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From savings to capital: tax incentives for Europe's retail investors

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Summary

The EU published the Savings and Investment Union (SIU) strategy in 2025, marking a renewed effort to build on the Capital Markets Union agenda it brought to life a decade earlier. However, progress on the SIU's objectives has remained uneven, despite recent developments in its operationalisation. In particular, European retail investment markets remain fragmented, with considerable differences in participation between member states. Accordingly, there is an urgent need to direct retail investors' savings more efficiently towards deeper European capital markets, especially in light of Europe's competitiveness challenges, fast-moving geopolitical context and pressing climate concerns. While taxation has been absent from discussions on the SIU's development, tax incentives for retail investors could be a powerful driver in efforts to create more integrated European capital markets.

Taxation is a relevant yet underexplored dimension of the SIU framework. While policymakers have focused their attention on regulatory harmonisation, supervisory convergence and the removal of barriers to cross-border investment across the EU, taxation remains largely a national competence. This has hindered deeper integration: tax incentives play a central role in mobilising household savings more effectively and channelling them towards long-term investment. Indeed, tax treatment affects the relative attractiveness of financial products, investment horizons and portfolio allocation. For example, differences in taxation practices and the administration of investment income can create additional barriers to retail and cross-border investment, contributing to the fragmentation of the European retail investment market.

National approaches to tax incentives

As indicated by national approaches to tax incentives for retail savers in France, Poland, Sweden and the Netherlands, greater coordination and policy learning between EU member states on taxation could help support the SIU while preserving national fiscal systems. A comparative country analysis shows that the effectiveness of tax incentives is highly dependent on their overall design and connection with the wider savings framework rather than on their generosity. A simple and transparent tax treatment, combined with limited administrative burdens and predictable rules, can lower barriers to participation and make investment more accessible. Conversely, complex eligibility conditions, restrictive rules and cumbersome cross-border tax procedures can significantly weaken otherwise attractive incentives.

Moreover, behavioural and institutional factors appear to be key to ensuring that tax incentives alter the allocation of existing savings, albeit without necessarily increasing aggregate demand. The impact of these incentives also depends on financial literacy, distribution channels, the existence of trusted intermediaries and mechanisms such as auto-enrolment. The stability of policy on a tax incentives framework is also important in making households confidently commit to long-term investment.

Sustainable finance

Sustainable finance has significant potential to support the development of medium- and long-term retail saving in the SIU, but this is not yet reflected in the current policy framework. Although the EU's sustainable finance regulation is comprehensive, the fiscal treatment of sustainable retail investment products varies greatly between member states (when it exists at all). Developing

simple, workable and stable approaches to this area could provide a practical basis for a convergence of member states' approaches to the taxation of long-term retail investment.

Policy levers

All these factors have important implications for the SIU's mid-term review in 2027: EU institutions and member states can use policy levers such as EU recommendations, labels and deeper coordination to ensure that taxation supports the SIU's objectives. Broadly, the use of such levers falls into three categories: a fragmented baseline, a coordinated convergence through policy learning and the gradual emergence of a European fiscal framework for long-term savings. While comprehensive EU tax harmonisation remains politically and legally difficult, there is considerable scope for greater coordination and convergence.

Arguably, the challenge Europe faces is not a shortage of household savings but rather the difficulty of allocating them effectively. Therefore, more coherent interaction between taxation, regulation and institutional settings will be necessary if the SIU is to translate Europe's substantial household savings into greater productive investment while strengthening the integration, resilience and competitiveness of European capital markets.

Policy recommendations

In this context, European policymakers should consider:

- **Developing the fiscal dimension of the SIU.** While direct taxation is a competence of member states, the European Commission should explicitly recognise fiscal fragmentation as an obstacle to deepening the Single Market and should take a more systematic approach to embedding taxation in the architecture of the SIU. This would promote a clear institutional framework that increases the participation of retail investors. Such an approach would not require full tax harmonisation. Rather, it would involve a more coherent European effort to coordinate fiscal incentives, identifying best practice and reducing unnecessary fragmentation where it undermines the Single Market. To provide strategic direction, the European Commission should publish a SIU Taxation Roadmap every two years.

- **Adopting a behavioural approach to the design of tax incentives and retail investment products.** Member states should ensure that tax-advantaged retail investment products are easy to understand and access, and that they are aligned with households' approach to financial decisions. Tax regimes should be simple, accessible, predictable and stable over time, minimising compliance costs for retail investors, financial intermediaries and public authorities alike.

- **Using the European Semester and the next Multiannual Financial Framework to promote fiscal convergence**. The 'Finance Europe' label should be established as the common European eligibility framework for tax-advantaged retail investment products. Gradually developing the Savings and Investment Account into a European Universal Savings Account could reduce fragmentation and improve portability and cross-border tax treatment. The EU could also explore the link between the EU's sustainable finance framework and the objectives of the SIU, potentially through the development of a European Sustainable Investment Regime.

- **Designing national tax incentives that support cross-border diversification** and avoiding tax incentives that reinforce home bias among retail investors. **Member states should make greater use of one another's experience in designing tax incentives for retail investment**. In that regard, the E6 group (France, the Netherlands, Poland, Germany, Italy and Spain) could strengthen peer learning and policy benchmarking on tax incentives for long-term retail investment.

1. Introduction

This report assesses how tax incentives can support the development of the Savings and Investment Union (SIU) by encouraging greater retail participation in medium- and long-term investment. We examine various national approaches to such incentives and explore how greater coordination, policy learning and convergence between these approaches can help ensure that taxation supports the SIU while preserving member states' fiscal systems.

Mobilising Europe's household savings has become central to the EU's strategy for enhancing its competitiveness and resilience, and for financing the green and digital transitions (the coordinated transformation of the EU's economy, society and public administration by 2030 through the use of green and digital technologies). The right incentives could channel European savings towards longer-term investments, develop further EU capital markets, increase European companies' access to funding and facilitate investments in the green transition.

Since its launch in 2015, the Capital Markets Union (CMU) has sought to deepen and integrate financial markets, aiming to boost retail investor participation and improve the allocation of capital across member states (Quaglia and Howarth, 2018; Véron and Wolff, 2016). Despite these ambitions, the CMU has made uneven progress: structural barriers, including institutionalised competing priorities between supranational and national authorities, continue to limit the effective mobilisation of household savings (Piroska and Epstein, 2023). The introduction of the SIU in 2025 marked a renewed, more urgent effort to achieve these goals. A growing body of policy work supports the SIU agenda. The Draghi (2024) and Letta (2024) reports, together with contributions from the European Central Bank and the European Stability Mechanism, all highlight the need for Europe to direct its domestic savings towards long-term investment more effectively. In particular, the Draghi report identifies deeper and more efficient capital markets as a key source of economic resilience in Europe (Draghi, 2024). This objective has become even more significant in light of Europe's competitiveness challenges, fast-moving geopolitical context and pressing climate concerns (European Commission, 2026b).

Recent policy developments illustrate how the SIU is already being operationalised. In December 2025, the Council and Parliament reached a political agreement on the Retail Investment Strategy, which is designed to boost retail participation while strengthening investor protections. The Commission is set to publish a mid-term review of the overall progress of the SIU by mid-2027. However, achieving the SIU's goals requires a clear understanding of the institutional factors shaping household investment decisions across member states.

The persistent fragmentation of European retail investment markets continues to limit the efficient allocation of capital across the Union and constrains efforts to achieve the broader objectives of the SIU. Although European households collectively hold considerable financial wealth, a significant share of this remains concentrated in bank deposits and other low-yield savings instruments. Participation in medium- and long-term investment products varies considerably across member states, reflecting differences in financial culture, pension systems, market development, institutional arrangements and public policy choices. While the SIU's success is not solely dependent on individual investors, they can play a major role in its development.

Taxation is a relevant yet underexplored policy lever within the CMU and SIU frameworks. By altering the relative returns on different financial assets, tax incentives can shape investor behaviour and, in turn, portfolio composition. Whether this reallocation of household savings translates into more productive investment depends on the product and scheme design, among other structural factors. EU financial integration has traditionally focused on regulatory harmonisation, supervisory convergence, market infrastructure and the removal of cross-border

barriers. However, financing patterns are also shaped by a wider set of policy instruments, including taxation.

There is only limited evidence of how taxation influences investor behaviour, especially in the EU context. Indeed, differences in national tax regimes cause incentives to diverge between member states and can reinforce both the dominance of national investment ecosystems and home bias (a tendency to favour domestic investment over foreign investment). Simultaneously, well-designed fiscal incentives could broaden retail participation, encourage long-term investment and support wider European objectives, including the green transition. Taxation is, therefore, both part of the challenge and part of the solution. Rather than examining whether tax systems should be harmonised at the European level, the focus should be on how greater coordination, policy learning and convergence can align with the objectives of the SIU while respecting national fiscal competences.

Against this background, we reconceptualise taxation within the SIU debate as more than a national policy instrument or a lever for influencing investor behaviour. We view fiscal frameworks as an institutional foundation of European retail investor markets. In this, our objective is not to identify a single optimal model of taxation nor to establish a causal link between taxation and investment, but to understand how different national experiences can generate transferable lessons. We do not assess the fiscal space implications or costs of implementing such taxation schemes, and the cost-effectiveness of the tax incentive itself. While relevant for policymaking, this exercise falls outside the scope of the present report. By examining France, Poland, Sweden and the Netherlands, we highlight how different policy models can contribute to a stronger European retail investment ecosystem. We focus on these countries due to the contrasting development and depth of their capital markets, and the differences between them in the structural composition of household wealth. We examine how taxation can align with the objectives of the SIU through the introduction of new incentives and the removal of disincentives, as well as the measures the EU and its member states could take to achieve this.

Throughout our analysis, sustainable finance provides a valuable, albeit secondary, lens through which to view these issues. First, the objectives of sustainable finance are closely aligned with those of the SIU, including financing the green transition.

Second, the development of sustainable finance has been a pillar of the CMU, and every major regulation concerning retail investors[1] has been amended to integrate sustainability objectives. Therefore, the well-designed regulatory framework of sustainable finance could conflict with the SIU's goals if the two are not properly coordinated.

Third, sustainable investment continues to gain momentum at the EU level, having grown into one of its leading asset classes. According to the Platform on Sustainable Finance (2025), Taxonomy-aligned capital expenditure by large listed European firms reached €250 billion in 2023, a 34% increase on the previous year. With European policy focused primarily on transparency, market integrity and investor confidence, far less attention has been devoted to the fiscal treatment of sustainable investment products, despite taxation's role in determining whether such products may become mainstream retail investment vehicles. Therefore, sustainable finance provides a window into the broader relationship between fiscal incentives, household participation and European market integration, holding lessons that are applicable to other long-term savings vehicles, including pension products, life insurance and investment accounts. Recognising that (due to political factors) it is unlikely that the growth of the SIU will be tied only to sustainable finance, we provide recommendations on both fronts.

To answer our research questions, we combine a review of the existing literature with a legal mapping exercise and comparative case studies. We enhance these case studies with select descriptive statistics and interviews with key stakeholders, whose insights we reference throughout our analysis. Among our case studies, Sweden and the Netherlands are widely recognised as

[1] IDD, MiFID, IORP, Prospectus, etc.

having fostered medium- and long-term development through their retirement systems and targeted tax incentives (even if their markets differ in terms of welfare structure and tax design), while Poland and France have markedly different approaches to tax incentives and disincentives. The interviews provide qualitative insight into practical challenges such as liquidity constraints and administrative burdens, feeding into the case studies to identify potential gaps. To help formulate our policy recommendations, the legal mapping exercise identifies various policy levers that are linked to taxation and are available within the SIU, bridging regulatory insights and practical fiscal considerations.

The report is organised as follows. Section 2 reviews the existing literature, starting with the political economy of tax harmonisation at the EU level, before discussing how taxation shapes retail investment and portfolio composition, and building a case for sustainable finance in the context of the SIU. Section 3 provides descriptive statistics and sets out the four case studies, with a focus on retail investor participation. Section 4 discusses how to interpret evidence from the case studies in the EU policy context, explores possible scenarios in which the EU could use taxation to encourage the development of the SIU, and provides a legal mapping and future outlook. Section 5 draws conclusions from our findings. Finally, Section 6 presents the main policy recommendations arising from our analysis.

2. Why is taxation central to the SIU

This section examines the literature on taxation's role in shaping investor behaviour, with a focus on sustainable finance and its intrinsic alignment with SIU objectives. After situating the discussion against the backdrop of financial integration and the political economy of tax harmonisation at the EU level, we explore the mechanisms that could promote retail investor participation and shape investment choices, alongside the institutional and structural barriers that may reduce such participation. Finally, we reflect on sustainable finance as a core component of the SIU's long-term objectives, exploring whether and how the tax system could support the development of sustainable finance.

Financial integration and the political economy of tax harmonisation at the EU level

The role of taxation within the SIU must be understood within the broader context of European financial integration, accounting for both the legal framework that governs tax harmonisation and the political economy of its scope and feasibility. The EU has sought to further financial integration through a large-scale regulatory harmonisation programme and related institutional reforms, including through the Banking Union and CMU agendas. Yet in line with the EU treaties, taxation primarily remains a national competence. This creates inherent trade-offs between the objective of integrated capital markets and the existence of distinct fiscal frameworks in member states (Pekanov and Schratzenstaller, 2025; Radaelli and Kraemer, 2008).

Taxation is, therefore, essentially a national competence that is partially governed at the EU level under the unanimity rule at the European Council, which allows member states to veto related measures. This institutional asymmetry creates a structural tension at the heart of the SIU project: while the initiative seeks to facilitate cross-border flow of savings and investments, the fiscal environment in which those flows occur is highly fragmented. Member states' competences include the design of capital income taxes, initiatives to withhold tax rates, tax-advantaged savings accounts, and the treatment of investment income more broadly. This limits the efficiency of the Single Financial Market, imposes direct costs on cross-border investors and generates broader economic losses through unrealised gains from financial integration (Pekanov and Schratzenstaller, 2025).

The economic consequences of this fragmentation have been examined by different scholars and institutions. For instance, one report for the European Parliament argues that the EU's lack of tax harmonisation hampers efficient capital allocation within the Single Market and, along with other market frictions, constrains access to finance for businesses, particularly small and medium-sized enterprises (SMEs) (Pekanov and Schratzenstaller, 2025). The political economy of tax harmonisation creates further challenges involving market frictions. Arguably, tax competition at the EU level is shaped by four somewhat opposed institutional mechanisms: market integration and enlargement increase competitive pressures on national tax systems, while tax coordination through the Council of Ministers and tax jurisprudence by the European Court of Justice act as counterweights to this (Genschel et al., 2011). Therefore, the future of tax competition in the EU largely depends on the development of these four pillars (ibid.). This conceptual framework is useful for understanding why EU tax integration has been slow and uneven in recent decades.

Indeed, the literature on tax competition highlights the fact that the scope for tax arbitrage hinges on the legal rules governing the taxation of cross-border activities, and the intensity of this competition varies considerably across different taxation domains (Genschel and Schwarz, 2011). Increased capital mobility, which may be a byproduct of market integration, can constrain

national tax policy by improving the credibility of reallocation threats by firms and investors, effectively narrowing the fiscal space available to member states (ibid.). As discussed, due to the unanimity requirement governing EU tax decisions, coordination through the Council depends on the agreement of all member states, including those whose competitive tax regimes give them a strong incentive to resist harmonisation (Radaelli and Kraemer, 2008).

This asymmetry creates tax competition dynamics that go against the objectives of the SIU. A recent report by the European Parliament argues that, in the context of cross-border investment, "some forms of coordination and harmonisation will be necessary, albeit politically difficult" (Pekanov and Schratzenstaller, 2025: 45). These dynamics are particularly significant for the SIU's retail investment agenda, as some of the tax instruments that are most directly relevant to household savers' behaviour are the most insulated from EU-level coordination, leaving retail investors to navigate a fragmented landscape of national fiscal frameworks.

