noting that withdrawals are not taken into consideration, nor are income and withdrawals netted. This is due to the risk of encouraging evasive strategies that involve withdrawing funds to reduce the value of the balances invested in periods close to the reference dates for quarterly valuation.

### Capital Base Calculation (*Kapitalunderlag*):

Finally, the annual value of the account is determined using the following formula:

$$\text{Average annual value} = \frac{\text{Jan 1st} + \text{April 1st} + \text{July 1st} + \text{October 1st}}{4}$$

First, we add up the balance values for the four quarters and all contributions made during the year:

a. Sum of the quarterly values:

$$0 + 520,000 + 510,000 + 580,000 = 1,610,000$$

b. Total contributions for the year:

$$500,000 + 50,000 = 550,000$$

c. Total (1) + (2):  $1,610,000 + 550,000 = 2,160,000$

d. Capital Base (Total / 4): 540,000 SEK

### b) Application of the exempt minimum from 2026 onward

From January 1, 2026, the first 300,000 Swedish kronor (27,700 euros) in an ISK account are tax-free.

In the example, once this reduction has been made, we would have:

$$540,000 - 300,000 = \text{SEK 240,000}$$

The capital base would be 240,000 SEK

### c) Calculation of standard income or presumed income (*Standardinkomst*)

This average annual value, from which the exempt minimum is subtracted in Sweden from 2026, is subject to a standard interest rate (Schabloneskatt), which is based on the Swedish Treasury debtor interest rate (Statensobligationsränta) as of November 30 of the previous year, plus a fixed surcharge of 1% (with

A minimum rate of 1.25%) and is adjusted periodically. That interest rate, as of November 30, 2024, was 1.96%, a value that corresponds to the decision taken by the Central Bank of Sweden at its meeting on November 7, 2024.<sup>40</sup>

1 % is added to this rate (with a minimum threshold of 1.25 %), resulting in a rate of 2.96 % for 2025 (1.96 % + 1 %), which takes it above the aforementioned minimum of 1.25 %.

This type is the one that incorporates the presumed return (*Standardinkomst*), so that with a capital base of 240,000 SEK, the presumed return or standard income will be 3.55 % of this amount, that is, 8,520 SEK.

### d) Application of the tax rate on the calculated return

The final tax payable is 30% of the presumed return or standard income.

Therefore, 30% of 8,520 SEK will be calculated. The result  $(8,520 \times 0.3)$  is 2,556 SEK.

Therefore, in 2026, the tax will be 1.065 % of the capital base  $(30 \% \times 3.55 \%)$ .

In this case, 1.065 % of 240,000 SEK.

Result: 2,556 SEK is paid in taxes for that year, regardless of whether the actual investments made or lost money.

### e) New developments for the year 2026

The main developments in relation to taxation for the Swedish account in 2026 are reflected in the following table that offers a comparison against 2025.

<sup>40</sup> [https://www.global-rates.com/es/tipos-de-interes/bancos-centrales/7/interes-sueco-riksbank-policy-rate/#google\\_vignette](https://www.global-rates.com/es/tipos-de-interes/bancos-centrales/7/interes-sueco-riksbank-policy-rate/#google_vignette)

### Comparative table of the Swedish account from 2025 to 2026

Item	Fiscal year 2025	Fiscal year 2026
State interest rate (previous November)	1,96 %	2,55 % <sup>41</sup>
Presumed income (schablonintäkt)	2.96 % of base capital (1.96 % + 1 %)	It will depend on the state interest rate.
Standard income tax	30 %	30 %
Effective tax burden	0.888 % of the base capital	1.065 % of the base capital
Tax-free base	150,000 Swedish kronor	300,000 Swedish kronor
Application of the tax benefit	Automatic in the income tax return	Automatic in the income tax return
Included Products	ISK, capital insurance, PEPP	ISK, capital insurance, PEPP

Furthermore, the ISK regulations recognize a tax credit for taxes paid abroad on dividends received (legal double taxation) which will be applied ex officio by the Swedish Tax Agency.

The characteristics of the Swedish account can be summarized in the following table:

Category	Details
Allowed assets	<ul style="list-style-type: none"> <li>- Cash</li> <li>- Financial instruments traded on regulated markets</li> <li>- Financial instruments traded on MTF platforms within the European Economic Area.</li> <li>- Fund units</li> </ul>
Regulated market	It can be located anywhere in the world
MTF platform	It must be within the European Economic Area
Trading conditions	Assets must be bought and sold through a regulated market or MTF, except in certain cases.
Restriction on holdings	Investments cannot be made in assets issued by companies in which the investor retains 10 % or more of the capital or voting rights
Non-permitted assets	If an asset is no longer permitted, there are rules about how long it can remain in the account and how to calculate its value upon withdrawal.
Account Ownership	It can only be held by a natural person or an inherited estate. Shared ownership or ownership by legal entities (companies) is not permitted.
Option to open an ISK account	You can decide to open an ISK account. Assets can simultaneously be held in a securities account (VP-konto), a deposit account and one or more ISK accounts
Transfer of securities from another account	Securities are not taxed when transferred from another account. There will only be a tax if there is prior monetization.

