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# Germany

## Payroll & Employment Law Guide

**2026 Edition** · Last updated September 22, 2026

ELStAM tax classes, five-branch Sozialversicherung, the EUR 13.90 minimum wage and the 2026 incentives

Overview

# A reference for employing in Germany

The employer obligation begins after commercial registration with accident insurance registration and the employer number. A representative point with no commercial independence and a registered branch create different payroll duties.

| €13.90 | Tarif | 42.3% | 45% |
|---|---|---|---|
| STATUTORY GROSS MINIMUM HOURLY WAGE IN 2026 | COLLECTIVE AGREEMENT THAT SETS THE REAL PAY FLOOR | AVERAGE COMBINED SOCIAL INSURANCE BURDEN | TOP INCOME TAX RATE |

## WHAT THIS GUIDE COVERS

I

# Setting Up and Doing Business

The employer obligation begins after commercial registration with accident insurance registration and the employer number. A representative point with no commercial independence and a registered branch create different payroll duties.

## STRUCTURE AND REGISTRATION SUMMARY

| STRUCTURE OR STEP | CAPITAL OR TIMING | AUTHORITY |
|---|---|---|
| **GmbH** | EUR 25,000; 12,500 at entry | Handelsregister |
| **UG** | EUR 1 to 24,999; cash | Handelsregister |
| **Branch or representative point** | Full load or unregistered | Gewerbeamt |
| **Tax and VAT number** | ELSTER application | Finanzamt |
| **Accident insurance** | 1 week | Berufsgenossenschaft |
| **Employer number** | 6 weeks | Bundesagentur für Arbeit |

> Verify before payroll
> Leasing permit: AÜG requires Bundesagentur approval. The maximum assignment is 18 months, the reset break is 3 months and equal pay begins after 9 months. The test is who exercises direction, not the contract name.

## II · WORKING CONDITIONS AND LEAVE ENTITLEMENTS

Working time and rest are statutory, while their monetary value is largely set by the Tarifvertrag. The legal floor and the collective-agreement parameter must be held separately.

II

# Working Conditions and Leave Entitlements

## WORKING TIME AND LEAVE SUMMARY

| TOPIC | RULE |
|---|---|
| **Daily work** | 8 hours; extension 10, average 8 |
| **Rest** | 11 hours a day |
| **Break** | 30 min at 6-9 hours; 45 above |
| **Weekly hours** | 35 to 40 by contract |
| **Annual leave** | 20 days on a 5-day week; right after 6 months |
| **Carried leave and holidays** | March 31; 9 common, 10-13 total |
| **Sickness** | 6 weeks at 100%; then 70% |
| **Maternity and parental** | 6+8 weeks; U2 100%; 3 years |

> Verify before payroll
>
> Parameter warning: Weekly hours, overtime premium and leave above the statutory minimum come from the Tarifvertrag. These three items must be configured company by company.

## III · TAX AND SOCIAL SECURITY

The employer withholds income tax monthly and calculates five social insurance branches. The tax class personalises withholding, while separate contribution ceilings apply to pensions and health.

III

# Tax and Social Security

## 2026 TAX AND CONTRIBUTION PARAMETERS

| ITEM | RATE OR AMOUNT | EMPLOYER VIEW |
|---|---|---|
| **Minimum wage and allowance** | EUR 13.90; EUR 12,348 | Hourly; annual |
| **Lower tax bands** | 12,349-17,799: 14%-23.97% | 17,800-69,878: 23.97%-42% |
| **Upper tax bands** | 69,879-277,825: 42% | Above 277,826: 45% |
| **Pension and unemployment** | 18.60% and 2.60% | Employer 9.30% and 1.30% |
| **Health and supplement** | 14.60% and 2.90% | Employer 7.30% and 1.45% |
| **Care and total burden** | 3.60% and 42.30% | Employer average 21.15% |
| **Monthly ceilings** | EUR 8,450; EUR 5,812.50 | Pension; health |
| **Minijob and Midijob** | EUR 603; EUR 603-2,000 | Transition band |

> Verify before payroll
> Watch out: The childless care share is 2.40%. The supplementary health rate varies by fund. With accident insurance and pooled levies, the real employer load can reach 22% to 24% of gross.

## IV · PAYROLL OPERATIONS

Social insurance is paid on an estimate before month end and the difference is corrected in the next return. Tax classes, contribution timing and annual filings therefore belong on one operating calendar.

IV

# Payroll Operations

## ELSTAM AND FILING CALENDAR

| TOPIC | RULE |
| --- | --- |
| **Classes I and II** | Single person; single parent |
| **Classes III and V** | Lower and higher spouse withholding |
| **Classes IV and VI** | Similar incomes; second job |
| **Contribution filing and payment** | 5th- and 3rd-to-last bank day |
| **Late charge and income tax** | 1% a month; 10th of next month |
| **Filing frequency** | Above EUR 5,000 monthly; 1,080-5,000 quarterly |
| **Annual filings** | February 15 and February 28 |
| **Retention** | Wage card 6 years; time record 2 years |

> Verify before payroll
> Practical check: Employment starts and exits are reported within 6 weeks. Because contributions are paid before month end, waiting for final pay can trigger the late-payment charge.

## V · HIRING AND TERMINATION

Form is central to hiring and termination in Germany. Working conditions must be notified in writing, while termination and a fixed-term clause require a wet-signed document.