The role of taxation within the SIU is also important to wider debates on the political economy of EU macrofinancial regimes. Governments have an established role in the allocation of public resources to achieve policy objectives. The main question concerns whether the tax system can also play a part in shifting private funds towards EU objectives in the long term (European Commission, 2021). More fundamentally, this debate relates to the broader questions of how European policymakers may be able to achieve economic outcomes through financial markets. As economists Benjamin Braun, Daniela Gabor and Marina Hübner show, "governing through financial markets" is a political strategy whereby public authorities pursue political objectives through market-based mechanisms, thereby coupling policy and politics (Braun et al., 2018: 104). At the same time, a growing strand of the literature emphasises the political implications of such a strategy, suggesting that market-based governance may reinforce the influence of financial actors within the policy process, particularly in the context of sustainable finance (Mertens and van der Zwan, 2025). Therefore, the strategy challenges an important strand of the SIU project: the pursuit of economic sovereignty, which we define as the EU's effort to achieve strategic freedom of action and reduce external its dependencies.

Retail investment taxation: participation incentives and portfolio composition

The limitations and trade-offs highlighted in the literature point to the need for complementary policy instruments that can address demand-side constraints and promote household investment that is productive and sustainable in the long term. Despite the challenges associated with harmonisation at the EU level, tax incentives may influence the behaviour of retail investors by changing the relative returns one may attain on certain financial assets, thereby promoting the reallocation of household savings towards more productive investments.

Participation incentives are one channel through which taxation may influence investor behaviour. Despite relatively high levels of household savings across the EU, retail participation in medium- and long-term investments remains relatively low. This is why, as part of its concerted effort to build the SIU, the European Commission has put forward measures to improve financial opportunities among citizens. For instance, Savings and Investment Accounts (SIAs), a special type of account designed to complement everyday bank or savings accounts, offer individuals the opportunity to invest in products such as shares, bonds or funds in a simple and accessible manner. They have already shown significant potential in member states (European Commission, 2025b).[2] Sweden's Investeringssparkonto (ISK) is frequently referred to as a blueprint in this regard. Designed as a flexible account with no deposit limits and minimal investment restrictions, the ISK has achieved the highest retail uptake rate in the EU. Many attribute its success not only to its

[2] The European Commission September 2025 recommendation seeks to encourage member states to develop their SIAs, setting out a "European blueprint" that outlines the key characteristics that SIAs need to maximise their uptake and boost retail participation in capital markets.

preferential tax treatment but also to its simplicity and the broader context of a highly developed long-term savings culture (Banu et al., 2026).

Although it is distinct from the ISK and SIAs (which are governed by national law), the Pan-European Personal Pension Product (PEPP) has been developed by the EU as a voluntary personal pension scheme designed to give citizens a standardised savings option that they can carry across member states, thereby addressing portability challenges at the EU level (European Commission, n.d.). Yet the product has failed to gain traction even after undergoing several rounds of technical consultation. A survey conducted by EIOPA in 2022 revealed that only 21 eligible providers, most of them asset managers and insurers, intended to offer the instrument. The product has become operational but, by late 2024, registered providers managed only around €12 million in assets (EIOPA, n.d.). The Commission has recommended that member states provide the PEPP with the same tax relief granted to national pension products, but they have been inconsistent in doing so, leaving it fiscally uncompetitive with well-established, tax-advantaged national alternatives. While the Commission proposed a PEPP reform in autumn 2025, this was still under negotiation at the time of writing.

Investment decisions are also affected by the complexity of tax regulation. Withholding tax (WHT) provides a particularly illustrative example of this, as it creates frictions that limit the efficient allocation of capital across borders, reinforcing home bias. Many EU member states levy taxes on dividends and interest paid to cross-border investors, who must also pay income tax on capital income from abroad in their country of residence, leading to double taxation. While bilateral treaties aim to limit this, WHT relief procedures differ greatly across member states, making them lengthy, costly and prone to tax fraud and abuse. The scale of these frictions is substantial, with the European Commission (2023) estimating that inefficient WHT procedures cost investors approximately €6.62 billion per year. This figure encompasses foregone tax relief where investors do not claim refunds due to procedural complexity, opportunity costs from delayed reimbursements, and direct administrative costs. The Faster and Safer Tax Relief of Excess Withholding Taxes (FASTER) Directive, adopted in December 2024, seeks to streamline and harmonise WHT relief procedures across the EU, reducing complexity and processing times (European Commission, 2023). However, the Directive does not require member states to introduce a relief-at-source system. Nor does it change the fact that investing in another EU country remains more costly than investing at home. This reinforces home bias and, ultimately, has a negative impact on the integration of capital markets and the cross-border allocation of savings.

Overall, while various studies argue that tax instruments are effective in shifting household savings into capital markets and increasing participation, the evidence for this remains somewhat limited, particularly when one considers how such instruments interact with other contextual factors. The literature suggests that granting capital gains tax relief may provide incentives to shift savings towards capital markets, influencing the behaviour of retail investors by increasing the relative returns on financial assets, but that there is a risk this effect will only be modest given households' persistent preference for deposits.

Campbell (2006) documents the tendency towards significant inertia in households' portfolio choices, driven by precautionary saving behaviour, structural features of pension systems, and limited financial literacy. On this third factor, one study drawing on the De Nederlandsche Bank (DNB) Household Survey finds that, despite the majority of respondents displaying basic financial knowledge, those with low financial literacy are much less likely to invest in stocks (van Rooij et al., 2011). This is particularly relevant given the sizeable potential welfare losses from non-participation (Cocco et al., 2005). Social capital can also play an important role in shaping financial decisions. For example, in areas of Italy with higher social capital, households rely more on checks, hold less cash and more stock, have greater access to institutional credit, and make less use of informal credit (Guiso et al., 2004).

These behavioural constraints are compounded by structural ones. Tax subsidies for savings products often result in the reallocation of existing assets rather than the creation of new savings, a response that is concentrated in households that are already active investors (Chetty et al.,

2014). This raises an important policy question regarding the efficiency with which such schemes leverage fiscal resources. That is, to the extent that part of the observed impact may reflect a reallocation of existing savings rather than new investment, the amount of new investment that is stimulated must be weighed against foregone fiscal resources. Similarly, given that participation in asset markets increases with wealth, fixed participation costs imply that poorer households may be systematically excluded from equity markets (Vissing-Jørgensen, 2002). Indeed, some studies show that individuals who are more likely to face income uncertainty or liquidity constraints exhibit a higher degree of risk aversion (e.g., Guiso and Paiella, 2008).

This raises important distributional concerns: savings accounts with preferential tax arrangements frequently come with complex rules and contribution limitations that may deter certain savers from using them (Mengden, 2025). Arguably, this burden of complexity is likely to fall disproportionately on lower- and middle-income households, which are not only less equipped to navigate intricate fiscal frameworks but also more likely to be excluded from capital markets in the first place (Vissing-Jørgensen, 2002). These effects may partly stem from households' lower capacity to save as well as their lower income levels more broadly. Left unaddressed, such dynamics risk deepening pre-existing inequalities and widening wealth gaps rather than promoting participation in an inclusive manner.

These demand-side constraints seem to suggest that tax instruments may be necessary but insufficient to achieve the SIU's objectives for broader retail investor participation. Therefore, they should be complemented by measures to improve households' financial literacy and economic sufficiency, simplify product frameworks and reduce administrative barriers.

Sustainable finance and taxation: future pathways for the SIU

Sustainable finance research has expanded considerably in recent years, spanning questions of market design, investor behaviour and policy effectiveness (Singhania et al., 2024). Within the SIU framework, sustainable finance has been positioned as one avenue to channel investments towards long-term policy objectives such as carbon neutrality, with the European Commission playing an active role in shaping the regulatory space and Taxonomy underpinning it (Mertens and van der Zwan, 2025). This regulatory push is part of a broader wave of EU sustainable finance reforms, which have secured significant legislative milestones even as they remain marked by structural tensions between market-based and state-led approaches to greening finance (Ahlström and Monciardini, 2022). In fact, private actors have shown an increasing willingness to integrate environmental, social and governance (ESG) considerations into their investment decisions (Kim Park, 2023), making it one of the leading asset classes in Europe (Platform on Sustainable Finance, 2025). This trend, though non-linear, is consistent with the existing evidence that environmental, social and governance (ESG) investment need not come at the expense of financial returns (Friede et al., 2015).

Several member states have used tax policy, most notably instruments such as carbon taxes, to pursue environmental and sustainability goals by incentivising investment in sustainable finance products (European Commission, 2021). Like the mechanisms discussed above, tax incentives can influence investor behaviour by affecting the relative returns on certain financial assets, thereby encouraging the reallocation of household savings towards more sustainable investment options. This reallocation goes beyond the SIU's objective to promote long-term investment and strongly aligns with its mission to contribute to broader EU long-term policy objectives (such as economic security) and address key societal challenges. Indeed, sustainable finance, particularly renewable energy investment, has been shown to support both economic growth and environmental sustainability outcomes, strengthening the case for policies that steer private capital towards the green transition.

In this context, targeted incentives could help bridge the gap between sustainable finance markets and retail investors by encouraging demand for sustainable finance products, lowering their relative costs, and providing households with clearer pathways to support the green transition through their savings choices (see Box 2.1). In parallel, incentive-based taxation of

Taxonomy-aligned activities could draw in banking institutions, reduce product-related risks and make these offerings more accessible to retail investors. Nonetheless, relying on the mobilisation of private finance and retail investment to fund the green transition may prove insufficient, as the state may need to simultaneously be primarily responsible for directing investment towards sustainable finance objectives (Golka et al., 2024). Overall, governments have an established role in allocating public resources to support efforts to green the economy; the central question concerns whether the tax system can also play a part in shifting private funds towards sustainable investments (European Commission, 2021).

Box 2.1. Sustainable finance framework and the SIU

The sustainable finance framework is composed of several regulations, most of which amend existing financial regulations. The main pillar of this framework is the EU Taxonomy Regulation,[3] which defines the European economic activities that are considered sustainable. It is closely linked to the Sustainable Finance Disclosure Regulation (SFDR),[4] which categorises different products according to how they integrate sustainable objectives into their investment management. Together, these two regulations foster the development of sustainable finance. Both the SFDR and certain delegated acts under the Taxonomy are currently under revision, which could create an opportunity to link the sustainable finance framework to the SIU.

For example, this could involve the suitability assessment, which is a questionnaire retail investors complete to explain their investment preferences. This questionnaire includes, but is not limited to, the level of risk that an investor is willing to take and whether they prefer a product that is socially responsible or environmentally responsible. A retail investor may only be offered a product if it matches the preferences expressed during this assessment. If the retail investor indicates a neutral preference, they will be offered products that are both sustainable and non-sustainable. A similar mechanism could be applied to support the development of the SIU.

[3] Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088.
[4] Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector.

3. Illustrative case studies in selected EU member states

This section comprises case studies of France, Poland, Sweden and the Netherlands. Capital markets in these four countries are at different stages of development, creating a diverse picture of how national tax savings frameworks influence retail investors' portfolio composition, participation in capital markets, and cross-border investments. The case studies also highlight how national frameworks differ in their treatment of sustainable finance. A key finding highlighted by our analysis is that taxation has the greatest impact on retail savers' participation when it is complemented by other factors.

We selected these four countries to explore not only different levels of capital markets development and depth but also geographical variations across Central and Eastern Europe, Western Europe and Northern Europe, as well as differences in the structural composition of household wealth. This allows for a more granular understanding of how different national tax and savings frameworks interact with retail investors' participation in different institutional contexts. Sweden has the highest rate of retail investment participation in the EU,[5] as well as high levels of IPO activity (Thomadakis et al., 2022). As discussed, the country's ISK is widely cited as a model for developing SIAs. Meanwhile, the Netherlands holds a higher percentage of financial wealth in pension funds[6] than any other EU country, and provides an important example of an occupational pension system. France offers a diversified picture of retail investment products, with a particular focus on life insurance products, and holds one of the oldest SIAs in Europe in the Plan d'épargne en actions (PEA), introduced in 1992. Poland has comparatively shallow capital markets, and is planning to introduce a new SIA, the Osobiste Konto Inwestycyjne (OKI). The country's pension auto-enrolment system has had only limited success in stimulating participation in capital markets.

Box 3.1. The E6 group

In January 2026, France, the Netherlands, Poland, Germany, Italy and Spain formed the "E6" group, seeking to break the deadlock on some economic priorities, including capital markets development and European competitiveness. While these countries differ starkly in their capital markets position, it has been argued that their diversity might in fact be key to foster agreement at the EU level (Bierbaum, 2026). This new format could provide the impetus needed to bolster the development of the SIU and strengthen peer-learning on the interplay of taxation and retail investors' participation. For more analysis on the E6 see (Jones, 2026).

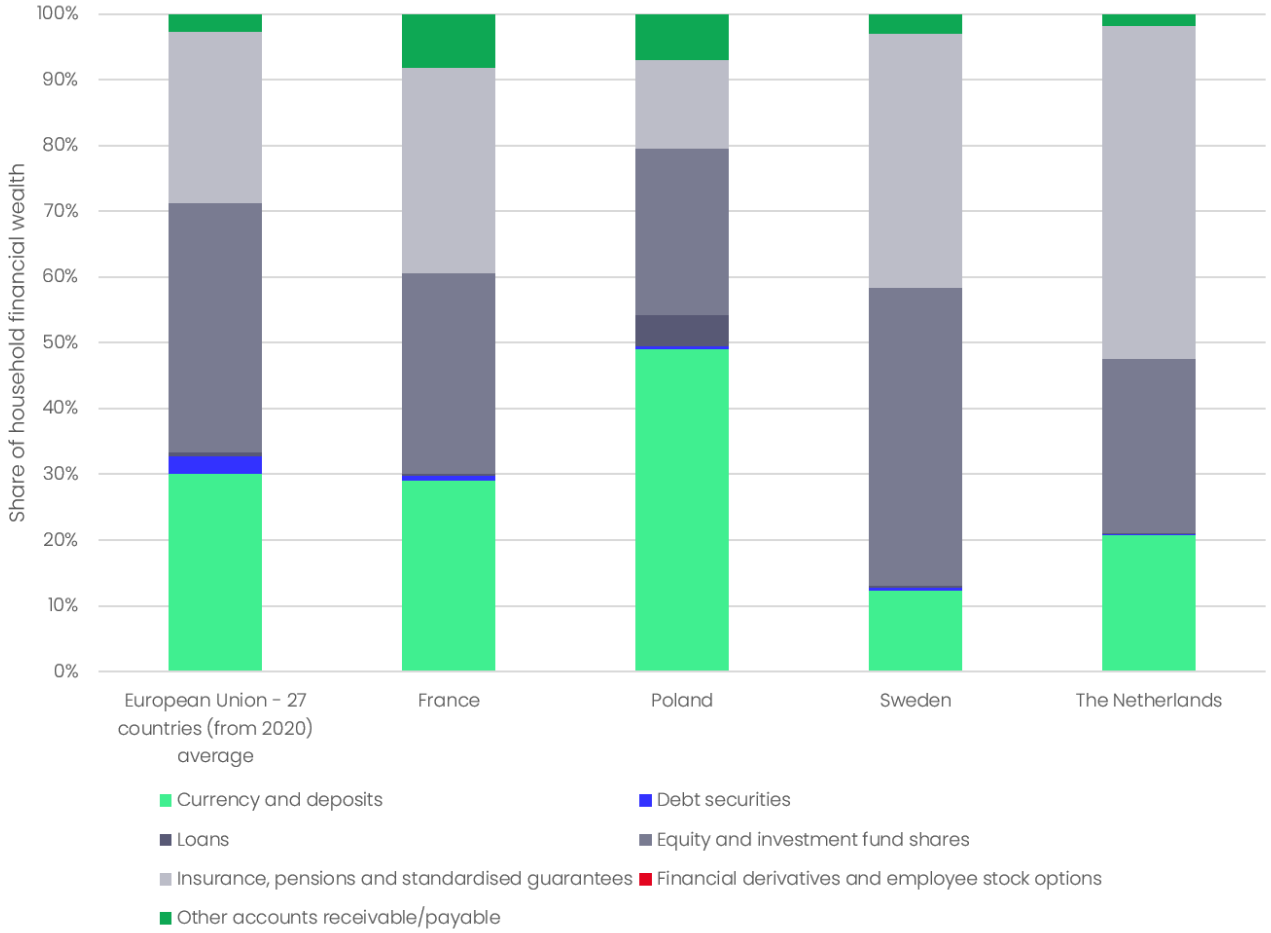
The composition of household financial wealth varies greatly across the EU (see Figure 3.1), as illustrated by our case studies. Polish households continue to rely heavily on currency and deposits, which account for close to 50% of household assets. This reflects the fact that savers' behaviour is still oriented towards low-risk, liquid instruments. In contrast, the Netherlands is characterised by a greater reliance on insurance and pension fund assets, which constitute the

[5] According to 2024 survey data, Sweden ranks first in the EU in terms of the percentage of individuals who own investment products such as shares, bonds and exchange-traded funds (see EFAMA, 2026).