<sup>41</sup> <https://www.spp.se/lar-dig-mer/privatekonomi/sa-forandras-isk-skatten-2026/> "Mer skattefritt sparande – så förändras skatten på kapitalförsäkring och ISK 2026

Once the defining characteristics of Swedish ISKs have been presented, a global assessment of them is required to decide whether it is the appropriate model for the savings instrument that should be implemented in Spain.

From a tax perspective, and unlike other European schemes such as the French PEA or the Italian PIR (whose taxation links tax benefits to a minimum holding period of five years), the ISK regime adopts a more flexible and neutral approach with respect to the time horizon. And its great differentiating advantage lies in its taxation. Rather than taxing actual capital gains, an annual tax is applied to allocated returns. That is, the taxes to be paid when dividends, interest or capital gains are received are replaced by a single annual payment which, in the end and in a very simple way, is nothing more than a percentage of the balance of our account.

It is worth remembering that, since its creation in 2012, the Swedish model has been highly valued in terms of the implementation of ISK among citizens and in terms of effective results.

Regarding the first question, it is highlighted that in Sweden there are 3.8 million citizens with ISK and an average capital that, in euros, would be between 26,000 and 30,000 per citizen. And that's for an adult population of 7.5 million people. The savings of the Swedish population as a whole amount to one and a half trillion euros, but, unlike the Spanish case, it is not primarily directed towards deposits. These represent 14% of Swedes' financial savings - 33.7% in Spain - while savings allocated to insurance and pensions reach 37% compared to a meager 7.79% for Spaniards.

Secondly, regarding the effectiveness of the Swedish account, it is emphasized that it has been a complete success. Over the past ten years, Sweden has seen more than 500 initial public offerings (IPOs), meaning the country ranks second in the world when it comes to the number of IPOs registered. This figure is greater than the combined total of France, Germany, the Netherlands, and Spain. It is also said to have created the conditions for a true popular financial culture to emerge, defining a society of savers and investors, democratizing access to the stock market and allowing more and more Swedes to participate directly in the growth of their own companies. However, there has also been an increase in the structural liquidity of the Swedish market, reducing spreads and improving price efficiency.

What's more, the Swedish model not only allows savers to assume responsibility for their investments, it also serves as a tool for proper wealth planning, as it combines the use of the ISK during the saver's working life in the form of the *Kapitalförsäkring* (capital insurance), an investment vehicle wrapped in an insurance structure, offering additional advantages when it comes to inheritance and taxation. By combining the ISK with the subscription of a *Kapitalförsäkring*, it is possible that, in the event of death, the assets of an ISK can go directly to designated persons, without going through the ordinary succession process. The *Kapitalförsäkring* is structured around the freedom to appoint beneficiaries and allows investments in funds, shares or managed portfolios without being taxed individually on dividends or capital gains, as it is taxed on a "presumed basis", as in the case of the ISK.

To all of this we must add that the Swedish model stands out for the freedom of geographical allocation of the savings collected. This contrasts with the "European Label" model, which, as we have reiterated throughout this report, requires that at least 70% of assets be invested in products that support the financing of companies in the European Economic Area. For us, the basic framework required for the implementation of a savings instrument like this is maximum flexibility, as adopted in the Swedish account model.

From this presentation, it seems undeniable that not only Spain, but all countries of the European Union should copy the Swedish model. That is, a proposal for a pan-European Savings-Investment Account should look to Sweden's ISK as a model. This has been proposed by the study entitled <sup>42</sup>"Designing Savings and Investment Accounts in the EU", prepared by New Financial in collaboration with the asset manager, Fidelity. According to the data gathered as part of this study, if the Swedish ISK model were extended to the 27 EU countries, up to 4.8 trillion euros could be unlocked over the coming decade.

In turn, the aforementioned report "The Mirage of Finance Europe: "why labeling savings does not solve imbalances"<sup>43</sup>, is positive about the Swedish alternative, indicating that "... it eliminates liquidity restrictions and facilitates accessing and departing the system without direct tax penalties, while incentivizing investment in assets with an expected return that is higher than the benchmark return, such as equity." And it adds "in conclusion, the Swedish ISK account combines total freedom of geographical allocation with a tax system that eliminates time and liquidity restrictions,

<sup>42</sup> <https://www.newfinancial.org/reports/designing-savings-and-investment-accounts-in-the-eu>

<sup>43</sup> <https://fedeia.net/el-espejismo-de-finance-europeo-por-que-etiquetar-el-ahorro-no-resuelve-los-desequilibrios-estructurales-europeos/>

incentivizing investment in assets with higher expected returns without penalizing active portfolio management." On pages 13 and 14, it adds that "...the success of the ISK account is not solely attributable to the fiscal design or the absence of investment restrictions, but also to structural and cultural factors." Sweden boasts a high level of digitalization of financial services, strong competition among entities to offer attractive products, including through mobile applications, and a long history of similar schemes since the late 1970s, which has contributed to the progressive familiarization of households with investing in capital markets. In addition, there are partially capitalized pension systems, which have strengthened the financial literacy of the population. Taken together, these elements have created an environment conducive to the ISK consolidating itself as an effective, easy-to-use and fiscally attractive product, capable of sustainably channeling retail savings into investment instruments."

