

MURODEL
WEALTH MANAGEMENT

PRACTICAL GUIDE · SAVINGS · RETIREMENT

Practical guide to retirement planning

Individual and occupational pension plans, PIAS and life annuities: how to accumulate, how to withdraw and how each option is taxed.

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SAVINGS · RETIREMENT

Retirement savings instruments

The state pension replaces part of the income earned during working life. Supplementing it requires long-term saving. In addition, the **form and timing of withdrawal** determine how those savings are taxed.

This guide reviews the three instruments most commonly used in Spain (pension plans, PIAS and life annuities), occupational plans for companies and the self-employed, the effect of compound interest and the tax rules worth knowing before withdrawing, with examples in Madrid and Andalusia.

AT A GLANCE

€1,500	Maximum annual contribution eligible for relief to individual plans; up to €10,000 with occupational plans.
40%	Relief on lump-sum withdrawal for the portion contributed up to 2006, in the year of the contingency and the two following years.
10 years	Contribution age that, since 2025, allows contributions to be withdrawn without waiting for retirement.
€240,000	Gains of over-65s that may be exempt if reinvested in a life annuity.

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01 · INSTRUMENTS

Pension plans, PIAS and life annuities

Pension plan

Long-term savings product governed by Royal Legislative Decree 1/2002. Contributions **reduce the personal income tax base** and returns are not taxed while held. In exchange, everything withdrawn, contributions and returns, is taxed as **employment income** in the general base.

It may be **individual** (taken out by the member), **occupational** (sponsored by a company for its staff) or **associated**. Rights can be transferred between plans without tax cost and are **exempt from Wealth Tax**.

PIAS

The **Systematic Individual Savings Plan** (PIAS) is a savings life insurance policy. Contributions **do not reduce** the tax base, but if it is ultimately converted into a **life annuity**, the accumulated return is **exempt**. Main requirements:

- Maximum contribution of **€8,000 per year** and **€240,000** in total, across all the holder's PIAS.
- The **first premium** must be more than **five years** old when the annuity is set up.
- Lump-sum withdrawal is permitted, but the difference between the amount received and the amount contributed is then taxed as investment income.

Life annuity

Insurance that, in exchange for a single premium, pays an income for life. Only a **fixed percentage** of each annual payment is taxed as investment income; it depends on the age at which the annuity is set up and remains unchanged throughout its life (Article 25.3 of the IRPF Law):

Age when the annuity is set up	Taxable portion	Exempt portion
Under 40	40%	60%
40 to 49	35%	65%
50 to 59	28%	72%
60 to 65	24%	76%
66 to 69	20%	80%
70 or over	8%	92%

02 · CONTRIBUTIONS

How much can be contributed and how much is saved

The limits remain unchanged in 2026 compared with previous years.

Contribution limits

Instrument	Annual limit eligible for relief
Individual and similar plans	€1,500
Increase for occupational plans (employer contribution or employee contribution to the same plan)	+ €8,500 (combined maximum €10,000)
Increase for the self-employed in simplified occupational plans	+ €4,250 (combined maximum €5,750)
Plan for a spouse with income below €8,000	Additional €1,000

The relief cannot exceed **30%** of the sum of net employment and business income. Any excess that cannot be relieved may be carried forward to the **following five years**.

Case study: the tax saving

A taxpayer with a general taxable base of €60,000 contributes €1,500 to an individual plan. The relief is applied at the marginal rate, which depends on the region:

	Community of Madrid	Andalusia
Marginal rate (state + regional)	18.5% + 20.5% = 39%	18.5% + 18.5% = 37%
Income tax saving for the year	€585	€555

This is a **deferral**, not an exemption: that amount will be taxed on withdrawal. The real advantage depends on the difference between the marginal rate when contributing and when withdrawing.

Compound interest

With compound interest, each year's return is added to the capital and in turn generates returns in subsequent years. With a constant net return of 5% a year:

Contribution	Total contributed	Final value
€1,500 a year for 30 years	€45,000	€99,658
€300 a month for 20 years	€72,000	€123,310
€300 a month for 30 years	€108,000	€249,678

> Ten more years of saving with the same monthly contribution doubles the final capital. Illustrative calculation; not a return forecast.

03 · COMPANIES AND THE SELF-EMPLOYED

Occupational pension plans

Law 12/2022 promoted occupational plans with new tax and social security incentives and created simplified occupational plans.

For the company

- Contributions are a **deductible expense** for Corporate Income Tax.
- **10% tax credit** on contributions allocated to employees with gross annual pay below **€27,000**, and proportional if they exceed that amount (Article 38 ter LIS).
- **Reduction in Social Security contributions** on employer contributions, under the terms of the General Social Security Law.
- A remuneration and retention tool: the employee saves at no immediate cost and with a much higher limit than in an individual plan.

For the employee

The company's contribution is treated as employment income in kind, but is fully deducted from the tax base within the €10,000 limit. The employee may also contribute to the same plan, depending on the employer contribution and their salary.

