ETAF statement on the future Recommendation on the tax treatment of savings and investment accounts

The European Tax Adviser Federation (ETAF) sincerely thanks the European Commission for this opportunity to provide input on its forthcoming Recommendation on savings and investment accounts, including their tax treatment, scheduled for publication in Q3 2025.

It is our understanding that this initiative, which was announced in the Savings and Investments Union Strategy published on 19 March 2025, aims at facilitating retail investors' participation in capital markets across the EU. This objective is to be achieved by identifying and promoting existing best practices that facilitate easier and more efficient investment.

ETAF supports the Commission's analysis that the most successful models for savings and investment accounts are those characterized by user-friendly interfaces and preferential tax treatment, and/or significantly simplified tax compliance mechanisms.

A recommendation: the most suitable instrument

In light of the fundamental right of each Member State to determine its own tax policy, ETAF strongly agrees that a Recommendation is the most appropriate instrument for this initiative. A binding directive or regulation in this area would inevitably face significant political and legal hurdles due to the highly sensitive nature of national tax competencies.

By its very nature, a Recommendation is a non-binding instrument that allows the European Commission to propose a particular course of action and to articulate its expectations regarding the adoption of best practices, without imposing any legal obligation. This crucial distinction ensures that Member States retain their fiscal sovereignty while being encouraged to move towards a more harmonized and investor-friendly environment.

Existing best practices in Member States

Some of our members' countries already demonstrate a variety of effective tax measures designed to facilitate and encourage the use of savings and investment accounts.

In Germany, the "Sparerfreibetrag" (savings allowance) provides a non-taxable threshold (1 000 € for single persons and 2 000 € for married couples) for all investment income. Furthermore, the "Abgeltungsteuer" (settlement tax) of 25% simplifies and unifies the taxation of capital income. In France, regulated savings accounts offer full tax exemption on interest income up to specific deposit limits (e.g., Livret A, LDD). In Belgium as well, regulated savings accounts benefit from an interest exemption up to 1 020 € per year per taxpayer. Capital gains for private individuals engaging in "normal portfolio management" are generally tax-exempt.

In our view, these targeted exemptions encourage low-risk savings and provide an accessible entry point for retail investors.

Simplification suggestions

To truly boost retail investor participation in the Capital Markets Union, ETAF suggests further simplification measures:

- **Holistic simplification for small investors**: We strongly advocate for measures that would simplify the entire investment process for small investors and private households. This extends beyond tax to include clear, concise information requirements and easy-to-understand product offerings.

- **Common denomination in the EU:** For more clarity and consistency, savings and investment accounts should be clearly identified for investors through a common denomination across the EU.

- **User-friendly digital interfaces with integrated tax information**: We fully agree that a user-friendly digital interface can act as an incentive. This interface should also offer simplified and readily accessible tax information for both investors and tax authorities. This could include pre-filled tax forms or clear summaries of taxable events.

- **Incentivizing investment through tax exemptions/allowances**: The most efficient incentive, in our view, for increased retail investment would be a full or partial tax exemption for interest and/or capital gains for retail investors up to a certain threshold. Alternatively, if full exemptions are not feasible, additional dedicated tax allowances should be granted specifically for these types of investments. Tax exemptions or allowances directly increase the net return on investment, making savings and investments significantly more attractive compared to traditional low-yield bank deposits. By channelling more retail capital into investments, these measures would foster greater capital formation within the EU, benefiting the broader economy.

- **Harmonized capital gains tax rate**: For capital gains tax, ETAF proposes that the Recommendation suggest the adoption of one single clear tax rate to be applied throughout Europe for retail investors.

Portability of accounts to other providers

The European Commission seems to be keen to explore the portability of investments across savings and investment accounts to other providers within the same jurisdiction.

An evaluation should be conducted on whether and how investments can be transferred between savings and investment accounts within the same jurisdiction. It is not yet clear who would be in charge and what would be the tax implications.

Robust investor protection framework

We agree that traditional bank deposits, while safe, offer limited returns (often less than 1% annually net). To achieve higher returns and truly stimulate the economy, attractive alternative investments that offer greater potential are essential. This could indeed be achieved by transferring capital to innovative companies such as start-ups and scale-ups, which critically need equity rather than debt financing.

However, ETAF wishes to emphasize a crucial point: Providing capital as equity inherently leads to greater liability and associated default risk for the investor. It is a fundamental principle of finance that higher potential returns are intrinsically linked to increased risks of default. This is a reality the investor must understand and manage. Therefore, it is paramount that these inherent investment risks should in no way be transferred to the Member States.

Any policy encouraging equity investment must simultaneously ensure robust investor protection frameworks and clear disclosure of risks, placing the onus of risk assessment squarely on the investor, while ensuring the market operates fairly and transparently.

Notes

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About ETAF

The European Tax Adviser Federation (ETAF) is a European umbrella organisation for tax professionals whose activities are regulated by law. It is set as an international not-for-profit organisation (AISBL) governed by Belgian law, based in Brussels and was launched on 15th December 2015. It represents more than 220,000 tax professionals from France, Germany, Belgium, Romania, Hungary, Austria and Croatia. ETAF is a registered organisation in the EU Transparency Register, with the register identification number 760084520382-92.