

# Tax Distortions in Retail Investing

## Brokerage and Savings & Investment Accounts in Europe

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*Seven national tax systems through the lens of retail-investor representatives: lessons for the Savings and Investments Union*



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## About BETTER FINANCE

BETTER FINANCE is the European federation representing individual savers, investors, and financial services users. Dedicated to promoting transparency, fairness, and accountability, it works to ensure that Europe's financial system serves the real economy and the best interests of its citizens. BETTER FINANCE is a European federation consisting of 40 member organisations across 25 countries. It represents millions of individual investors and other users of financial services and has operated with EU support since 2012. We empower citizens with independent information and education, advocate for fair access to financial markets, and call for policies that place people at the heart of financial decision-making. Through participation in EU advisory groups, research-based advocacy, educational initiatives, and campaigns, we strengthen investor protection, enhance financial literacy, and advocate for effective supervision and governance.

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## Executive Summary

Europe's true challenge is not a shortage of household savings in aggregate, but the limited conversion of those savings into suitable long-term investments that support citizens' financial outcomes, whether for retirement, major life projects or greater financial resilience.

While taxation is not the sole explanation for low retail participation, it remains a central driver of household allocation. Combined with product design, distribution, financial capability and household preferences, it can compound the incentives and frictions that determine whether savings remain in deposits, flow into directly held listed securities, or are channelled towards specific funds or tax-favoured insurance, pension and other investment-account structures or wrappers.

To better understand how taxation can stimulate or hinder retail investment, this paper compares standard brokerage accounts and dedicated savings and investment account structures across seven European jurisdictions: Sweden, Germany, France, the United Kingdom, the Netherlands, Estonia and Iceland. Drawing on questionnaires completed by retail investor representatives, it seeks to examine three interconnected tax distortions: neutrality and product bias, administrative friction, and inflation or real-return distortion. The qualitative comparison highlights several distinct national 'archetypes', each revealing different strengths, limitations and trade-offs.

While Sweden's ISK combines a simple annual account-value tax with extensive automation, Estonia offers account-level tax deferral until withdrawals exceed cumulative contributions. The United Kingdom provides ISA account structures under which qualifying investment income and gains are exempt from tax, subject to applicable contribution limits and ISA rules. France combines a tax-advantaged equity account with a savings landscape strongly shaped by regulated savings and life insurance. Germany displays significant elements of domestic tax simplicity, notably through automatic withholding, while France also benefits from provider-assisted reporting and withholding. At the same time, both systems continue to favour competing tax-advantaged savings structures: principally insurance- and pension-linked products in Germany, and insurance, regulated savings and other tax-favoured structures in France. The Netherlands applies deemed-return taxation, whereas Iceland combines a relatively simple flat-tax regime with narrow loss recognition, particularly across investments and tax years. Further, Sweden's ISK model demonstrates the value of simplicity and visibility, although this simplicity comes with a clear trade-off: its wealth-tax-like annual taxation may apply even where investment performance is weak or negative in a given year. Interestingly, Estonia's model particularly facilitates reinvestment, contribution-and-withdrawal netting and portfolio rebalancing by leveraging tax deferral for investors, yet accumulated returns ultimately remain taxed in nominal rather than real terms. The Netherlands, while displaying relatively simple tax administration, illustrates that administrative simplicity cannot fully compensate for a tax base that may diverge from actual investment performance. Turning back to France and Germany, both illustrate how stronger advantages granted to competing savings products may weaken incentives for direct securities investment. The United Kingdom,

meanwhile, confirms that even a generous tax-free account cannot, by itself, overcome wider barriers (such as limited disposable income, housing preferences or insufficient financial engagement).

In brief, while each archetype offers useful lessons, none is without trade-offs. One common weakness stands out across the jurisdictions examined: no convincing and comprehensive mechanism was identified to adjust taxable investment returns systematically for inflation.

The main lesson is therefore not that one archetype should be replicated across Europe, but that policymakers should consider how the different features interact. Tax incentives alone are not enough. In fact, successful account structures require mutually reinforcing elements: a clear incentive, simple administration and easy reporting, broad and comprehensible investment access, portability, provider viability, policy stability and sufficient visibility among ordinary investors. Tax timing also matters: deferral can support compounding and reduce the annual tax drag, since it mitigates the distortion created by taxing nominal instead of real returns. Ultimately, taxation remains primarily a Member State competence. The immediate priority should therefore be for national jurisdictions to develop the most retail-friendly account structures possible, drawing on the European Commission's overarching SIU blueprint while adapting it to domestic tax systems, savings markets and investor needs. National implementation should not, however, entrench further fragmentation: compatible reporting standards, provider portability and the avoidance of unnecessary cross-border barriers should be considered from the outset.

As a second step, greater European integration could build on these national structures through common minimum criteria, interoperable reporting and arrangements allowing investors to transfer assets between equivalent accounts across borders to create an EU-wide label. In the longer term, a supplementary pan-European SIU account could also be envisaged as a new European archetype, supported by forms of incentive agreed among participating Member States, without necessarily requiring full harmonisation of personal taxation. Properly designed, such a framework could help broaden existing national home biases into a more European investment orientation (while preserving investor choice and diversification), thereby strengthening the attractiveness and integration of European capital markets. The objective is not simply to add a new account in the legislation. It is to build a fully portable and competitive account structure that ordinary investors can recognise, understand, trust and use to build long-term wealth across an increasingly integrated European market.

# Introduction | From household savings to retail investment: the SIU and the tax dimension

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## Europe's savings-investment gap and the role of taxation

With roughly 10 trillion in household cash savings held in bank deposits, the European Union finds itself with a major pool of largely idle private savings that remains insufficiently channelled towards long-term investments<sup>1</sup>. If mobilised effectively and responsibly, these savings could improve household financial wealth and resilience, whereby stronger citizen participation in financing Europe's economy would also support deeper, broader and more resilient European capital markets.

Yet, shifting from passive savings to suitable long-term investment must underpin both a market-financing objective and broader consumer and societal objectives. It should help households preserve purchasing power and build long-term financial resilience, while enabling them to participate more directly in financing Europe's companies, innovation and green transition. In parallel, these objectives are echoed in both Draghi's<sup>2</sup> and Letta's<sup>3</sup> reports, stressing the need for cross-cutting reforms to integrate Europe's capital markets, strengthen the free movement of capital within the Union, and ensure that this integration delivers tangible benefits for households and the real economy.

The Savings and Investments Union (SIU) agenda is the latest piece of Europe's capital-market harmonisation puzzle and a policy response aimed at unlocking greater retail participation<sup>4</sup>. It is also supported by initiatives such as the Market Infrastructure and Savings and Investments Package (MISP)<sup>5</sup>. Of particular relevance is the blueprint for Savings and Investment Accounts<sup>6</sup>, envisaged as a

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<sup>1</sup> "Savings and Investments Union: Better Financial Opportunities for EU Citizens and Businesses - European Commission," accessed September 23, 2026, [https://commission.europa.eu/news-and-media/news/savings-and-investments-union-better-financial-opportunities-eu-citizens-and-businesses-2025-03-19\\_en](https://commission.europa.eu/news-and-media/news/savings-and-investments-union-better-financial-opportunities-eu-citizens-and-businesses-2025-03-19_en).

<sup>2</sup> European Commission, ed., *The Future of European Competitiveness: Part A: A Competitiveness Strategy for Europe* (Publications Office, 2025), <https://doi.org/10.2872/1823372>.

<sup>3</sup> Enrico Letta, *SPEED, SECURITY, SOLIDARITY*, n.d.

<sup>4</sup> "Savings and Investments Union - Finance - European Commission," accessed September 23, 2026, [https://finance.ec.europa.eu/regulation-and-supervision/savings-and-investments-union\\_en](https://finance.ec.europa.eu/regulation-and-supervision/savings-and-investments-union_en).

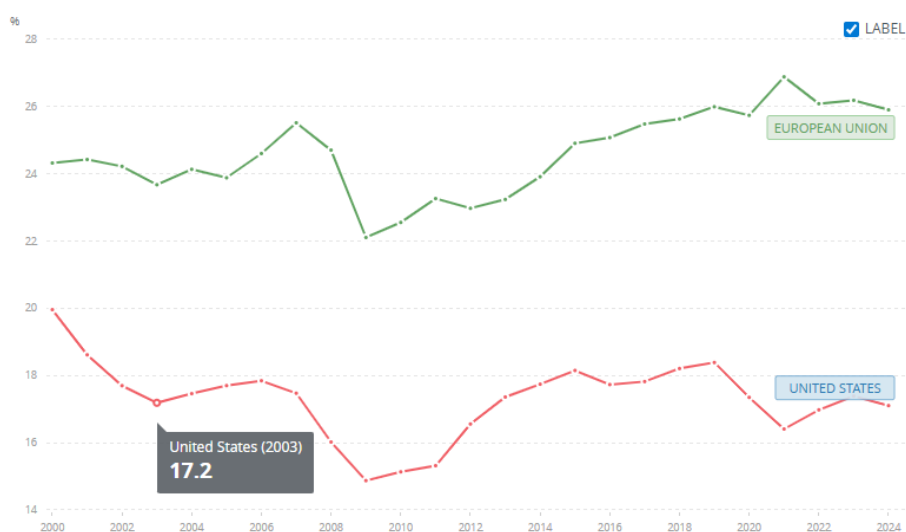
<sup>5</sup> "Market Integration and Supervision Package - Finance - European Commission," accessed September 23, 2026, [https://finance.ec.europa.eu/publications/market-integration-and-supervision-package\\_en](https://finance.ec.europa.eu/publications/market-integration-and-supervision-package_en).

