J. Safra Sarasin

J. Safra Sarasin Pillar 3a Foundation

Factsheet “Encouragement for Home Ownership”

December 2022

Encouragement of the Use of Individual Tied Pension Assets for Home Ownership (Pillar 3a)

The information provided in this factsheet is intended to show the possibilities, as well as the limits, consequences and duties, which may arise in application of the law. The term «spouse/partner» as used in the text refers both to married persons and to registered partners as defined in the Swiss Federal Registered Partnerships Act (PartG).

General

The Swiss Federal Law on the Encouragement of the Use of Pension Assets for Home Ownership entered into force on 1 January 1995. On the same date, the Federal Council also put into effect the corresponding implementing ordinance of 3 October 1994.

The law provides each insured person with the opportunity to use the capital from his tied individual pension for home ownership purposes before his old-age pension becomes payable (before reaching OASI official retirement age). The rules on the encouragement of home ownership present the insured person with two alternatives: advance withdrawal (cash payment of pension capital) or pledging.

Intended use

The capital from the individual tied pension can be withdrawn or pledged for the following purposes:

- to purchase residential property which will be lived in permanently by the insured person himself as its owner. This includes single family homes and owner-occupied apartments, but not holiday homes or second homes;
- to purchase unit certificates in a housing cooperative or similar interests where the insured person is also himself occupying the home financed by these means;
- to repay or pay off mortgage loans.

The J. Safra Sarasin Pillar 3a Foundation, Basel (hereinafter referred to as «the Foundation»), may only grant the insured person an advance withdrawal if this person himself is registered in the land register as the owner.

If one spouse/partner is the sole owner, the other spouse/partner cannot effect an advance withdrawal or pledge his pension capital. Cohabiting partners are assumed to have established joint ownership. For a registered partnership, the form of joint ownership can be applied in substance.

Spouse’s/partner’s consent

When pension capital is used to purchase residential property, it is essential to have the spouse’s/partner’s consent in writing.

Advance withdrawal

An application can be made for advance withdrawal every five years up to the earliest possible date on which pension benefits can be claimed. All or part of the pension savings can be used in this way. There is no minimum or maximum amount that can be withdrawn. Legislation does not allow the funds to be transferred directly to the applicant. The Foundation is required to pay the advance withdrawal, on presentation of the appropriate documents, direct to the seller, developer, lender or other authorised persons.

Tax and legal consequences

The Foundation is required to notify the Swiss tax authorities without delay of any capital pay-out. An advance withdrawal therefore gives rise to an immediate tax obligation. The sum payable must not be paid using the capital released by the advance withdrawal. The amount of tax payable will vary because taxation methods and rates differ from canton to canton. Information can be obtained from the appropriate tax office.

When using an advance withdrawal to pay off a mortgage, it should be borne in mind that the associated reduction in mortgage interest will have an immediate impact on the amount of income tax payable.

The capital to be paid out under the Pillar 3a system does not have to be verified by a note in the land register (limitation on sale) as is the case with the 2nd Pillar. Consequently, the advance withdrawal does not have to be repaid into the Pillar 3a plan.

Pledging

Instead of being withdrawn, the pension capital can be pledged. Unlike the advance withdrawal, the pension capital is not reduced by the pledge and there are no direct tax consequences either. However, if the pledge is liquidated at a later date, the same tax consequences arise as with the advance withdrawal.

Claiming the advance withdrawal or the pledge

An application must be submitted to the Foundation in writing. The application must be accompanied by evidence of the intended use of the money and of the applicant’s need for the residential property (purchase contract, extract from land register, mortgage agreement, pledge agreement and in the case of married persons and registered partners the consent of their spouse/partner).

The Foundation’s duty to provide information and the insured person’s responsibility

The Foundation will on request provide the insured person with information on:

- the pension assets available to him for home ownership purposes
- the tax obligation in the event of an advance withdrawal or liquidation of the pledge for the pension capital (but not individual amounts of tax payable).

It is the responsibility of the insured person to decide whether to use the capital saved for his retirement to finance residential property.

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