[6] 61%, followed by Sweden at 46% (European Fund and Asset Management Association, 2026).

largest asset class held by Dutch households. Swedish retail savers have comparatively high levels of direct participation in capital markets, with approximately 45% of Swedish household wealth invested in equity and investment fund shares. Finally, France's wealth distribution is more representative of the EU average, with a more balanced mix of different asset classes. Three of the countries in our case studies are members of the E6, an informal grouping that has identified the progress of the SIU as one of their priorities (see Box 3.1).

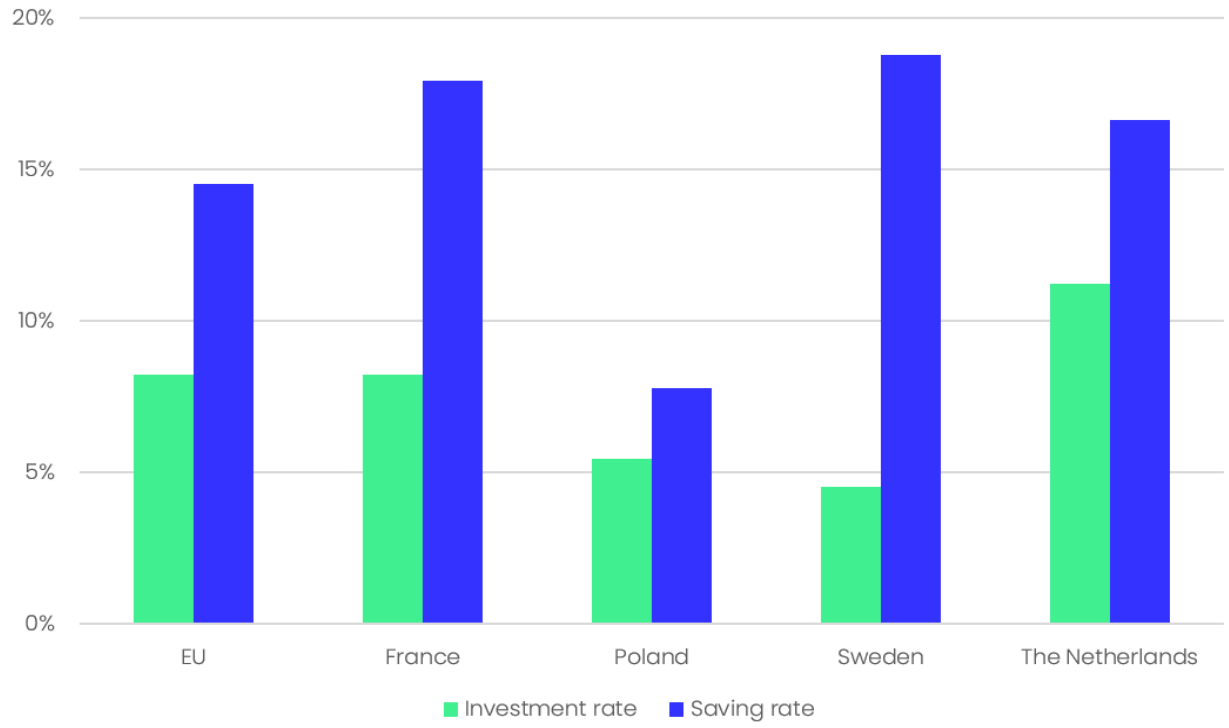
Figure 3.1. Distribution of households' financial wealth by asset type, 2025



Source: Authors' calculations based on Eurostat (2026a).

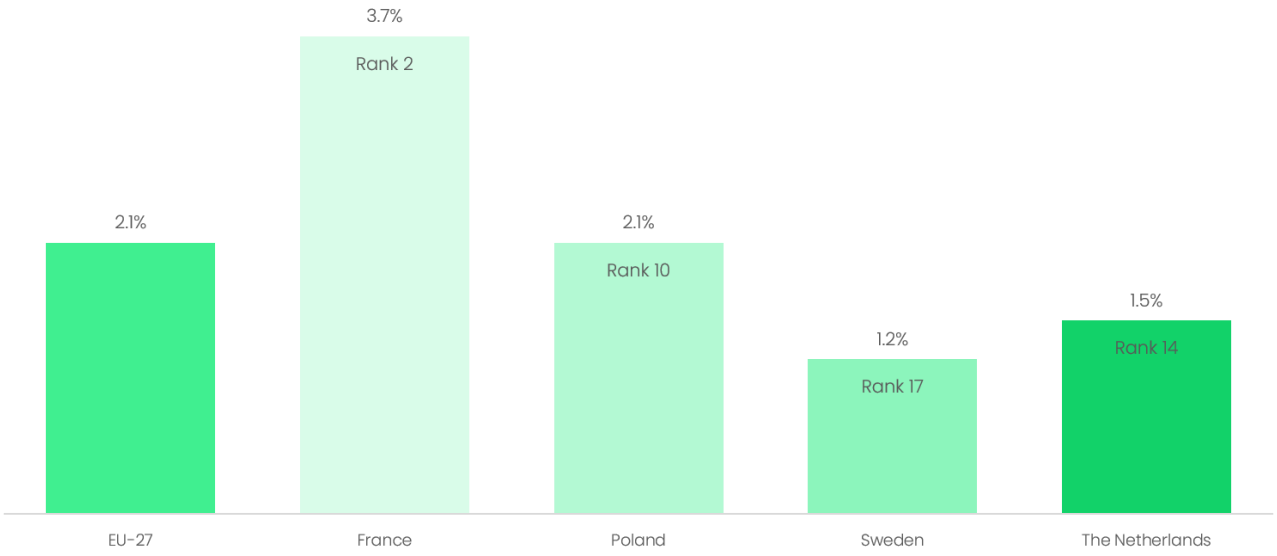
The variation in the composition of household wealth is closely linked to differences in savings and investment more broadly, as observed in the gross saving and investment rates across the EU and these countries in particular (Figure 3.2), as well as in the relative weight of capital taxation within each national fiscal system (Figure 3.3). France, for instance, has developed a model in which multiple tax-incentivised savings products coexist and often overlap. This is underpinned by a longstanding reliance on networks that distribute savings vehicles to households via entities such as banks and insurers. Poland, conversely, has experienced persistently low uptake of its retirement savings products. Therefore, a comparison between these two illustrative examples is particularly instructive, as it juxtaposes member states at different stages of retail investor participation and market development.

Figure 3.2. Gross saving rate and gross investment rate, 2024



Source: Authors' calculations based on Eurostat (2026a).

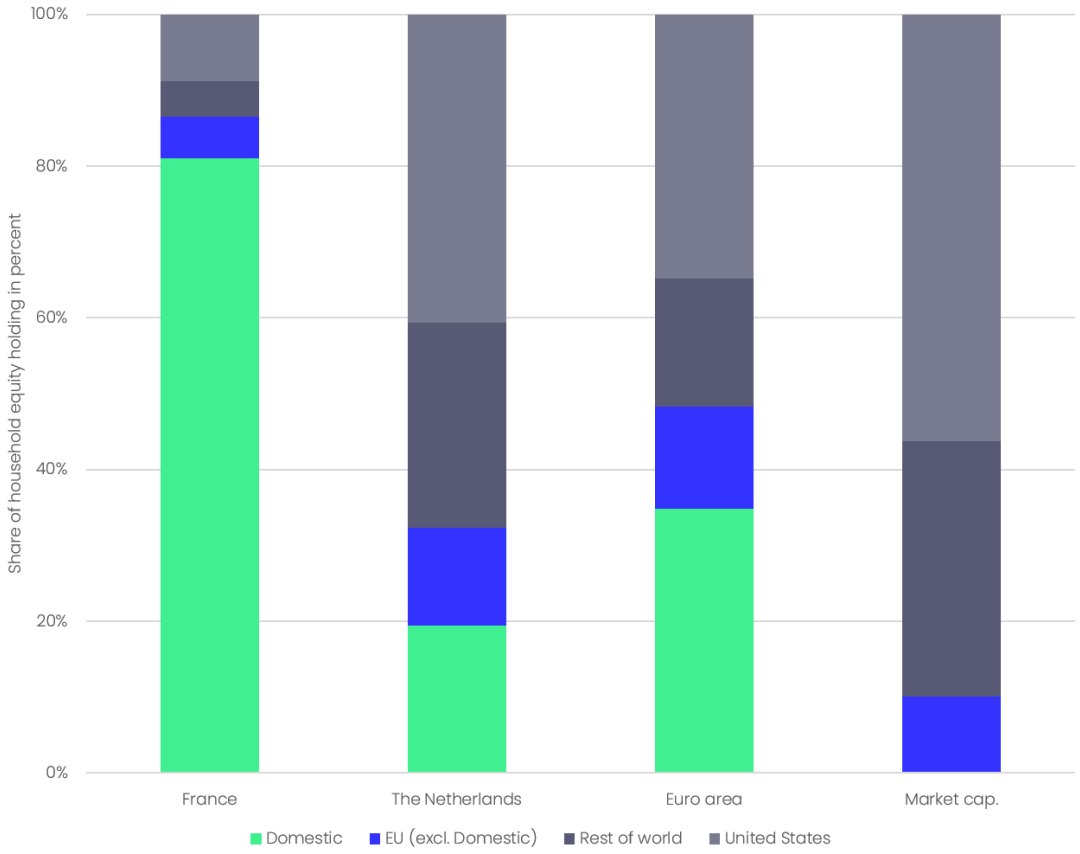
Figure 3.3. Taxes on capital as a share of GDP and ranking by EU member state, 2024



Source: Authors' elaboration based on European Commission (2026a).

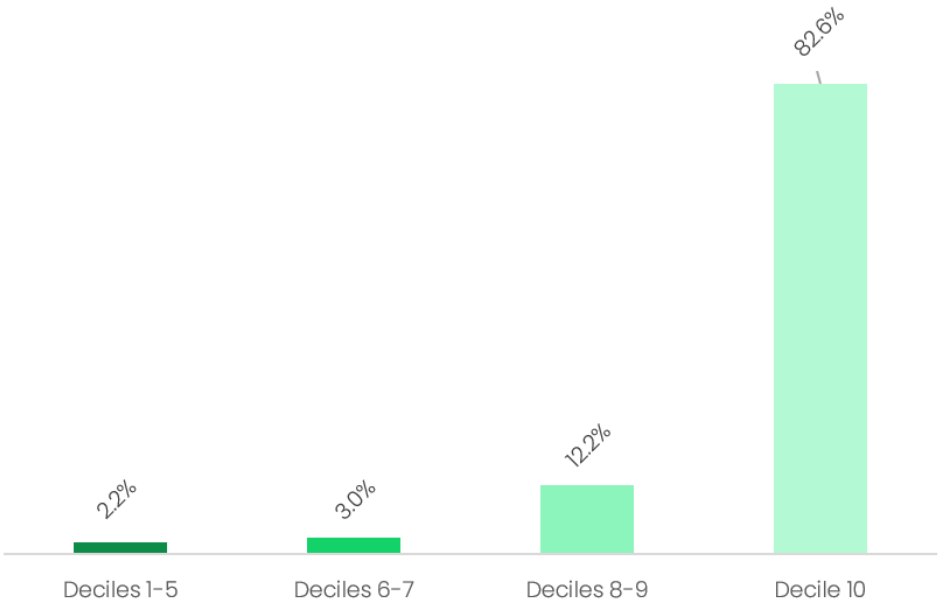
These national differences are also reflected in the structure of household equity holdings, both in terms of the geographical origin of the issuer (Figure 3.4) and listed shareholdings across the wealth distribution (Figure 3.5). This highlights how retail participation in capital markets varies not only between countries but also within countries, with individuals in the 10th decile of the wealth distribution owning over 80% of listed holdings.

Figure 3.4. Household equity holdings by issuer region, 2024



Source: ECB (2026b). Note: Listed shares held by euro area households (institutional sectors S.14, S.15 and S.1MU) by issuer region at the end of Q4 2024. The dataset includes only listed shares issued by non-financial corporations (institutional sector S.11) and banks (institutional sector S.122) that households hold directly by purchasing shares in them or via investment funds. Investment fund holdings are analysed on a look-through basis.

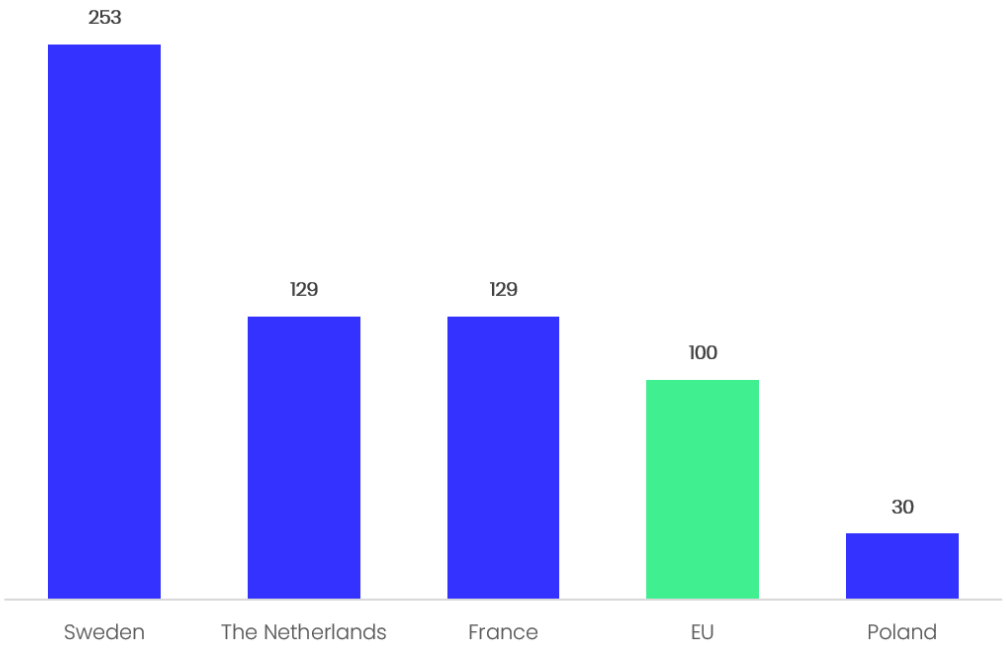
Figure 3.5. Distribution of listed share holdings by decile of wealth in the euro area, 2025



Source: Authors' elaboration based on ECB (2026a).

Overall, the four case studies span capital markets of varying depths. These range from Sweden, which has the deepest capital markets among our case studies, to Poland, which is at the opposite end of the scale (Figure 3.6). For each country, our analysis focuses on three key dimensions: life insurance, pension-based investment systems and retail investment incentives, providing a comparative basis for the policy recommendations that follow.

Figure 3.6. Depth of capital markets in 27 economic sectors



Source: Bierbaum et al. (2026). Note: Rebased to EU average = 100. Depth is measured relative to GDP, based on activity in 30 sectors in 2022–25 across six criteria: pools of capital, asset management, equity capital markets, debt capital markets, private markets and corporate activity.

France

France is characterised by an extensive use of specific savings taxation regimes as incentives for retail savers. The taxation of investment appears to be more fragmented in France than in other countries (Benoteau and Meslin, 2017) due to the coexistence of several tax-advantaged schemes centring on life insurance and regulated savings products. Since 2018, capital income has generally been taxed at a flat rate of 30% (12.8% income tax and 17.2% social contributions), with the exceptions of regulated savings products benefiting from tax exemptions. Social contributions have increased since January 2026, bringing the taxation rate to 31.4% for dividends and for some saving vehicles that are designed to increase retail savers' participation in capital markets. The rate is 30% for property income, real-estate capital gains, some home-savings plans and, with a reduced rate after 8 years, life insurance.