## VI. The account to be introduced in Spain within the framework of the pan-European standard

Based on reports published by international organizations such as the OECD a year ago and corporations such as Bolsas y Mercados Españoles (BME) with its White Paper two years ago, the need to improve business financing and revitalize capital markets in our country is quite well established. Among other factors, the debate about the suitability of implementing a savings and investment account model with tax benefits has been revived in Spain. This idea has been reinforced in recent months by the statements from the European Union calling for urgent progress in the integration and revitalization of supply and demand in European capital markets (the "*Saving and Investment Union*" initiative and the proposal for a pan-European standard to further mobilize investment).

The Spanish Government itself, through the Minister of Economy, Trade and Business, Mr. Carlos Cuerpo, announced in the first quarter of 2025 the upcoming creation of an account of this type<sup>44</sup>.

Therefore, we believe it is appropriate to make a detailed proposal in this regard. However, before opting for a specific savings instrument model for households, a series of issues must be addressed.

The account model chosen must be adapted, as far as possible, to the guidelines defined by the European Union that allow a savings instrument to qualify for the pan-European label. Precisely because, as the European initiative itself acknowledges, it is the Member States who will decide which assets they aspire to have assigned such a label. It is worth noting that this new European standard or seal will not be granted by any public authority, rather, institutions themselves (banks, insurers, asset managers) will self-assess whether their products meet the requirements to use these seals. The national supervisors of each Member State will verify compliance with the corresponding criteria, making it advisable that, for basic reasons of legal certainty, these criteria are laid out as clearly as possible. And this is because any misuse of the label on a product that does not meet the general characteristics to qualify for it will result in the withdrawal of the right to use it.

It should be noted that, as far as we know to date, a savings product does not need to be brand new to qualify for the European label. States will design their products according to a model and the instrument they choose may be a fund, a savings account or a mixed configuration.

The European proposal recommends that these be products with a long-term time horizon, defining that long term based on a minimum investment period. However, this is a point that is not considered essential and insofar as it constitutes a disincentive for the objectives of a savings/investment account that promotes the mobility of savings, we do not propose it for what we would call Personal Investment Plans (PPI) in Spain.

Also from Europe, the objective is set that the investment should be significantly allocated to financing European companies. To this end, at least 70% of assets must be invested in products that support the financing of companies in the European Economic Area, especially in the form of capital. It is worth remembering that the savings/investment account system for households, in particular the system in place in Sweden, has simultaneously

<sup>44</sup> <https://cincodias.elpais.com/mercados-financieros/2025-03-13/economia-ultima-la-creación-de-una-cuenta-para-facilitar-la-inversión-de-los-particulares-en-las-empresas.html>

served to boost not only investments by citizens in stocks (demand), but also, as a result, the number of companies that choose to seek capital on the markets (IPOs, supply).

It is also worth noting here that the capital invested in this type of account, such as the PPIs we propose, will not be covered by any public capital guarantee system.

The European Commission has also indicated that member states that choose to create this new savings instrument must design the corresponding tax framework and incentives, bearing in mind that this responsibility lies with each State. In the case of Spain, this design power belongs to the central State, which holds exclusive competence over the General Treasury, according to article 149.1.14 of the Constitution. And also with regard to tax benefits, it is the central government that must regulate them by law, according to article 8, d) of the General Tax Law. According to the guidelines suggested from Europe, the starting point for the success of a savings/investment instrument of this type is to have a tax treatment that, at a minimum, is comparable to the most favorable tax treatment of investment instruments that exist in each of the countries.

The proposal we make in this report focuses on the implementation of a favorable tax regime for PPIs, whose design closely resembles that in force in Sweden, which is the most successful model of those already tested and which shares many similarities with the objectives pursued for Spain.

## VI.1. The most recent precedents concerning the creation of a long-term savings instrument in Spain

As we have seen, the situation in Spain is not fiscally favorable to stimulating what we have called savings destined for investment, beyond the purely pension-related or the advantage provided by the deferral regime for investments through collective investment schemes.

Nor have legal initiatives been very common in our country to promote the channeling of savings towards long-term investments. And even less so, those aimed at corporate financing.

