



## Global Tax Update

Germany

Deloitte Tohmatsu Tax Co.

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### Facts and figures on income tax, social security and the new minimum wage 2015

2015 there is a huge number of changes in the area of the wage tax and the social security right. The highlight this year is the new German minimum wage and the impact on wage tax and social security. In this article you will find the most important changes you need to know for the current wage tax billing.

#### (1) Changes in income tax law

- Tax attributes (e.g. tax class) are only available electronically - "**ELStAM**". Changes of the tax attributes have still to be submitted in written form to the employee's local tax office
- **Travel expenses**
  - New regulations by law as of 1 January 2014 (with changes for 2015) (e.g. more precise definition of Primary Place of Employment)
  - Foreign travel allowances have changed as of 1 January 2015
- **Remuneration in kind values** apply, corresponding with those for social insurance purposes (see there), for
  - Breakfast 1.63 Euro
  - lunch/dinner 3.00 Euro
- **Payments in kind** up to **EUR 44.00** monthly continue to be income tax-free. If this limit is exceeded, the entire value of the benefit/payment in kind will be subject to income tax. Flat-rate taxed payments in kind are not to be included.
- **Company events**: the previous tax exemption limit has been changed in allowance to the amount of 110.00 Euro per person. This applies to a maximum of two events. All additional costs (room rent, family members) have to be included. Exceeding amounts are taxable for wage taxes (flat-rate-tax is possible).
- Taxation of **contributions in kind with respect to § 37 b Income Tax Act** – not relevant for promotional gifts and "non-resident" taxpayers
- Exemption limit for **gifts and benefits** has been increased from EUR 40.00 up to EUR 60.00 (e.g. birthday presents)

## (2) Changes in social insurance law

- Health insurance 14.60 % (ER 7.3 %, EE 7.3 %)
- Nursing care insurance 2.35 % additional fee for childless 0.25 %)
- Statutory pension insurance 18.70 %
- Unemployment insurance 3.00 %
- Statutory insolvency insurance 0.15 %
- Additional health insurance depends on health insurance company (borne by EE)
- Average additional health insurance 0.9 %

### Social insurance contribution ceilings

- Health- and nursing care insurance for all Federal States
  - 4,125.00 Euro monthly
  - 49,500.00 Euro annually
- Yearly statutory remuneration ceiling: 54,900.00 Euro
- Special yearly statutory remuneration ceiling: 49,500.00 Euro
- Pension and unemployment insurance
  - Old Federal States monthly 6,050.00 annually 62,400.00 Euro
  - New Federal States monthly 5,200.00 annually 62,400.00 Euro
- Subsidies to the health- and nursing care insurance
  - Members of private health insurance funds half of contribution; maximum
  - Health insurance 301.13 Euro
  - Nursing care insurance 48.47 Euro
- The maximum limit for earnings of persons in **marginal employments** amounts to EUR 450.00. These "Minijobs" are insured in the statutory pension insurance, an exemption is possible. Marginal and temporary employees are obliged to disclose further marginal and/or temporary employments.
- **Temporary employment** occurs when the employment does not exceed 3 months or 70 days
- For **low-income earners** the limit remains unchanged at EUR 325.00. The employer must also bear the surcharge in the nursing care insurance for childless persons.

### Monthly value for remuneration in kind

- Free accommodation 223.00 Euro
- Meals (total) 229.00 Euro
- Breakfast 49.00 Euro
- Lunch/or dinner resp. 79.00 Euro

**Due date** of contribution proof and total social insurance contributions (fixed by law)

<b>Month</b>	<b>5th last bank business day (data transfer)</b>	<b>3rd last bank business day (payment)</b>
January	26	28
February	23	25
March	25	27
April	24	28
May	22	27
June	24	26
July	27	29
August	25	27
September	24	28
October	26	28
November	24	26
December	22	28

When health insurance companies are charging or raising the additional health insurance rate a special right to cancel that health insurance exists for employees. The binding period with respect to the new health insurance company remains unchanged.

### **(3) Miscellaneous**

- Extension of parental leave
- Extension of caregiver leave

### **(4) Minimum wage**

With the “Tarifautonomiestärkungsgesetz” at 16 August 2014 different rules have been established in order to achieve a nationwide minimum wage in Germany. The collective labor agreement has been declared as generally binding and the Employee Secondment Act (“Arbeitnehmer-Entsendegesetz”) has been opened for all industries. The Minimum Wage Act (“Mindestlohngesetz”) has been established. The Minimum Wage Act is binding as of the 1st January 2015 for domestic and foreign employers, who are employing people in Germany. The minimum wage is EUR 8.50 per clock hour for each calendar month. It is either payable at the date agreed and if applicable not later than the last bank working day (Frankfurt on the Main) of the month following the month when the work has been performed.

The minimum wage is a legal obligation and any violation can be charged with penalties up to EUR 500,000. The customs inspectors are responsible for monitoring the law.

**Who cannot demand the minimum wage?**

- Vocational trainees, applicants (prevocational training)
- Young people under 18 without any vocational training
- Volunteers
- Long-term unemployed people for the first 6 months during the employment
- Temporary arrangements for newspaper delivery staff
- Quasi-employees

**Which exceptions are applicable for trainees?**

In general the minimum wage is obligatory for all trainees, except for the following cases:

- obligatory internships according to the terms of the school / college / university, training regulations or a legally regulated university of cooperative education
- internships up to 3 month for the orientation of a vocational training or arranged for the purpose of studies
- Internships up to 3 months during a vocational training or during studies, if such an internship with the same trainer has not already been completed
- Qualification according to § 54 a SGB III or for a prevocational training

**Reporting and documentation requirements**

Every employer is obligated to maintain written records for every mini-jobber about the beginning, ending and duration of the daily working time. These records have to be prepared within seven days after the work has been performed and they have to be preserved for minimum two years. For industries, which are obligated for immediate notifications, these reportings must be prepared for every employee.

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