<sup>6</sup> <https://betterfinance.eu/publication/pr-bf-welcomes-savings-investment-accounts>

(tax-friendly or incentivised) attractive scheme to complement national traditional standard brokerage accounts.

As anticipated in the Introduction, the EU does not have a shortage of savings. On the contrary, gross domestic savings as a share of GDP have been consistently higher in the European Union than in the United States over the past decades. As Figure 1 shows, in 2024 the EU stood at 25.9% of GDP, compared with 17.1% in the US, a gap of about 8.8 percentage points.

Figure 1: Gross domestic savings (% of GDP) | United States - European Union<sup>7</sup>



Converting deposits into investments, however, remains a significant challenge in the European Union. In the area of taxation, which strongly shapes national investment account structures, EU action remains limited and generally requires unanimity among Member States. As a result, most aspects of personal investment taxation remain outside EU harmonisation. The recent FASTER Directive<sup>8</sup>, adopted in 2024 and applicable from 2030, nevertheless signals growing recognition of the need for coordinated action<sup>9</sup>. By introducing faster and more harmonised procedures for relieving excess withholding tax, it seeks to reduce double taxation, facilitate cross-border investment and address tax-related frictions within the Union.

As the European Commission has rightly identified<sup>10</sup>, tax uncertainty can itself deter investment. Its analysis describes an investment landscape that remains difficult for retail investors to navigate, marked by complex tax rules, unpredictable

<sup>7</sup> "World Bank Open Data," World Bank Open Data, accessed September 24, 2026, <https://data.worldbank.org>.

<sup>8</sup> See: <https://data.consilium.europa.eu/doc/document/ST-13289-2025-ADD-1/en/pdf>

<sup>9</sup> See: <https://betterfinance.eu/publication/report-withholding-taxes-EU-dividends-shareholders-2023/>

<sup>10</sup> EC working Document, accompanying the Commission recommendation on Increasing the Availability of Savings and Investment Accounts with Simplified and Advantageous Tax Treatment, 2025, <https://data.consilium.europa.eu/doc/document/ST-13289-2025-ADD-1/en/pdf>

changes and inconsistent cross-border treatment. Complexity is a major source of this uncertainty, alongside divergent national procedures, limited transparency and the risk of double taxation.

The EU has sought to address part of this problem through the investor journey and the emerging blueprint for Savings and Investment Accounts<sup>11</sup>. To make such accounts effective, BETTER FINANCE has identified four closely connected priorities: *tax incentives*, *simplicity*, *portability* and *easy reporting*<sup>12</sup>. Weakness in any one of these areas may undermine the others. In fact, for retail investors, simplicity offsets reporting burdens, while portability facilitates the transfer of assets across providers and borders and strengthens competition. Together, well-tailored features can support a more genuine Single Market for capital while reducing the uncertainty and friction that continue to discourage cross-border investment.

However, the SIU's ambition to mobilise retail investment encounters a structural limit in policy areas that remain national prerogatives – taxation being the clearest example. The 27 Member States maintain distinct regimes, with different rules on what is taxed, when liability arises, at what rate, and under which reporting and administrative requirements. This gives particular relevance to the debate on Savings and Investment Accounts, as Member States may introduce such structures in light of the European Commission's SIU blueprint. It is therefore essential to bring retail-investor perspectives into this debate, compare existing schemes and identify the design features that work best for individual investors.

While taxation is not, by itself, the solution to low retail participation in capital markets, it can either support or undermine the SIU's objectives by shaping incentives, simplicity and investor behaviour. Successful tax-advantaged account structures, such as Sweden's ISK, show that well-designed frameworks can encourage direct market participation. Poorly designed frameworks, by contrast, can create distortions, increase complexity and undermine the neutrality of investment decisions. Taxation is therefore one important factor (among other incentives and barriers) behind the varying levels of direct securities investment across Member States.

## Research scope and questionnaire

By comparing the different tax regimes applicable across the selected jurisdictions, this paper examines standard retail brokerage accounts alongside dedicated savings and investment account structures that shed light on key tax features relevant to the SIU account debate. Drawing on the perspectives of retail investor

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<sup>11</sup> BETTER FINANCE Consultation Response to ESMA's Call for Evidence on the Retail Investor Journey: Understanding Retail Participation in Capital Markets, Consultation paper (2025), <https://betterfinance.eu/publication/better-finance-response-to-esma-consultation-on-the-retail-investor-journey/>.

<sup>12</sup> BETTER FINANCE, Consultation Response to Commission's Call for Evidence on Savings and Investment Accounts, July 2025, <https://betterfinance.eu/publication/consultation-savings-investments-accounts/>.

representatives across selected European countries, it seeks to identify which features appear sufficient to incentivise capital-market engagement, which work best in practice, and where shortcomings remain across the different national archetypes for direct investment.

More specifically, the paper focuses on mapping reported tax-distortion elements of account structures that provide individual investors with direct gateways to investing in listed securities markets:

- the traditional standard retail brokerage account; the straightforward account structure through which an individual investor holds and trades securities; and
- country-specific types of ‘Savings and Investment Accounts’ that various Member States already operate, when such framework is available.

The analysis covers seven European jurisdictions: Germany, France, Iceland, the Netherlands, Sweden, Estonia and the United Kingdom – selected for the diversity of their regulatory and fiscal frameworks.

Drawing on structured questionnaires administered to BETTER FINANCE member organisations, this analysis integrates the firsthand perspectives of retail investor representatives across the covered countries. Specifically, we explore how three analytically distinct tax distortions arise and impact individual investors:

- The first is the **tax neutrality (or product-bias) distortion**, investigating whether the tax system systematically favours regulated savings accounts, bank deposits, insurance-based investment products or other long-term packaged products over standard brokerage accounts and other direct-securities investment structures. It also considers whether different asset classes or forms of investment income are treated in ways that influence investors’ choices beyond the intended policy objective.
- The second is tax **administrative friction**, examining the compliance burden imposed on investors through reporting requirements, the frequency of tax-triggering events, and the degree of assistance (or lack thereof) provided by any automated investment firms and tax authorities – next to any resulting burden left up to individual investors.
- The third, we reflect on the extent of **inflation distortion** (real-return distortion), specifically the extent to which taxing nominal returns, without any mechanism for inflation adjustment, erodes investors’ real gains and may curb the purchasing power of their investments over time.

Although this paper does not focus directly on pension schemes, insurance-based investment products or bank savings accounts, these are considered as comparators as their tax treatment may divert household savings away from direct securities investment. Their distinct regulatory frameworks, contractual structures and policy objectives nevertheless preclude a full like-for-like comparison.

## Analytical framework: ‘three retail tax distortions’

### Tax neutrality and product bias

The first dimension questions whether comparable forms of household investment are treated in a broadly neutral manner. Complete tax neutrality is largely theoretical: fiscal policy inevitably influences economic decisions and may deliberately steer behaviour towards public-policy objectives, such as pension adequacy, long-term investment or the green transition. In some cases, taxation is even expressly designed to correct inefficient market outcomes or externalities (commonly referred to as Pigouvian taxation).<sup>13</sup>

Such intended incentives are not necessarily distortions. The concern arises where tax rules influence product choice, asset allocation or holding periods beyond their stated objective, or favour particular structures without a clear investor-protection or public-interest justification. For the purposes of this study, neutrality therefore refers less to the complete absence of influence than to ensuring that taxation does not interfere with investors’ freedom of choice more than policymakers intended.<sup>14</sup>

While tax policy can affect households’ propensity to save and invest, it can also impact products selection, the form in which returns are received and the timing of investment decisions. The paper accordingly considers whether national rules differentiate, intentionally or otherwise, between deposits and securities, insurance-based products and brokerage accounts, different asset classes, or dividends and capital gains.<sup>15</sup>

### Administrative friction & simplicity

The second dimension concerns simplicity. BETTER FINANCE has long argued that retail investing should not require the time, expertise and resources of a full-time job. Yet tax systems may impose substantial friction through complex reporting requirements, frequent taxable events, fragmented withholding procedures or insufficient assistance from firms and tax authorities.