In 2024, France financed 97.8% of pension spending through a mandatory pay-as-you-go (PAYG) system, and the remaining 2.2% with funded schemes (Colombier et al., 2026). This is in stark contrast to Sweden, at 69% and 31% respectively, and the Netherlands, at 63% and 37% respectively (ibid.). Therefore, the pension system structure provides limited incentives for French households to participate in capital markets either directly or via private pension providers.

How taxation affects portfolio composition

The 2013 and 2018 tax reforms in France highlighted the fact that tax incentives have a limited effect on the creation of new savings and that behavioural factors can block the effect of tax incentives. A 2013 reform abolished the flat-rate withholding tax and led to a 40% decrease in declared dividends. However, despite the fact that the reform significantly increased the marginal

tax rate on dividends and capital gains, it did not have a negative effect on investment and led to no change in household income from sources other than dividends (Bach et al., 2019). In 2018, the introduction of the Prélèvement forfaitaire unique (PFU, or flat tax) reversed the 2013 reform, replacing it with a 30% flat rate (12.8% income tax and 17.2% social charges). The 2018 reform led to a 15% increase in the dividends paid to households, suggesting that companies adapted to the tax rate changes by altering the way in which they distributed capital gains but did not modify their level of investment[7] (Bach et al., 2019).

Taxation can, however, have a significant impact by shifting the allocation of savings. As shown by French households' behaviour as investors, tax measures have spillover effects: a positive tax measure for regulated savings accounts has a negative impact on the invested amount of other financial assets (Schalck, 2017). This can be seen in relation to Plan épargne logement (PEL), a regulated savings product designed to finance real estate projects. When interest on PEL accounts became taxable in 2006, 12 years after the product's introduction, the outstanding stock fell by 8.6%, despite having grown by 0.6% in 2005 (Pfister, 2018). This suggests that French households' decisions on savings allocations have been skewed towards tax-advantaged products. Recent empirical findings highlight the fact that taxation does not have a clear impact on levels of household savings (Pfister, 2018) but on portfolio composition: a survey by the Autorité des marchés financiers (AMF, 2021) shows that taxation is the fourth-most-quoted criteria in French retails investors' strategies.

How taxation affects retail investors' participation in capital markets

The Plan d'épargne en actions (PEA), an equity savings plan introduced in 1992, is France's flagship tax-advantage vehicle for retail investment in equity and stock markets. The PEA, which is subject to social charges (of 18.6% in 2026), offers income tax exemptions on gains after five years (Legifrance, 2025). Under the plan, retail investors can invest in stocks, funds, equities or units in a private limited company, as well as index trackers up to €150,000. Importantly, geographical restrictions are attached to the PEA: to benefit from the tax relief, the shares held by the policyholder must be in companies headquartered in the EU or the European Economic Area (EEA), while funds must have a minimum of 75% in securities issued by such firms.

Uptake of the PEA has been limited as a share of overall retail savings: in 2024, 9.8% of households held a PEA (Casarotti et al., 2025), accounting for €114 billion in total equity (Banque de France, 2026). The value of assets held in PEA accounts peaked as a share of GDP at around 7% in 2000, and subsequently stagnated at around 4% (Bierbaum, 2025). The limited growth of the PEA can be explained by the wide landscape of tax-advantaged savings products available in France. For example, the PEA–Petites et moyennes entreprises (PME), which is directed at financing SMEs and mid-cap companies, launched in 2014. However, this product is less popular than the original PEA, accounting for €2.9 billion in equity in late 2024, or just 2.5% of the PEA (Banque de France, 2026).

French banks' strong tradition of offering low-risk savings products to households' may have discouraged retail savers from direct participating in capital markets through shares or investment funds (Villeroy de Galhau, 2025). Indeed, these banks offer four main regulated savings products: Livret de développement durable et solidaire (Livret A); Livret de développement durable et solidaire (LDDS); Livret d'épargne populaire (LEP), which is restricted to lower-income households; and Livret jeune, for those aged between 12 and 25. These products are exempt from tax and social contributions. The value of all regulated savings products was €956 billion in late 2024, amounting to 15% of households' financial assets (Banque de France, 2025). The Livret A is the most popular product, accounting for €432 billion of this.

The Conseil des prélèvements obligatoires (CPO), a public body attached to the Cour des comptes (the national audit institution), has shown that taxation in France can cause the return on a given investment in financial assets to vary by as much as a factor of two, a significant

[7] This evidence of limited changes in investment resulting from shifts in taxation only partly applies to retail savers, and primarily concerns owner-managers of companies.

market distortion (CPO, 2025). Because the French tax system favours risk-free savings, the CPO argues, it would be beneficial to reduce the maximum amount that policyholders can invest in these regulated savings products, as this would incentivise households to invest in products offering a better return (such as the PEA). However, there are only moderate calls to reform regulated savings, due to their popularity and the distribution models adopted by French banks. Indeed, the Cour des Comptes (2022: 63) has emphasised that taxing these regulated savings products would have "very limited or nil" reallocation effect towards riskier assets, because the average tax subsidy per household is too low and the move would be politically costly.

Therefore, in a landscape where regulated savings make up a significant share of savers' portfolios, there is an ongoing debate about extent to which taxation could meaningfully incentivise retail investors' participation in capital markets.

How taxation affects cross-border investments

In France, barriers to cross-border investment include the differential value between double tax treaty rates and withholding tax rates, creating additional administrative burdens for retail savers.

Moreover, as discussed, tax-advantaged French investment products such as the PEA are associated with geographical restrictions, and home bias remains much higher in France than the wider euro area (see Figure 3.4). It appears that taxation is not the only explanation for this bias and must be considered alongside financial literacy and information asymmetry, as well as the role of distributors (banks and insurers) in influencing their clients' savings allocation (AMF, 2026).

How taxation affects access to sustainable finance

Several investment products directed at retail savers are designed to carve out a space for sustainable investment. First, the Plan d'épargne retraite (PER) is a long-term investment product designed to provide supplementary income for retirement and can involve an individual or collective contract. In principle, PER savings are locked up until the policyholder retires (CCSF and OPEF, 2025). The PER is attached to sustainable finance obligations and was created in 2020 following the introduction of the PACTE law, which aimed to simplify the Pillar 3 retirement framework (see Box 3.2). These obligations became more stringent in 2023, when they started to apply to unit-linked life insurance contracts. The PER has gained in popularity since its introduction and is now held by about 18% of the population (Ministère de l'Économie, 2026a), with one-third of this coming from employers' introduction of plans for their employees.

Box 3.2. The three-pillar pension system

Pension systems across Europe are structured around different layers or 'pillars', with the three-pillar framework being commonly used. There is no universal definition of these pillars, which usually vary across different international organisations. The broad categories below can be derived from different frameworks (EIOPA, 2025).

- First Pillar: public, mandatory and tax-financed schemes that provide a basic income in retirement.
- Second Pillar: occupational and quasi-mandatory schemes that are often funded by and related to earnings.
- Third Pillar: personal, voluntary savings and insurance products designed to supplement retirement income.

The Plan d'épargne avenir climat (PEAC), created by the Loi Industrie Verte in 2024, is accessible to students aged up to 25 years old and other citizens aged up to 21 years old. This is the only product with tax advantages specifically designed for sustainable investment, and is exempt from income tax and social charges. It allows young retail savers to invest in asset classes such as

shares and bonds that qualify for a 'socially responsible investment' label or a 'Greenfin' label (Ministère de l'Économie, 2026b).

Between January 2020 and January 2022, the PACTE law required unit-linked life insurance products to offer at least one fund option that was a socially responsible, solidarity-based[8] or a green investment (France Stratégie, 2023). The requirements of these funds were strengthened in January 2022: unit-linked life insurance products now needed to offer investments across all three categories of assets. Successive governments have made similar pushes for employee savings funds to offer socially responsible options. This means that these assets are now more widely accessible. Indeed, because the most popular retirement savings product, the PER, relies on unit-linked support, similar obligations to those for life insurance products apply: a PER should offer investment options in socially responsible, solidarity-based or green investment assets.

Table 3.1. Overview of France's measures

Life insurance	Life insurance contracts are held by 41% of the population, and benefit from reduced income on gains when withdrawn after 8 years (7.5% instead of 12.8%). These contracts are exempt from social contributions for total premiums under €150,000, which are otherwise taxed at 17.2% (a slightly lower rate of social contributions than for PER and PEA, which have been taxed at 18.6% on top of 12.8% income tax since January 2026).
Pension-based investment system	The PAYG repartition system relies heavily on Pillar 1. As a result, private pension funds in France have a very limited role compared to those in the Netherlands and Sweden. Pillar 3: PER, held by 18% of the population.
Retail investment incentives	PEA; Equity Savings Plan. A tax benefit applies to up to €150,000: after 5 years, capital gains are exempt from income tax, while social contributions of 18.6% still apply. Geographical restrictions also apply (a minimum share of EU/EEA stocks and equities). Similar conditions for the PEA–PME. Regulated savings accounts Livret A, LDDS, LEP and Livret jeune are tax-free and require no social contributions.
Sustainable finance specificities	PEAC has specific sustainable finance objectives but is limited to those under the age of 21. Other products have obligations to provide retail investors with options based on sustainable finance or solidarity: unit-linked and PER life insurance contracts, as well as unit-linked investment products more broadly.

Finally, the regulated savings products discussed above (Livret A, LDDS, LEP and Livret jeune) are particularly significant as they direct some funding towards the achievement of climate objectives. Indeed, around 60% of the funds in these products go to the Caisse des depots et consignations[9] (centralised regulated savings), thereby financing social housing and urban policy measures (Massoc and Benoit, 2024). Banks are required by law to use the remaining share of the funds (non-centralised regulated savings) to finance SMEs (80%), the energy transition and emissions reductions (10%) and the social and solidarity economy (5%) (Legifrance, 2008). While this mechanism does not involve taxation that redirects retail savers' funds towards sustainable

[8] Solidarity-based investment funds comprise socially responsible listed assets (90%) and assets from enterprises that form part of the social and solidarity economy (10%). These funds have grown in popularity since the early 2000s. Solidarity funds are typically marked by the private 'Finansol' label. Socially responsible funds apply ESG criteria systematically and are marked by the state 'ISR' label. Green funds are marked by the state 'Greenfin' label.

[9] A public financial institution engaged in public interest activities, including managing a portion of public savings and financing public and private projects.

finance, it ensures that products that are attractive thanks to their tax advantages can contribute to the green transition. However, these legal requirements may be unambitious given that, in 2024, bank loans that financed the energy transition or reduced carbon emissions were equivalent to 110% of the outstanding balance of non-centralised regulated savings funds (Banque de France, 2025). Overall, about €245 billion of regulated savings financed the green transition that year (Banque de France, 2025).

Due to the diversity of its savings landscape, France has introduced obligations linked to the availability of sustainable finance for some savings products. However, as discussed, sustainability remains only one of many areas into which retail savings are being channelled. Others include SMEs and the social and solidarity economy. Broadly, tax advantages depend on the type of savings product or account rather than on the sustainability profile of the underlying assets.

Poland

Polish households hold a large part of their wealth in the form of liquid assets. For example, cash and bank deposits amounted to 1,980 billion zloty (zł) representing €451 billion[10] or 49% of their total financial assets in 2025 (Mrówczyńska-Kamińska and Baluk, 2025; Eurostat, 2026a). By comparison, they hold approximately zł289 billion (€65.8 billion) in pension entitlements, representing only 9% of their total financial assets (2024 data). Equities and shares in investment funds make up the second-largest category at zł1,020 billion (25.3% or €232.4 billion), while debt securities amount to just zł23 billion (0.6% or €5.24 billion).

In Poland, the Belka tax applies to income from capital investments such as bonds, stocks, interest, dividends and equity funds. It is a 19% tax on profits earned by individuals (Marszałek Sejmu Rzeczypospolitej Polskiej, 2025). There is currently a distortion in the allocation of resources between capital and real estate markets (Sawulski, 2024): the International Monetary Fund (IMF, 2026) has noted Poland's excessive exposure to real estate and bank deposits, as its current tax preference skews household investment in real estate. This form of investment benefits from a much lower tax rate than the 19% tax on capital gains. The IMF suggests remedying this by reducing the tax preferences for real estate, increasing participation in Pillar 3 pension funds, and increasing the availability of low-cost and highly diversified investment products.

In response to the EU's push to develop the SIU, and to encourage higher levels of savings and participation in capital markets, the Polish Government is developing a Personal Investment Account, the OKI (Osobiste Konto Inwestycyjne). The account is inspired by the Swedish ISK model and set to become operational in 2027. Income earned through the OKI will be exempt from the capital gains tax and subject to a much lower tax on asset value above a certain threshold.

How taxation affects portfolio composition

The Polish supplementary pension system (Pillar 3) consists of four elements, including two main tax wrappers (Bierbaum, 2025), alongside two pension vehicles linked to employment: the Pracownicze Plany Kapitałowe (PPK) and the Pracownicze Programy Emerytalne (PPE).

First, the Individual Retirement Account (IKE), introduced in 2004, allows an investor to make taxed contributions that eventually produce tax-exempt capital gains, dividends, interest and withdrawals (Pieńkowska-Kamieniecka et al., 2021). Only those aged 60 or over can benefit from the tax advantage, after having made contributions in at least five calendar years. The capital gains and payouts are exempt from personal income tax (Mrówczyńska-Kamińska and Baluk, 2025). Second, the IKZE (Individual Retirement Security Accounts), introduced in 2012, allows contributions made by the account holder to be deducted from the personal income tax base, while capital gains, dividends and interest are free of tax. Withdrawals are taxed at a flat rate of 10%, which is still more favourable than standard income tax rates (Pieńkowska-Kamieniecka et al., 2021). This rate only applies to account holders who have reached the age 65 and made

[10] At a rate of zł1 = €0.2278.

contributions in at least five calendar years. IKZE tax benefits slightly differ from those of the IKE as they offer an upfront deduction and contributions can be deducted from taxable income (Mrówczyńska-Kamińska and Baluk, 2025). Both tax wrappers facilitate investment in bank deposits, savings accounts, bonds, equities, derivatives, shares and exchange-traded funds. They seem to have been successful in promoting stock market participation, with equities accounting for an average of 35% of total assets held in IKE and IKZE accounts (AFG and OEE, 2025). However, uptake of these accounts remains limited: 4.3% of the adult population owns one, representing 0.9% of all households' financial wealth (AFG and OEE, 2025).

The other saving instruments in Pillar 3 are the PPE, covering employee pension schemes, and the PPK, covering employees' capital plans. These instruments fall within the same taxation structure as the IKE. While employers can opt in to the PPE, the PPK is quasi-compulsory and includes top-up payments from the state (UKNF, 2026). By late 2025, the PPK was the most widely used investment product in Pillar 3 by far, with almost 5 million accounts and savings of zł45 billion (€10.25 billion). This can be explained by its quasi-compulsory nature, with auto-enrolment, and the major role played by the gradual reduction of the weight of Pillar 2 following pension reforms enacted in 2011 (UNFK, 2026). Indeed, the reform resulted in an automatic decrease in the number of participants registered in Pillar 2,[11] leading to a reallocation of some assets to Pillar 1 or 3. In that regard, the success of the PPK compared to other tax-advantaged retirement savings instruments may be primarily explained by the institutional context rather than by taxation.

How taxation affects retail investors' participation in capital markets

Polish capital markets actors have argued that tax incentives would encourage more retail investors to participate in capital markets. More precisely, the reduction or elimination of capital gains taxes on long-term investments is one of their core recommendations (SII et al., 2024).

