

EXPATRIATES

Germany

Tax facts for International Assignees



INCOME TAX: WHO IS LIABLE

Any individual (citizen or alien) who has a residence / dwelling (*Wohnsitz*) or customary place of abode (*gewöhnlicher Aufenthalt*) in Germany might be obliged to file a German income tax return reporting their worldwide income. If an assignment of a German tax resident starts or ends during the year, a tax return must be filed.

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.).

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.

If a tax return must be filed, the income which is taxed abroad can either be tax-exempt in Germany or a tax credit is granted.

If the income is tax-exempt, it is nevertheless considered for determining the personal tax rate of the Expatriate due to the progression clause (*Progressionsvorbehalt*).

If an Expatriate, who is still considered a resident in Germany in terms of the German Income Tax Act and a German treaty resident in terms of the Double Tax Treaty which was concluded between Germany and the host country but assigned to another country, works in Germany for several days, Germany has a right of taxation for the income which is related to those workdays. Therefore, the completion of a workday calendar is essential.

If an Expatriate - who has abandoned his German residence and who is considered a non-resident - does not receive other income than employment income abroad, he generally does not have to file a German tax return. If he receives income which is German sourced, he is subject to limited taxation with his domestic income and must declare this income in a tax return for non-residents.

If income from employment was paid by a German employer this income is subject to withholding tax. In this case the wage tax withholding settles the income tax obligation of the employee (no further income tax return is necessary, exemption, the employer applied for the one-fifth rule for one-time payments).

Depending on the country the Expatriate is assigned to, he might stay in the German Social Security System and does not have to pay social security contributions abroad.

BREAKING RESIDENCY - EXIT PROCEDURES

When a German residence is abandoned and services are no longer performed in Germany, the tax office must be informed and the tax return for the entire calendar year must be filed after year end, subject to deadlines mentioned.

In certain cases, an exit tax applies but this needs to be checked on an individual basis.

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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