Administrative simplicity can therefore be an important investor-protection feature. Automatic withholding, pre-filled declarations and account-level reporting can lower barriers to participation. Conversely, burdens left to individual investors may discourage direct and cross-border investment, particularly among smaller or less experienced investors.<sup>16</sup>

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<sup>13</sup> Lena Hiort af Ornäs Leijon, *Tax Policy, Economic Efficiency and the Principle of Neutrality from a Legal and Economic Perspective*, (Uppsala), Working Paper Series / Juridiska institutionen ; 2015:2, vol. 2 (2015).

<sup>14</sup> Barry Bracewell-Milnes, *A Liberal Tax Policy: Tax Neutrality and Freedom of Choice*, 2 (1976).

<sup>15</sup> Robert E. Hall and Dale W. Jorgenson, *Tax Policy and Investment Behavior*, 57, no. No. 3 (1967): 391–414.

<sup>16</sup> OECD, *Enhancing Simplicity to Foster Tax Certainty and Growth: OECD Report to the G20* (OECD Publishing, 2025), <https://doi.org/10.1787/086f71ab-en>.

## Inflation and real-return distortion

Finally, the paper reports on what measures, if any, national tax systems use to mitigate the effects of inflation. Because taxable returns are generally calculated in nominal rather than real terms, inflation can increase the effective tax burden and result in investors being taxed on gains that do not represent a corresponding increase in purchasing power.

Inflation may also influence incentives to save and invest, as well as the timing and form of investment returns. For example, tax treatment may favour assets generating deferred capital gains over those distributing regularly taxable dividends. Even moderate inflation can accumulate materially over long holding periods, particularly where tax is triggered annually or upon realisation.<sup>17</sup>

This should be taken into account by policymakers seeking to encourage long-term investment strategies that preserve purchasing power rather than tax-driven short-term behaviour. Although the European Central Bank aims for inflation of 2% over the medium term in the euro area, recent economic shocks have shown that inflation can deviate significantly from that objective.

The paper therefore considers how the selected tax regimes address inflation-related distortions, while recognising that poorly designed or partial adjustments may themselves create new biases. For example, inflation relief limited to one asset class or income category may reduce real-return distortion while introducing a neutrality or product-bias distortion.<sup>18</sup>

The boundaries between the three dimensions are not always clear, as they are closely interconnected. However, this does not undermine the preliminary findings. The purpose of the framework is not to classify every distortion rigidly, but to report how fiscal policy interacts with retail investment and identify which features appear to support (or hinder) the attainment of retail investor-friendly capital markets.

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<sup>17</sup> Anandi P. Sahu, "Degrees of Tax Indexation and Nominal Interest Rates: Effects of Inflation on Incentives to Save and Invest," *Journal of Economics and Finance* 32, no. 1 (2008): 91–104, <https://doi.org/10.1007/s12197-007-9008-0>

<sup>18</sup> Anandi P. Sahu, "Degrees of Tax Indexation and Nominal Interest Rates: Effects of Inflation on Incentives to Save and Invest," *Journal of Economics and Finance* 32, no. 1 (2008): 91–104, <https://doi.org/10.1007/s12197-007-9008-0>.

## Part 1 | National investment-account models and retail taxation

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This section provides a snapshot of the selected jurisdictions. Each country fiche maps the main retail investment account structures, the tax treatment of the principal securities accounts, relevant competing tax-advantaged products, and key administrative features. Together, these elements establish the factual and market context needed to assess how national frameworks may create distortions from a retail-investor perspective.

The purpose is not to rank countries mechanically. Nevertheless, a common summary table first provides a structured comparison of the main features of each regime. The country fiches then serve as the evidence base for the analysis in Part 2, where this factual mapping is complemented by the practical experience of retail investor representatives and assessed against three distortion archetypes: neutrality and product bias, administrative friction, and inflation or real-return distortion.

## Country fiches | Overview on account structures and tax regimes

Table 1: Comparative snapshot: investment accounts by countries

| <b>Jurisdiction</b>   | <b>Account models</b>                    | <b>Basic tax logic</b>                                                                      | <b>Available tax-favoured structure</b>                                                | <b>Main tax distortion to assess</b>                                       | <b>Archetype</b>                          |
|-----------------------|------------------------------------------|---------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|----------------------------------------------------------------------------|-------------------------------------------|
| <i>Sweden</i>         | ISK and standard brokerage account       | ISK taxed annually on account value; standard account taxed on realised gains and dividends | ISK                                                                                    | Simplicity versus annual taxation regardless of actual performance         | ISK - simple annual account tax           |
| <i>Germany</i>        | Standard brokerage account               | Flat withholding tax on nominal investment income                                           | Life insurance and pension-related products                                            | Domestic simplicity, but limited neutrality and restricted loss-offsetting | withholding simplicity with offset limits |
| <i>France</i>         | Standard securities account and PEA      | PFU on the standard account; PEA tax-favoured after the required holding period             | PEA, (alongside Life insurance, Livret A savings) and standard brokerage account.      | Strong product-bias landscape                                              | PEA within a product-favoured landscape   |
| <i>United Kingdom</i> | Standard brokerage account and ISA       | Standard account taxed on gains and dividends; ISA tax-free (capped)                        | ISA and life-insurance bonds                                                           | Strong account-based incentive, but benefits may be unevenly used          | ISA as a tax-free account structure       |
| <i>Netherlands</i>    | Brokerage account on Deemed-return model | Taxation based on an assumed return on assets                                               | Limited alternatives to brokerage account outside pension and self-employed structures | Deemed-return taxation (unfair outcomes risks if returns are lower)        | deemed-return taxation                    |
| <i>Estonia</i>        | Investment account                       | Tax deferred until withdrawals exceed contributions                                         | Pension investment accounts                                                            | Account-level neutrality and administrative simplicity                     | tax-deferral account                      |
| <i>Iceland</i>        | Standard banks under flat tax            | Single flat tax on financial income above threshold                                         | Pension savings                                                                        | Simplicity, but no inflation adjustment and limited loss-offsetting        | simple flat-tax model                     |

## Sweden

Sweden is often cited as one of the clearest examples of a tax-advantaged account structure associated with widespread retail participation in capital markets. Swedish retail investors may choose to invest through an *Investeringssparkonto* (ISK), which has become a widely used account structure, and/or through a standard brokerage account.

### *Investeringssparkonto (ISK)*

The ISK operates under an annual standardised taxation model, that applies a wealth-tax principle. Indeed, rather than taxing realised gains, dividends and interest separately, it applies tax to a standardised income calculated on the account's capital base – that is to say that the rate applies to the nominal value of the whole account rather than the income it generated.

Under the rules applicable for the 2026 income year, a tax-free allowance of SEK 300,000 applies to the investor's combined savings held through ISKs, capital insurance and Pan-European Personal Pension Products (PEPP)<sup>19</sup>. Above that allowance, the standardised income is calculated by reference to the government borrowing rate recorded on 30 November of the preceding year, plus one percentage point. For 2026, this produces a standardised income rate of 3.55% and an effective tax rate of 1.065% on the relevant capital base above the allowance.

Consequently, ISK holders may be taxed even where their investments have generated no return or have fallen in value during the year. Conversely, realised gains, dividends and withdrawals are not taxed separately, while losses and account-related costs are not deductible.

The ISK's administrative simplicity is one of its strongest investor-friendly features. The bank or broker reports the standardised income to the Swedish Tax Agency, and the information is included automatically in the investor's tax return. Investors therefore do not need to track individual purchase prices, calculate cost bases or declare each transaction. The tax-free allowance is also applied automatically.

However, the effective ISK tax varies with the government borrowing rate. It became less favourable as interest rates increased following the prolonged low-rate period, during which the annual charge had fallen to very low levels. This illustrates the trade-off inherent in the model: substantial simplicity and tax predictability at account level, but taxation that is not directly linked to the investor's actual performance.

### *Standard brokerage account*

By contrast to simple annual value, a standard brokerage account is taxed on a realisation basis. No annual tax arises merely from holding securities, but realised capital gains are generally taxed at 30%, while dividends are also generally subject

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<sup>19</sup> "The Future Pan-European Pension Product: Realising PEPP's Potential for Pension Adequacy," BETTER FINANCE, 9 Jan. 2025, <https://betterfinance.eu/publication/position-paper-pepp-potential-pension-adequacy-eu-retirement-savings/>

to a 30% rate and preliminary tax is normally deducted by the payer or intermediary.

The investor must declare securities disposals and determine the acquisition cost, although brokers may provide transaction information and other support. Losses on listed shares and similar instruments may first be offset in full against eligible gains. Where a net loss remains after this offsetting, 70% of that remaining loss is generally deductible. The standard account therefore allows losses and actual investment performance to be reflected more accurately in tax reports, but it entails greater administrative complexity than the ISK.

Although growth in the number of ISK holders has recently slowed (most likely as the account approaches a high level of adoption) the tax-advantaged structure remains widely popular in Sweden. Approximately 3.8 million individuals held an ISK in 2023, rising to more than four million taxpayers in 2024. This represents around two-fifths of the total population and close to half of the adult population. Meanwhile, the total value of assets held through ISKs was estimated at over SEK 1.6 trillion in 2023. The remarkable success of this account structure has undoubtedly contributed to the broad expansion of securities ownership and household participation in Sweden's capital markets over recent decades.

