



Germany Tax Briefing

2022



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German Tax Residence and Tax Liability

German tax residence and tax liability

- In case of a residence or a habitual abode (physical presence of a more or less uninterrupted period of 6 months or more) in Germany, the individual is considered a German tax resident and thus unrestricted tax liable.
- A domicile is a rented or owned flat or house which is obviously suitable for residing. The domicile can be used by the individual and his family at any time. Additionally, a hotel room is a domicile as well if the same room is used for a permanent period of time (in general more than 6 months).
- In case of no residence or a habitual abode in Germany, the individual is considered restricted tax liable (i.e. taxable with German-sourced income, only).
- The citizenship is not relevant for German tax purposes.
- If both taxpayer and spouse are considered as German tax residents (or if the spouse is living in an EU-EEA-country), it is possible to file jointly in Germany. In general, the joint filing results in a more beneficial tax rate as the so-called splitting tarif will apply. Of course, Deloitte will check on the most beneficial filing for you during the tax return process.

German Treaty Residency

German treaty residency

- If there is a double tax treaty (DTT) between Germany and the respective home/host country in place, it is necessary to examine which country is considered to be the country of residence according to the DTT.
- In case the assignee has a residence in both, the home and the host country, his treaty residence is determined based on where his center of vital and economic interests is located in.
- In general the center of vital interest is in the country where the family is living.
- The treaty residency is a determining factor when it comes to the allocation of taxation rights of taxable income and avoids a double taxation of income, in general

Worldwide Income Principle

Worldwide income principle

- An individual considered as tax resident in Germany is considered taxable on the world-wide income.
- German-sourced income is generally taxed in Germany.
- Foreign sourced income as well as income earned before or after the move to Germany will be taken into account within the German income tax return under the so called progression clause meaning that this income is in general tax free but has an effect on the applicable tax rate.
- If there is neither a residence nor the habitual abode in Germany will only tax the German sourced income. Under certain circumstances, worldwide income will be considered when determining the tax rate applied to German sourced income.



If a double taxation agreement (DTA) exists between Germany and the other country, possible double taxation is avoided by tax exemption or tax credit in one of the two countries.

Article 15 OECD - Income from Employment

Article 15 OECD – Income from Employment

1

Subject to the provisions of Articles 16, 18 and 19, salaries, wages and other similar remuneration derived by a resident of a Contracting State in respect of an employment shall be taxable only in that State unless the employment is exercised in the other Contracting State. If the employment is so exercised, such remuneration as is derived therefrom may be taxed in that other State.

In general, the state of treaty residence has the right of taxation.

If the work is carried out in another State, income from employment will be generally taxed in the state of work.



In order to ensure a correct allocation and taxation of your working days, please maintain your GA travel calendar

Article 15 OECD – Income from Employment

2

Notwithstanding the provisions of paragraph 1, remuneration derived by a resident of a Contracting State in respect of an employment exercised in the other Contracting State shall be taxable only in the first-mentioned State if:

- a) the recipient is present in the other State for a period or periods not exceeding in the aggregate 183 days in any twelve month period commencing or ending in the fiscal year concerned, and*
- b) the remuneration is paid by, or on behalf of, an employer who is not a resident of the other State, and*
- c) the remuneration is not borne by a permanent establishment which the employer has in the other State.*

The salary does not have to be allocated and can be taxed in the State of residence if the following conditions are met (cumulative):

- 183 days of physical presence in the other State are not exceeded within a 12 months period
- The costs are not borne in the other state or are not borne by a permanent establishment of the employer in the other state.

Types of Income Tax and Social Security

Germany

Types of Income Tax and Social Security

Taxes and social security payable on employment related income/earnings in Germany

| | |
|--|--|
| Income tax | Income tax is generally payable on all employment income. The German employer is obliged to withhold income tax by monthly wage tax withholding. |
| Solidarity surcharge | Solidarity surcharge is generally payable employment income above a certain threshold. The German employer is obliged to withhold the solidarity surcharge by monthly withholding. |
| Church tax | Church tax applies if the employee is registered to a German church or if the home country church is part of the <i>Leuenberg Concordium</i> . The German employer is obliged to withhold church tax by monthly withholding. |
| Employee/employer social security | Social security contributions are payable by the employer and employee up to certain ceiling amounts, as long as the employee is subject to the German social security system. |

