

Pension planning for wealthy individuals

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Of the three pillars on which the Swiss pension system rests, the second and third offer planning options that wealthy residents of Basel use regularly. The occupational pension of the second pillar allows insured persons to make voluntary buy-ins to close gaps in their coverage, for example after a period abroad or after a salary increase. Such buy-ins are deductible from taxable income at the federal and cantonal level. Benefits resulting from a buy-in may not be withdrawn as a lump sum within three years, a rule that the tax authorities and the courts apply strictly.¹

Employers in Basel, among them the large pharmaceutical companies, often offer separate pension plans for salary components above a certain threshold. Under so-called 1e plans, named after the provision of the implementing ordinance that permits them, the insured person can choose an investment strategy for the part of the salary above that threshold and bears the investment risk personally.² For executives with high salaries, these plans combine tax-deductible saving with a degree of investment freedom that the ordinary pension fund does not provide.

The third pillar adds tied private pension savings, known as pillar 3a, with an annual deductible maximum that the Confederation adjusts periodically. Parliament has approved a possibility to make retroactive contributions for years in which the maximum was not used, subject to conditions.³ When pension capital is withdrawn as a lump sum, it is taxed separately from other income at a reduced rate, which several cantons including Basel-Stadt determine according to their own scales.⁴ Wealthy families therefore stagger withdrawals over several years and between spouses to reduce progression.

Pension assets also play a role in succession planning, because second-pillar benefits on death are paid to the beneficiaries designated by law and by the regulations of the pension fund. They are generally not part of the estate in the sense of succession law, although their treatment in the calculation of

compulsory shares has been debated. For a family that moves across the border, the coordination with German or French pension rules and with the double taxation conventions requires care, since a withdrawal by a person who has left Switzerland is subject to withholding tax and to the tax law of the new country of residence.⁵

1 Notes

1. On voluntary buy-ins into occupational pension schemes (Art. 79b BVG), their deductibility from taxable income and the three-year lock-in for lump-sum withdrawals (Art. 79b para. 3 BVG), see the federal legislation and the case law of the Federal Supreme Court. To be verified. ↩
2. On pension plans with a choice of investment strategy for salary components above one and a half times the upper limit under Art. 1e BVV 2 and the Federal Act on vested benefits as amended in 2017, see the federal legislation. Thresholds to be verified. ↩
3. On the tied private pension (pillar 3a) under the Ordinance on Tax Deductions for Contributions to Recognised Pension Schemes (BVV 3), the annual maximum and the introduction of retroactive contributions following motion 19.3702, see the federal records. Status to be verified. ↩
4. On the separate taxation of lump-sum pension benefits at a reduced rate (Art. 38 DBG and the cantonal laws), see the federal and cantonal tax legislation. To be verified. ↩
5. On the withholding tax on pension benefits paid to persons resident abroad (Art. 95–97 DBG) and the allocation of taxing rights under the double taxation conventions with Germany and France, see the federal legislation and the conventions. To be verified. ↩

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