The intention to establish a savings and investment instrument of this nature inspired the adoption of the provision contained in the Twenty-Sixth Additional Provision of Law 35/2006, of the IRPF, introduced by article 1, 77 of Law 26/2014, of November 27. This provision develops the legal framework for so-called Long-Term Savings Plans. The measure has had a lower impact than expected and has resulted in certain formulas such as Savings Plan 5. This savings instrument can take the form of a bank deposit (long-term individual savings account) or simple insurance (long-term individual life insurance), and requires that the investment be maintained for a minimum period of five years, with the restitution of at least 85% of the amount invested being guaranteed. The required guarantee of 85% of the capital means that these Plans must be managed by banks or insurance companies.

Long-Term Savings Plans have in common with classic forms of popular long-term savings, which are usually given advantageous tax treatment, that the amount of contributions is limited. In the case of Long-Term Plans, 5,000 euros per year. Furthermore, these plans are subject to income tax at the time of disposal or divestment<sup>45</sup>.

In any case, the two figures that this Additional Provision includes under the concept of Long-Term Savings Plans, the Individual Long-Term Savings Insurance, which is an individual life insurance, and the Individual Long-Term Savings Account, which is a money deposit contract entered into by the taxpayer with a credit institution, correspond to investment formulas far removed from those of direct financing of companies in the form of capital and even debt.

This frustrating experience is not in line with the savings instrument we want to propose.

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<sup>45</sup> The opening of the Long-Term Savings Plan occurs when the first premium is paid or the first contribution is made to the Individual Long-Term Savings Account. The savings must be made available in the form of capital in a percentage that, as we have said, must be equivalent to at least 85% of the sum of the premiums paid or the contributions made.

## VI.2. The proposal of the Lagares Commission

The practice of convening expert committees to design the main lines of a tax reform has a certain tradition in Spain. The Commission for the Study of Measures and Proposals for the Reform of Personal Income Tax, created by the State Secretariat for Finance in 1997, made some proposals on the taxation of savings, focusing on limiting the progressive tax rate (around 40%), improving the taxation of insurance, and not taxing capital gains after a certain period of time. And the White Paper on Tax Reform prepared by the Committee of Experts and presented in 2022, barely focuses on the tax incentive for savings. Therefore, in recent years, only the 2014 Report of the Expert Commission for the Reform of the Spanish Tax System, the aforementioned Lagares Commission, made any contribution in this regard.

The proposal of the Committee of Experts, which ultimately did not materialize in any regulatory text, represented a major innovation in relation to the instrument under consideration. The measure would be equivalent to a securities account in which all types of assets and financial products could be registered and which would only be taxed at the time of redemption. The holder of this account would have the ability to make decisions about investments, choosing to have deposits, stocks, bonds, investment funds. This would be a novel instrument, which would open windows of opportunity for EAFI or independent investment advisory firms. The holder, with help from an advisor, would decide on their investment and divestment objectives. Finally, the alternative formula that was approved, the long-term savings plans, known as the *5 savings plans*, required a deposit or insurance account, which guaranteed 85% of the capital invested, making it necessary for a financial institution to become involved. But it was its low profitability that caused its failure.

This proposal, besides being far removed from the parameters of the pan-European system, was based on the US 401(k) account system, which are in essence retirement plans, which we have already ruled out.

These background factors have also been taken into account when designing the proposal supported in this document.

## VI.3. The best option for Spain in terms of designing a savings/investment product that meets the pan-European standard

The *Europe Finance* proposal recognizes the power of Member States to regulate, in their own domestic legal frameworks, the savings/investment product they consider most appropriate, with flexibility when it comes to their design. It also recognizes their ability to provide these products with the tax incentives they deem most appropriate.

Thus, firstly, this savings/investment product must be intended exclusively for individuals. Institutional investment and all types of legal entities are excluded.

Given the success of the Swedish system and, no less importantly, its contribution to fostering a culture of saving and investment among the population, we believe this is the best model of those currently in force, fitting almost perfectly with the objectives that Spain must pursue in this area on account of its simplicity, flexibility and liquidity, while maintaining recurring and somewhat predictable tax revenues.

If the proposed formula for Spain includes the requirement to invest in certain assets, we would be looking at a securities account that could be inspired by umbrella fund models. It would not be so much an account structured in compartments or sub-funds, but rather an account whose funds would be invested in different types of equity securities (mainly), fixed income and certain financial products.

However, from a tax perspective, the main advantage of this type of account would be applicable, which is the possibility of avoiding taxation by reinvesting or transferring the result obtained from the transfer or amortization of assets within the same account. This arrangement would mean that taxes would only be paid when the profits obtained are withdrawn or not reinvested. But, in our view, as we will see, taxes should not be levied in these cases either. We propose a purpose similar to the Swedish ISK account, as we will see below<sup>46</sup>.