Taxation is not always successful in influencing retail investors' behaviour. For example, the most popular retail savings instrument, the PKK, has only partially fulfilled its promise of long-term savings. Indeed, the UKNF, the Polish Financial Supervision Authority (UKNF, 2025) has identified a significant increase in requests for withdrawals from the PPK since 2021, meaning that some beneficiaries gave up the tax benefits of withdrawals at age 60 or over. Many participants in the PPK treat the funds accumulated in their accounts as an additional source of income that they can draw on at any time rather than a form of additional retirement provision, as they are allowed to make multiple withdrawals.

Meanwhile, several factors beyond taxation explain Poles' relative lack of participation in capital markets, particularly retail savers' limited uptake of investment vehicles that receive preferential tax treatment. Research conducted by the Chamber of Commerce of Pension Societies in 2023 shows that one in three Poles cites a lack of trust in the government or politicians as the reason for not investing in the IKE or the IKZE (Sekścińska, 2023). The most frequently cited reason for not participating in the PPK scheme is fear that politicians will change the law and consumers will lose the funds they have accumulated (37% of young adult respondents). Other factors include lack of knowledge of the schemes and distrust in their efficiency.

Originally planned for 2026, the OKI should become available in January 2027, after being adopted by the Parliament in July (Tomaszkiewicz, 2026). The Ministry of Finance's proposal for the OKI draws on the wider experience of European countries, citing the examples of Piani Individuali di Risparmio in Italy, and the PEA in France (Council of Ministers, 2026). The draft bill describes the OKI as "the national response to the objectives of the SIU". To allow participation in capital markets, the value of assets accumulated in the OKI will be taxed at 0.85% in 2027, with a tax exemption for the value of the assets of up to zł100,000 (around €23,000), including up to zł25,000 (around €5,700) in

[11] Poland's Pillar 2 corresponds to Otwarte Fundusze Emerytalne (OFE). Participation fell after it became voluntary following the 2014 reform.

the part of the account that holds bank deposits and savings bonds (European Commission, 2025a).

How taxation affects cross-border investments

In future, the OKI will place limitations on the availability of tax advantages for foreign assets. Under the current OKI proposal, the tax exemption would only apply to instruments denominated in złoty. It would, therefore, be possible to invest in foreign assets denominated in the currencies of countries in the EU, the EEA or the Organisation for Economic Co-operation and Development (OECD) but that would mean foregoing some of the tax advantage, as the asset-value tax would apply (Żuławiński, 2026). This is in contrast to the Belka tax.

Financial market actors have raised this issue as a major drawback of the initiative, fearing that it might complicate tax settlements and hinder efforts to build a diversified portfolio, ultimately discouraging retail investors' participation. The UKNF favours exempting assets denominated in foreign currencies up to zł100,000 from the value of the assets tax while maintaining the restriction on the currencies of countries in the EU, EEA and OECD (Żuławiński, 2026). The authority notes that the Swedish ISK does not have similar geographical restrictions, and that Polish IKE and IKZE accounts allow investments in foreign instruments while maintaining tax preferences. The IMF (2026) also notes that OKI accounts should not be restricted to investments in domestic stocks, because this would limit diversification and reinforce financial fragmentation in Europe.

A competing view is that investing in zł-denominated assets could help Polish capital markets develop first before opening up to wider EU markets. However, this could undermine efforts to achieve core SIU objectives.

Table 3.2. Overview of Poland's measures

Life insurance	No specific tax advantage; 19% tax applied on realised gains; can hold foreign and domestic securities.
Pension-based investment system	Primarily focuses on mandatory Pillar 1; shrinking Pillar 2 is mostly redirected to Pillar 1. Tax-advantaged instruments in Pillar 3, with limited uptake, include: • Employee capital plans (PPK), which are quasi-compulsory and widely held. Tax-free withdrawal under stringent conditions, benefits from employer's contributions. • Employee pension schemes (PPE). Tax-free at withdrawal in certain conditions. • Individual retirement accounts (IKE). Tax-free at withdrawal under certain conditions. • Individual retirement savings accounts (IKZE). Contributions can be deducted from taxable income.
Retail investment incentives	Advantageous tax treatment for the four mechanisms highlighted above: exempt from capital gains tax (PPE, PPK, IKE) or deductible from taxable income with a 10% flat tax rate upon withdrawal (IKZE). OKI account with advantageous tax on the value of assets rather than capital gains tax.
Sustainable finance specificities	No specificities.

How taxation affects access to sustainable finance

No features of Poland's savings investment schemes are specifically linked to sustainable finance.

Sweden

Sweden has a highly developed capital market with a strong tradition of retail investor participation. This has been encouraged by policy and has grown steadily in recent decades to a level that most European countries now aspire to emulate. In the 1960s, Swedish households held approximately 80-90% of their financial assets in either bank deposits or pension and insurance entitlements; fund-based savings accounted for less than 0.1% of GDP. Today, Sweden has one of the highest levels of household wealth in Europe. Between 2000 and 2023, Swedish households' financial assets roughly quadrupled (Thomadakis, 2025). Swedish households' financial assets equated to 352% of GDP in 2024, compared to the EU average of around 219%, and had a high degree of equity exposure. Approximately 45% of Swedish households' financial assets were in the form of equity and investment fund shares, with an additional 39% in the form of items such as insurance, pensions and standardised guarantees. Only around 12% was held in currency and deposits (Eurostat, 2025).

Sweden's capital market evolved gradually from the creation of its first mutual fund in 1958 into a broad, accessible savings system supported by tax incentives, pension reforms and digital tools. Early legislation in the 1970s established a regulatory framework for fund savings, while tax-advantaged products introduced in the late 1970s and the 1980s encouraged greater participation by retail investors. The 1990s saw the introduction of fund-based insurance, individual pension savings and the liberalisation of tax-subsidised savings in 1997 to allow investors to diversify internationally. A major structural reform followed in 2000 with the Premium Pension System, under which 2.5% of wages was allocated to individual investment accounts, significantly increasing household exposure to capital markets. In 2004, a pension tracking system and dashboard was launched. The abolition of inheritance, gift and wealth taxes between 2005 and 2007 reduced barriers to capital accumulation. The introduction of the ISK in 2012 simplified taxation, made investing more accessible and helped to reinforce Sweden's high level of household participation in financial markets (Thomadakis, 2025).

Sweden also places a strong emphasis on financial literacy and education through training programmes for professionals who then share their knowledge more widely. Between 2009 and 2023, these programmes trained 35,500 professionals and reached more than 2.5 million people online, with over 94% of participants reporting improved knowledge and 95% saying they could apply this knowledge to their work. This is supported by a national financial education network, school-based learning, digital tools and public awareness campaigns (Financial Supervisory Authority, 2024).

Some of the most significant features of the policy framework in Sweden include the Investment Savings Account, Private Endowment Insurance and the pensions system. Under the ISK, capital gains tax is paid on a presumed return calculated based on the total value of assets and deposits (not the profits made). The effective tax rates for 2025 and 2026 were set at 0.888% and 1.065% on the capital base above the tax-free allowance. Money can also be withdrawn from the account without paying tax on the amount withdrawn. Auto-reporting is also a key feature – the tax calculation is prefilled by the managing institution (Swedish Tax Agency, 2026b). This approach eliminates the need to track or tax individual transactions.

Introduced in the 1990s, kapitalförsäkring (private endowment insurance) is a product in which an insurance company formally owns the assets while the economic rights belong to the policyholder. As with the ISK, kapitalförsäkring is not subject to traditional capital gains or a dividend tax but rather a low flat tax on the policy's value based on a presumed return. The tax-free allowance increased from 150,000 Swedish krona (kr) to kr300,000 on 1 January 2026. This covers the total savings in an individual's investment savings account, endowment insurance and PEPP product (Swedish Tax Agency, 2026b).

Sweden has a three-pillar system for pensions: Pillar 1 is a state-funded public pension; Pillar 2 consists of occupational pensions; and Pillar 3 covers voluntary private pension savings. Pillar 1, in turn, has two components. The first is an income-based PAYG scheme. The second is a Premium Pension that is capital-funded via the 2.5% of workers' pensionable income allocated to it. Savers can remain with the default option or choose between several other private funds. The occupational pensions under Pillar 2 are usually negotiated between trade unions and employers. They are typically managed by large pension or insurance companies. Under Pillar 3, individuals can voluntarily save using additional products such as the endowment insurance or ISKs discussed above (Thomadakis, 2025). Overall, this approach helps savers engage with the market and buffers the pay-as-you-go scheme.

How taxation affects portfolio composition

As far back as the 1970s, tax-incentivised saving accounts have encouraged households to invest in funds and share-based instruments. The tax-subsidised savings accounts introduced in 1984 made capital gains tax-free up to a threshold and were credited with a surge in stock market participation. By 1990, these accounts held 10% of household savings. In 1991, the tax system was reformed to introduce a flat capital income tax, which replaced the complex and progressive system that had treated short- and long-term savings differently. The previous structure distorted investment decisions by favouring debt-financed consumption and housing over financial savings. The new system continued to tax labour income progressively but, by harmonising the taxation of capital income, the reform reduced distortions and encouraged a more balanced approach to saving and investment (Thomadakis, 2025).

The approach to taxing the ISK using a presumed return also incentivises households to invest in higher-return assets such as equities and investment funds. Rather than taxing actual gains, the ISK applies the standard 30% capital gains tax (which applies to holdings outside of the preferred tax wrappers) to a notional return calculated from the account's quarterly balance and a benchmark rate. This can reduce the effective tax burden when investments outperform the presumed return, creating an incentive to hold higher-return assets such as equities. It should also be noted that fiscal revenue from capital gains tax did not fall significantly after the introduction of the ISK. Indeed, the average contribution of capital gains tax to total revenue was actually higher in the years after than before. According to Kaskarelis et al. (2025), this likely reflects both existing investors transferring assets into the lower-tax account and new investors shifting savings from deposits into higher-return investments. Although such a measure can initially reduce tax revenue, greater risk-taking can expand household wealth and the future tax base. The account's simplified, upfront taxation also limits opportunities for tax planning (Kaskarelis et al., 2025).

How taxation affects retail investors' participation in capital markets

While official statistics on ISKs are scarce, the Swedish Investment Fund Association estimates that around kr1,600 billion (approximately €145 billion)[12] was invested in ISKs as of 2023 (Jansson et al., 2024). This is held in around 4 million ISK accounts (Kaskarelis et al., 2025; Jansson et al., 2024). By 2025, there was around kr1,168 billion (approximately €106 billion) in endowment insurance spread across roughly 2.2 million policies. To put these numbers in perspective, Sweden has a population of around 10.6 million, comprising around 5 million households and roughly 6.5 million people aged between 20 and 69 (Statistics Sweden, 2026). While endowment insurance is available to both private individuals and businesses, around 95% of policies are held by private individuals (Erlandsson and Lindell Hagelin, 2026). In 2025, the number of policies held by private individuals increased by 12%, a rise that has been attributed to the introduction of the tax-free threshold of kr150,000 (Erlandsson and Lindell Hagelin, 2026).

On the pensions side, Pillar 1 provides wide coverage of the population. In addition, Pillar 2, occupational pensions, covers approximately 90% of Swedish workers. This is linked to the involvement of trade unions and their use of collective bargaining. As Pillar 3 is mainly aimed at ISK

[12] At a rate of kr1= €0.091.

and endowment insurance, specific tax benefits for pension products outside Pillar 2 were abolished in 2016, except for individual traders and those not covered by an occupational pension (Thomadakis, 2025).

How taxation affects cross-border investments

Over time, Sweden has slowly opened up to foreign investment and facilitated greater investment abroad by Swedish citizens. In the 1990s, tax-subsidised savings were liberalised to allow foreign investment. Home bias is a feature of the Swedish market, but is less severe than the EU average (Kaskarelis et al., 2025).

Meanwhile, foreign withholding tax continues to create friction. Sweden's Tax Agency generally credits foreign tax paid on dividends or income held in an ISK automatically, provided the tax is reported in the account's tax statement. The credit cannot exceed either the amount permitted under the relevant tax treaty or Swedish tax attributable to foreign income (Swedish Tax Agency, 2026a). The ISK is not fully portable: those who leave Sweden permanently can lose tax advantages. Moreover, an endowment insurance policy can make it easier to invest in foreign shares. As the insurer legally owns the securities and handles foreign withholding-tax recovery/offsetting under the applicable tax treaties, this removes the administrative burden from the policyholder (Erlandsson and Lindell Hagelin, 2026).

How taxation affects access to sustainable finance

The ISK and endowment insurance do not appear to have tax advantages linked to sustainability. These advantages come with the vehicle, not its contents. On the funds side, ESG goals can be pursued mainly through fund management rather than taxation. Sweden does have a green tax incentive, but it operates entirely outside the capital-markets/retail-investor framework we analyse here – as it subsidises, for example, direct physical investment in household energy assets rather than financial securities.

Table 3.3. Overview of Sweden's measures

Life insurance	Kapitalförsäkring: life/endowment wrapper; flat annual yield tax; can hold domestic/foreign securities. The insurer formally owns the assets while the policyholder holds the economic rights. This can facilitate foreign investment because the insurer handles withholding-tax recovery/offsetting.
Pension-based investment system	Three-pillar system; Pillar 1 comprises PAYG and the premium pension, which invests 2.5% of income in individual fund accounts; occupational pensions cover approximately 90% of workers (9/10). Pillar 3 is covered by ISKs and endowment insurance.
Retail investment incentives	Incentives mainly come though the ISK. This is simple investment account taxed on a presumed return rather than realised capital gains/dividends; withdrawals are not separately taxed; reporting is automatically handled by the institution; includes a tax-free allowance. There are around 4 million ISK accounts.
Sustainable finance specificities	No specificities

In 2018, the Swedish Government tasked a committee to investigate the conditions for financing climate measures through private investment. The committee's report, published in 2020, acknowledged that there was a need to channel capital towards environmental and climate action projects but recommended against the creation of a tax-incentivised green savings programme. The inquiry concluded that, in the Swedish context, there was insufficient evidence

that a lack of capital was the main barrier to investment that supports environmental objectives. The committee also found that the proposal's potential effect on investment levels was uncertain and difficult to measure. On this basis, the inquiry recommended that the tax rules should not be amended (Committee on Green Savings, 2020).

The Netherlands

Dutch households are, on balance, wealthy and strongly pension-oriented, with high levels of savings. Their average net financial wealth exceeds that of most other EU countries and the US. Most Dutch households' financial assets are held through pensions, life insurance and annuities. With Dutch portfolios less dependent than most on cash and bank deposits, much of their capital-market exposure is indirect as it is channelled through large pension institutions rather than through households selecting investments themselves (Kaskarelis et al., 2025). In 2024, approximately 55% of household financial assets in the Netherlands were in the form of instruments such as insurance, pensions and standardised guarantees, while 24% were in the form of equity and investment fund shares and 19% in currency and deposits (Eurostat, 2025).

The Dutch pension system is one of the largest in the EEA: according to the Dutch Central Bank (DNB), it has around €1.9 trillion in assets under management (DNB, 2026b). The system is structured around three pillars. Pillar 1 is the general old-age pension, which operates as a pay-as-you-go state pension scheme. Pillar 2 consists of employment-related pensions, to which both employers and employees typically contribute. These pensions are generally administered by pension funds and invested in assets such as equities, real estate and bonds. Pillar 3 covers individual supplementary pensions, which are usually provided through life insurance products or bank savings schemes (DNB, 2026a).

The Dutch pension system has recently undergone reforms, particularly in Pillar 2, to replace promised fixed benefits with contribution-based pensions linked more directly to investment performance. Investment risk will generally decline with age, and individuals will be able to see how their personal pension account develops. The transition to the new system must be completed by 2028 (DNB, 2026d). The reform shifts Dutch occupational pension benefits to a collective defined-contribution model in which outcomes depend more directly on investment returns and where risks are allocated by age. It improves transparency and labour-market fairness and retains collective investment and a solidarity reserve, but also transfers more market risk to account holders, creating difficult transition effects across generations (Westerhout et al., 2024).

