

INPATRIATES

Germany

Tax facts for International Assignees



INCOME TAX: WHO IS LIABLE

An Inpatriate who has a residence / dwelling (*Wohnsitz*) or habitual abode (*gewöhnlicher Aufenthalt*) in Germany might be obliged to file a German income tax return reporting his worldwide income. Hence, he has the same rights and obligations as any other German tax resident.

If the assignment of an Inpatriate starts or ends during the year, a tax return must be filed.

There is no special Inpatriate tax regime in Germany.

Residence is defined by a dwelling which is retained and used by the individual. It does not matter how frequently it is used, as long as there is a certain regularity (e.g., on vacation, on business trips, etc.).

Habitual abode means a continuous presence in Germany of more than six months (e.g., from October 1st to April 15th, even with three weeks of Christmas holidays in the home country).

The tax year is the calendar year.

Generally, in case of a filing obligation, the filing deadline for the income tax return is July, 31st of the year following the tax year but this deadline is extended until the end of February of the second following year if the tax return is prepared by a tax advisor. These deadlines were amended for 2022 due to the pandemic. For the income tax return for 2022 the deadline is October 2nd 2023 if filed by the individual and is extended until July 31st 2024 if the tax return is prepared by a tax advisor.

Germany has a progressive tax system which means that the more income that is generated, the higher the tax rate.

If the income is tax exempt, it is nevertheless considered for determining the personal tax rate of the inpatriate due to the progression clause (*Progressionsvorbehalt*). As such, it increases the applicable tax rate on other income.

If an Inpatriate has no residence or habitual abode in Germany, he/she will be subject to limited taxation in Germany with income that is attributable to German workdays. An income tax return for non-residents must be filled if the employment income was paid by a foreign employer who was not obliged to withhold wage tax. If the salary was paid by or recharged to a domestic employer a wage tax withholding obligation occurs.

Generally, anyone physically working in Germany is subject to the German Social Security System. Due to the fact that Germany has entered into Social Security Agreements with a few countries and has some special domestic regulations for foreigners who are temporarily working here for their foreign employer, these inpatriates might be able to remain in their home country Social Security System and do not have to pay social security contributions in Germany. The application of a Certificate of Coverage in the home country is mandatory in most of these cases

Nevertheless, it might be possible that the Inpat is subject to certain parts of the German Social Security System if the Social Security Agreement does not cover all insurance which are included under the German Social Security System (e.g., unemployment insurance).

INCOME TAX RATES AND SOCIAL SECURITY CONTRIBUTIONS

INCOME TAX RATES

Tax rate(s) %	Taxable income range (single)		Taxable income range (married)	
	From (EUR)	To (EUR)	From (EUR)	To (EUR)
0%	0	10,347	0	20,694
14% - 24%	10,348	14,926	20,695	29,852
24% - 42%	14,927	58,596	29,853	117,192
42%	58,597	277,825	117,192	555,650
45%	277,826	and above	555,651	and above

In addition, a solidarity surcharge of up to 5.5% is eventually levied on the actual income tax amount depending on the taxable income.

Furthermore, church tax is levied for specified religious communities. The rate is 9% or in some states 8% of the amount of income tax.

SOCIAL TAX RATES

Statutory pension insurance: 18.6% of gross salary up to a ceiling of 84,600 € p.a. (81,000 € p.a. for new eastern states of Germany); Employer and employee share the contributions one half each.

Unemployment insurance: 2.4% of gross salary up to a ceiling of 84,600 € p.a. (81,000 € p.a. for new eastern states of Germany); Employer and employee share the contributions one half each.

Health insurance: 14.6 % of gross salary up to a ceiling of 58,050 € p.a.; (Allocation: Employer 7.3% / employee 7.3%). Depending on the insurance provider an extra payment of generally 1.3% the health insurance can occur. This extra payment is borne only by the employee.

Nursing care insurance: 3.05% of gross salary up to a ceiling of 53,100 € p.a.; Employer and employee share the contributions one half each. In addition to that employees (above the age of 23) without children pay 0.35% of gross salary.

The occupational accident insurance depends on the industrial sector and the accident risk; these contributions are borne by the employer.

For further information and to register for future updates contact expat@bdo.global

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