<sup>46</sup> According to the OECD report for Spain, "The process of declaring taxes for investments made through this account should be simple and straightforward. The popularity of retail savings accounts depends not only on tax incentives, but also on the simplicity of taxation. The very popular Swedish investment savings account, for example, does not unequivocally offer tax advantages over other accounts (although tax incentives have been proposed from 2025 onwards), but the tax design implies that there is no capital gains tax at the time of sale. Instead, an annual tax is levied based on total assets, regardless of whether there have been capital gains or losses during the tax year. Simplified taxation does not necessarily imply tax benefits. However, the creation of an individual savings account along these lines in Spain could help to significantly boost household participation in capital markets. This could help increase household financial wealth and reduce the current concentration of savings in real estate. Furthermore, given that retail holdings tend to offer liquidity to a market, this could also help to improve liquidity in Spanish equities seen in recent years, which is the main challenge identified by listed companies in response to the OECD survey."

The proposal being made does not consider establishing a minimum holding period as being a prerequisite. If included, it should never exceed five years.

And the balance of this special account must necessarily be invested in those assets referred to by the European label.

Therefore, we believe that the instrument applied in Spain should especially aim to ensure that the savings collected through it are allocated to equities, that is, shares and stakes in listed companies both in regulated markets and in Multilateral Trading Facilities (MTFs). Investment in these assets should be prioritized, as this is the only way to contribute to the financing of European companies in the form of equity, which is the fastest way to promote their growth. Therefore, it should be considered that the product's assets are invested in corporations whose registered office or effective management venue are located in countries within the European Economic Area (EEA). Debt instruments issued by a corporation registered in the EEA and listed on regulated markets or MTFs to raise capital as part of its policy to diversify funding sources (corporate bonds) may also be included here.

The funds raised through this savings and investment instrument can also be invested in ETFs of European equity indices. And of course, also in European Long Term Investment Funds (ELTIFs), under the terms of Delegated Regulation (EU) 2024/2759, but only with regard to retail investors. This makes sense, since ELTIFs aim to channel investment into the real economy of the European Union, especially in favor of companies that need long-term financing and do not have access to public capital markets.

Finally, the assets eligible for investment by the funds in these accounts must also include simple derivatives lacking special characteristics (known as plain vanilla) and traded on organized markets, excluding complex derivatives with high risk.

### **V.3.1. Taxation of the new product**

All European studies proposing a new account model to stimulate family and personal savings insist that an essential aspect of this new product's regime is favorable tax treatment that encourages rather than penalizes.

We are going to make a proposal for what that incentive treatment would be in Spain, taking into account that the product that is proposed to be created would be exclusively for individuals. Therefore, the tax proposals we are going to make will focus primarily on Personal Income Tax. When considering the tax treatment of saving as part of Personal Income Tax, this treatment usually considers two key moments: contributions to the different products and the time at which returns and gains are received. We will call this target product the Personal Investment Plan (PPI).

#### **V.3.1.1. Taxation of contributions**

Contributions should not be incentivized, which is to say that the tax benefits that must be recognized in favor of PPIs should not be applied at the time the funds are contributed, but when the returns are received. Applying tax advantages to contributions to a particular savings instrument does not promote the neutrality of the tax system.

#### **V.3.1.2. Taxation of earnings**

Regarding the taxation of income, it would be appropriate to establish, as is the case in most of the countries whose systems have been discussed, an exemption for dividends and capital gains. However, a general exemption of these incomes might not be very understandable from the perspective of the principle of economic capacity that governs our constitutional taxation system. Economic capacity is the measure of equality in tax matters, and tax equality requires that exemptions be justified from the point of view of tax justice. By definition, exemptions violate the requirement of generality of the tax system implicit in the expression "everyone will contribute to the support of public expenses", of article 31.1 of the Constitution. Therefore, exemptions should be limited, if not exceptional. This leads us to reject the idea that the solution is an exemption from the returns and profits of the new product we are proposing.

In other cases, a general exemption regime would not be very acceptable, as it would free from taxation an entire category of savings income, such as that obtained from these accounts that follow the parameters of the European label. However much such an exemption could be based on extra-fiscal reasons (promoting the allocation of savings to financing the productive sector), the use of extra-fiscality is

not unlimited and lawmakers are restricted when adopting regulatory fiscal measures, among other factors, by the tax principles of constitutional origin.

Therefore, we believe that a simplified taxation system, following the Swedish model, would be much more in line with the parameters of tax justice in our legal system. This taxation would be based on a levy, not on the returns actually produced, but on returns estimated mainly from an annual average of the balances invested in the account at the end of each quarter measured at market prices. These figures are by no means new to our tax system, as they are referred to (in the case of the average balance, to the balance for the last quarter) in Article 12 of Law 19/1991, of June 6, on Wealth Tax.

To discourage evasive behavior (for example, withdrawing part of the invested amount before the dates set to determine the average annual balance), the system used in the Swedish account would be applied, which consists of adding up the contributions made annually to the account to calculate the balance. This would give us an annual gross capital base calculated as the sum of balances at the end of each quarter plus contributions made at any time during the year, divided by 4.