For the self-employed

Simplified occupational pension plans (sectoral or sponsored by professional bodies and associations) allow the self-employed to deduct up to **€5,750 a year**: €1,500 in an individual plan and an additional €4,250 in the simplified plan.

For the owner of their own company

A business owner working in their own company may sponsor an occupational plan for all staff, in which they also participate. It must comply with non-discrimination principles and has a supervisory committee. It is an alternative to taking profits as dividends or salary.

04 · WITHDRAWAL

When and how to access savings

Contingencies and liquidity

- **Contingencies:** retirement, permanent disability, severe or high dependency and death.
- **Exceptional liquidity events:** long-term unemployment and serious illness.
- **Contributions held for ten years:** since 1 January 2025 they may be withdrawn without waiting for retirement. According to the DGT (ruling V2524-24), this is not possible if another contingency has already occurred, and the 40% relief may apply if its requirements are met.

The 40% relief

The portion of the benefit corresponding to contributions made **up to 31 December 2006** may be reduced by **40%** if received **as a lump sum** in the year the contingency occurs or in the **two following years** (Twelfth Transitional Provision of the IRPF Law). With several plans, the DGT allows it to be applied to each, in different years, always within that period. Specific transitional periods apply to contingencies before 2015.

Forms of payment

Form	Advantage	Disadvantage
Lump sum	Allows the 40% relief on the pre-2007 portion	Concentrates income in one year and raises the marginal rate
Income	Spreads taxation over several years at lower rates	No relief; each payment adds to the state pension
Mixed	Lump sum for the pre-2007 portion and income for the rest	Requires planning the timing

There is no obligation to withdraw on retirement. If the plan is kept, the beneficiaries will receive it as employment income in their personal income tax, not under Inheritance Tax.

Case study: withdrawing all at once or in stages

A retiree with a general taxable base of €30,000 (state pension) withdraws €60,000 from their plan, all contributed after 2006. Additional income tax cost (state and regional gross tax, without allowances or credits):

	Community of Madrid	Andalusia
€60,000 in a single year	€23,321	€24,236
€20,000 a year for three years	€20,245	€21,108
Saving from staggering	€3,076	€3,128

Case study: life annuity

A 67-year-old invests €200,000 in a life annuity. If the insurer pays, for example, €10,000 a year, only **20%** is taxable: €2,000 in the savings base, with tax of about **€380** a year at 19%. The amount of the annuity depends on interest rates and the insurer's tables at the time.

Over-65s

- The gain on the sale of **any asset** (property, shares, funds) is exempt if the amount is reinvested within **six months** in an **insured life annuity**, up to a maximum of **€240,000** per taxpayer (Article 38.3 of the IRPF Law). Payments must begin within one year and cannot decrease by more than 5% a year.
- The gain on the sale of the **main home** is exempt without the need to reinvest (Article 33.4.b).

FAQ

Frequently asked questions

What are the differences between a pension plan and a PIAS?	The plan provides an immediate tax saving that is clawed back on withdrawal; the PIAS does not reduce tax today, but may exempt the return if it ends in a life annuity. For high marginal rates during working life and lower ones in retirement, the plan is usually more efficient; the two can be combined.
Can contributions be made after retirement?	Yes, with a reduction of the tax base within the general limits. The contingencies covered by those new contributions depend on whether the benefit has already started to be paid, so this should be checked in advance.
What happens to the plan if the member dies?	The designated beneficiaries receive the vested rights as employment income in their personal income tax. If the requirements are met, they may also apply the 40% relief to the pre-2007 portion.
How is a lump-sum PIAS withdrawal taxed?	As investment income in the savings base, on the difference between the amount received and the amount contributed. In that case, the exemption on the return is lost.

REFERENCES

Legislation and case law

Provisions and rulings cited in this guide. The wording in force should be verified in each case in the Spanish Official State Gazette (BOE), the regional gazettes and the electronic office of the Spanish Tax Agency.

Legislation

- Royal Legislative Decree 1/2002, consolidated text of the Law on Pension Plans and Funds, Article 5.3 (limits), and Royal Decree 304/2004, Pension Plans and Funds Regulations.
- Law 12/2022 regulating the promotion of occupational pension plans, and Law 27/2014 on Corporate Income Tax, Article 38 ter.
- Law 35/2006 on Personal Income Tax: Articles 17.2.a) (benefits), 25.3 (life annuities), 33.4.b) and 38.3 (over-65 exemptions), 51 and 52 (reductions), Third Additional Provision (PIAS) and Twelfth Transitional Provision (40% relief).
- Legislative Decree 1/2010 of the Community of Madrid and Law 5/2021 of Andalusia (regional income tax scales).

Case law and administrative doctrine

- Directorate General of Taxes, binding ruling V2524-24 of 10 December 2024 (withdrawal of contributions held for ten years).
- DGT criterion on applying the 40% relief across several plans and years.

MURODEL

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