

Home ownership encouragement scheme

Objective

Owner-occupied property is a form of old-age provision. For this reason Switzerland has legislation to encourage home ownership through occupational old-age benefits plans. You can withdraw or pledge your savings assets to buy or build residential property, to buy a share in a housing cooperative, or to repay part or all of your mortgage.

Conditions

- You can make an early withdrawal up to three years before regular retirement.
 - You must be fully fit for work.
 - You can make an early withdrawal only if you will be living in the property yourself. The home ownership encouragement scheme does not apply to second homes and holiday homes.
 - If you intend to buy a share in a housing cooperative, the cooperative's rules must contain a clause to the effect that when you leave the cooperative, the pension assets you paid in are transferred either to another housing cooperative or to an occupational benefits scheme.
 - You must notify the foundation immediately if the owner-occupied condition ceases to apply.
 - If you are under 50, you are entitled to withdraw or pledge your entire vested benefits; if you are over 50, the amount is limited to half your entire current vested benefits, or your entire vested benefits at age 50.
 - The minimum early withdrawal is CHF 20,000 (unless you are buying a share in a housing cooperative).
 - Buy-in contributions (including interest) that you have paid into the pension fund in the three years prior to making an early withdrawal cannot be used for an early withdrawal.
 - Joint ownership is only permitted with your spouse or registered partner.
 - You can only make an early withdrawal once every five years.
 - Your application to make an early withdrawal or pledge vested benefits must be made on the official form provided by the foundation, and will be processed only once you have submitted all the relevant documents.
 - By signing the application you are authorising the foundation to contact the authorities and financial institutions involved directly.
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Implications for your pension and other benefits

- An early withdrawal or pledge reduces your savings assets and affects the value of your benefits. Please contact your pension fund to find out what your benefits will be after an early withdrawal.
 - You can only pay in voluntary contributions once you have paid back the entire early withdrawal.
 - You bear the risk of any depreciation in the value of the property if you decide to sell.
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Early withdrawal

An early withdrawal releases additional equity enabling you to make a deposit on a property and reduce the interest on the mortgage. Unmarried persons must submit a current personal record sheet (proof of their marital status); this is available at the local municipal offices. Married persons and those in officially registered partnerships have to notarise both signatures. The foundation will pay out the amount you requested between one and six months after receiving your application. The money will be paid to an account specified by you (the seller's account or a mortgage account, but not your own private account) on your application form. On payment of the withdrawal, the foundation will instruct the land registry to enter a restriction on the disposal of the property. In the event of divorce, the early withdrawal counts as vested benefits and is included in the calculation of assets acquired during the marriage.

Repayment

It is possible to repay an early withdrawal (also in instalments) any time until retirement age is reached. You must repay at least CHF 10,000 at a time. Repaying an early withdrawal increases your saving assets. You must repay the early withdrawal if you sell the property. Transfer to legal beneficiaries (your spouse or children) is not deemed to constitute selling the property.

If, after selling, you intend to use the early withdrawal for another property within two years, you can have the money transferred to a vested benefits account. This must be mentioned in the deed of sale, and you must document the subsequent purchase in writing.

You can have the restriction on disposal of the property deleted from the land register once you have repaid the early withdrawal in full or a benefit event occurs.

If a member dies without survivors' benefits falling due, the heirs must repay the early withdrawal in full.

Tax

The federal and cantonal tax authorities tax early withdrawals separately from your other income as a lump-sum payment from an occupational benefits plan. The foundation will report the early withdrawal, and any repayments you subsequently make, to the federal tax administration. If you make a repayment, you can claim a refund of the tax paid on the early withdrawal. If the money is transferred outside Switzerland, the foundation will deduct withholding tax directly from the early withdrawal. This can be reclaimed. Pledges are not subject to tax. More information is available from the tax authorities.

Pledging vested benefits

Pledging vested benefits as collateral enables you to take out a cheaper second mortgage or defer repayment of an existing mortgage. If you pledge vested benefits, your savings assets remain unchanged. However, if the collateral is realised before a benefit event or before the payment of the vested benefits in cash, the same taxes, reductions in benefits, land registry arrangements and repayment conditions apply as in the case of an early withdrawal.

Costs

Expenses in connection with an early withdrawal or pledge of vested benefits will be charged to you.

Miscellaneous

This information leaflet does not constitute a basis for legal or other claims. In individual cases the provisions of the pension fund rules and the relevant legislation (Art. 30a–f and 83a of the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG/LPP), the Ordinance on the Encouragement of the Use of Vested Pension Accruals for Home Ownership (WEFV), and Art. 331d f. of the Swiss Code of Obligations) apply.

Documents to be submitted with your application

For withdrawals to buy an existing property:

- Copy of deed of sale, signed and notarised or repayment guarantee from the bank or a notary in the event of the purchase contract not being concluded
- Written confirmation of the mortgage account/seller's account

For withdrawals to build new property:

- Legally valid deed of sale/current excerpt from the land register (for land)
- Building loan agreement
- Contract for building work
- Building permit

For withdrawals to repay a mortgage:

- Current excerpt from the land register
- Current mortgage statement

For withdrawals to buy shares in cooperatives:

- Original share certificates (will be retained by the pension fund)
- Confirmation from the housing cooperative
- Cooperative's articles of association

- Investments in residential property (residential premises)
- Current excerpt from the land register
- Statement of investments and detailed order confirmations

In the case of larger investments (several craftsmen involved), we recommend settlement via a building account. Already paid craftsmen invoices cannot be refunded by means of an advance withdrawal.

Pledges:

- Pledge agreement

Copy of the signed and notarised deed of sale, or current excerpt from the land register