When the aim is to *hone in on* considering impact of the economic capacity principle, we propose, as in the case of the Swedish model, deducting an amount from the gross capital base, which would serve as a type of *minimum exemption*. Considering the figure applied in Sweden in 2026 (300,000 Swedish kronor, i.e. 27,227.68 euros), we suggest a minimum exemption of 10,000 to 30,000 euros for the Spanish PPIs proposed. In any case, this minimum exemption is a more open variable in this proposal and could even consist of 1% of the taxable base or another valid formula for its establishment.

The next step, after deducting the minimum exemption determined from the gross capital base, is to divide the resulting amount by four (just as is done in Sweden). We

call this figure the standard income or return. Based on that, we will calculate the standard income or return corresponding to the fiscal year. The actual basis of Taxation is calculated by multiplying it by a theoretical rate which is the one-year sovereign debt rate in effect at the close of the year in question plus one percentage point. From the resulting value, we propose 19%<sup>47</sup> as being the amount payable to the Spanish Ministry of Finance, settled using the standard personal income tax return.

Such taxation would be perfectly acceptable within the parameters of the Spanish constitutional-tax system. It could be argued that taxing a standard income (that is, an estimated income) violates the requirements of the principle of ability to pay. But this is not the case if we take into account the doctrine of the Constitutional Court on this principle, contained in article 31.1 of the Constitution.

The doctrine of the Constitutional Court, since the classic judgment 194/2000, of July 19, 2000, maintains that every tax must tax a manifestation of economic capacity, although that capacity may be real or potential, but in no case can a tax fall on a non-existent or fictitious economic capacity. This has been defended by the Constitutional Court as regards allocations of income in Legal Basis Six of ruling 295/2006, of October 11.

In this case, actual income would be taxed, rather than notional income, which is prohibited under the economic capacity principle. This has been recalled by the Constitutional Court, among others, in judgments 209/1988, of November 10, and 59/2017, of May 11. However, that actual income would be calculated applying an objective method, calculated essentially as a percentage of the balance or average value of the capital held throughout the financial year. To this end, Legal Basis 3 of the aforementioned Constitutional Court ruling 59/2017 declared that the legislative policy option aimed at taxing income is fully valid, "...resorting to a system of objective quantification of potential economic capacities, rather than doing so based on the effective economic capacity demonstrated by the taxpayer".

<sup>47</sup> We believe that this income should be taxed at the lowest percentage rate applied to the savings base, that is, 19%, unless it is considered appropriate to approve a lower rate. In turn, we support a lower rate, of no more than 10% as a special tax rate to be applied to the savings base.

## VII. Specific *lege ferenda* proposal

These statements would require the following legislative modifications.

On the one hand, the new account, which aspires to a pan-European label, would be introduced into our legal system. We propose to call this figure the Personal Investment Plan (PPI). It could be introduced by amending Law 10/2014, of June 26, on the regulation, supervision and solvency of credit institutions and developed by Ministerial Order of the Ministry of Economy, Trade and Industry in the form of an Additional Provision to any legislative text, preferably the next Budget Accompanying Law.

Its tax regime would be regulated by modifications to Law 35/2006 on Personal Income Tax, of November 28. We believe that a paragraph 3 should be introduced to Article 40 of the Law, corresponding to Chapter III, Title I, of the same law, on the "estimation of income".

That paragraph would refer to the estimated return on capital for this account. It would also be stated in article 25.7 that the return on this account would be taxed as estimated income.

The text of this Article 25.7 would be as follows: "The full return of the income and gains on a Personal Investment Plan will be calculated using the estimation method, provided for in Article 40.3 of this Law."

This new Article 40.3 of the Personal Income Tax Law would regulate the calculation of the taxable income in this new type of account, as per the guidelines set out above.

The text would say something like this:

*The determination of the taxable income of a Personal Investment Plan will be made using the following estimation method.*

*a. The average annual value of the Personal Investment Plan will be determined by adding the account balances on January 1, April 1, July 1, and October 1 of each year.*

*b. The amount of contributions made between January 1 and December 31 of the tax period will be added to the result of the previous sum.*

*c. The result of the previous sum will be divided by four. If the Personal Investment Plan is opened during the year, the annual amount will be divided by the number of full quarters remaining, including one more corresponding to the opening of the Plan.*

*d. A minimum exempt amount may be set by the General State Budget Law, which will be subtracted from the amount resulting from the previous operation.*

*e. To calculate the estimated income, the result of the previous operation will be multiplied by the rate set by regulation, which may not be higher than the interest rates set by the European Central Bank in the previous tax period, plus one percentage point.*

In addition a new Article 33(4)(e) would be introduced stipulating that capital gains arising from the refund of contributions to the new product are exempt if they are reinvested in new contributions within the same tax year in which the refund took place.