In terms of taxation, the Dutch system divides income into three categories, known as 'boxes'. Box 1 covers income from employment and home ownership, including salaries and pension income. Tax within this box is progressive, and a special lower rate applies to those who have reached the age at which they can claim their pension. Box 2 applies to income from substantial shareholdings. Individuals who hold more than 5% of the shares or profit-sharing certificates in a company are taxed on the income derived from that interest. Box 3 covers income from savings and investments, including shares, savings and additional real estate. A portion of this wealth is exempt from tax (€59,357 for an individual in 2026) while the remainder is subject to a rate of 36% (Dutch Tax Administration, 2026b; 2026d). This is one of the highest such rates among countries in the OECD, and is behind that of only Denmark and Norway in Europe (Mengden, 2025). The tax is currently calculated using a presumed rate of return that varies depending on the asset class rather than the investor's actual return (Government of the Netherlands, 2026; Dutch Tax Administration, 2026b). The Netherlands has no clear equivalent to Sweden's ISK or France's PEA. Ordinary retail investments are taxed through Box 3 rather than held in a simple tax-advantaged investment wrapper.

The Dutch Government is currently reviewing its approach to Box 3 taxation, in response to several court rulings in recent years. Since 2017, the Box 3 system has taxed wealth using presumed returns and a standardised portfolio mix rather than taxpayers' actual assets and investment performance. In its 2021 ruling, the Dutch Supreme Court found that this could unfairly overtax

savers and violated property and non-discrimination protections (Dutch Supreme Court, 2021). The Government replaced the system with an interim approach that applies separate presumed returns to savings, other assets and debts. However, the Court later ruled that even this transitional approach could not tax account holders on more than their actual returns, permitting them to claim tax relief where they could prove a lower return (Dutch Supreme Court, 2024). The interim taxation system is scheduled to be phased out and replaced with a new approach, which will be effective from 2028. The proposed new system would tax both realised and unrealised income from assets and allow for the deductibility of related costs. However, the new system has not yet fully cleared the legislative process and is expected to undergo further revision in terms of both content and timing (Deloitte Netherlands, 2026).

How taxation affects portfolio composition

In the Netherlands, taxation steers portfolio composition mainly towards pension-based investment rather than direct retail equity holdings. The Dutch system achieves this through a downstream approach that gives pension contributions very favourable tax treatment. Occupational pension saving in the Netherlands follows an exempt-exempt-taxed (EET) model. Pension contributions are exempt from tax, as are investment returns earned within the pension fund. Together, these measures encourage contributions and accelerate the accumulation of savings. Pensions are only taxed in Box 1 when the benefits are paid out in retirement (CPB Netherlands Bureau for Economic Policy Analysis, 2023). Box 1 income is taxed progressively, with the lowest bracket (up to €38,883) taxed at 35.75% and the highest bracket (more than €78,426) taxed at 49.50% for account holders below retirement age. Different rates apply to those who have reached retirement age, with income up to €41,123 taxed at only 17.85% (Dutch Tax Administration, 2026a). As a result, many workers deduct contributions at a higher marginal tax rate when employed than the rate applied to their pension income after retirement, meaning that the system generally provides a tax advantage. This is different to the gains made from investment or savings accounts in Box 3, which are taxed at a high rate above the tax-free allowance (ING, 2026b). While some forms of capital insurance policies have tax advantages, insurance policies that pay out a capital sum (a lump sum) upon survival or death are generally considered part of the assets in Box 3 (Dutch Tax Administration, 2026c).

According to the DNB, the total securities holdings of Dutch households totalled €207.6 billion at the end of the first quarter of 2026. Listed shares accounted for 33% of this, equity funds for 36% and other funds and bonds for 31% (DNB, 2026c). In addition, households hold substantial wealth in pension funds and insurers, the business assets of the self-employed, and home equity – none of which are included in direct securities holdings. In this regard, many Dutch citizens are indirectly exposed to the market through their pension funds. The assets held on Dutch pension funds' balance sheets are mostly debt (33%), investment fund units (29%) and listed equities (20%), with the remainder comprising other assets such as loans, real estate and financial derivatives (DNB, 2026b).

There is evidence that tax changes can impact portfolio composition in the Netherlands. The 2001 Dutch tax reform, which ensured that directly held financial wealth was less favourably taxed than housing, led to a modest reduction in the share of households' portfolios held in financial assets (Zoutman, 2014). This matters because it shows that tax asymmetries can steer household savings away from capital-market investments and reinforce the concentration of wealth in housing or other tax-advantaged assets. However, the fact that the effect was modest points to the importance of other factors, such as 'nudges'. In this regard, tax treatment is only one of several important factors that influence asset allocation. Others include pension-system design, financial literacy, income distribution and other national structural features.

How taxation affects retail investors' participation in capital markets

The Netherlands has a population of around 18 million people and roughly 8.4 million private households (Statistics Netherlands, 2025). Around 2.2 million households make investments (Netherlands Authority for the Financial Markets, 2025). The Dutch system is highly intermediated: a high concentration in pensions means that there is significant indirect participation in the market.

Around 90% of workers are covered by occupational pensions. Indeed, occupational pension fund assets average around €300,000 per capita, almost five times higher than in Sweden (Kaskarelis et al., 2025). The lengthy balance sheets of Dutch households have been credited to tax incentives that encourage mortgage borrowing and the accumulation of pension assets (Eggelte et al., 2014). The fact that there is no simple tax wrapper similar to the ISK likely reduces incentives to directly invest in the market, particularly in light of strong incentives to indirectly invest in pensions.

How taxation affects cross-border investments

For individual retail investors, Box 3 taxation is generally blind to the geographic location of assets, treating foreign and domestic investments the same. Dutch tax residents must declare all relevant wealth held worldwide in a Box 3 submission, and can avoid double taxation under tax treaties. Foreign withholding tax on dividends and interest received by Dutch tax residents can be credited against Dutch tax liability. While certain caps apply to this, excess taxation paid abroad can be carried forward to reduce Dutch tax liability in future years. Previously, eligible expats could be treated as non-residents for tax purposes, excluding their foreign wealth holdings from Dutch tax while remaining taxable only on Dutch-situated assets. This approach, which followed the so-called '30% rule', was abolished for new users from 1 January 2025 and will come to an end entirely in 2027 (EY, 2025). Much is still unknown about the rules for taxing assets held abroad under the replacement system, other than the fact that any provision will need to comply with international agreements such as tax treaties and with European law (Ruijschop and van Gijlswijk, 2026).

Broadly, for Dutch retail investors, there is no major provision to incentivise or disincentivise foreign or domestic investment. The Netherlands does not have an equivalent to France's PEA requirement that 75% of assets must be European, or to Poland's proposed currency restriction under the OKI.

Table 3.4. Overview of the Netherlands' measures

Life insurance	Life insurance products can be used for individual supplementary pensions. Individual pensions or financial protection against unfortunate events can come through life insurance policies or bank saving schemes.
Pension-based investment system	Three-pillar system with around 90% of workers are covered by occupational pensions. Pension savings benefit from EET treatment. Transition to a new system due to occur by 2028.
Retail investment incentives	No clear equivalent to Sweden's ISK or France's PEA. Ordinary savings and investments fall into Box 3, in which wealth/investment income is currently taxed based on presumed returns by asset class rather than a dedicated tax-advantaged equity wrapper. The taxation system continues to change in light of court decisions. The absence of a simple retail wrapper likely weakens direct participation in capital markets relative to pension investment.
Sustainable finance specificities	Green Savings and Investment Scheme: retail investments through approved green banks/funds receive an additional Box 3 exemption and tax credit. However, the benefit is being reduced sharply and is due to be abolished by 2028.

How taxation affects access to sustainable finance

The Netherlands introduced the Green Savings and Investment Scheme in 1995 to channel private savings towards certified environmental projects. In the scheme, individuals transfer money to approved green banks or investment funds, which use this to provide lower-cost finance for green

projects. In return, savers and investors receive a partial exemption from the wealth tax in Box 3 (in addition to the standard exempt amount) and a small additional tax credit. They only need to pay tax on the value of these investments and savings that exceed the specified amount. The exempt amounts were reduced from €71,251 in 2024 to €26,715 in 2026 for an individual, and will fall to €200 in 2027 before their removal in 2028 (ING, 2026a). These reductions follow a parliamentary amendment to the 2025 Tax Plan, which has been implemented due to increased pressure on state finances stemming from the court decisions and changes to the tax system discussed above. According to the OECD, by 2009, the Green Savings and Investment Scheme had attracted €7.4 billion from 250,000 individual investors. By 2025, the scheme held about €5.7 billion from 172,000 investors. This was down about €6.4 billion from 192,000 investors in 2024 (The Netherlands Enterprise Agency, 2026).

The Dutch Government has acknowledged the inconsistency between this policy action and its ambitions to promote sustainability. Indeed, the policy was not proposed by the Government but rather resulted from a backbench amendment adopted by the House of Representatives (Pleijsant, 2026).

Discussion

These case studies hold lessons for best practice in how taxation can influence retail savers' portfolio choices and encourage retail savers to participate in capital markets, and how sustainable finance products can be embedded in taxation practices. While there are instances in which tax-advantaged products have succeeded in attracting retail saver's investment, it is difficult to establish whether they have led to the investment of additional retail capital or the just the reallocation of existing assets.

How taxation shapes retail savers' portfolio choices

Institutional frameworks influence retail investors' portfolio choices. The experience of the Netherlands indicates that retail investors can participate in markets indirectly and, in doing so, can attain high levels of capital market exposure, particularly via pension funds. Moreover, individuals' responses to tax policy suggest that they are inclined to place their capital where it receives the most favourable tax treatment. For example, in France, changes in tax on certain products have induced shifts in savings allocation both towards and away from those products, depending on the nature of the tax. However, in all cases, tax considerations are strongly influenced by the structural features of the retail investment framework, including pension-system design, the availability of alternative products, financial literacy and distribution networks. This was also flagged during the interviews conducted for this project, with some experts linking the success of Sweden's retail investment model to the country's wider effort to simplify and otherwise improve taxation in recent decades.

Distribution networks can play an important role in promoting certain tax-advantaged products. In the French case, retail savers' portfolios are heavily composed of tax-advantaged products, particularly regulated savings accounts and life insurance. This is partly explained by the role of distribution networks that include banks and insurers, and that direct savers towards certain products and potentially away from involvement in financial markets.[13]

Design simplicity and the power of inertia should not be underestimated. In Poland, the success of tax-advantaged products is linked to their almost compulsory nature (via auto-enrolment in pension products such as the PPK) rather than a response to a shift in taxation. Sweden has simplified financial investment through automatic reporting by financial institutions, which eliminates the need to calculate tax on individual transactions.

Countries have divergent approaches to geographical restrictions, which only apply to some tax-advantaged savings products. In France, for example, one might argue that it is more culturally

[13] Supported by interviews FR.1 (French public-sector representative) and FR.3 (French public-sector representative).

acceptable for the state to impose such restrictions.[14] Poland's forthcoming OKI product will apply restrictions to tax-advantaged investment in OECD countries, which could risk incentivising retail savers to invest abroad instead of developing the Polish capital market.[15] Sweden takes a different approach, applying no geographical restrictions to the ISK. While ensuring that retail savers invest in Europe might better serve the SIU's objective, diversification of retail savers' portfolio can be lower risk than the alternative.

Policymakers should consider the implications of these choices to ensure that retail savers are protected. In that sense, fostering greater retail participation in capital markets should be differentiated from, and might compete with, another policy objective: encouraging greater investment in European assets for geostrategic reasons.

Lessons for encouraging retail savers to participate in capital markets

One of our key findings is that taxation has the greatest impact on retail savers' participation when it combines with other factors. Accordingly, it is good practice to:

- **Keep the design of savings products simple**. In Sweden, for example, products such as the ISK are easy to access and come with straightforward tax treatment. In that regard, tax incentives might have the greatest impact when the benefits are immediately apparent, such as when granting a reduction in income tax for investments rather than reducing the future capital gains tax on them.[16]

- **Support financial literacy**. Beyond administrative burdens, helping retail investors understand what they are investing in is paramount to helping them find products that match their preferred level of risk. For example, Sweden combines its investment incentives with a national financial-education network of school-based learning, digital tools and public awareness campaigns.

- **Ensure the institutional landscape enhances the effects of tax incentives**. Competition from other products with tax incentives might direct savers away from those on financial markets with potentially higher returns (and higher risks). The example of the French PEA is telling, as it competes with regulated savings products, offering more stable returns with attractive tax advantages. In Poland, retail investment is skewed towards real estate, as this provides lucrative and more stable returns than some savings products.

- **Establish a systematic way of translating savings into investment**. This is particularly efficient when the savings products and the taxation rules attached to them remain stable over time. In Poland for example, recent reforms of the pensions system have weakened retail investors' engagement with certain savings products. Funded pension systems offer a valuable model in this. The experience of the Netherlands shows how occupational pensions can translate household savings into capital market investment on a large scale, with one of the largest pensions systems in Europe and coverage of most of the population. While the Dutch system overwhelmingly focuses on pensions, the Swedish one is more mixed. As discussed, it combines funded pensions with a direct retail investment channel. In addition to the state pension and occupational pensions, Sweden's premium pension system brings market exposure alongside the investment made through ISKs and endowment insurance. While France does rely on such a system, the limited emergence of pension products such as the PER allows retail savers to participate in capital markets more easily. Poland has experimented with such products.

- **Account for path dependency.** Sweden's comparatively high level of retail participation in capital markets is not simply the result of today's policy framework but reflects a long-

[14] Supported by interviews FR.2 (French public-sector representatives) and FR.3.
[15] Supported by interview PL.1 (private-sector professional and former Polish public-sector representative).
[16] Supported by interview PL.1.

running process of institutional development that began with active efforts to encourage household investment from the 1970s onwards. Early policy choices helped build financial literacy, investment habits and supporting institutions, creating complementarities that reinforced participation over time. Therefore, the Swedish experience illustrates how retail investment ecosystems are shaped by path dependency: early interventions can generate cumulative effects that are difficult to replicate quickly in countries that have followed different trajectories.

Lessons for making sustainable finance products more attractive to retail savers

There are two main channels linking tax-advantageous retail investments to sustainable finance. First, when complemented by tax incentives, sustainable finance can support the development of the SIU. Indeed, sustainable finance can incentivise participation among retail savers who are not yet active in financial markets,[17] lending itself particularly well to the kind of medium- and long-term investment suitable to, for example, pension investment products. The French case illustrates this, with the obligation to include sustainable investment in certain pension and life insurance products. Second, using taxation to direct more retail investors' savings towards capital markets could not only deepen the SIU but also help close the financing gap in Europe's green transition (Nerlich et al., 2025). To catalyse this process, governments could require financial institutions to direct some investments towards sustainable finance goals, as France does in relation to banks' use of regulated savings. One further issue to consider is the extent to which retail savers' approach to investment could substantially increase funding for sustainability initiatives, given that additionality is difficult to measure in this context.

Indeed, judging by our case studies, there is only inconclusive evidence for the view that sustainability-specific tax incentives could increase participation or generate additional investment. As discussed, only France has put in place requirements specific to sustainable finance for certain savings products. Sweden is an interesting counter example, as it does not provide tax advantages that are specifically related to ESG: such advantages are attached to the investment account, not to the asset. The Swedish Government decided not to establish a tax-advantaged green savings programme because there was insufficient evidence that a lack of capital was the main barrier to environmentally friendly investment in Sweden. This indicates that trying to use tax-advantaged accounts to direct flows of capital towards green projects may not produce the desired outcome. The experience of the Netherlands shows that targeted incentives can help to guide capital towards sustainable projects, with its green savings scheme mobilising around €7.4 billion. However, this also highlights the risks associated with unstable fiscal support, given that the scheme will be abolished by 2028 due to court decisions and the resulting changes to the tax code.

Overall, initiatives to finance sustainability goals through retail savings hinge on structural factors that go beyond taxation of savings. These include, for example, the reform of the pension systems and efforts to increase financial literacy and reduce the fragmentation of capital markets at the EU level (Arnal, 2026).

[17] Supported by interview FR.03.

4. EU policy context

This section examines how taxation could be mobilised in support of the SIU's objectives, accounting for both the constraints of the EU policy framework and the opportunities it offers. We consider the range of options available to European policymakers, with a view to channelling additional investment towards Europe and supporting broader EU priorities. Our analysis explores the practicality of these options and the political conditions for their implementation.

