

# Information sheet on using occupational pension plan funds to help buy residential property

## Statutory basis

### Requirements

Funds from an occupational pension plan may be used for the following purposes:

- acquisition and construction of residential property
- participation in home ownership
- repayment of mortgage loans
- investments in residential property currently owned in order to increase or maintain its value

They may not be used to finance ordinary maintenance or the repayment of mortgage interest.

Only one property at a time may be financed. The property financed must be for the borrower's own use (i.e. not a second or holiday home).

### Permitted properties

To be regarded as residential, a property must comply with the following conditions:

#### Permitted properties

- a) a flat/apartment
- b) a single-family house

#### Permitted forms (direct ownership)

- a) ownership
- b) joint ownership, specifically as a condominium
- c) permanent and specific right to build

#### Permitted participations (direct ownership):

- a) acquisition of shares in a residential cooperative
- b) acquisition of shares in a tenants' joint stock company
- c) granting of a loan to a non-profit housebuilding institution

### Use / requirement

Two options for use are available, namely the early withdrawal of the pension entitlements and their pledging. The borrower must be fully capable of work.

### Minimum and maximum amount / deadlines

Up to the age of 50, the maximum amount available for assistance with home ownership corresponds to the total termination benefits. After the age of 50, the maximum amount available is that of the termination benefits accumulated at the age of 50 or half the termination benefits at the time the early withdrawal is made. The pension benefits may also be pledged in place of the termination benefit.

Recourse may be had to the option of early withdrawal no later than 1 year prior to entitlement to retirement benefits arising. An early withdrawal may be made more than once. The minimum for early withdrawal is CHF 20,000 (although a smaller amount is permitted where shares are to be acquired). Early withdrawals must be made at least 5 years apart. Written consent of the spouse is required for an early withdrawal or pledge.

The amount withdrawn early shall be remitted to the vendor, builder or lender in one single payment. It may not under any circumstances be paid to the insured person (into their personal account). It may not be used to pay invoices presented by tradesmen, etc.

## **Benefit reductions**

The insured benefits are reduced to the extent that the pension entitlements have been withdrawn or pledges of them realised. It is recommended that insured persons have their pension situation reviewed and take out private supplementary insurance if necessary. Any such supplementary insurance shall be at the insured person's expense.

## **Restrictions on sale**

### **Residence in Switzerland**

When an early withdrawal is made or a pledge realised, the pension objective is safeguarded by the entry of a restriction on sale in the land register, stating that, in the event of the residential property being sold, the amount withdrawn early must be repaid to the pension fund. The insured person cannot have the restriction on sale removed until after the amount withdrawn has been repaid, no later than 1 year after they have become entitled to the retirement benefit.

### **Residence abroad**

No entry is made in the land register for properties abroad. Therefore, once the insured person is no longer using the residential property themselves in line with the conditions of the Promotion of Home Ownership Act, the pension fund must be informed so that it can take steps to have the amount withdrawn repaid.

## **Promotion of home ownership and taxes**

### **Residence in Switzerland**

#### **Taxation**

Where an early withdrawal is made or a pledge realised, the retirement capital becomes immediately taxable at federal and cantonal level. Information on the amount of tax payable is available from the relevant tax authority. It is essential that the insured person retains the tax invoice.

#### **Reimbursement of taxes**

The tax paid is reimbursed without interest on the amount of the early withdrawal being repaid. Where more than one withdrawal has been made, the reimbursement of the taxes paid follows the order in which the advance withdrawals were paid out. The same order is followed if tax has been paid in more than one canton. Tax reclaims should be made in writing to the tax authority concerned within three years of the advance being repaid. The applicant shall submit a certificate showing the repayment, the pension plan capital invested in the residential property and the federal, cantonal and municipal taxes paid.

## **Residence abroad**

### **Taxation**

For a residential property abroad, withholding tax is deducted at the moment the payment is made. If the country of residence has a double taxation agreement with Switzerland, reimbursement of the withholding tax can be requested by a separate application.

## **Repayment of an early withdrawal**

### **Mandatory repayment**

The amount withdrawn must be repaid to the pension fund by the insured member or his heirs if

- the residential property is sold
- legal entitlements to the residential property that are commercially equivalent to a sale are granted or
- pension benefits are not payable on the death of the insured member.

### **Voluntary repayment**

As a general rule, the insured person may also repay the amount withdrawn at any time. Repayment is permitted up to

- 1 year prior to commencement of entitlement to retirement benefits
- the occurrence of another insured event or
- until cash payment of the vested benefits is made.

The minimum amount for repayment is CHF 20,000. Where the amount outstanding is less than the minimum amount, the repayment shall be made in a single payment.

The new benefits to be insured shall be determined by reference to the pension fund's rules and actuarial basis applicable at the time the repayment is made. All the funds withdrawn early must be repaid before any benefits under the plan rules can be purchased.

## **General provisions**

If the insured person wishes to reuse the proceeds of the sale of their residential property, in the amount of the withdrawal made, for the acquisition of a new residential property within two years, they may transfer this amount to a vested benefits institution.

On sale of the residential property, the repayment obligation is limited to the proceeds of the sale. The proceeds are defined as the selling price less mortgage debts and sales duties required by law to be paid by the vendor. Loan obligations entered into less than two years prior to the sale of the property will not be taken into account in calculating the proceeds unless the insured person proves that they were necessary to finance the residential property.