TAX BENEFITS

OF THE SPANISH COLLECTIVE INVESTMENT BOND

The Spanish Collective Investment Bond is a Spanish compliant single premium investment linked life assurance policy issued by Utmost PanEurope dac, under the EU Freedom of Services regulations.

A tax compliant policy has to meet a number of technical conditions as established by Spanish personal income tax law. For example, as the funds available for selection within the policy must be EU UCITS or Spanish funds. The Spanish Collective Investment Bond meets this requirement and the fund range is included within the policyholder's contract terms.

BENEFIT FROM TAX DEFERRAL

One of the benefits of investing in a Spanish tax compliant policy such as the Spanish Collective Investment Bond is that any growth in the policy value is not taxable until the policy is surrendered, or when a withdrawal takes place. It is not until money is taken from the policy and a gain is realised that income tax is due. This is because the Spanish Collective Investment Bond has been designed to meet the requirements established in Spanish personal income tax law for a life assurance policy to provide tax deferral.

A non-compliant policy does not provide the same tax deferral benefit. Instead, the Spanish resident policyholder must declare the annual growth in their policy and pay income tax at the respective rate, even if there have been no withdrawals.

SPANISH COMPLIANT POLICIES CAN BE EXEMPT FROM THE MODELO 720

Using a Spanish tax compliant policy may also simplify your clients tax reporting requirements in Spain because a tax compliant policy does not need to be disclosed as an overseas asset under the Modelo 720 declaration if the insurer reports the value of the policy in annual Modelo 189. Utmost PanEurope dac reports the value of their Spanish Collective Investment Bond policies in the Modelo 189 each year where the policyholder is Spanish resident. Therefore, policyholders are not required to disclose their Spanish Collective Investment Bond policy value on the Modelo 720 declaration, following the guidelines issued by the Spanish Tax Office.

Whilst the penalty regime for the Modelo 720 has recently been amended following a ruling from the European Court of Justice, a Spanish tax compliant policy will provide more peace of mind to policyholders with less reporting requirements as opposed to non-compliant policies, which must be reported on the Modelo 720 with their surrender value as of 31 December.

TAXATION OF SAVINGS INCOME IN SPAIN

Savings income is taxable at the following rates:

TAXABLE INCOME	TAX RATES
€0 - €6,000	19%
€6,001 - €50,000	21%
€50,001 - €200,000	23%
€200,001 - €300,000	27%
€300,001 Onwards	30%

SPANISH WITHHOLDING TAX

Utmost International calculates and deducts Spanish withholding tax on the positive income obtained by the Spanish resident policyholder of the Spanish Collective Investment Bond, currently at a fixed rate of 19% when there is a surrender or withdrawal. This tax withheld on a Spanish compliant policy will be paid in favour of the Spanish Tax Authorities through the insurer's tax representative in Spain.

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SPANISH COMPLIANT POLICY AND NO WITHDRAWALS MEANS NO TAX DUE

In this fictitious example €150,000 is invested on 1 January 2021 and the Spanish resident policyholder has no other savings income or capital gains in the relevant tax year. With a non-compliant policy Spanish personal income tax must be paid each year on the growth of the policy with the valuation based on a mark to market basis.

As the Spanish Collective Investment Bond is a tax compliant policy, if no withdrawals are taken, no Spanish income tax is due.

TAX YEAR	POLICY VALUE AT YEAR END (31 DECEMBER)	GROWTH IN POLICY VALUE	TAXABLE AMOUNT OF SAVINGS INCOME		PERSONAL INCOME TAX PAYABLE ON SAVINGS INCOME	
			NON-COMPLIANT POLICY	COMPLIANT POLICY	NON-COMPLIANT POLICY	COMPLIANT POLICY
2021	€160,000	€10,000	€10,000	€0	€1,980	**€0**
2022	€172,000	€12,000	€12,000	€0	€2,400	**€0**
2023	€183,500	€11,500	€11,500	€0	€2,295	**€0**
2024	€195,000	€13,000	€13,000	€0	€2,610	**€0**

BUT WHAT IF WITHDRAWALS ARE MADE?

In this scenario, €150,000 is invested on 1 January 2022 and the Spanish resident policyholder has no other savings income or capital gains in the relevant tax year. The policyholder makes a partial surrender on the 1 July each year. The surrender value of the policy on 1 July each year is €155,000 in 2022, €176,000 in 2023 and €170,000 in 2024. With a non-compliant policy the tax payable is based on the growth of the policy on a mark to market basis every year and surrenders are also subject to tax in Spain.

For a Spanish tax compliant policy partial surrenders are taxed as a proportion of the policy gain. The Spanish tax system regards a part surrender as the policyholder taking back some of their original premium as well as some of the gain from the policy.

TAX YEAR	POLICY VALUE AT YEAR END (31 DECEMBER)	PART SURRENDER TAKEN FROM THE POLICY (1 JULY EACH YEAR)	TAXABLE AMOUNT OF SAVINGS INCOME		PERSONAL INCOME TAX PAYABLE ON SAVINGS INCOME*	
			NON-COMPLIANT POLICY	COMPLIANT POLICY	NON-COMPLIANT POLICY	COMPLIANT POLICY
2022	€160,000	€10,000	€19,677	€323	€4,012	€61
2023	€162,000	€12,000	€11,567	€2,433	€2,309	€462
2024	€161,500	€11,000	€7,961	€2,539	€1,552	€482

As you can see from the examples above, there are clear benefits of investing in a Spanish tax compliant policy such as the Spanish Collective Investment Bond for personal income tax deferral purposes in Spain. If the policyholder does not take any money from the policy then no Spanish personal income tax is due on the accumulated gains within the policy. If they do take out some money, then the income tax payable is much lower than with a non-compliant policy.

* These estimated calculations are based on Utmost International's understanding of the current Spanish rules and have been simplified and rounded up for illustrative purposes. The calculation used to determine the premium amount of a part surrender is: initial premium/surrender value x part surrender. This figure is then deducted from the part surrender amount to determine the amount of the gain in the part surrender. So for 2022 this would be €150,000/€155,000 x €10,000 = **€9,677.41**. €10,000 – €9677.41 =**€322.59**

The calculation used to determine the mark to market amount where withdrawals are taken is:
surrender value on 31 December plus withdrawals less surrender value on 1 January. The mark to market gain is then offset with the part surrender gain. So for 2022 this would be (€160,000 + €10,000) less €150,000 = €20,000.
€20,000 – €322.59 = **€19,677.41**

The value of investments may fall as well as rise and your client might not get back what they paid in. The policyholder bears the investment risk of the policy. Past performance is not a guide to future performance and the figures included in this document are simply for illustrative purposes.

Utmost International does not offer tax or legal advice. Tax liability will depend on the personal circumstances of the policyholder, who should always seek professional advice about their personal tax situation. This is a general summary of taxation of this type of product, based on Utmost International's knowledge of current Spanish legislation applicable to individual investors as of April 2025. Utmost International cannot assume any responsibility for its interpretation or for future changes. Both subsequent legal modifications and the interpretations of the legislation by the relevant Tax Authorities and/or the Courts of Justice could affect the tax treatment of the policy.

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Utmost PanEurope dac (registered number 311420) is regulated by the Central Bank of Ireland.

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