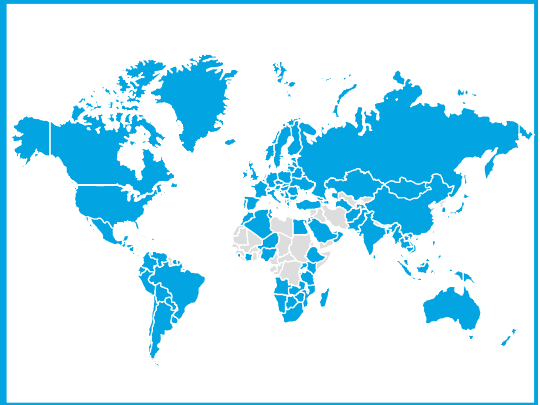


INPATRIATES

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, the filing date for all tax returns is May, 31st of the year following the tax year but this deadline is extended until December, 31st if the tax return is prepared by a tax advisor. These deadlines were amended to 31st of July of the following year for individuals without tax consultant and to February 28th / 29th of the second following year for individuals with a tax consultant. This amendment is applicable for the German income tax return for 2018 and onwards.

Within the tax return the income earned abroad can either be taxable or tax-exempt in Germany or a tax credit is granted (depends on the category or the income and the primary right of taxation according to a Double Tax Treaty).

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

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 has to be filled. If the salary was paid by or recharged to a domestic employer a wage tax withholding obligation occurs.

Generally everyone 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 form part of the German Social Security System (e.g. unemployment insurance).

INCOME TAX RATES

Tax rate(s) %	Taxable income range (single)		Taxable income range (married)	
	From (EUR)	To (EUR)	From (EUR)	To (EUR)
0%	0	9,168	0	18,336
14% - 24%	9,169	14,254	18,337	28,508
24% - 42%	14,255	55,960	28,509	111,920
42%	55,961	265,326	111,921	530,652
45%	265,327	and above	530,653	and above

In addition, a solidarity surcharge of 5.5% is levied on the actual income tax amount. 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 80,400 € p.a. (73,800 € p.a. for new eastern states of Germany); Employer and employee share the contributions one half each.

Unemployment insurance: 2.5% of gross salary up to a ceiling of 80,400 € p.a. (73,800 € 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 54,450 € p.a.; (Allocation: Employer 7.3% / employee 7.3%). Depending on the insurance provider an extra payment of generally 0.9% the health insurance can occur. This extra payment is borne only by the employee and employer equally (each 0.45%).

Nursing care insurance: 3.05% of gross salary up to a ceiling of 54,450 € p.a.; Employer and employee share the contributions one half each. In addition to that employees (above the age of 23) without children pay 0.25% 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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