Overall, Sweden illustrates the trade-off between simplicity and fairness over time. The ISK removes much of the administrative friction associated with securities investment and has clearly supported retail participation. However, because taxation is based on account value rather than actual realised gains, investors may be taxed even in years where their portfolio has not generated a positive return. This model may, however, become less favourable over time, especially in high-interest-rate environments.

## Germany

Germany is emblematic of the European inequitable asset allocation landscape. It is characterised by a strong savings culture and a large household financial-asset base. At the end of Q4 2024, German households' financial assets reached €9,050 billion. Of these, approximately €3,406 billion (or 37.6%) was held in cash – currency and deposits, while €1,693 billion (18.7%) was held in shares and other equity. Investment-fund shares represented a further 12.9%, while insurance, pension and other long-term standardised-guarantee claims accounted for 28.4%. These aggregate figures reflect a market in which deposits and insurance-based savings remain prominent, although participation in capital-market instruments varies significantly across households.

In this context, the taxation of the standard brokerage account (and its treatment relative to insurance- and pension-linked structures) is particularly relevant to the allocation of household savings.

### *Standard brokerage-account taxation*

In Germany, the standard brokerage account combines withholding simplicity, albeit with limited substantive neutrality and under restricted loss offsetting. In general, investment income is subject to a flat withholding tax known as the

*Abgeltungsteuer* – levied at 25% (to which a solidarity surcharge and, where applicable, ‘church tax’ are added). This brings the effective rate closer to 26.375% for investors not subject to church tax and 27.8%–28.0% for those who are.

The tax applies principally across savings and investments, including interest, dividends and other distributions, as well as realised capital gains. The length of the holding period does not generally alter the applicable rate, taxation arises on the disposal; subsequent reinvestment itself does not affect that tax liability.

Yet, within this, investment funds are subject to an additional mechanism. An annual *Vorabpauschale* may become taxable where a fund has increased in value but has made no or only limited distributions. It operates as an advance minimum taxation of fund income and may therefore create a taxable amount even though the investor has neither sold the units nor received an equivalent cash distribution. For the 2026 calculation, the relevant base interest rate was set at 3.20%, with the resulting *Vorabpauschale* deemed to accrue in January 2027.

More generally, taxation applies to nominal returns, without any mechanism for inflation adjustment. A positive nominal but negative real return may therefore still give rise to tax liability.

However, an allowance applies to investment income across all capital accounts combined (savings and investing). This tax-free allowance is set at €1000 per individual (or doubled to €2000 for jointly assessed couples). It is applied before any tax is ultimately due. Where such *Freistellungsauftrag* has been filed, the paying agent deducts the allowance at source. Otherwise, tax may initially be withheld in full, and any excess may have to be recovered afterwards – via the annual tax assessment process.

### *Loss offsetting*

As a rule, a realised nominal loss does not itself trigger tax, and unused capital losses may generally be carried forward. However, German rules distinguish between different loss categories. In particular, losses from the disposal of shares remain offsetable only against gains from share disposals; not against dividends, interest or other capital income. However, the precise treatment of all asset types also depends on the type of instrument held and loss concerned – for instance, the Annual Tax Act of 2024 lifted a ban on loss off-setting specific to futures contracts<sup>20</sup>. This segmentation may therefore prevent taxation from fully reflecting the investor’s overall economic position. Further, where gains and losses arise within the same bank or broker, the institution generally manages the relevant loss-offsetting “pots” and automatically carries unused losses forward. However, offsetting losses held with one provider against gains realised through another normally requires the investor to request a loss certificate by 15 December and subsequently file his/her own tax return. Portfolio fragmentation and asset classes

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<sup>20</sup> *The Annual Tax Act 2024* | Honert, Newsletter, December 19, 2024, <https://honert.de/en/2024/12/19/the-annual-tax-act-2024/>.

held can therefore reintroduce administrative friction into an otherwise automated system.

### *Administrative treatment*

Overall, for German banks and brokers acting as domestic paying agents (including German-based neobrokers), tax is generally withheld automatically and in most ordinary cases (simple instruments), this withholding satisfies the investor's tax liability, meaning that already-taxed investment income does not need to be reported separately.

A tax return may nevertheless be relevant where the investor's personal marginal tax rate is below the flat withholding rate, where gains and losses must be offset across institutions, or where foreign-tax credits need to be claimed.

By contrast, where a foreign broker does not act as a German withholding agent, the investor must identify, calculate and declare the relevant investment income. This introduces additional complexity, particularly for capital gains, investment-fund taxation and foreign-source income, and may discourage the use of cross-border providers.

### *Competing tax-favoured long-term structures*

Subject to specific conditions, legacy life-insurance contracts concluded before 1 January 2005 may still benefit from tax-exempt treatment. For more recent contracts, the taxable gain is generally the difference between the insurance payout and the contributions paid. However, long-term products continue to benefit from preferential treatment: where the contract has been held for at least 12 years and the payout is received after the applicable age threshold—age 62 for contracts concluded after 31 December 2011—only half of that gain is generally included in taxable income and assessed at the investor's personal income-tax rate rather than under the flat *Abgeltungsteuer*. Fund-linked life-insurance contracts may also benefit from a partial exemption for gains attributable to investment-fund income.

Certified pension structures receive separate incentives. Investment income accumulating within qualifying Riester and Rürup pension plans is not subject to final withholding tax during the saving phase, although subsequent benefits are taxed under the rules applicable to those structures.

Although successive legislative changes have narrowed some of these advantages, insurance- and pension-linked products remain the principal structures through which German retail investors access long-term tax incentives.

## France

France's retail savings landscape is dominated by products and account structures outside the standard brokerage account. At the end of 2024, French households held approximately €6.36 trillion in principal financial placements. Excluding around €1.4 trillion in unlisted shares and other equity, the savings and investment categories most relevant to this study amounted to roughly €5 trillion. Of these, around €2.1 trillion was held in currency and bank deposits, a further €2.1 trillion in

life-insurance and retirement-savings products, approximately €400 billion in investment funds, and around €360 billion in directly held listed shares and debt securities.

Directly held listed securities therefore represent a relatively small share of the overall savings market, while the standard securities account competes with several strongly tax-favoured alternatives, including life insurance, regulated savings accounts and the PEA. This structural allocation considerably shapes the French taxation landscape.

The 2024 flows reinforce this picture. French households were modest net sellers of listed shares, with net disposals of €1.6 billion, although this flow measure does not capture changes in portfolio values resulting from market movements. By contrast, net inflows reached €20.1 billion for regulated savings, €32.7 billion for euro-denominated life-insurance and retirement products, and €29.0 billion for unit-linked products. Household savings therefore continued to flow predominantly towards regulated and insurance-based structures rather than directly held listed equities.

### *Standard securities-account taxation*

Within a standard brokerage account in France, investment income and capital gains are generally subject to the *prélèvement forfaitaire unique* (PFU), or so-called “30% flat tax.” Since 1 January 2026, the PFU rate is 31.4% (comprising 12.8% income tax and 18.6% social levies)<sup>21</sup>. It generally applies across all revenues; to dividends when paid and to capital gains upon disposal. Investors may alternatively opt for taxation under the progressive (household) income-tax scale, in which case a 40% deduction may apply to eligible dividends.

In general, no adjustment is made for inflation or the length of the holding period under the PFU flat tax. The inflation erosion accumulated over long investment horizons is therefore disregarded, and a positive nominal gain may be taxed even where the investor’s real return is limited or translates to a negative return in terms of purchasing power. However, realised securities losses may generally be offset against gains of the same nature in the same year. Any remaining loss can usually be carried forward for up to ten years and used against future eligible gains. Investors therefore need to keep track of losses over time and report them correctly.

Domestic banks and brokers generally facilitate reporting, provide the annual tax statement and apply withholding to distributed income. Capital gains must nevertheless be included in the investor’s annual tax declaration, based on the information provided by the institution.

### *The PEA Account*

The Plan d’Épargne en Actions (PEA) is France’s principal tax-advantaged account for direct securities investment. The standard PEA has no annual payment limit;

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<sup>21</sup> “PFU (Prélèvement Forfaitaire Unique): guide complet 2026,” April 17, 2026, <https://www.dougs.fr/blog/pfu/>.

instead, it has a lifetime payment ceiling of €150,000. It is mainly restricted to shares of European companies and eligible investment funds with predominantly European equity exposure. If the plan is held for at least five years, investment gains and dividends are exempt from income tax, although social levies remain deferred and payable upon withdrawal (amounting to 18.6% under the rules applicable from 2026).

At the end of 2024, approximately 7,3 million PEA accounts were open in France, holding around €114 billion in assets. Despite its broad adoption, its assets remain modest compared with the amounts held through life insurance and ‘regulated’ bank savings.