Article 46, a) of the Personal Income Tax Law would also have to be amended to include the returns derived from this account within savings income. A new Article 66(1)(3) of the Personal Income Tax Law would also be introduced to specify that *the estimated return generated by Personal Investment Plans, calculated pursuant to Article 40.3 of this legal text, will be taxed at the rate of 19 %.*

The returns on this new product will be taxed at 19% (9.5% corresponding to the State and 9.5% corresponding to the Autonomous Community) or at the rate ultimately determined. However, considering that the tax rates on the savings base range from 19% to 30%; that this rate will be applied to an estimated rather than actual return; and that the rate applied in Sweden is 30%, consideration could be given to a higher rate, potentially 24 or 25%.

Where considered appropriate, and considering the clarifications and nuances provided, a deduction could be included in the tax amount, included in Article 81 ter, amounting to 30% of the amounts contributed to the account during the tax period, for taxpayers whose taxable income does not exceed 50,000 euros, provided that the amount contributed during the tax period does not exceed 10% of the taxpayer's taxable income. In any case, we do not consider this as the best solution, as we believe that returns should be the sole incentive, not contributions.

## VIII. Example of how the proposed product works

So, let's imagine that a taxpayer decides to open a Personal Investment Plan in 2026.

We assume that throughout 2026, the taxpayer will make the following cash deposits into their Personal Investment Plan and invest them in their entirety in different assets:

- 30,000 euros on January 4th
- 12,000 euros on February 4th
- 23,000 euros on July 3rd
- 7,000 euros on September 2nd
- 6,000 euros on November 20th

In addition, they make cash withdrawals on August 15 for the sum of 2,500 euros and on December 4 for a further 2,500 euros.

The balances on the indicated dates would be as follows:

Date 2026	Event/Valuation	Amount (EUR)
January 1	Balance or value at the beginning of Quarter 1 (Q1)	0
January 4	INITIAL CONTRIBUTION	+ 30,000
February 4	SUBSEQUENT CONTRIBUTION	+12,000
First quarter	Increase in the market value of assets during the period, in addition to dividend and coupon payments	+3,000*
April 1	Balance or value at the beginning of Quarter 2 (Q2) (after contributions, increase in market value, dividends and coupons)	+45,000
Second quarter	Increase in the market value of assets during the period, in addition to the collection of dividends and coupons.	+1,000*
July 1	Balance or value at the beginning of Quarter 3 (Q3) (after contributions, market value increase, dividends and coupons)	+46,000
July 3	SUBSEQUENT CONTRIBUTION	+23,000
August 15	CASH WITHDRAWAL 1	- 2,500
September 2	Subsequent CONTRIBUTION	+7,000
Third quarter	Increase in the market value of assets during the period, in addition to the collection of dividends and coupons	+1,500*
October 1	Balance or value at the beginning of quarter 4 (Q4) (after contributions and withdrawals, increase in market value, dividends and coupons)	+75,000
November 20	Subsequent CONTRIBUTION	+6,000
December 4th	Cash WITHDRAWAL 2	-2,500

\* Hypothetical calculation considering the market value after a positive return on the assets in the account, which may come from capital gains due to revaluation, dividend returns, coupons received and accrued coupons in the case of fixed income.

The calculation of the Gross Capital Base from which our estimated income would be derived would be as follows:

$$\text{Average annual value} = \frac{\text{Jan 1st} + \text{Apr 1st} + \text{Jul 1st} + \text{Oct 1st}}{4}$$

Remember that the calculation involves adding the initial values of each quarter in addition to all contributions. Withdrawals are not taken into account.

The gross capital base (average annual value) would be:

- a. The sum of balances at the start of each period  
 $(0 + 45,000 + 46,000 + 75,000) = 166,000;$
- b. The sum of the annual contributions  
 $(12,000 + 23,000 + 7,000 + 6,000) = 48,000;$
- c. The result of the sum (a) + (b) must be divided by the number of periods (four)

$$\text{Average annual value} = \frac{0 + 45,000 + 46,000 + 75,000 + 48,000}{4} = 53,500$$

If any exempt minimum is foreseen, it will be subtracted from this amount. We propose a minimum exemption of 10,000 to 30,000 euros. For our example, we will take the minimum exemption of 10,000 euros.

The result would be a final net capital base of  $53,500 - 10,000$  euros = 43,500 euros.

Then, the estimated or standard income is calculated by applying the percentage established in the regulation.

Let's imagine that this coefficient is 3.52% (taking the Central Bank rate of 2.52% plus one percentage point). This percentage would be set annually by the Budget Law.

The estimated income would be: 3.52% of 43,500 = 1,531.20 euros

If the tax rate is 19% on the estimated income, the taxation would be 290.93 euros (effective rate on the gross capital base of 0.55%).

If a rate of 25% were set on the estimated income, the taxation would be 382.80 euros (effective rate on the gross capital base of 0.72%).

The effective rates are similar to the Swedish model, applied on the basis of gross capital, calculated using this methodology. This includes the addition of contributions, aimed at preventing the account being "drained" close to the dates considered.