Germany

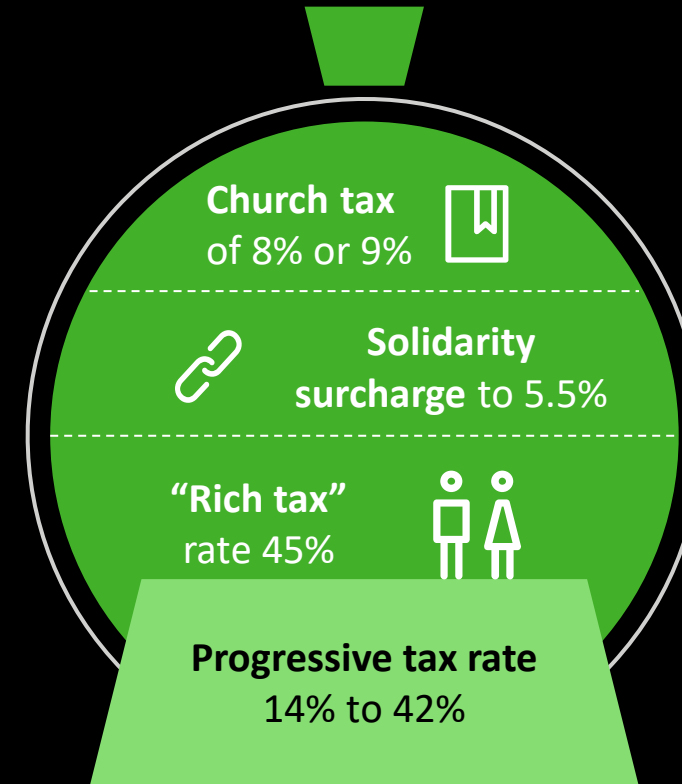
Income Tax and Social Security Rates*

| Income tax rates | 2022 tax year |
|--------------------------|---------------|
| Below €10,347 | 0% |
| From €10,348 to €58,596 | 14 to 42% |
| From €58,597 to €277,825 | 42% |

Solidarity amounts to 5.5% of the income tax, if applicable.

Church tax is levied at 8% or 9% of the income tax (depending on the Federal State in which the individual is resident).

**Subject to Change*

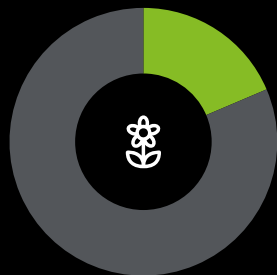


Germany

Types of Income Tax and Social Security¹

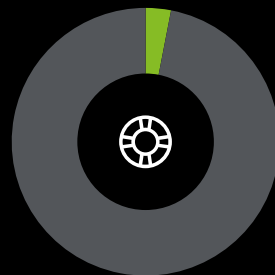
| Social security type | Monthly cap | Employee's rate | Employer's rate |
|------------------------|---|--|-----------------|
| Pension Insurance | €7,050 (€6,750 for former eastern states) | 9.30% | 9.30% |
| Unemployment Insurance | €7,050 (€6,750 for former eastern states) | 1.2% | 1.2% |
| Health Insurance | €4,837.50 | 7.3% (plus additional charge of 1.1% on average which will also be shared between the employee and the employer; the additional charge may vary from insurance company to insurance company) | 7.3% |
| Nursing care Insurance | €4,837.50 | 1.525% 1.875% (if childless from age 23) | 1.525% |

Social Security rates of contributions for 2022



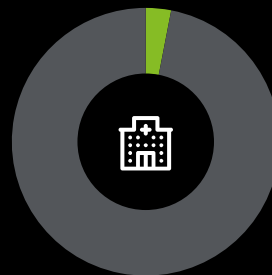
18.6%

Pension insurance



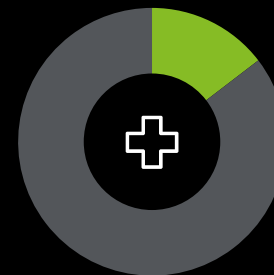
2.4%

Employment insurance



3.05%

Long term care. Disability*



14.6%

Health insurance**

¹ Subject to Change

Employment Income

Employment Income

Sources leading to



Employment income

All types of remuneration and most of the benefits or allowances received for services performed in Germany, regardless of who pays it and where or when it is paid, constitute taxable employment income. As mentioned before, employment income may be exempt from German taxation according to a Double Tax Treaty, if applicable. Employment income is subject to German wage tax which is withheld and paid by the employer through a monthly payroll.