### *Competing tax-favoured structures*

In France, life-insurance products benefit from more favourable treatment than the standard brokerage account and compete with PEA in this regard. After eight years, gains attributable to premiums (within an applicable €150 000 threshold) are generally subject to a 7.5% income-tax rate and social levies of 17.2%, resulting in an effective rate of 24.7%, since life-insurance income was expressly excluded from the increase in social levies applying to most investment income in the 2026 revision. In addition, an annual allowance of €4600 per individual (or €9200 for a jointly taxed couple) applies to the gains included in withdrawals from contracts held for more than eight years. Within that allowance, no income tax is due, although social levies remain applicable. In general, life insurance also provides significant inheritance and beneficiary-designation advantages that are not available through any ordinary brokerage account.

Finally, regulated bank savings accounts, such as the ‘Livret A’, are entirely exempt from both the income tax and social levies. Their simplicity, capital protection and favourable taxation make them particularly strong competitors to direct securities investment – despite their very limited return potential.

### *Main retail-investor implications*

France therefore provides a clear example of product-steering distortion. While the PEA benefits from more favourable tax treatment, direct securities held through a standard brokerage account are subject to taxation at 31.4%, whereas life insurance and regulated savings accounts remain among the most commonly advised products. The PEA could partially address this imbalance, yet it is still not widely used and restricted in its investment universe to eligible European investments, making it less diversified alternative. Overall, the combination of product-specific incentives, investment restrictions, and long-standing cross-border administrative friction continues to shape household allocation away from unrestricted direct securities investment.

## United Kingdom

### *Standard brokerage-account taxation*

In a UK standard brokerage account (commonly referred to as a ‘General Investment Account’) returns are taxed in nominal terms, and without any adjustment for inflation. Overall, the system foresees a differing treatment of gains,

dividends and interest. First, capital gains are taxed upon realisation, while dividends and interest are taxed when received. For 2026, capital gains above the £3000 annual exempt amount are generally taxed at 18% within the basic-rate band, and then at 24% above it. Second, the first £500 of dividend income benefits from a zero-rate allowance; above this, rates range are 10.75%, 35.75% and 39.35% per taxpayer category (basic-, higher- and additional-rate ones; respectively). Third, any income on interest remains treated separately within the Personal Savings Allowance, which is exempting up to £1000 for basic-rate taxpayers and £500 for higher-rate taxpayers, while additional-rate taxpayers receive no such allowance.

It is possible for realised capital losses to be first offset against gains in the same tax year. Moreover, provided they are claimed, unused losses then be carried forward indefinitely (normally within four years after the end of the tax year in which the disposal occurred).

### *Administrative treatment*

Tax administration therefore varies by return type. Investors must notify HMRC of taxable dividends, with a specific Self-Assessment generally required where annual dividend income exceeds £10,000. Banks and building societies report savings interest to HMRC, which may in turn collect any liability through the investor's tax code. As per capital gains, those must be calculated and reported where the relevant thresholds are met. Brokers generally provide transaction statements; however, investors remain responsible for compiling acquisition costs, disposals, gains and losses. A standard brokerage account therefore requires considerably more active tax management than an ISA (see below).

### *Individual Savings Accounts*

The scale and visibility of the Individual Savings Account models illustrate the strength of a simple account-based incentive. For 2026-2027, an individual may contribute up to £20,000 (annual subscription limit). ISA types comprise cash ISAs, lifetime ISAs, stocks and shares ISAs, and innovative finance ISAs. Generally, no UK income tax is charged on interest or dividends held within the account, no capital gains tax arises on disposals, and ordinary withdrawals also are tax-free. The ISA is therefore not merely tax-deferred: eligible returns are exempt throughout the life of the account.

Yet, specifics may apply to ISA types: from 6 April 2027, the cash-ISA contribution limit for individuals under 65 is scheduled to fall to £12,000 within the unchanged overall £20,000 ISA allowance. Those aged 65 and over will retain the ability to place the full allowance in a cash ISA. In 2024, adult ISA holdings had a total market value of approximately £872 billion. Around 15 million adult ISA accounts received subscriptions during that year, amounting to approximately £103 billion. Stocks and shares ISAs represented 58.6% of total adult ISA value, compared with 41.3% for cash ISAs.

### *Other tax-favoured structures*

Compared with some continental systems, the UK relies less heavily on tax advantages tied to insurance products, with the main long-term incentives being

ISAs and pension schemes. Nevertheless, there exist so-called onshore and offshore life-insurance bonds that may provide a (limited) tax deferral regime to allow income and gains to accumulate without any immediate personal tax charge. Broadly, investors may withdraw up to 5% of the original premium each year without an immediate chargeable-event gain, with unused amounts carried forward. This is a deferral rather than an exemption, as withdrawals are taken into account when the bond is ultimately surrendered, matures or otherwise triggers a chargeable event. UK-policy gains may be treated as having borne basic-rate tax, whereas foreign policies normally do not receive the same credit.

## Netherlands

The Netherlands represents a distinct case. Retail investors typically hold securities through standard brokerage accounts alongside bank savings, but the assets held through them are taxed under the Box 3 deemed-return model rather than on realised gains.

Under the standard system, the composition and net value of the investor's Box 3 assets and deductible debts on 1 January determine the tax base. A deemed (or fictitious) return is then applied and taxed at 36%. For 2026, the provisional deemed-return rate is 6.00% for investments and other assets, compared with 1.28% for bank deposits. A tax-free allowance of €59,357 per person applies under this calculation.

Dividends and capital gains are not recognised as separate taxable events, and whether securities are sold during the year does not affect the standard Box 3 calculation. Thus, an investor whose portfolio outperforms the assumed rate remains taxed on the lower deemed return. Conversely, following the Dutch Supreme Court's rulings, an investor whose actual return is lower may demonstrate the portfolio's overall annual return and benefit from the more favourable calculation.

This safeguard nevertheless comes with limitations. Under the actual-return method, the €59,357 tax-free allowance does not apply. Interest, dividends and both realised and unrealised changes in value are assessed across the investor's entire Box 3 portfolio, while most investment costs are not deductible. Gains and losses may be offset within the same year, but a negative overall return is reduced to zero and cannot be carried forward or back.

From an administrative perspective, the standard system is relatively simple: banks and other financial institutions report much of the relevant asset information, allowing tax returns to be largely pre-filled. Investors relying on actual returns must provide more detailed information on income and changes in asset values. From the 2025 tax return onwards, however, this information can be submitted through the ordinary declaration, after which the tax authority applies the more favourable calculation.

Outside Box 3, the principal tax advantages concern pension saving. Contributions to qualifying annuity insurance, pension accounts or pension-investment products may be deductible where the individual has a recognised pension shortfall, with

taxation deferred until benefits are paid. This relief is not limited to the self-employed, although it is particularly relevant to individuals without sufficient occupational pension coverage. Green savings and investments also retain a reduced preferential treatment in 2026, although this advantage has been substantially narrowed.

The Netherlands therefore illustrates how administrative simplicity can coexist with substantive distortion. The deemed-return model avoids transaction-by-transaction taxation but may impose tax on returns investors did not actually earn. The actual-return safeguard limits this risk, yet removes the tax-free allowance and reintroduces documentation burdens. This tension is particularly relevant for defensive or modest-return products, where taxation, inflation and costs may undermine objectives such as capital preservation or real growth.

## Estonia

In Estonia, the ordinary account (*tavasüsteem*) and the investment account (*investeerimiskonto*) regimes coexist. By choosing between them, investors can decide how their tax treatment applies to eligible securities and financial assets held through their brokerage arrangements. The distinction is therefore primarily one of tax timing and reporting, rather than between fundamentally different (brokerage) account types.

In Estonia, at the end of 2025, securities held by retail investors through custody services provided by Estonian banks and investment firms amounted to approximately EUR 5.5 billion, a significant amount put in perspective with the roughly EUR 7.95 billion held in second- and third-pillar pension funds altogether.

Under the ordinary account, all assets are eligible, while gains and losses from the sale or exchange of securities are reported for the calendar year in which the transaction occurs. Taxable gains are calculated as the difference between the disposal price and acquisition cost and are subject to the standard personal income tax rate of 22%. Properly declared securities losses may be offset against gains and carried forward, while dividends and interest follow separate income-tax and withholding rules.

By contrast, the investment-account regime applies an optional tax-deferral method and accepts a wide range of eligible assets. Investors report contributions and payments annually, but tax becomes payable only when payments taken out of the system exceed cumulative contributions. Amounts up to the value of previous contributions may therefore be withdrawn without triggering tax; only the excess is taxed at the standard 22% rate.

Purchases, sales, reinvestments and portfolio rebalancing involving qualifying financial assets do not themselves trigger tax while the proceeds remain within the investment-account system. This limits annual tax drag and allows returns to remain invested and compound over time.

Dividends and interest require more specific treatment. When tax has already been paid or withheld, the amount received may be recorded as an additional

contribution, increasing the amount that may later be withdrawn without further taxation. Qualifying untaxed interest and certain foreign dividends may instead remain within the tax-deferral regime where the relevant conditions are met.