V

# Hiring and Termination

## NOTICE, PROTECTION AND SEVERANCE

| TOPIC | RULE |
|---|---|
| **Probation** | Up to 6 months; 2 weeks notice |
| **Notice after probation** | 4 weeks |
| **Notice by service** | 2/5/8/10/15 years: 1/2/3/4/6 months |
| **Dismissal protection** | Over 10 staff and 6 months service |
| **Council objection** | Ordinary 1 week; summary 3 days |
| **Employee claim period** | 3 weeks |
| **Statutory severance formula** | 0.5 month gross per service year |
| **Fixed term and retirement** | 2 years; 3 extensions; age 67 |

> Verify before payroll
> Watch out: A termination by email or scanned signature is void. Settlements commonly run at 0.25 to 1.5 months per year; the payment is taxable but not contributory. The retirement age is 67 for people born from 1964.

## VI · COMPENSATION AND BENEFITS

There is no statutory annual increase or thirteenth salary; these arise from the Tarifvertrag or individual contract. Benefit exemptions use annual parameters and, for some items, a threshold rule.

VI

# Compensation and Benefits

## 2026 BENEFIT PARAMETERS

| ITEM | AMOUNT OR RATE |
|---|---|
| **Benefit in kind and instructor** | EUR 50 monthly; EUR 3,300 yearly |
| **Work past retirement age** | EUR 2,000 a month |
| **Board and accommodation** | EUR 345 and 285 a month |
| **Transport ticket** | EUR 63; employer at least 25% |
| **Distance allowance** | EUR 0.38 per kilometre |
| **Company car** | 1% of list price; 0.03% add-on |
| **Electric car** | 0.25% below EUR 100,000 |
| **Occupational pension** | 15%; ceilings EUR 8,112 and 4,056 |

> Verify before payroll
> Parameter warning: The EUR 50 monthly benefit-in-kind amount is a threshold rather than a cap. If it is exceeded, the whole benefit for that month becomes taxable and contributory.

## VII · VISAS AND WORK PERMITS

The work permit regime rests on the 2023 Skilled Immigration Act. There is no foreign-worker quota; the required document depends on status, posting country and the salary threshold.

VII

# Visas and Work Permits

## STATUS AND BLUE CARD SUMMARY

| TOPIC | RULE |
|---|---|
| **EU, EEA and Swiss nationals** | No work permit required |
| **Third-country national** | Residence title required |
| **Assignment within the EU** | A1 certificate |
| **Assignment from Türkiye** | 1964 agreement form |
| **Local employment** | Betriebsnummer registration |
| **General Blue Card** | EUR 50,700 a year |
| **Bottleneck and new graduate** | EUR 45,934.20 |
| **Threshold calculation** | 50% or 45.3% of EUR 101,400 |

> Verify before payroll
> Practical check: The Blue Card threshold changes yearly and the value on the start date applies. Posted workers receive the German minimum wage, working-time limits and leave floor; construction may have a higher sector floor.

## VIII · PRACTICAL NOTES AND COMMON PITFALLS

Errors usually arise not from the formula but from a wrong assumption about collective-agreement coverage, works council authority or employment status. These areas belong on the payroll control list.

VIII

# Practical Notes and Common Pitfalls

## COVERAGE, THRESHOLDS AND PENALTIES

| TOPIC | PARAMETER |
|---|---|
| **Collective agreement coverage** | Sector 41%; company-level 8% more |
| **Regional coverage** | West 43%; east 31% |
| **Forming a works council** | 5 employees with a vote |
| **Recruitment information** | Above 20 employees |
| **Disability employment** | 20 staff; 5% target |
| **Equalisation levy** | EUR 155, 405 or 815 a month |
| **Declaration and payment** | March 31 |
| **Main penalties** | EUR 30,000, 500,000 or 2,500 |

> Verify before payroll
> Limitation: Bogus self-employment has a 4-year period, extended to 30 years for intent. Recovery of the employee share is limited to the last 3 payslips.

## IX · INCENTIVES AND EMPLOYER SUPPORT SCHEMES

Germany has no general employer contribution reduction. Support is application-based for defined employee profiles, short-time work, training and research; approval is obtained before work starts.

IX

# Incentives and Employer Support Schemes

## 2026 SUPPORT SUMMARY

| SUPPORT | RATE OR TERM |
|---|---|
| **Recruitment support** | 50%; 12 months; 36-month retention |
| **Severely disabled hire** | 70%; 24 or 60 months |
| **Short-time work, no children** | 60% of net loss |
| **Short-time work, with children** | 67% of net loss |
| **Short-time work threshold** | One third; 10% loss; 12 months |
| **Employer training share** | 20%; 10% below 250 staff |
| **Research allowance** | 25%; SME 35% |
| **Research ceilings** | EUR 12,000,000; 3,000,000; 4,200,000 |

> Verify before payroll
> Source note: Rates and terms are statutory maxima. The actual support is set by the agency's individual decision, so payroll budgeting must use the rate in the approval letter.

EOR & PAYROLL, HANDLED

# Manage your Turkey & Europe payroll & employment from one centre with Datassist.

Tarifvertrag pay floors, ELStAM tax classes, Lohnsteuer-Anmeldung deadlines, social insurance ceilings, employer-only levies and residence-permit duties have to run on one operating calendar. Datassist helps international employers manage German payroll and employment processes from a single centre.

**Schedule a Meeting →**

| | | |
|---|---|---|
| **EOR** EMPLOYMENT UNDER ONE CONTRACT | **1** ONE COMPLIANCE OPERATION | **0%** MISSED PAYROLL DEADLINES |