Meeting the SIU's objectives through taxation

Taxation can serve three specific SIU objectives: mobilising additional private finance, channelling investment towards European companies, and supporting broader EU priorities. While the EU has only limited competences in taxation[18] and the issue is politically sensitive, it can act where taxation has a direct bearing on the functioning of the Single Market, including in areas such as tax jurisdiction and the fight against tax fraud.[19] Therefore, our analysis focuses primarily on policy instruments that are unrelated the issue of EU competences, while also considering new measures that would require unanimity among member states.

Within the existing framework, tax-related provisions could potentially be incorporated into financial regulation or addressed through dedicated instruments, particularly where issues of tax jurisdiction affect cross-border financial activity. Such considerations are already relevant to regulatory frameworks including Solvency II, the IORP II Directive and PEPP. Any such measures would, however, need to account for member states' existing bilateral tax treaties.

A more ambitious option would be to establish a European Universal Savings Account. As highlighted in the case studies above, several member states have adopted or are developing SIAs following the European Commission's 2025 recommendation. A European Universal Savings Account could build on these developments by providing a common European framework for long-term retail investment, combining tax advantages with a low administrative burden. Unlike national SIAs, whose rules vary across member states, such an account could provide a common framework while avoiding the creation of a broader EU tax system.[20] Although establishing a European Universal Savings Account would likely require unanimity in the Council, there is a basis for such an initiative in the growing use of comparable national schemes, including those in Lithuania, Sweden and Poland.

Short of legislative harmonisation, the EU can promote greater convergence through non-binding instruments such as recommendations and opinions under Article 288 of the Treaty on the Functioning of the European Union (TFEU). The Commission's 2025 recommendation on SIAs illustrates how such instruments can encourage member states to provide favourable tax treatment for medium- and long-term investment, potentially including investment in EU-based companies. While they are non-binding, SIAs can establish common policy reference points,

[18] Indeed, tax legislation requires a special legislative procedure: member states must reach the unanimous agreement required by articles 113, 192(2) and 194(3) of the TFEU.

[19] However, when the EU can use two different legal bases, the legislator must choose the most one most appropriate to the Directive, even if this means changing voting conditions (from unanimity to a qualified majority). ECJ, 11 September 2003, Commission v Council, C-211/01.

[20] Such a proposition could be workable. For example, Article 157 of Solvency II helps specify which kind of taxation applies and how "every insurance contract shall be subject exclusively to the indirect taxes and parafiscal charges on insurance premiums in the Member State in which the risk is situated or the Member State of the commitment".

facilitate policy learning and reduce the risk of a divergence in national approaches that could further fragment the SIU.[21]

The European Semester provides an additional mechanism for pursuing such coordination. Through euro-area recommendations and Country-Specific Recommendations, the Commission and Council can provide member states with tailored guidance on reforms affecting the Single Market and the euro area. These recommendations could, therefore, encourage favourable tax treatment of medium- and long-term investment by aligning national reforms with the broader development of the SIU. This would provide a flexible means of promoting convergence between member states without requiring direct EU-level tax harmonisation.

Taken together, these instruments point to a gradual approach to integrating taxation into the SIU. While some measures would require unanimity and others could be pursued through existing EU competences or non-binding coordination, they could collectively and individually contribute to an institutional framework that supports medium- and long-term investment while progressively reducing fiscal fragmentation.

Using taxation to mobilise savings in Europe

The proposed 'Finance Europe' label (see Box 4.1) could provide the EU with a relatively light-touch mechanism to support the development of an SIU. The rationale for the measure is to influence retail investors' behaviour through a recognisable label that reduces information asymmetries and directs savings towards European financial products.

The label currently covers only a subset of member states, but could be scaled up to the EU level. One option would be for the EU to complement the label with an ancillary tax provision that is incorporated into a new recommendation or regulation. This could take the form of either a common tax-rate threshold or, less ambitiously, a tax-rate corridor based on a 'floor and ceiling' approach, which is broadly analogous to that used for VAT. There may soon be precedent for the use of a tax threshold in EU competitiveness policy, as a similar approach is being considered in the development of the 28th regime (discussed below).[22] Member states would retain discretion over the design of their national tax systems, while voluntarily aligning the relevant tax treatment with the EU threshold. As our case studies show, the taxation of medium- and long-term investment is already relatively favourable in some member states.

This approach would have two main advantages. First, it would empower member states and account for political sensitivities by avoiding the creation of a new EU-wide taxation system. Second, it would provide a relatively simple and potentially cost-effective way of linking an existing or emerging label to the SIU objective of mobilising European retail savings. Participation could be based on a notification to the European Commission rather than on the harmonisation of national tax systems.

The scheme's effectiveness, however, would critically depend on the design of the label. The conditions for obtaining the Finance Europe label would need to be sufficiently precise to ensure that products satisfied both its content and tax requirements. A financial product would, therefore, need to meet the geographical and other eligibility criteria of the label and fall within the tax-rate corridor or below the applicable threshold established at the EU level. The framework should build on existing financial regulation to determine the relevant tax jurisdiction and tax base rather than create a separate tax classification.

The label would serve two related policy objectives: mobilising additional retail investment and increasing the share of such investment that is directed towards European companies and markets. The latter objective also aligns with the broader rationale of the SIU. At the same time, a

[21] European Commission, recommendation on increasing the availability of savings and investment accounts with simplified and advantageous tax treatment, 2025/2029.

[22] Supported by interview FR.03.

geographical requirement could risk market segmentation and, accordingly, should be carefully designed to avoid this, particularly in light of the cross-border integration objectives discussed above.

Ultimately, the label could be established through various legal instruments. A recommendation would provide greater flexibility but would be non-binding and, therefore, less effective. A regulation could provide a stronger common framework, while still leaving member states free to decide whether to offer products that meet the label's conditions and whether to provide the corresponding tax treatment. As such, the key challenge would be in striking a balance between sufficient EU-level standardisation to make the label meaningful and sufficient national discretion to ensure that participation is politically and administratively feasible.

Box 4.1. The 'Finance Europe' label

Recognising that an attractive framework to retail investors would deepen the SIU and foster European competitiveness, several member states agreed in June 2025 to create a common framework for a Finance Europe label. France, Spain, Luxembourg, the Netherlands, Estonia, Germany and Portugal established a set of criteria that each member state should comply with when promoting a tax-advantaged national investment wrapper. This approach provides the flexibility to adapt to diverse national frameworks and is open for other member states to join. The label's[23] main criterion is a minimum investment threshold in European assets of at least 70%. Other criteria are designed to encourage member states to opt for a minimum target of equity, European infrastructure, or European SMEs and mid-capitalisation firms in labelled products. Labelled wrappers must include an incentive for long-term holding, such as a minimum investment period of five years before the tax benefits apply.[24]

Embedding tax-related measures in wider EU governance

The EU currently has a range of economic and governance instruments through which it could support the SIU and address tax barriers without creating a new bloc-wide taxation framework. The Multiannual Financial Framework (MFF) is a case in point. The 2021–27 MFF embodied a logic of conditionality by linking EU funding to respect for the rule of law. Similarly, the proposed 2028–34 MFF could integrate the development of the SIU and the reduction of tax barriers into relevant budgetary programmes, including the Connecting Europe Facility and the Single Market and Customs Programme.

Such an approach could condition EU funding on the achievement of specific policy objectives and would thereby create incentives for member states to adapt national legislation or market frameworks in areas where the EU has no direct competence to legislate. The effectiveness of this solution would, however, depend on the magnitude of financial incentives relative to the fiscal cost of the reforms it required. Therefore, conditionality is likely to be more effective where EU funding provides a meaningful benefit to member states, and less so where governments are highly dependent on investment-tax revenues. National and Regional Partnership Plans (NRPPs)[25] are particularly relevant in this context. Their funding is linked to the country-specific challenges identified through the European Semester, while the proposed MFF envisages that payments will be conditioned on reaching investment and reform milestones linked to agreed priorities. This could provide a basis for linking some NRPP funding to reforms that reduce tax barriers to long-term and cross-border retail investment. Given the scale of NRPP funding, such conditionality could provide a stronger incentive than more limited, targeted EU programmes.

[23] For more information on the Finance Europe label, see Arnal (2025).

[24] Supported by interview FR.03.

[25] The NRPP merges cohesion policy, the Common Agricultural Policy and the Common Fisheries Policy with defence, security, fundamental rights and democracy. To receive funding, each of the 27 plans will need to align with EU objectives.

Another approach would be to connect the instruments we propose in this section to other EU initiatives that pursue complementary objectives. For example, the proposed 28th Regime would establish a common European company framework, referred to as 'EU Inc.' (see Box 4.2). Therefore, a European Universal Savings Account, label or recommendation could incentivise investment of a proportion of retail savings in EU Inc. companies. A geographical component could promote European competitiveness and the development of the SIU, but should be carefully designed to avoid undermining diversification or efforts to establish an integrated European capital market.

Tax incentives' interaction with sustainable finance is more complex. As our case studies suggest, there are few tax incentives targeting sustainable financial products, partly because many products are only partially invested in sustainable activities, while taxation generally applies to the product as a whole. The EU Green Bond Regulation[26] offers a more straightforward entry point, since European Green Bonds are required to finance activities aligned with the EU Taxonomy. An ancillary tax provision linked to this framework could, therefore, support both sustainable finance and the SIU.

More broadly, it is suboptimal to have separate policy tracks for the SIU and sustainable finance. Given the role of sustainability in European investment and its importance to retail investors, the two frameworks should be designed to reinforce one another rather than develop in parallel and potentially undermine each other.

Box 4.2. The 28th regime

Commonly referred to as 'EU Inc.', the 28th regime is an initiative that is currently being discussed at the EU level and scheduled for adoption by the end of 2026. The policy is designed to create a harmonised corporate legal regime across the EU that will deepen the single market and thereby strengthen the competitiveness of the European economy by reducing administrative and literacy burdens (the difficulties a person faces in understanding the legal and administrative rules that must be followed to establish a company). For example, the regime will allow companies to register online in only 48 hours at a cost of no more than €100. They will then be able to operate everywhere in the EU without requiring specific administrative procedures.

Three alternative pathways

Our analysis suggests that taxation could support the development of the SIU through a range of instruments, but that their effects, feasibility and political implications would differ. Therefore, European policymakers need to consider not only what each instrument can achieve, but also whether it can contribute to the longer-term reduction of fragmentation and the development of a more integrated SIU.

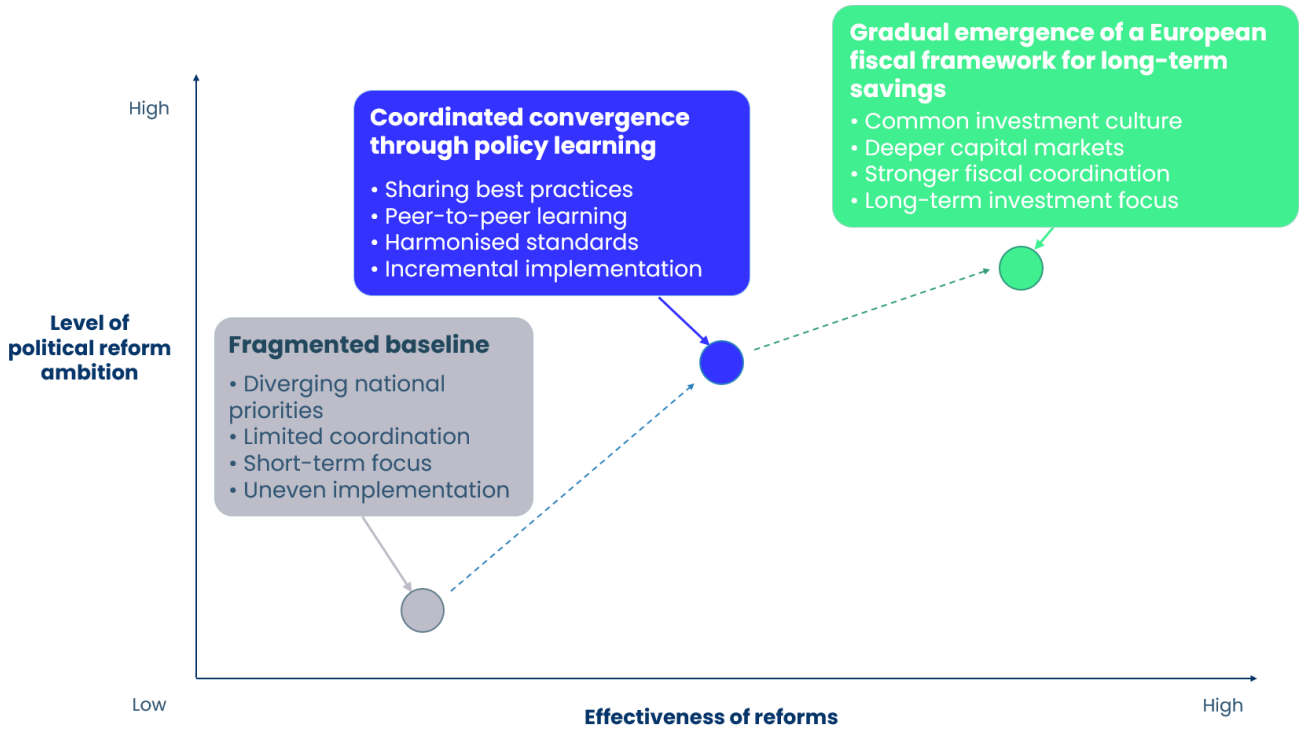
In terms of implementation, two considerations are of particular importance: the time required for a measure to take effect and its effectiveness in addressing the underlying problem. First, developing the SIU is inherently a long-term process, as is the mobilisation of medium- and long-term investment. Sweden illustrates this dynamic: although the country's policies have successfully supported retail investment, they took effect over almost 50 years. Accordingly, policymakers should distinguish between measures that can produce results relatively quickly and those whose benefits will only materialise over time. However, introducing measures with long lead times could delay the institutional and behavioural changes needed to support a more integrated SIU.

[26] The Green Bond Regulation creates the protected designation of European Green Bond. Any green bond that conforms to the regulation, including the funds allocated to sustainable activities, can use this designation.

Second, speed should not come at the expense of effectiveness. Measures that are relatively easy to implement but have limited impact may provide a short-term response without addressing structural barriers to greater investment and integration. As a result, the relevant issue is not simply which tools can be implemented most quickly but which combination can deliver meaningful effects in the short term while contributing to the longer-term development of a more integrated European investment market.

As discussed, the integration of taxation into the SIU is unlikely to result from a single legislative initiative. Rather, it will depend on the extent to which member states and European institutions can progressively coordinate their approaches to retail investment while respecting national competences. Against this backdrop, we identified three alternative pathways that the EU can pursue (see Figure 4.1).

Figure 4.1. Three pathways for harnessing taxation in support of the SIU



Source: Author. Note: Effectiveness of reforms refers to the ability to deliver real outcomes.

The first pathway involves a **fragmented baseline** in which taxation remains largely absent from the SIU agenda. On this pathway, member states continue to pursue their own independent tax policies that reflect national priorities and institutional specificities, resulting in a patchwork of fiscal incentives, investment accounts and savings products. While such diversity reflects legitimate national differences, it also contributes to market fragmentation and other significant barriers to cross-border participation.[27] In particular, differences in the tax treatment of investments can create uneven incentives for retail investors across jurisdictions, affecting the relative attractiveness of different investment options and potentially reinforcing other barriers to cross-border participation.[28]

The SIU could nevertheless continue to progress through regulatory harmonisation, greater market integration and more integrated or convergent supervision. However, its capacity to mobilise household savings efficiently and channel them across borders would remain constrained if

[27] Such as uneven product availability, differences in distribution channels, information asymmetries, persistent home bias, and differences in costs and fees.

[28] Supported by interview FR.01.

taxation continued to be addressed primarily at national level. In this scenario, taxation would remain a significant but largely unaddressed dimension of the SIU, limiting the extent to which the broader institutional reforms underpinning the union could translate into greater cross-border retail investment.