The regime covers a broad but legally defined range of financial assets, including publicly traded or offered shares and bonds, authorised investment funds and ETFs, deposits, qualifying derivatives and certain unit-linked life-insurance contracts. Licensed crowdfunding investments and crypto-assets may also qualify, although an account held directly with the relevant platform cannot necessarily be designated as the investment account.

Annual investment performance does not determine whether tax becomes payable: portfolio appreciation, realised gains and reinvestments remain untaxed while the proceeds stay within the system. However, the eventual calculation is based on nominal contributions and payments, without adjustment for inflation. Deferral therefore supports compounding and limits annual tax drag, but does not fully remove real-return distortion when accumulated gains are ultimately withdrawn.

Administratively, investors principally report contributions and payments rather than the taxable result of each transaction. These are nevertheless automatically declared annually by major domestic banks and investment firms to the tax authority's electronic system, while foreign accounts generally require more manual reporting.

For non-pension retail investment, the main general tax advantage is therefore the optional investment-account regime, rather than a separate preference reserved for insurance-based products. Certain unit-linked life-insurance contracts may themselves qualify within the same regime. Pension funds and pension investment accounts, by contrast, operate under separate pension-specific contribution and withdrawal rules.

## Iceland

Iceland's taxation regime is characterised by relative simplicity. Financial income (including interest, dividends and capital gains realised on the sale of securities) is generally subject to a flat 22% tax rate. Taxation is linked to the receipt of interest or dividends and the realisation of gains. Merely holding securities or experiencing an unrealised increase in value does not itself trigger tax. Reinvestment does not constitute a separate taxable event, but if it follows the sale of an asset at a gain, the preceding sale remains taxable. In Iceland, investors typically use investment accounts with banks rather than a distinct "brokerage account" concept.

A combined annual tax-free allowance of ISK 300,000 per individual (about €2,000) applies to interest income and to dividends and capital gains from shares listed on a regulated market. This broader allowance replaced the previous interest-only allowance of ISK 150,000 (about €1,000). Small-scale investors whose qualifying financial income remains below the threshold may therefore incur no capital income tax. Interest and dividends are generally subject to withholding at source, while gains from the sale of shares are taxed through the annual assessment. Tax

returns are substantially pre-filled using information reported on the investor's behalf by domestic banks and other institutions, keeping the administrative burden relatively low.

Iceland therefore displays substantial formal neutrality across savings and investment income through a common 22% rate. However, effective neutrality is weaker because securities investments involve volatility, realised losses and restricted portfolio netting.

The regime taxes nominal returns without any adjustment for inflation; investors may therefore owe tax on a positive nominal return even where the investment has lost purchasing power in real terms. Loss-offsetting is narrowly available against gains from similar assets realised in the same year, but there is no general portfolio-wide netting or carry-forward mechanism. Consequently, a gain on one investment may be taxed even where the investor's wider portfolio has generated a loss.

A further concern is the interaction between investment income and certain means-tested social insurance benefits. Capital income may count towards the income used to calculate old-age, disability and related benefits. Investors may therefore face both tax on nominal or non-net investment income and a reduction in social benefits, even where their real financial position has improved only marginally or not at all.

Unlike several other European jurisdictions, Iceland does not appear to provide a broad tax preference for life-insurance-based or other packaged investment products comparable to those available elsewhere. The principal tax-favoured long-term savings structure is instead pension saving, with qualifying contributions benefiting from tax deductions. Private pension savings may also be used tax-free for the purchase of a first home, subject to the applicable conditions.

Overall, Iceland demonstrates how simplicity can be both investor-friendly and harsh. A flat rate, withholding at source and substantially pre-filled reporting reduce administrative friction, but the absence of inflation adjustment, narrow loss-offsetting and interaction with social benefits can produce outcomes that do not reflect the investor's overall real return.

## Part 2 | Tax distortions in practice: comparative findings from retail-investor representatives

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### Neutrality and product bias: tax incentives within the wider savings-investing landscape

On neutrality, the assessment varies from one Country to the other, based on the different products and containers available. Neutrality should be what fiscal policy strives for.

In Sweden, investors get to choose between ISKs – the tax-incentivised container – and the standard brokerage account. Despite the tax advantage, however, ISKs are taxed on the value of the whole portfolio, which makes investors reconsider their suitability for long-term investments. Indeed, even if the tax rate is low (order of magnitude roughly 1%-2%), the fact that it is being levied on the value of the whole account on a yearly basis adds up to a much larger amount after 30 years or more. Such a long holding would not produce any tax event on a standard brokerage account, until it was realised. Then, a 30% tax rate would apply. Notwithstanding the consideration for long-term holdings, Swedish fiscal policy remains overall fairly neutral, with capital markets being entrusted with a growing amount of assets over the past decades.

German retail investors, on the other hand, have much less choice in their hands. Their system lacks an equivalent tax-incentivised container, and despite the first tax-free 1000 euros capital/investment income threshold, it remains deemed too low to constitute a “credible tax advantage”. Besides this, state support is only reserved for insurance-based and pension products. German fiscal policy, therefore, is not to be considered neutral, because it clearly favours one sole way of saving or investing long-term. Germany is relatively simple for investors using a single domestic brokerage provider, but less neutral in substance since direct securities investment remains subject to taxation of nominal returns, an advance-tax mechanism for certain investment funds and restricted loss offsetting for directly held shares. Further, administrative complexity will also emerge where investors use several institutions or cross-border providers. At the same time, the more significant long-term tax advantages remain concentrated in insurance and pension-linked structures rather than in a dedicated account for direct securities investment. The German framework therefore combines effective domestic withholding with tax and account-structure distortions that may influence how households allocate their long-term savings.

France's case, furthermore, illustrates another complex variation, again affecting neutrality and therefore investment incentives. Despite the availability of a tax-advantaged account structure (the *Plan d'Épargne en Actions*, or PEA), its uptake and assets remain comparatively low in the face of other competing savings products. First, they point out that France applies a holding-period-based tax taper

to real-estate capital gains, a benefit no longer structurally mirrored for ordinary financial investments. While the PEA provides an important exception (capital gains and dividends become exempt from income tax after at least five years), social levies are still payable upon withdrawal (18.6%, under the 2026 rules). This residual fiscal friction does not amount to a complete tax exemption, which, combined with the PEA's more restricted investment universe, and comparatively weaker commercial incentives for providers to promote it to clients places it in a less favourable condition than with life insurance (*assurance-vie*) or even regulated savings accounts (*livrets*). In fact, the widespread *Livret A* tax incentive is relatively stronger as returns are completely exempt from both income tax and social levies. Together with simplicity and apparent capital protection (despite failing to protect purchasing power), this might explain the preference of French households for so-called familiar, lower-risk yet low-yielding products that are more comprehensively sheltered from tax. Consequently, the reported experience with French fiscal policy illustrates how both uneven tax and distribution landscape materially weakens neutrality in retail investing, notwithstanding the existence of dedicated tax-advantaged accounts such as the PEA.

On the other side of the Channel, the UK's ISA offers relatively generous tax incentives, but broad retail participation remains limited. Two principal explanations were offered: the dominance of residential property as the primary savings vehicle for middle-income households, absorbing available capital that might otherwise flow into financial markets; and insufficient financial education, with the UK's historically generous workplace pension system reducing the perceived urgency of supplementary private investment. Despite the non-neutrality of the tax regime being quite mild, the UK demonstrated once again that tax incentives are not a standalone recipe to boost retail participation in capital markets. Overall, the United Kingdom appears to combine differentiated taxation within the standard brokerage account with another yet simple, visible and genuinely tax-free investment account. The ISA offers to remove much of the fragmented taxation and reporting associated with gains, dividends and interest, while generally avoiding strong (long-term or insurance-based) product-specific tax steering seen in some other jurisdictions due to the wide range of ISAs accounts available. We note, however, that access to ISAs full benefit remains uneven. In 2022-2023, 22.7% of all ISA subscribers contributed the maximum set yearly amount, whereas 59.9% of subscribers were earning £150,000 or more. The account therefore offers a powerful and accessible investment gateway, yet the value of its incentive remains closely linked to disposable income and one's capacity to save.

Moreover, the Dutch tax treatment of retail investors presents severe distortions. The structural non-neutrality of the system starts from the calculation of the assumed rates associated with investment and deposits. The assumed rate of investment performance for 2025 was 5.88%, establishing a base that investors are expected to beat, which is by no means guaranteed. In fact, underperforming accounts might force their owners to embark on a burdensome administrative process to demonstrate the weak returns produced by their investment. On the other hand, deposits – whose assumed rate is much lower at 1.37% – represent an easier path. This severe distortion structurally discourages market participation for

Dutch retail investors. Furthermore, neutrality of investment decisions can be impacted in the Netherlands due to the reliance on the fixed 1 January valuation snapshot, adding another behavioural distortion to the differential deemed treatment of deposits and investments.

