



Information sheet for insured persons

Purchase of insurance years

By making a payment into your pension fund you can plug any shortfalls in your pension and increase your retirement assets. At the same time, you benefit from attractive potential tax deductions.

When is a purchase advisable?

- In the event of a salary increase or an increase in the insured salary in the pension plan
- When the savings contributions in the pension plan are increased
- When changing to a pension fund with higher insured retirement benefits
- In the event of a career interruption to have children, spend time abroad or study or due to a period of unemployment (missing years of contributions)
- When withdrawing pension assets as a result of a divorce or dissolution of a registered partnership
- When joining a pension fund after the age of 25

Good to know

- The law on pensions does not allow the benefits purchased to be paid out as a lump sum within three years of purchase (e.g. in the event of retirement, to fund residential property or for cash payouts if the insured person becomes self-employed or leaves Switzerland).
- If occupational pension assets have already been used to purchase a home, the withdrawal must be repaid in full before additional benefits can be purchased.
- Persons relocating to Switzerland from abroad who have never belonged to a Swiss pension scheme may not voluntarily purchase additional benefits totalling more than 20% of their insured salary in the first five years after enrolling in a Swiss pension scheme.
- The maximum purchase amount is reduced by any amount by which pillar 3a assets exceed the maximum possible amount as specified by a table published by the Federal Social Insurance Office (FSIO).
- Assets with other pension funds, in vested benefit accounts or from vested benefit policies are also taken into account when calculating the maximum permissible purchase amount.
- The maximum purchase amount is reduced by the amount of the retirement benefits already drawn.
- Purchases are credited to the elective retirement assets and are taxed accordingly during the insurance term.

These points do not apply to a repurchase due to a divorce or dissolution of a registered partnership.

Tax treatment of purchases

Purchases are certified by the pension fund and are deductible from direct taxes levied by the federal, cantonal and local governments. The purchase reduces the taxable income in the purchase year and can lead to a more favourable tax progression. It is therefore worth spreading the purchases over several years.

The saved retirement assets including purchases are exempt from wealth, income and withholding taxes until withdrawal. The assets are not taxed until disbursement – at a preferential rate if the assets are withdrawn as a lump sum. When a pension is drawn, it is taxed together with other income.

However, the tax authorities do not permit purchases to be deducted if capital is withdrawn from the occupational pension plan within three years of the purchase. In addition, most tax authorities take an overall view of an individual's pillar 2 pension arrangements, so it does not matter if the capital is withdrawn from the same pension fund into which the purchase was made. The tax deduction claimed on purchases is subsequently annulled by setting it off against the insured person's taxable income.*

The tax deductibility of purchases and the tax implications of capital withdrawals within three years of purchase are assessed by the tax authority responsible for the insured person.

The pension fund has no influence on the assessment and decision of the tax authority and can accept no liability for it.

* You can find further information in the form entitled «Application for buying into the pension fund».

Additional benefits payable in the event of death

If provided for in the pension plan, the purchases made are paid out as a lump-sum death benefit upon the death of the insured person before retirement, separately and independently of any survivors' pensions.

Procedure

- Check that you fulfil the prerequisites for a purchase and calculate the maximum permissible amount in your case.
- Complete the form entitled «Application for buying into the pension fund» at allianz.ch/bvg-insureds.
- Do not pay in the purchase amount until you have received your personal purchase calculation, and do not pay in any more than the maximum amount stated in the calculation.
- You will receive a statement for the tax authorities once your payment is received.