



i-paye



**Guide to Contracting in  
Germany**



# COUNTRY HIGHLIGHTS (2017)

## Germany – Individual

Currency	Euro (€)
Tax Year	Starts 1 January    Ends 31 December
Tax Rates	First 8,820€ at 0% Next 45,236 rate 14% to 41.99% (increases gradually) Next 310,360 at 42% Balance at 45%
Solidarity Tax	5.5% of Income Tax Due is levied on the Income Tax Assessed.
Social Security	Health Insurance at 14.6% Nursing Care Insurance at 2.55% Accident Insurance at 2% Unemployment Insurance at 3% Pension Insurance at 18.7%  Contributions in to each element are typically split 50:50 between Employer and Employee, with the exception of Accident Insurance which is an Employer only contribution.

### **Tax Residency**

An individual becomes Tax Resident in Germany if

- they are domiciled in Germany, i.e they maintain a home or dwelling in Germany for personal use with the intention to keep it and to use it on a regular basis; or
- Has a place of abode in Germany, i.e they have a physical presence or intention to stay in Germany for a consecutive period of more than 6 months.

An individual who is Tax Resident is taxable on Worldwide Income except if exempt under a double taxation treaty.

An individual who is not Tax Resident is taxable in Germany on Income earned or generated in Germany.

### **Social Security**

Social Security is payable in Germany unless the individual is paying Social Security in the country in which their employer is based and they are habitually resident. A certificate of continuing liability to Social Security is required to exempt the individual from German Social Security.

### **Right to Work**

EU and EEA Nationals have an unfettered right to work in Germany without the need to hold a VISA or Work Permit.

Other Nationals, generally, need to have the relevant approval to work prior to their arrival in Germany, although for some Australian, Canadian, Israeli, Japanese, US, South Korean and citizens from New Zealand it is possible to apply once in Germany.

# I-PAYE Service

I-PAYE is registered as an employer in Germany and all individuals are engaged on contracts of employment.

All income is reported to the German Tax Authorities, with deduction for expenses allowed under German Law. Any expenses that are reimbursed that are not allowed or are above published rates will be subject to German Taxation and Social Security at the appropriate rates.

I-PAYE will employ and provide UK Nationals that habitually reside in the UK. I-PAYE will not normally seek to employ or provide German or other European Nationals to assignments based in Germany.

## As an employee of I-PAYE then you simply would register as working in Germany and the rest is down to us.

### Frequently Asked Questions

**Q. I currently work on a project in the United Kingdom through a PSC and have an assignment in Germany, is it true that I can operate the same model in Germany?**

A. Under German Domestic Law a UK PSC may be considered as having a Permanent Establishment in Germany, which means that all income derived by the business will be subject to German Taxation. No matter the taxation position of the company any employment income paid in respect of duties performed in Ireland will be subject to German Taxation and Social Security from day 1.

In addition any dividends payable to shareholders will be subject to German Dividend Taxation either at resident or non-resident rates.

**Q. What happens if I choose to ignore the rules?**

A. Germany as with all European Countries may seek to apply the Mutual Assistance Recovery Directive (MARD) to request the UK and other Tax Authorities to collect any unpaid moneys due.

From 1 October 2017 new legislation has been enacted in the United Kingdom that means that any entity engaging in or with business that evades taxation in a Foreign Country will be subject to an unlimited fine. Failing to report income to the German Authorities is Tax Evasion, not avoidance, and under German Law would generally lead to a criminal conviction.

**Q. I want to do it correctly where should I seek advice?**

A. Unfortunately, the German Tax Office only provide advice in German and many of the general advice given on other websites is out of date. Specialist advice should be sought before going on assignment.

More information is available from I-PAYE on 0151 449 3500



e [info@i-paye.com](mailto:info@i-paye.com)

t +44 (0) 0151 449 3500

w [www.i-paye.com](http://www.i-paye.com)

f +44 (0) 0151 203 3130