In Estonia, retail investors can hold different products and instruments within the same account wrapper: a neutrality that characterises the functioning of the tax regime. The system creates a level playing field between different forms of investment income and avoids many of the tax-driven portfolio management decisions that arise under realised capital gains taxation. In addition, retail investors can decide to receive dividends from Estonian issuers on their designated investment account, allowing the full amount to be reinvested. Overall, the Estonian model combines relatively broad product neutrality with administrative simplicity. It allows investors to reinvest and rebalance without immediate taxation, while retaining reporting obligations and eventual taxation of nominal returns. Therefore, despite the lack of any tax-free threshold for investment accounts, the system is fundamentally neutral.

Finally, Iceland offers no tax-advantaged specific account container or wrapper, yet it incentivises pension products with favourable treatment. This regime is clearly non-neutral, an attribute that is reflected in the Country's investment landscape. Similarly to the German case, the tax-free allowance foreseen by law has proven not to be large enough to spark a growth in retail investment – even if the flat tax rate that applies to capital gains is lower than in Germany.

The considerations on the neutrality dimension of the tax regimes covered above lead to the conclusion that, in order to create a level playing field among different financial products and containers available nationally, there are much more factors in play than the simple tax rate. Indeed, the chapter has covered how the investment landscape and profitability for providers play a role in the success of a tax-incentivised container. Beyond this, to achieve neutrality, a system should also consider the different priorities and strategies retail investors have. Pertaining to this, the Swedish case demonstrated that even a generous tax incentive does not necessarily complement well all investment strategies.

## **Administrative friction: when simplicity facilitates retail participation**

When it comes to simplicity, the distance between tax systems can be remarkable.

In Sweden, the ISK's simplicity was identified as potentially its most important feature – more so than the rather generous tax incentive. Investors do not need to track purchase prices, calculate cost bases, or record transaction histories; the bank handles everything. Standard brokerage accounts do not benefit from the same administrative ease, in fact investors must maintain records and have some engagement with their annual tax return, even if the broker pre-fills much of the relevant information.

Germany, on the other hand, presents at least one distortion. Even if taxes are withheld – which makes the process fairly easy for retail investors – the tax regime presents some exceptions. A particularly complex one refers to accumulating funds, where a fictional advance payment is levied at the start of the following calendar year. It is calculated as a fixed euro amount per €10 000 of fund value tied to the Deutsche Bundesbank's reference rate, and it is particularly problematic because investors pay tax on gains they have not realised and cannot predict the liability in advance. Still, single-account holders benefit from the German system's simplicity as tax is withheld automatically, the flat rate applies uniformly across income types, and investors do not face the complexity of distinguishing between different tax treatments for dividends and capital gains.

As it is the case for Germany, tax is withheld at source on certain investment income in Iceland, while substantially pre-filled returns reduce the burden on investors. Yet Iceland also shows that administrative simplicity can coexist with harsh outcomes: the absence of inflation adjustment, narrow loss offsetting and interactions with social benefits may produce results that do not reflect an investor's overall real return. In France, domestic intermediaries generally withhold tax on distributed income and provide annual tax statements, although investors must still report capital gains. Estonia follows a different approach: its investment-account regime centres on reporting contributions and withdrawals, while dividends paid by resident companies are generally taxed at company level. In the UK, dividends received through a standard brokerage account may need to be reported to HMRC; brokers do not generally withhold UK dividend tax. SAs, by contrast, generally remove the need to report eligible returns. Their rules may nevertheless become less straightforward from 6 April 2027, when the annual cash ISA subscription limit for people under 65 is set to fall to £12 000, within the unchanged £20 000 overall ISA limit. This may constrain savers who prefer cash and complicate their allocation between ISA types; it does not, by itself, ensure a shift into equity investment.

The Dutch system, finally, does not withhold taxes, and its simplicity is an ambiguous element. Indeed, casted in a tax regime that is inherently complicated, the Netherlands provides a simplified reporting procedure that is genuinely positive.

All in all, simplicity has proven its central role in cases like the Swedish – where it is a distinctive feature in one of the most successful SIU-like accounts throughout Europe. Not only that, but Estonia's system is also grounded in simplicity, since it allows investors to plan their tax events ahead and keeps all assets in a single investment account. However, cases like the Dutch and the Icelandic demonstrate that non-distortive simplicity is not enough to achieve a neutral fiscal policy.

## **Inflation and real returns: an unresolved distortion**

While for other distortions some countries proved more virtuous than others, when it comes to inflation the vast majority of them do not provide any credible answer. Most countries do not have a framework to directly protect retail investors against inflation.

However, our mapping provides for some illustrative adjustments that shall – albeit indirectly – protect against inflation without creating any further distortion. As mentioned previously, comprehensive system changes that aim at taxing real gains rather than nominal ones are technically very complex to engineer and offer no guarantee of success. The same can be said about product-specific adjustments, whose most likely outcome is producing further distortions. For this reason, academics agree that the most viable solutions are encompassing and fairly straightforward. The faculty to defer taxes indefinitely shields retail investors from frequent tax events and allows for tax planning while also shielding from inflation<sup>22</sup>. Coherently, withholding taxes is another measure that reduces the impact of inflation on fiscal levies<sup>23</sup>.

The assessment of inflationary distortions in the Country cases, therefore, will assess (where applicable) the choice of strategy to tackle inflation. Where no measure has been taken, the Country cases will provide interesting features of their respective fiscal policy that are considered particularly unfriendly.

For starters, in Sweden the absence of inflation protection in the standard account was identified as the most notable deficiency of the tax system as investors pay 30% on the nominal gain without adjustment for inflation, meaning that in periods of elevated inflation investors may be taxed on gains that represent no real increase in purchasing power. This becomes an issue since no carry forward is foreseen, unlike for companies – which can preserve losses to be offset against future profits for up to five years. When it comes to ISKs, the issue remains and is possibly made even worse by the fact that, despite being low, the tax rate applies to the value of the whole portfolio.

Along with Sweden and the Netherlands, Germany too has not adopted any inflation-curbing measure. The absence of any provision allowing losses on shares to be offset against interest or dividend income is a restriction that was identified as a design flaw rather than a principled policy choice.

The case of Iceland is particularly striking. Not only are investors by no means protected against inflation, their returns are also tied to social security entitlements. Therefore, while investors' nominal returns are bumped up by inflation, they also run the risk of income bracket creep. Since this often translates in falling outside of the social safety net, it becomes problematic when it is not caused by an improvement in real returns, thus with equal purchasing power. This confirms the findings of Beer et al., which suggest that those who get hit the hardest by inflation in relative terms are low-income individuals<sup>24</sup>.

More worryingly, the policy trend in the past years has not addressed the inflation distortion problem, if anything, it has contributed to making it worse. France is an

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<sup>22</sup> J. B. Chay et al., "Market Valuation of Tax-Timing Options: Evidence from Capital Gains Distributions," *The Journal of Finance* 61, no. 2 (2006): 837–65, <https://doi.org/10.1111/j.1540-6261.2006.00856.x>.

<sup>23</sup> Sebastian Beer et al., "Tax Distortions from Inflation: What Are They? How to Deal with Them?," *Public Sector Economics* 47., no. 3 (2023): 353–86, <https://doi.org/10.3326/pse.47.3.3>.

<sup>24</sup> Beer et al., "Tax Distortions from Inflation."

example, with the removal – in 2018 – of a longstanding taper relief system that had reduced tax rates for long-held financial assets. This development stripped out the recognition of time value in investments, which has a two-fold distortionary repercussion on the tax system. Firstly, it creates a distortion for a Country that should supposedly incentivise long-term investment strategies. Secondly, the measure fails to curb the effects of an already distortive fiscal policy, where the only way to defer taxes was by holding assets for longer periods of time.

Finally, Estonia – thanks to its taxation-at-withdrawal mechanism – allows its retail investors for tax planning. Being able to defer taxes indefinitely, individuals only bear the cost of inflation only when they withdraw capital gains, making the regime fairly neutral in mitigating inflation risks compared to others in the report.

# Conclusion

## How national cases could shape policy design

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By providing a comparative snapshot of how retail investment is taxed through standard brokerage accounts and dedicated savings and investment account structures across seven European jurisdictions, this report examines how far fiscal policy can shape retail investors' perceptions of the system and, consequently, their behaviour. This influence extends beyond headline tax rates to tax timing, eligible investments, loss-offsetting rules, reporting requirements and the relative treatment of competing savings products.

The country fiches and perspectives gathered from retail investor representatives reveal substantial differences in both the account structures available and the tax frameworks within which they operate. These differences may influence whether households retain savings in deposits, invest directly in securities, use tax-advantaged accounts or rely on insurance and pension-based products. While the comparison does not identify a single national model that could be reproduced mechanically across jurisdictions (there is no one-size-fits-all approach), each system presents its own advantages and trade-offs, reflecting the interaction between tax architecture, savings culture, distribution channels and public-policy priorities.

