



Germany statutory employer's responsibilities 2020

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	rate varies (borne by EE only, withheld by ER)	EE: 100%
2	church tax	applicable only if EE is a church member, rate varies by state, 8 – 9% of income tax (1)	EE: 100%
3	solidarity tax	reunification tax, rate 5,5% of income tax (1)	EE: 100%
4		health insurance¹	total: 14,6% ER: 7,3%(+ 1,1%) ² EE: 7,3% + additional contribution rate equal made by EE and ER ³ capped at 4.687,50 € per month (max. base amount) income limit for obligatory insurance: ⁴ 5.212,50 €
		nursing care insurance	total: 3,05% ER: 1,525% ⁵ EE: 1,525% ⁵ capped at 4.687,50 € per month (max. base amount) income limit for obligatory insurance: ⁴ 5.212,50 €
		pension insurance	total: 18,6% ER: 9,3% EE: 9,3% capped at 6.450,00 € per month (max. base amount, former East Germany) capped at 6.900,00 € per month (max. base amount, former West Germany)
		unemployment insurance	total: 2,4% ER: 1,2% EE: 1,2% capped at 6.450,00 € per month (max. base amount, former East Germany) capped at 6.900,00 € per month (max. base amount, former West Germany)
5	U1⁶	continued payment of income in case of sickness rate varies by health insurance, 0,9 – 3,9%	ER: 100%
6	U2⁶	continued payment of income in case of maternity rate varies by health insurance, 0,22 – 0,8%	ER: 100%
7	insolvency insurance	rate 0,06%	ER: 100%
8	accident insurance	worker's compensation / ER liability insurance, rate varies by industry and individual employees job average: 1,19%, paid yearly	ER: 100%

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 353.91 € / 71.48 € per month max. (health/nursing care insurance).

² additional contribution for employed pensioners

³ for each health insurance company (0,0 to 1,6%)

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 1,025% ; EE 2,025%; note: additional rate for childless EEs older than 23 years: 0,25%

⁶ please refer to the detailed explanation below

Continued payment of income insurance (sick leave and maternity leave | U1 and U2)

The German Law on the Reimbursement of Employer Expenditures (Aufwandsausgleichsgesetz |AAG) reduces the risk of income loss of the employer due to continued payment of employment compensation to incapacitated employees (sick leave pay | U1) and to expenditures required by the Maternity Protection Act (maternity leave pay | U2).

The reimbursement procedure U1 applies to employers who as a rule employ no more than 30 people. Part-time employees will be taken into account according to their regular weekly working hours on a factor of 25% per each 10 hours per week. All employers, regardless of the number of employees, participate in the U2 reimbursement procedure.

U1 – reimbursement of sickness expenses (sick leave pay)

The health insurance reimburses employers for the bulk of their expenditures for the statutory continuation of payment of employment compensation to the employee (sick leave pay). The reimbursement rates are set by the health insurance individually and vary between 40% and 85% of the gross payment.

The funds for the U1 reimbursement procedure are provided in full by a special benefit cost contribution from the participating employers. The amount of the special benefit cost contribution is set by the health insurance individually and varies between 0,9% and 3,9%.

The benefit cost amounts assessed are entered together with the total social insurance contributions in the contribution account statement (contribution group U1) by Paychex and paid. The reimbursement request must be submitted by electronic data transmission. It is based on the doctor's certificate provided for by the employee. Paychex applies for reimbursement upon request (copy of doctor's certificate to be submitted). Reimbursement amounts are only paid into German bank accounts or via Paychex' Payment Service.

U2 – reimbursement of maternity expenses (maternity leave pay)

The health insurance reimburses employers regardless of the number of employees for

- the maternity benefit subsidy for the protection periods before and after childbirth (six weeks before and eight weeks after). The subsidy amounts to the employee's net payment during the protection period and
- the employment compensation paid to compensate for a reduction in earnings which occurred due to the prohibition of employment. This subsidy amounts to the gross payment plus employer's social security contributions.

Financing is provided by a special benefit cost contribution assessment of participating employers. The basis for the U2 assessment is the employment compensation of all employees in the company.

The assessed amounts for compensation of maternity expenses are also to be documented and paid along with the rest of the social insurance deductions on the contribution account statement (contribution group U2).

The reimbursement requests must be submitted by special form. It is based on a doctor's certificate provided for by the employee. Paychex applies for reimbursement upon request (copy of doctor's certificate to be submitted). Reimbursement amounts are only paid into German bank accounts or via Paychex' Payment Service.

Minimum wage raised

minimum wage introduced in 2015 raised to EUR 9.35 gross per hour, applies nationwide and industry-independent

applies to all employees who are employed in Germany (although the employer is non-German)

for industrial sectors that already have a higher minimum wage, the higher minimum wage applies