## IX. Conclusions

**First.**- In Spain, family and household savings are marked by a clear preference for safety, materializing mainly in bank accounts and fixed-term deposits. These are predominantly conservative savings. This immense pool of savings is insufficiently channeled to more productive destinations such as business financing, when we know that these companies need appropriate financing and liquidity to gain size and competitiveness. It would be a good idea to promote greater financial literacy to guide citizens towards making more informed decisions involving higher risk and, at the same time, channel some of the funds now accumulated in bank deposits (in Spain 1.29 trillion euros, out of the 11 trillion across Europe) towards the financing of Spanish companies and, in general, the European Economic Area.

**Second.**- In parallel to what has been said, in Spain and specifically in the Personal Income Tax Law and Regulations, there are few tax benefits for savings and the few that exist are for a very specific type of savings. Long-term, pension-related savings, free from risk and aimed at complementing public pensions, are encouraged somewhat.

The savings that are encouraged, therefore, seem to respond more to concerns about the sustainability of the public pension system than to the need to channel part of the income not consumed by citizens towards productive investment. A scenario focused almost exclusively on protecting citizens from financial risk without considering the need to simultaneously establish incentives to encourage the vast flow of family savings to reach the places where more value is generated for the country's economic base: financing and the increase in size of companies.

**Three.** In this context, OECD economists have urgently recommended that Spain create an individual savings account with flexible investment options and simplified taxation, in line with the same measure advocated by BME in its January 2024 White Paper to improve the competitiveness of our capital markets. The experts continue to recommend a proposal similar to the one available in Sweden in the form of ISK savings/investment products based on the urgency and needs of Spain.

Also worth noting in this area is the pan-European standard (*Finance Europe*), proposed as part of the public consultation launched by the Savings and Investment Union (SIU) Commission. This initiative will be voluntary for Member States (it is not enshrined in a Regulation or Directive) and establishes that financial products marketed in EU countries, when it comes to investment instruments, may use an identifying label. This applies provided they raise funds to finance companies and allocate at least 70% of the capital to projects in the European Economic Area. Furthermore, the products will not be covered by any public capital guarantee scheme.

Member countries will grant these products advantageous tax treatment. The initiative includes a kind of "more favorable tax treatment" clause, since its tax regime will be, at a minimum, equivalent to that of the savings and investment instrument with the best tax treatment in the country. This rule must be understood in its proper terms, since the tax treatment of these new products must be adapted to their nature and be consistent with the constitutional requirements of the country in question.

Our initial proposal for Spain is for the Personal Investment Plan (PPI) presented in this document to match this pan-European label as closely as possible, which adapts almost perfectly to the guidelines recommended by the OECD's economics team.

**Fourth.-** To evaluate the Personal Investment Plans proposal we are making for Spain, we have analyzed the characteristics and achievements of different savings/investment accounts for individuals already applied in other countries. A significant part of the spirit behind this proposal aligns with the urgency, that is, the imperative need to reform our capital market to attract and stimulate greater flows of savings and investment and to increase the size of our companies and the liquidity of the markets. In this sense, replicating insofar as possible a previously proven financial model or instrument from those available appears to be the fastest and most efficient option. As suggested in the aforementioned OECD report.

We are ruling out the US case of 401(k) plans, as these are in essence retirement savings plans. We also believe that the French PEA and the Italian PIR are not fully satisfactory benchmarks to be replicated. In both cases, the existence of a holding period of 5 years or more to access the tax advantages they offer seems to us to distort the appeal needed for a savings/investment account to attract the mass interest of families. And that is what we seek as a necessary condition for the effects we desire to occur on different parts of our economic and financial system. The

TFSAs of Canada, the British ISA accounts and the Swedish ISK are examples that are closer to what we believe is best for the needs set out in this document for Spain. And of these assumptions, we agree with the OECD experts that Sweden's ISK is the one that best suits what we are pursuing.

That is why we believe we should choose to take Sweden as a model with the *InvesteringsSparKonto* (ISK). Neither dividends nor capital gains from investments channelled through an ISK are taxed. It is a tax estimated by levying an average account balance calculated over four moments of the year plus contributions as part of a procedure that, currently in Sweden, ultimately comes to 1.086 % of that average balance, which, in our proposal, we have referred to as the capital base.

**Fifth.-** Therefore, we understand that Spain should opt for the creation of a new savings-investment instrument that closely resembles the characteristics of the Swedish ISK. This instrument could be called a Personal Investment Plan (PPI), in the form of a basket, portfolio or savings account for individuals consisting of a predefined selection of investment and corporate 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 through the Personal Income Tax (IRPF). This system includes a minimum exemption of between 10,000 and 30,000 euros, which is applied by deducting it from the capital base in the first step of calculating the standard return, on which certain percentages will then be applied to determine the amount to be paid to the Treasury.

**Sixth.-** A tax on the return of a savings product through an estimation method would be possible in our country, according to the jurisprudence of the Constitutional Court.

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