The evidence therefore points to several cross-cutting lessons – developed below in 5 calls for policymakers. These takeaways can inform both national reforms and the emerging European blueprint for Savings and Investment Accounts.

### *1. Tax incentives, simplicity and neutrality must work together*

Addressing only one dimension of tax distortion is unlikely to be sufficient. A tax incentive may improve the attractiveness of an account, but its effect can be weakened by administrative complexity, narrow eligibility, unfavourable tax timing or stronger advantages granted to competing products. Equally, simple reporting does not necessarily produce neutral or economically fair outcomes.

Sweden demonstrates how a visible incentive, extensive automation and a recognisable account structure can jointly support widespread use. The success of the ISK cannot, however, be attributed to its tax treatment alone: accessibility and the absence of transaction-by-transaction reporting appear equally important. Estonia provides a different but similarly relevant example, using account-level tax deferral to permit reinvestment and portfolio rebalancing without immediate taxation.

By contrast, the Netherlands illustrates that administrative simplicity cannot fully compensate for a tax base that may diverge from actual investment performance. Likewise, automatic withholding in Germany and substantially pre-filled reporting in Iceland reduce administrative friction but do not remove nominal taxation,

restricted loss offsetting or preferential treatment for other long-term savings structures.

An effective account structure should therefore combine a clear incentive, simple administration and broadly neutral access to suitable investments. A weakness in one of these elements may substantially reduce the value of the others.

## *2. The wider national savings landscape matters*

A dedicated investment account does not operate in isolation. Its uptake also depends on the taxation, visibility, distribution and commercial attractiveness of competing products. Where deposits, insurance-based investment products or pension structures receive stronger advantages or greater provider support, an account for direct securities investment may struggle to gain traction even where its own treatment is favourable.

France provides a clear example. The PEA offers meaningful tax advantages, but operates within a market strongly shaped by regulated savings accounts and life insurance. Its restricted investment universe and comparatively weaker commercial incentives for some providers may also limit its attractiveness. Germany similarly concentrates its principal long-term tax advantages in insurance and pension-linked structures rather than in a dedicated account for direct securities investment.

The United Kingdom demonstrates a different limitation. Even a visible and genuinely tax-free account does not automatically generate universal capital-market participation. Housing preferences, workplace pensions, financial capability and households' capacity to save continue to influence investment decisions. Taxation is therefore an important driver, but not a standalone explanation for differences in participation.

For SIU-aligned accounts, policymakers should consequently assess not only the treatment of the account itself, but also its position within the wider national savings and distribution landscape. A nominally attractive structure may have limited impact where competing products are more strongly incentivised, more prominently marketed or easier for providers to offer.

## *3. Long-term incentives depend on tax timing and real returns*

Headline rates alone do not determine whether an account structure is suitable for long-term investment. The timing and frequency of taxable events may be equally important.

Tax deferral allows a larger proportion of returns to remain invested and compound over time. It can also give investors greater control over when liabilities arise. Estonia's withdrawal-based approach illustrates this advantage: transactions, reinvestments and portfolio rebalancing do not trigger tax while proceeds remain within the system.

The Swedish ISK highlights a different trade-off. It offers substantial simplicity and a relatively low annual effective rate, but taxation applies independently of actual annual performance. Repeated annual charges may accumulate over long holding

periods and may be less suitable for some strategies than taxation upon realisation. This does not invalidate the model; it shows that the same account may serve different investment horizons and strategies differently.

Most regimes examined do not adjust taxable returns for inflation. Investors may therefore be taxed on nominal gains that do not represent an equivalent increase in purchasing power. This distortion may become more significant over long investment horizons and may be compounded by annual taxation, restricted loss offsetting or interactions with means-tested benefits.

Policymakers should therefore evaluate incentives across the full investment horizon rather than by reference to the headline rate alone. Deferral can mitigate annual tax drag and support compounding, but it does not itself eliminate the eventual taxation of nominal returns. Conversely, selective inflation relief may create new product biases if limited to particular assets or income categories.

#### *4. Accessibility depends on design, automation and visibility*

Tax rules are closely connected to the practical accessibility of investment. Households may be less likely to invest directly when doing so requires complex declarations, transaction-level record-keeping or specialist tax knowledge. The absence of a simple and recognisable account may reinforce the tendency to retain savings in deposits or use packaged products.

Automation is therefore more than an administrative convenience. Automatic reporting, pre-filled declarations and clear account-level calculations can function as investor-protection measures by lowering the risk of error and reducing the expertise required to invest.

However, simplicity should apply to providers as well as investors. An account that is costly or operationally difficult to offer may remain confined to a limited number of providers, weakening competition and visibility. Rules should therefore fit workable distribution channels while remaining open to new and cross-border providers.

Policy stability also matters. Retail investors must be able to trust that the main features of an account will remain sufficiently predictable over time. Repeated changes to tax treatment, contribution limits or withdrawal conditions may undermine confidence even where each individual reform appears limited.

The same principles should extend beyond domestic investment. Complexity often re-emerges where investors use several providers, invest abroad or move between Member States. Transfers between providers—and, where appropriate, reallocations between cash and securities—should not create unnecessary taxable events, fragmented limits or additional reporting obligations.

Visibility is equally important. A tax advantage that exists technically but is difficult to understand, compare or access is unlikely to mobilise a broad retail-investor base

### *5. Treat administrative simplicity and coherent loss offsetting as retail-investor protection features*

These are not simply cosmetic and superficial features; they make the difference. Similarly to the ability to defer fiscal duties, offsetting can make all the difference tax planning-wise. Along with administrative simplicity, it can effectively protect investors from losses incurred instead of punishing them further by taxing their nominal returns.

# Key takeaways

## *Lessons for national investment tax design and SIU accounts*

The national experiences reviewed in this report suggest that an effective Savings and Investment Account should not be reduced to a tax exemption or preferential rate. Its design should foremost seek to limit the three distortions examined in this paper, while recognising that, as of date, every national model involves trade-offs

More specifically, BETTER FINANCE has identified mutually reinforcing priorities: tax incentives coupled with simplicity and easy reporting. The country comparison confirms that these features should be considered together. To work in practice, they must also be supported by adequate visibility, provider viability and policy stability.

SIU-aligned account structures should therefore consider to:

- 1 Offer a clear and understandable incentive suitable for long-term investment. Tax-incentive design should take investors' real returns and purchasing power into account. Tax deferral appears as a particularly well suited alternative to this objective, but other approaches should likewise seek to mitigate inflation-related taxation without introducing new product- or asset-class distortions;
- 2 Provide access to a broad and diversified range of simple products first, and comprehensible investments second – all without narrow geographic restrictions that lack a clear diversification or public-interest rationale;
- 3 Limit unnecessary tax events and facilitate reinvestment, compounding and portfolio rebalancing;
- 4 Automate reporting (and, where appropriate, withholding) through cooperation between providers and tax authorities;
- 5 Allow straightforward transfers between providers and avoid penalising cross-border investment, including through efficient withholding-tax relief and the prevention of double taxation;
- 6 Recognise losses and actual investment performance in a reasonably coherent manner;
- 7 Avoid unnecessary distortions between cash, securities, funds and other eligible assets;
- 8 Avoid contribution limits, holding periods or withdrawal restrictions that are so restrictive that they undermine accessibility or uptake; and
- 9 Remain sufficiently visible and commercially workable to be offered to a broad retail market.
- 10 Treat administrative simplicity and coherent loss offsetting as retail-investor protection features – enabling investors to comply with tax-filing obligations without professional assistance, without incurring tax-error liability risks, most-often attributable to complexity.

The central conclusion is that tax incentives alone are not enough. A successful retail-investment framework must be simple enough to use, sufficiently neutral to preserve meaningful investor choice, visible and accessible to ordinary investors, and designed with long-term real returns in mind. It must also be assessed within the broader national savings, pension, tax and distribution landscape.

The SIU account debate offers an opportunity to translate national experience into practical design principles. Since taxation remains primarily a Member State competence, the immediate priority should be for national jurisdictions to develop the most retail-friendly account structures possible, drawing on the overarching European Commission blueprint while adapting it to their domestic market and introducing more granular safeguards against product bias, administrative friction and real-return distortions.

The objective at this stage should not be to impose a single uniform account or tax model at EU level. National frameworks should nevertheless be designed from the outset with a European dimension in mind, including compatible reporting standards, provider portability and the avoidance of unnecessary barriers to cross-border investment.

As a second step, greater European integration could build on these national structures. This might involve common minimum criteria, a shared label, interoperable reporting and arrangements allowing investors to transfer assets between equivalent accounts when changing provider or moving across borders. Such a framework could also be complemented by other forms of incentives agreed among Member States, without requiring complete harmonisation of national taxation.

And above all, any Savings and Investment Account cannot succeed merely because it exists or offers a nominal or real-return tax advantage; ordinary investor need to recognise it, understand it and trust it: its visibility matters for wide public adoption of a vehicle that support sound and simple financial wealth-building over adaptable time horizons.

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