The second pathway is one of **coordinated convergence through policy learning**. Rather than pursuing politically difficult tax harmonisation, the EU would progressively strengthen the fiscal dimension of the SIU by encouraging cooperation, benchmarking and the diffusion of successful national practices. The experiences of France, Poland, Sweden and the Netherlands demonstrate that there is no single optimal model for the taxation of retail investment. Instead, member states can learn from one another and adapt effective approaches to their own institutional and fiscal contexts. Instruments such as the European Semester, including its Country-Specific Recommendations, together with the next MFF, could provide an institutional framework for facilitating and reinforcing this gradual convergence.

At the same time, common European initiatives such as the proposed Savings and Investment Account, the Finance Europe label and a potential European Sustainable Investment Regime could provide shared reference points for the design of nationally based tax incentives without requiring member states to harmonise their tax systems. These initiatives could, therefore, serve as vehicles for policy diffusion, allowing national approaches to converge around a set of common principles while preserving national discretion over tax design.

Such an approach would retain member states' fiscal sovereignty while gradually reducing tax-induced fragmentation. Over time, greater transparency and comparability in the tax treatment of retail investments could improve investor confidence, facilitate cross-border participation and strengthen the Single Market for retail investment. The objective would not be to impose a single European tax regime, but to create the conditions under which national tax systems become progressively more compatible and integrated with the objectives of the SIU.

Looking further ahead, a third pathway could involve the **gradual emergence of a European fiscal framework for long-term savings**. This would be contingent on a substantially higher degree of political integration, but it provides a useful long-term direction of travel. One possible evolution would be the development of a European Universal Savings Account that integrates investment products, pension savings and other long-term savings vehicles within a portable framework that is recognised across the EU. Building on existing European initiatives such as PEPP and the Savings and Investment Account, this architecture could eventually be complemented by common principles governing the fiscal treatment of eligible products. Rather than establishing a fully harmonised European tax system, such a framework would aim to ensure greater consistency in the design and application of tax incentives for long-term investment across member states.

Our analysis suggests that the **second pathway is the most credible**. It recognises both the political sensitivity of taxation and the practical need to reduce tax-induced fragmentation if the SIU is to achieve its objectives. Therefore, the challenge is not to replace national tax systems with a single European model, but to embed taxation more firmly within the architecture of the SIU through coordination, policy learning and the gradual convergence of effective national practices. Over time, this could strengthen retail participation in capital markets, reinforce Europe's position in sustainable finance and enable household savings to play a greater role in supporting the EU's long-term competitiveness, resilience and strategic priorities.

5. Conclusions

Taxation deserves a far more prominent place in the European debate on the SIU. While the debate has understandably focused on regulatory harmonisation, supervisory convergence and the removal of barriers to cross-border investment, the evidence shows that fiscal frameworks also play an important role in shaping retail investors' behaviour. National tax systems influence the relative attractiveness of financial products, investment horizons and portfolio allocation, while simultaneously contributing to the fragmentation of European retail investment markets. Therefore, taxation should be viewed not simply as a national policy instrument or a mechanism for encouraging particular forms of saving but as one of the institutional conditions underpinning the development of an integrated European capital market. If the SIU is to mobilise household savings more effectively, fiscal incentives will need to be at the centre of the discussion.

Our case studies also point to an important qualification: the effectiveness of tax incentives depends not only on their generosity but also on how they are designed and embedded in the wider savings environment. Across the countries examined in our report, simplicity and administrative ease emerge as particularly important factors. The Swedish ISK illustrates how a straightforward tax treatment, automatic reporting and limited transaction-level tax administration can lower the practical costs of investing and make participation more accessible. By contrast, complex eligibility rules, contribution limits, geographical restrictions and cumbersome tax procedures can weaken the effectiveness of otherwise attractive fiscal incentives. The experience of cross-border withholding taxation reinforces this point: even where tax relief is formally available, administrative complexity can create sufficient friction to discourage investment.

The evidence also suggests that tax incentives work through behavioural and institutional channels that extend beyond the immediate financial benefit that they provide. Tax-advantaged products can influence where households invest existing savings without necessarily increasing overall saving. Meanwhile, the effects of these products are determined by a combination of financial literacy, liquidity preferences, distribution channels and the broader structure of pension and savings systems. The contrast between the widespread participation associated with Sweden's ISK and the more limited uptake of several tax-advantaged products in Poland indicates that taxation alone cannot generate a deeper retail investment culture. Institutional design, automatic or quasi-automatic participation mechanisms (such as auto-enrolment schemes), trusted intermediaries and accessible products can be equally important in determining whether fiscal incentives translate into sustained participation.

Finally, the case studies underline the importance of policy stability. Household decisions to commit savings over the medium and long term depend not only on the current tax treatment of a product but also on confidence that its rules will remain predictable. Frequent changes to tax advantages or uncertainty over the future treatment of savings can weaken participation and undermine trust, particularly where households already have concerns about the reliability of long-term savings arrangements. This suggests that a European approach to taxation and the SIU should focus on both identifying effective incentives and promoting simple, administratively workable and stable frameworks. Such principles may offer a more transferable basis for policy convergence across member states than attempts to replicate any single national model (see our recommendations in Section 6).

Various sustainable finance initiatives provide a particularly clear illustration of both the opportunities and the limitations of an overly siloed approach to policymaking. The EU has built one of the world's most advanced regulatory frameworks for sustainable finance, but the fiscal treatment of sustainable investment products is uneven across member states and largely disconnected from the SIU agenda. Our comparative analysis demonstrates that national experiences offer valuable lessons for designing tax incentives that encourage long-term investment while remaining compatible with different institutional and fiscal traditions. Rather than pursuing comprehensive tax harmonisation (which remains politically and legally challenging), the EU can play an important coordinating role by identifying best practices, encouraging policy convergence and ensuring that national tax systems align with the objectives of the SIU. In this respect, sustainable finance initiatives may act as a laboratory for developing approaches to investment that could subsequently be extended to other long-term retail investment products.

Ultimately, the challenge facing Europe is not one of savings but of allocation. Mobilising private capital has become indispensable to supporting the EU's competitiveness, capacity for innovation, climate transition and economic security. Achieving these ambitions will require more than just deeper capital markets or additional financial products. It will need a coherent policy framework in which regulation, supervision and taxation mutually reinforce one another to support long-term investment. The SIU offers an opportunity to rethink the relationship between household savings and productive investment across Europe. By recognising taxation as an integral component of this architecture rather than solely a national policy instrument, the EU would take an important step towards establishing a more integrated, resilient and competitive European financial system.

6. Policy recommendations

This section provides a series of recommendations on the use of tax incentives to support the development of the SIU, focusing on how to promote retail participation in medium- and long-term investment. We set out how greater coordination, policy learning and convergence can help ensure that taxation supports the SIU while preserving member states' fiscal systems.

Future considerations

1. Develop the fiscal dimension of the Savings and Investment Union

The SIU cannot be completed through regulatory harmonisation, supervisory convergence and deeper capital markets alone. Fiscal fragmentation remains a key obstacle to an integrated European market for retail investment. Divergent national tax regimes distort household investment decisions, discourage cross-border investment and weaken the mobilisation of savings for productive long-term investment across the EU.

While direct taxation is a competence of member states, the European Commission should explicitly recognise fiscal fragmentation as an obstacle to deepening the Single Market and embed taxation more systematically within the architecture of the SIU. This would promote a clear institutional framework that increases the participation of retail investors. Such an approach would not require full tax harmonisation. Rather, it would involve a more coherent European approach to coordinating fiscal incentives, identifying best practice and reducing unnecessary fragmentation where it undermines the Single Market.

To provide strategic direction, the European Commission should publish a SIU Taxation Roadmap every two years. The Roadmap should identify priority areas for action, benchmark national tax regimes that support retail investment, promote the exchange of best practices and establish a long-term framework for strengthening the fiscal dimension of the SIU. By placing taxation alongside regulation and market integration as a strategic policy priority, the Roadmap would help ensure that fiscal policy aligns with the objectives of the SIU.

2. Adopt a behavioural approach to the design of tax incentives and retail investment products

As both the literature and our empirical case studies show, the effectiveness of tax incentives depends as much on behavioural design as their generosity. Fiscal incentives alone will not lead to greater retail participation if the underlying investment products remain overly complex, illiquid or difficult to access. For instance, Sweden's mobilisation of retail investment partly depended on the simplicity of some financial products, automatic fiscal reporting and a reduced administrative burden.

Member states should, therefore, adopt a behavioural approach to the design of tax-advantaged retail investment products, ensuring that they are easy to understand and access, and aligned with households' approach to financial decisions. This includes clear eligibility criteria, flexible contribution arrangements, appropriate levels of liquidity, transparent fee structures, intuitive digital access and, where appropriate, the use of behavioural nudges that encourage regular long-term saving and investment (such as auto-enrolment). Well-designed products are often more effective than those that have greater tax advantages but that investors find difficult to understand or use.

The design of tax incentives themselves should follow the same principles. Tax regimes should be simple, accessible, predictable and stable over time, minimising compliance costs for retail investors, financial intermediaries and public authorities alike. Excessive reporting requirements, complex eligibility rules, restrictive conditions or frequent policy changes create uncertainty and discourage participation, particularly among first-time investors. In the context of the SIU, successful tax incentives are those that combine fiscal attractiveness with behavioural simplicity, legal certainty and a positive user experience, thereby lowering the practical barriers to long-term investment rather than creating new ones. This approach would promote a clear institutional framework that accounts for the power of inertia.

Recommendations for the EU

3. Use the European Semester and the next Multiannual Financial Framework to promote fiscal convergence

The European Semester and the next MFF provide a particularly important opportunity to develop the SIU through fiscal convergence. Following the 'coordinated convergence' pathway discussed above, the European Semester should become the Union's principal governance mechanism for monitoring how national tax systems align with the objectives of the SIU. Country Reports and Country-Specific Recommendations should systematically assess the effectiveness of national tax incentives in long-term retail investment, identify sources of fiscal fragmentation and encourage the exchange of best practices between member states.

In line with post-NextGenerationEU governance mechanisms that link outcomes to conditional funding access (Guardiancich et al., 2026), the next MFF could link technical assistance and selected EU funding instruments to reforms that simplify the taxation of long-term investment products, improve the portability of these products and strengthen retail participation in European capital markets. Rather than pursuing politically difficult tax harmonisation, this governance framework would encourage gradual convergence through benchmarking, peer learning and positive incentives.

4. Establish the Finance Europe label as the common European eligibility framework for tax-advantaged retail investment products

The Finance Europe label – an initiative of member states – should evolve into a common European benchmark for retail investment products that are eligible for national tax incentives. While member states would remain free to determine the nature and generosity of the fiscal support they provide, aligning tax incentives with a shared European standard would create greater consistency across the Single Market, improve investor confidence and increase the visibility of high-quality, long-term investment products. However, to address the trade-off between ensuring retail savers can diversify their investments and the policy objective of directing savings towards the EU, the Finance Europe label should propose different thresholds. These thresholds would include different types of geographical restrictions to ensure that a significant share of funding was allocated to European companies, while allowing retail investors to make their final investment choice. Over time, the label could become the common European gateway through which nationally designed fiscal incentives contribute to the broader objectives of the SIU.

5. Gradually develop the Savings and Investment Account into a European Universal Savings Account

The proposed Savings and Investment Account should be the first building block of a broader European savings architecture. Greater convergence between national SIAs could reduce fragmentation, as could improved portability and cross-border tax treatment. Meanwhile, a common European framework could be another step towards integrating different forms of long-term household saving. Over time, therefore, the SIA could evolve into a portable European Universal Savings Account, enabling citizens to hold retail investment products, pension savings and other long-term savings vehicles within a single framework. This would address some of the

limitations encountered by previous attempts to develop European-wide savings products, the uptake and portability of which were limited by differences in national frameworks.

Such an architecture would simplify household finance, facilitate labour mobility, improve the portability of savings across member states and provide citizens with a visible and tangible benefit from the SIU without creating further administrative burdens.

6. Explore how to develop a European Sustainable Investment Regime as a pilot project for the SIU, potentially via the European Competitiveness Lab

Our analysis points to a potentially valuable, albeit secondary, link between the EU's sustainable finance framework and the objectives of the SIU. This link could be developed through a European Sustainable Investment Regime (ESIR): an optional, pan-European framework that enables retail investors to access eligible sustainable investment products across member states under a common set of rules. The objective would not be to harmonise national taxation but to make sustainable retail investment more portable, comparable and accessible across borders, while preserving member states' competence in tax policy.

The ESIR could combine a European passport, common eligibility and sustainability standards, simplified disclosure requirements and cross-border portability. On taxation, rather than establishing common tax rates or a uniform fiscal regime, the EU could develop common principles or guidance for national incentives, encouraging member states to link existing or future tax advantages to products that meet the ESIR's criteria. This would allow the SIU to build on existing national tax systems rather than requiring their harmonisation, while creating a stronger connection between fiscal incentives, retail investment and EU policy objectives.

Sustainable finance is already supported by an established European regulatory framework, addresses a clearly defined policy objective and is inherently oriented towards longer-term investment. More importantly, an ESIR could help avoid a false choice between sustainable investment and investment through the SIU. Retail investors should be able to participate in European capital markets through products that align with European sustainability objectives rather than being forced to navigate separate and potentially competing frameworks. The regime could, therefore, serve as a practical demonstration of how greater regulatory integration, portability and appropriately designed fiscal incentives could work together to deepen retail participation and reduce fragmentation.

Nevertheless, proposing an ESIR would raise significant legal and institutional questions, particularly given its interaction with existing financial-services legislation and national tax systems, and the considerable diversity of pension and savings arrangements across member states. Policymakers would need to carefully assess these dynamics. Rather than seeking to resolve such issues immediately, the EU could treat the ESIR as a pilot project for the SIU, testing the feasibility of a more integrated European framework in a specific market segment before considering its wider application. Accordingly, further research could examine the ESIR's legal design, institutional governance, interaction with national tax systems and potential market effects. The Eurogroup could, for instance, entrust a feasibility study to the Spanish-led Competitiveness Lab, potentially using an experimental form of enhanced cooperation to explore the concept with a group of willing member states.

Recommendations for EU member states

7. Design tax incentives that support cross-border diversification

Member states should avoid tax incentives that reinforce home bias among retail investors. While encouraging investment in national priorities may be a legitimate policy objective, overly restrictive geographic eligibility criteria risk reducing portfolio diversification, reinforcing market fragmentation and undermining the objectives of the SIU. Tax-advantaged investment products should, therefore, facilitate access to high-quality investment opportunities across the EU by, for

example, using the Finance Europe label, and should be sufficiently flexible to reflect national priorities. At the same time, member states should minimise the administrative and fiscal barriers associated with cross-border investment, ensuring that tax incentives remain straightforward to access and operate regardless of where in the Single Market that eligible investments are made. Member states' tax regimes should, therefore, facilitate (rather than hamper) the provision of cross-border retail investment, with a view to both encouraging retail competition and protecting European citizens' long-term savings.

8. Use the E6 group to strengthen peer learning and policy benchmarking on tax incentives for long-term retail investment

Member states should make greater use of one another's experience in designing tax incentives for retail investment. Across the EU, a wide range of approaches has emerged to encourage long-term savings through investment accounts, pension schemes, life insurance products and (as is particularly clear in the Netherlands and France) sustainable finance. These experiences provide a valuable evidence base for identifying the fiscal incentives that are most effective in increasing retail participation while limiting market distortions and administrative complexity.

Rather than developing new tax regimes in isolation, member states should systematically benchmark their approaches against successful practices elsewhere in Europe and adapt proven solutions to their own institutional and fiscal contexts. The E6 group – or, indeed, any wider coalition of the willing among member states – could accelerate peer learning that would promote gradual policy convergence, reduce unnecessary fragmentation and diffuse effective policy innovations across the EU without requiring tax harmonisation. Initially driven by a small group of countries, such an approach could both strengthen national retail investment markets and align with the broader objectives of the SIU.

Specifically, the E6 could task the Competitiveness Lab with identifying and documenting specific instances in which cross-border retail investment is constrained by divergent, complex or difficult-to-enforce tax rules. This could involve examining cases where bilateral double-taxation agreements between member states are difficult to implement and, accordingly, create additional costs or uncertainty for households that invest across borders.

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