

Cross-border workers and pension capital

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The Basel region employs more cross-border workers than almost any other part of Switzerland. Tens of thousands of residents of Baden-Württemberg and Alsace work in Basel-Stadt and Basel-Landschaft and are insured in Swiss pension funds. Their situation raises questions of coordination with the social security systems of their countries of residence. Under the Agreement on the Free Movement of Persons between Switzerland and the European Union, which entered into force on 1 June 2002, and Regulation (EC) No 883/2004, cross-border workers are subject to Swiss social security law, although occupational pensions are covered by the coordination rules only to a limited extent.¹

A particular rule applies to the cash withdrawal of vested benefits when an insured person leaves Switzerland. Before 1 June 2007, persons who left Switzerland definitively could withdraw their entire vested benefits in cash. After the end of a five-year transitional period under the Agreement on the Free Movement of Persons, this possibility was restricted. Persons moving to an EU or EFTA state in which they are compulsorily insured against old age, death and disability may no longer withdraw the compulsory part of their vested benefits in cash.² The supra-mandatory part may still be withdrawn, while the compulsory part remains in a vested benefits institution until the person reaches retirement age or meets another condition for withdrawal.

For a German cross-border worker, the restriction means that part of the Swiss pension capital remains in Switzerland until retirement, while the supra-mandatory part can be transferred or withdrawn earlier. The taxation of the benefits follows the double taxation conventions with Germany and France. Lump-sum payments to persons resident abroad are subject to Swiss withholding tax, which can be reclaimed if the convention allocates the taxing right to the state of residence. German tax law treats Swiss pension benefits according to rules whose details have been the

subject of several decisions of the Bundesfinanzhof.³ The pension planning of cross-border employees therefore requires cooperation between Swiss pension funds, German or French tax advisers and the employers who provide information.

Pension funds in the region have adapted their administration to these complexities. The large employers provide information sessions for cross-border workers, and the vested benefits institutions of the banks in Basel offer accounts for persons who have moved to Germany or France. Since a significant share of the capital in these institutions belongs to persons resident abroad, they have developed procedures for verifying identity, residence and insurance status across borders. The issue reappears whenever the relationship between Switzerland and the European Union is renegotiated, as in the package of agreements concluded in the mid-2020s. Status to be verified.⁴

1 Notes

1. On the number of cross-border workers in the cantons of Basel-Stadt and Basel-Landschaft, see the statistics of the FSO. On the coordination of social security under the Agreement on the Free Movement of Persons (in force 1 June 2002) and Regulation (EC) No 883/2004, see Annex II of the agreement. Figures to be verified. ↩
2. On the restriction of cash withdrawals of the compulsory part of vested benefits for persons who move to an EU or EFTA state and are compulsorily insured there, in force since 1 June 2007 (Art. 25f FZG), see the federal legislation. To be verified. ↩
3. On the taxation of Swiss occupational pension benefits paid to cross-border workers resident in Germany and France, the withholding tax under Art. 95–97 DBG, the reclaim procedure and the case law of the Bundesfinanzhof on the treatment of Swiss pension benefits, see the double taxation conventions and the relevant literature. To be verified. ↩
4. On the treatment of social security coordination in the package of agreements negotiated between Switzerland and the European Union and concluded in 2024 and 2025, see the communications of the Federal Council. Status to be verified. ↩

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