Germany statutory employer´s responsibilities 2016

Income tax is an employee-only contribution. If a German legal entity exists, it is the employer’s responsibility to withhold the tax from the employee’s gross income and to pay it directly to the tax office for all the company´s employees (1 - 3).

Germany has a structured social security system (4 – 8). Social security is contributed to in equal parts by employer (ER)

and employee (EE). It is made up of the following components:

Health insurance Nursing care insurance Pension Insurance Unemployment insurance

The total social security contributions (sum of ER and EE amounts, calculated as a percentage of the gross income) are collected by each employee´s health insurance and paid by the employer.

1 income tax

2 church tax

3 solidarity tax

rate varies (borne by EE only, withheld by ER) EE: 100%

applicable only if EE is a church member,

rate varies by state, 8 – 9% of income tax (1) EE: 100%

reunification tax,

rate 5,5% of income tax (1) EE: 100%

health insurance1

nursing care insurance

4

pension insurance

unemployment insurance

total: 14,6% ER: 7,3%(+ 1,1%)2 EE: 7,3%

+ additional contribution rate 3

capped at 4.237,50 € per month (max. base amount)

income limit for obligatory insurance:4 4.687,50 €

total: 2,35% ER: 1,175%5 EE: 1,175%5

capped at 4.237,50 € per month (max. base amount)

income limit for obligatory insurance:4 4.687,50 €

total: 18,7% ER: 9,35% EE: 9,35%

capped at 5.400,00 € per month (max. base amount, former East Germany)

capped at 6.200,00 € per month (max. base amount, former West Germany)

total: 3,0% ER: 1,5% EE: 1,5%

capped at 5.400,00 € per month (max. base amount, former East Germany)

capped at 6.200,00 € per month (max. base amount, former West Germany)

5 U16

6 U26

7 insolvency insurance

accident insurance

8

continued payment of income in case of sickness ER: 100%

rate varies by health insurance, 0,4 – 3,9%

continued payment of income in case of maternity ER: 100 %

rate varies by health insurance, 0,12 – 0,39%

rate 0,12% ER: 100 %

worker´s compensation / ER liability insurance, ER: 100 %

rate varies by industry and individual employees job

average: 1,31%, paid yearly

1 under certain conditions employees may choose to be privately health insured. In this case the total contributions for health- and nursing care insurance are set by the private health insurance. The employee will receive an employer contribution, capped at 309.34 € / 49.79 € per month max. (health/nursing care insurance).

2 additional contribution for employed pensioners

3 for each health insurance company (0,0 to 1,3%)

4 this limit is used to assess, if the contribution / participation in the public health and pension insurance is obligatory for EE

5 in Saxony: ER 0,675% ; EE 1,675%; note: additional rate for childless EEs older than 23 years: 0,25%

6 please refer to the detailed explanation below