

Pension planning as tax planning in Switzerland

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The Swiss pension system offers some of the most effective tax planning instruments available to residents. Contributions to pillar 3a and voluntary buy-ins into the occupational pension fund reduce taxable income, while later withdrawals are taxed separately at reduced rates.

1 Pillar 3a: an annual deduction

Employed and self-employed persons with earned income in Switzerland may pay into a tied pension account or policy (pillar 3a) and deduct the contributions from their taxable income (Art. 33 para. 1 lit. e DBG). The maximum is set annually by reference to the occupational pension system. Persons affiliated with a pension fund face a lower maximum, while those without one may deduct a percentage of their earned income up to a higher ceiling. Assets in pillar 3a are exempt from income and wealth tax until withdrawal, and withdrawal is generally possible within five years before the ordinary retirement age or earlier for specific purposes such as acquiring an owner-occupied home or leaving Switzerland permanently.

2 Voluntary buy-ins into the pension fund

Where a pension fund's regulations show a gap between actual and maximum possible benefits, the insured person may make voluntary buy-ins. These contributions are fully deductible from taxable income (Art. 33 para. 1 lit. d DBG). Because the tax saving occurs at the marginal rate, buy-ins are particularly attractive in years of high income. The pension fund certificate shows the buy-in potential.

3 The three-year lock

Benefits resulting from a buy-in may not be withdrawn as a lump sum within three years (Art. 79b para. 3 BVG). Tax authorities and courts apply

this rule strictly, and a lump-sum withdrawal within the period can lead to the deduction being reversed. The lock also covers early withdrawals for home ownership, which makes the coordination of buy-ins with planned property purchases important.

4 Taxation of capital withdrawals

Lump-sum benefits from pillar 2 and pillar 3a are taxed separately from other income. At federal level the tax amounts to one fifth of the ordinary rates (Art. 38 DBG), and the cantons apply their own reduced schemes. Since the tax rate is progressive, staggering withdrawals across several tax years, for example by holding several 3a accounts, can reduce the overall burden where cantonal practice permits.

5 Relevance for newcomers

Persons arriving from abroad who have never been insured in a Swiss pension fund may buy in only up to 20 per cent of their insured salary per year during their first five years (Art. 60b BVV 2). The rule limits immediate tax savings and calls for a multi-year plan. Employees taxed at source can normally claim these deductions only through ordinary assessment. Those who later leave Switzerland should note that a source tax is levied on pension payments to persons abroad, which may be recoverable under a tax treaty.

6 What pays off in practice

- **Use pillar 3a every year**, since unused contribution room generally cannot be carried forward in full.
- **Plan buy-ins over several years** and keep the three-year lock in mind before any lump-sum withdrawal or home purchase.
- **Stagger withdrawals** across tax years and accounts to reduce progression.

7 How Ressos Legal helps

I advise individuals and families relocating to Switzerland on integrating pension planning into their overall tax and wealth planning. [Contact me](#) for a first conversation.

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