

# Withholding Tax on Pension Payments

# Factsheet

## 1 Principle

The tax law provisions of the Federal Republic and the Cantons provide withholding taxation:

- for people who reside or live in a foreign country (decisive is the time of payment);
- on lump-sum benefits;
- on pension payments if the person entitled to make the claim lives in a country with which Switzerland has no double tax policy contract;
- for foreign workers without foreign police settlement authorisation in Switzerland (Visa C) as well as for workers without residence in Switzerland (border crossers/short-term residents/people who stay during the work week);
- on substitute income (cf. number 3).

If a pension recipient does not wish to have withholding taxes deducted, before the end of March they can request a decision by the responsible tax authorities on the due date of the payment for the following calendar year.

## 2 Residence in a Foreign Country

In case of payments to a recipient in a foreign country, the provisions of the canton in which the payer of the pension is located are authoritative for the withholding tax. A withholding tax deduction on lump-sum benefits can be reclaimed if:

- the person making the claim lives in a country which has a double tax policy contract with reclamation possibility with Switzerland; and
- the lump-sum benefit is known to the tax authorities of the country of residence.

The application for reimbursement must be made to the responsible tax authorities within three years after the payment is due. The appropriate form «Application for reimbursement of withholding taxes on lump-sum benefit payments from pension sources located in Switzerland» is available from the tax authorities of the canton in which the payer of the pension has its headquarters.

## 3 Substitute Sources of Income

Substitute sources of income include disability payments (incl. payment in lump-sum form) as well as child disability payments, insofar as not 100% according to disability decree or if there person is still employed. The withholding tax deduction occurs according to the provisions of the canton of residence of the person entitled to make the claim. For people entitled to make a claim without residence in Switzerland, the provisions of the canton in which they work are authoritative taking into account a possible double tax policy contract.

## 4 Responsibility

The pension fund is responsible for the withholding tax deduction.