Fact Sheet «Bilateral Agreements between Switzerland and the EU/EFTA»

Effects on occupational benefits

The Treaty on the Free Movement of Persons concluded in the framework of the Bilateral Agreements between Switzerland and the EU/EFTA also affects occupational benefits. In particular, persons leaving Switzerland permanently to settle in an EU/EFTA country are no longer allowed to withdraw the compulsory BVG/LPP portion (the minimum legal benefits) of their vested termination benefits in cash if they remain subject to compulsory retirement, death and disability coverage in the country of destination. This restriction does not affect the non-compulsory portion of the vested termination benefits.

New rules from 1 June 2007

The Treaty on the Free Movement of Persons between Switzerland and the EU (EU/EFTA) came into effect on 1 June 2007. The treaty applies to all insured persons moving to the EU or an EFTA member state after 1 June 2007.

Emigration to a non EU/EFTA country

Insured persons leaving Switzerland to settle in a country that is not a member of the EU/EFTA are still entitled to withdraw the full amount of their vested termination benefits in cash.

Emigration to an EU/EFTA Member State

Insured persons moving to an EU/EFTA country are not entitled to withdraw their vested termination benefits in cash if they remain subject to compulsory retirement, death and disability coverage in the country of destination. Given the diversity of the social security systems in the EU/EFTA member states, the cash payment of the compulsory BVG/LPP portion of the retirement savings capital is not prohibited in all cases. We make the following distinctions:

Employees

Insured persons who have left Switzerland to settle in an EU/EFTA member state where they work as employees are duly subject to compulsory insurance coverage. Accordingly, they are not entitled to apply for a cash payment of the compulsory BVG/LPP portion of their vested termination benefits.

Self-employed persons

Persons who have left Switzerland and are self-employed in an EU/EFTA member state may apply for a cash payment of their vested termination benefits if, in the relevant EU/EFTA country, self-employed persons are not subject to compulsory insurance, or are only subject to voluntary insurance. It is for the person applying for a cash payment of his vested termination benefits to prove that the relevant conditions are satisfied.

Non-actives

Persons who have left Switzerland for an EU/EFTA member State where they are no longer active and are not subject to compulsory insurance are still entitled to apply for a cash payment of their vested termination benefits. It is for the person applying for a cash payment of his vested termination benefits to prove that the relevant conditions are satisfied.

Withdrawals in connection with the encouragement of home ownership

A person leaving Switzerland to settle in an EU/EFTA member state, or who has already left and settled in one of those countries, is still entitled to apply for a cash payment of his vested termination benefits in connection with the measures for the encouragement of home ownership.

Cash payment not allowed?

What happens to the compulsory BVG/LPP portion of a person's retirement savings capital when he leaves Switzerland for an EU/EFTA member state and is not entitled to cash payment?
The compulsory portion of his vested pension benefits are blocked and remain with the Foundation. Five years before reaching normal retirement age (Article 13 BVG/ LPP: age 60 for men and age 59 for women), the account holder may withdraw his retirement benefits in the form of a lump-sum payment. Provided the regulatory conditions are met, cash payments are also possible in case of disability or death.

Tax aspects

If lump-sum payments of pension benefits are staggered pursuant to international treaties, the tax assessment will be made as if the lump-sum benefit had been paid out in a single amount (even if payments are made in different calendar years). The rules applicable when the first tranche is disbursed are authoritative.

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