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German Tax and Legal News

At a glance: Important information as of 1 January 2020 relevant for employers

As every year, 2020 has also important changes in the area of wage tax and the social security right. This article lists the most important changes you need to know for your current wage tax billing.

Changes in income tax law

ELStAM-Procedure

- ELStAM-Data are still obligatory for the employer
- ELStAM-Data for non-resident taxpayers as of 1 January 2020
- Increase of the basic tax-free allowance
- Gradual decrease of solidarity surcharge due to increase of exemption limits for benefit of taxpayers with low or medium wage
- Special income tax certificates might have to be filed to the operational tax office

Temporary Employees: time limits permanently raised

- For the flat-rate taxation of 25% the average income per day increases from EUR 72.00 to EUR 120.00 and the average income per hour increases from EUR 12.00 to EUR 15.00.

Travel expenses

- Lump sum fees for travels abroad have been adjusted as of 1 January 2020
- Introduction of a lump sum fee for operations in conjunction with motor vehicles in the amount of EUR 8,00
 - Lump sum fees for national travels: Increase of food allowance as of 1 January 2020
 - One day with absence over 8 hours: EUR 14,00
 - Arrival and departure day: EUR 14,00
 - Absence over 24 hours: EUR 28,00
- Reduction fees when meals are provided
 - Breakfast: EUR 5,60 (20% of EUR 28,00)
 - Lunch/Dinner each: EUR 11,20 (40% of EUR 28,00)
- Benefits in kind values apply, corresponding with those for social insurance purposes for
 - Breakfast: EUR 1,80
 - Lunch/Dinner: EUR 3,40

The price for the single meal must not exceed the amount of EUR 60.00.
- Benefits in kind up to EUR 44.00 (per month) continue to be income tax-free. If this threshold is exceeded, the entire value of the benefit in kind will be subject to income tax. Flat-rate taxed benefits in kind are not to be included. Since 1 January 2020, it has been stipulated that assigned cash benefits, supplementary reimbursement costs, cash surrogates and other benefits that are eligible for a monetary amount are cash benefits. Vouchers and money cards are excluded. A clarifying letter by the tax authorities is supposed to follow.

Tax relief for company pension schemes (Betriebsrentenstärkungsgesetz)

- Betriebsrentenstärkungsgesetz in force since 1 January 2018 (see employer-relevant information as of 1 January 2018)
- Employer contribution:

- financing of the contribution commitment through deferred compensation
As of 2019: contribution is obligatory for new contracts
As of 2022: contribution is obligatory for old contracts
- flat-rate max. 15% of the conversion amount
- employer contribution is tax- and social contribution free
- Still relevant: without charges for tax purposes (8%) and social contributions (4%) of contribution ceiling pension insurance

Additional tax-free and non-contributory employer benefits as of 2020

- Cash allowances of the employer for local public transport by regular traffic
- Benefits in kind (e.g. job tickets) for local public transport by regular traffic
 - as of 1 January 2020, tax free benefits in kind must be listed in the payroll account as well as in line 17 on the income tax certificate
 - in addition to the agreed salary, no deferred compensation
 - crediting on commuting allowance in the personal tax return
- Possibilities of the wage-tax allowance (15%) remain unmodified, also if non-local public transport is used
- Health promotion:
 - the tax-allowance increased up to EUR 600.00
- Retroactively to 1 January 2019, internal and external advanced training measures are tax free
- As of 2019 up to and including 2030: benefits granted for company bicycles and E-bikes for which no registration and compulsory insurance is required

Mobility attraction / climate protection

- Creation of possibilities for tax-allowance of 25%, without impact to commuting allowance in the personal tax return of the employee
- Catalogue Price of (e-) bicycles: From 1 January 2020, one percent of one quarter of the recommended retail price rounded down to the nearest EUR 100.00.
- Company cars might be, under given circumstances, with lower gross list price wage-taxable
- Mobility bonuses in frame of income tax return for lower income

Changes in social insurance law

Contribution rates for social insurance

Health insurance:	14,60 % (ER 7,3 %, EE 7,3 %)
Additional health insurance:	depends on health insurance company (bears ER and EE half)
Average additional health insurance:	1,1 %
Nursing care insurance:	3,05 % (additional fee for childless 0,25 %)
Statutory pension insurance:	18,60 %
Unemployment insurance:	2,40 %
Statutory insolvency insurance:	0,06 %
For self-employed artists/ journalists: (Künstlersozialkasse)	4,2 %

Social insurance contribution ceilings

Health and nursing care insurance for all Federal States	EUR 4.687,50	monthly
	EUR 56.250,00	yearly
Yearly statutory remuneration ceiling	EUR 62.550,00	
Special yearly statutory remuneration ceiling	EUR 56.250,00	
Pension and unemployment insurance	monthly	yearly
Old Federal States	EUR 6.900,-	82.800,-
New Federal States	EUR 6.450,-	77.400,-

Subsidies to the health- and nursing care insurance

Members of private health insurance funds:	half of contribution; maximum	
	Health insurance	EUR 367,97
	(including the average additional contribution)	
	Nursing care insurance	EUR 71,48

- The maximum limit for earnings of persons in marginal employments amounts to monthly EUR 450.00. These “Minijobs” are insured in the statutory pension insurance, an exemption is possible. Marginal and short-term employees are obliged to disclose further marginal and/or short-term employments.
- Temporary employment occurs when employment does not exceed 3 months or 70 days (as of 2019: existing time limitation ended)
- 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 individuals.
- Transitional area / Übergangsbereich (previously Gleitzzone)
 - As of 01.07.2019 new scale between EUR 450.01 and EUR 1,300.00
 - Impact:
 - Relief of social security contributions for more low-income earners
 - No reduction in pension payments

Monthly monetary value of benefits in kind

Free accommodation	EUR 235,-
Meals (total)	EUR 258,-
Breakfast	EUR 54,-
Lunch/Dinner resp	EUR 102,-

- A1 certificate for compulsorily insured, voluntarily insured and family insured persons for health insurances: electronic application obligatory as of 01.01.2019. The information on the state of residence of the employee is mandatory like the beginning and end date of the secondment as of 01.01.2020.

Due date of data transfer of statements of contributions paid and of payments of total social insurance contribution amounts (fixed by law)

Month	5th last bank business day 0.00 o'clock (data transfer)	3rd last bank business day (payment)
January	27	29
February	24	26
March	25	27
April	24	28
May	25	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 there is a special right of cancellation. The binding period after a health insurance exchange remains unchanged, if
 - Obligatory insurance exists for the first time
 - after an interruption of the obligatory membership of at least one day
 - For successive memberships that follow on seamlessly from one another (after expiry of the commitment period)

Brexit: Possible consequences

Deal Scenario

- Agreement on the continued application of the Regulation (EG) Nr. 883/2004 and 987/2009 for the transition period

No-Deal Szenario

- Expected application of the social insurance treaty between Germany and Great Britain from 1961

Miscellaneous:

- Minimum wage from 2020 EUR 9.35 per hour

- take into consideration generally binding collective agreements
- Minimum wage for trainees with start of apprenticeship in 2020 EUR 515,00
 - Scaling of wage after first year of apprenticeship (first as of 1 January 2020 until 31 December 2023)
- Contracts with part-time employees
 - If the duration of the weekly working time is not specified, a working time of 20 hours applies. Important for minimum wage and social security obligation!
- Employment of pensioners
 - No more unemployment insurance contributions by the employer (limited until 2021)

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