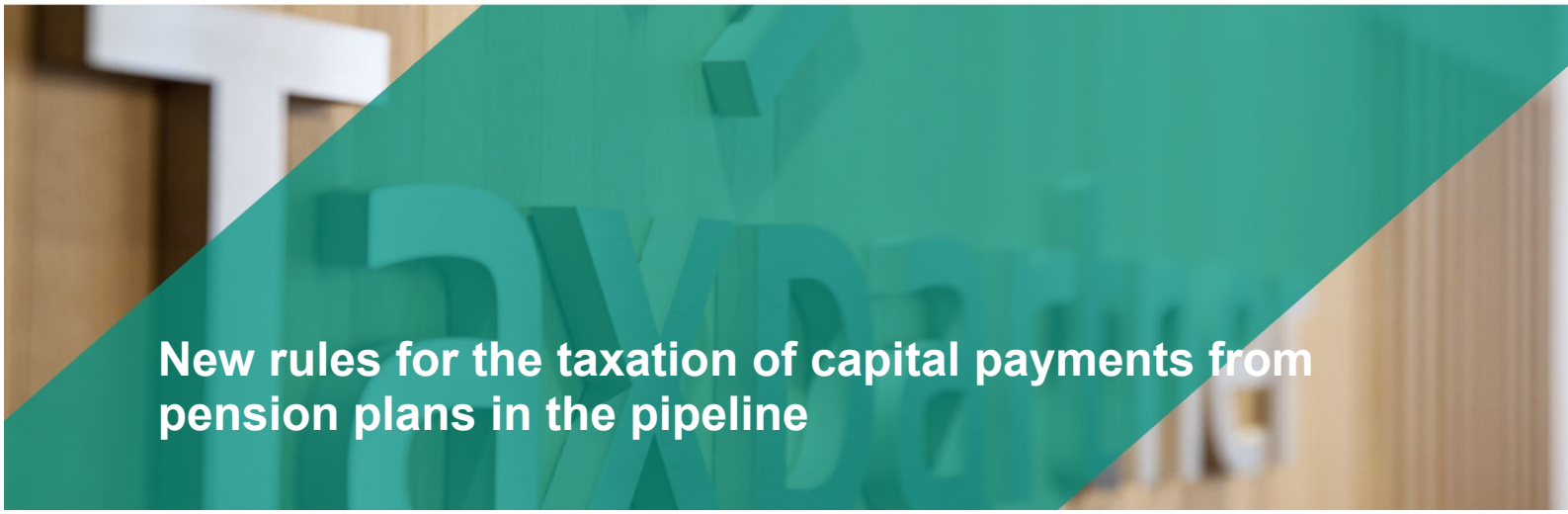


New rules for the taxation of capital payments from pension plans in the pipeline

At its session on 29 January 2025, the Federal Council adopted the consultation draft for the so-called "Relief Package 27", which includes a potential increase in the taxation of lump-sum capital payments from pension plans (Pillar 2 and Pillar 3a) at the federal level, among other things. The consultation period will run until 5 May 2025. If implemented, the relief package could take effect as early as 1 January 2027, with the new rates for lump-sum capital payments applying from 2028 (the relief act is subject to an optional referendum).

The Federal Council has slightly deviated from the original idea of equally taxing annuities and lump-sum capitals withdrawals. Unlike in the current taxation system, lump-sum capital payments from pension plans would still be taxed separately and at a preferential rate at the federal level, however, at a significantly higher progressive rate. The maximum tax rate for lump-sum capital withdrawals from pension plans is currently capped at 2.3% at the federal level. The new proposal introduces a maximum rate of 11.5% for lump-sum capital withdrawals exceeding CHF 10 million.

The following two examples illustrate the additional tax burden:

Lump-sum withdrawal of CHF 1,000,000: additional burden at the federal level of approx. CHF 20,000

City of Zurich, basic tax rate, without church tax: tax consequences (federal/cantonal/municipal) today approx. CHF 111,000, new around CHF 131,000.

Lump-sum withdrawal of CHF 2,000,000: additional burden at the federal level approx. CHF 72,000

City of Zurich, basic tax rate, without church tax: tax consequences (federal/cantonal/municipal) today approx. CHF 315,000, new around CHF 387,000.

The following aspects can currently be highlighted as positive:

- Buy-ins into pension funds will continue to be deductible from taxable income.
- Investment income earned during the accumulation phase and the accumulated capital itself remain exempt from income and wealth tax.
- Cantons retain their autonomy in setting tax rates for lump-sum capital payments

from Pillar 2 and Pillar 3a. This means(at least for now?) that the status quo can be maintained at cantonal level.

- Lump-sum capital withdrawals by spouses will no longer be aggregated for direct federal tax purposes but will be taxed individually. This eliminates the current progressive impact of aggregation, which could bring tax benefits for married couples.
- Smaller withdrawals, particularly from Pillar 3a, will continue to benefit from low tax rates. Additionally, staggered withdrawals over multiple years remain an option for tax planning.

We will keep you informed of further developments.

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