Employment income



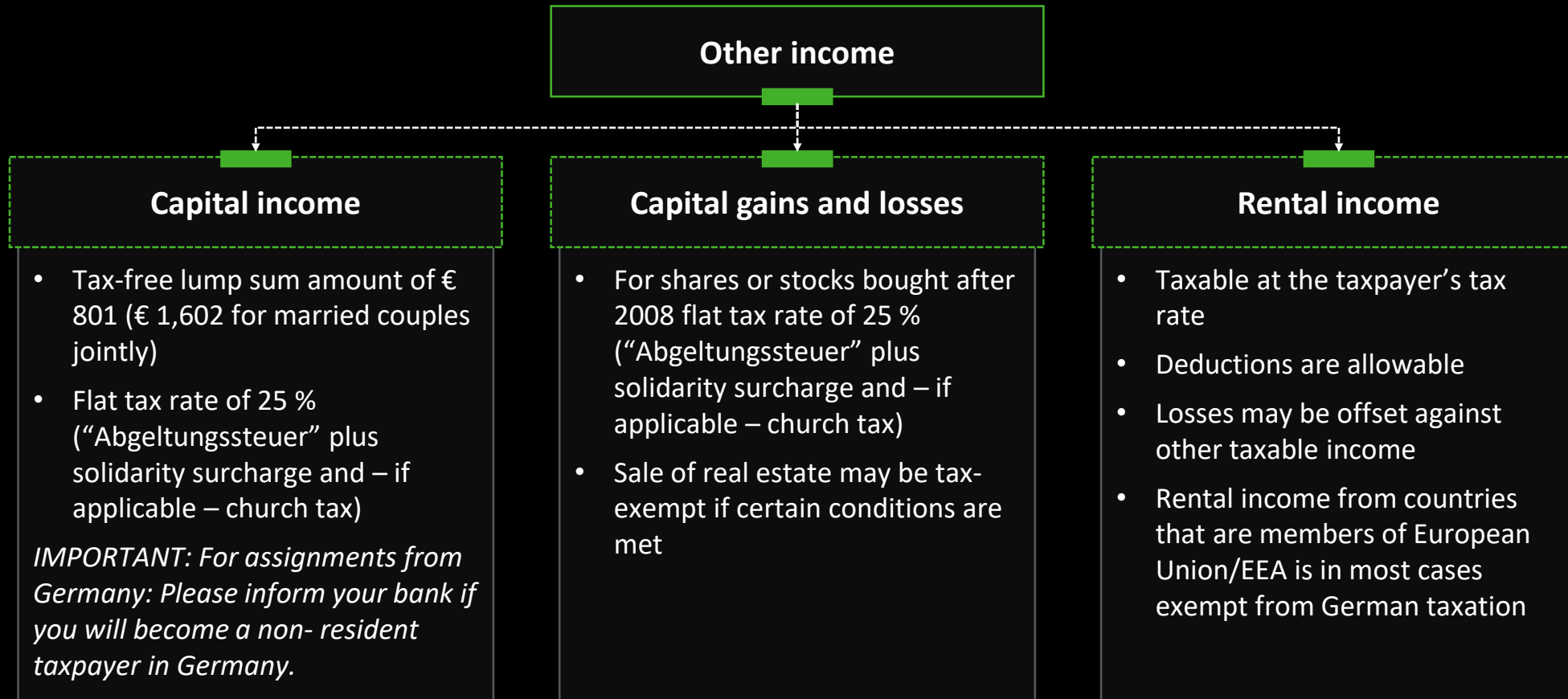
Business expenses

Employment related expenses are deductible from gross income if they are directly related to the employment in Germany. Please note that expenses must be proven by respective documentation, e. g. invoices. Examples (if not reimbursed tax-free already by the employer):

- Moving expenses
- Double household expenses
- Lump sum deduction for literature of € 110 (if actual expenses incurred are higher, then actual expenses are applied) and for banking fees of € 16
- Distance between travelling between your home and place of work
- A standard deduction of € 1,200 is granted if the actual expenses are not higher.

Other Income

Other Income



Please inform Deloitte upfront in case of major changes in assets during your assignment.

Deductions

Deductions



Special Expenses

Special expenses are personal or family expenses which are not related to any income and which can be deducted according to the German Income Tax Code. These special expenses are e.g. tuition fees for private schools or charitable donations to German/EU institutions.

Please note that any expenses can only be considered with supporting documents, e.g. certifications, receipts.



Extraordinary burden/ Support of needy dependents

Taxpayers are entitled to receive a tax relief with regard to an extraordinary burden which is unavoidable. A tax relief will however only be granted, if a reasonable threshold of the taxpayer's income is exceeded.

Besides, the support of needy dependents is also deductible if certain conditions are met.



Child payment and benefit

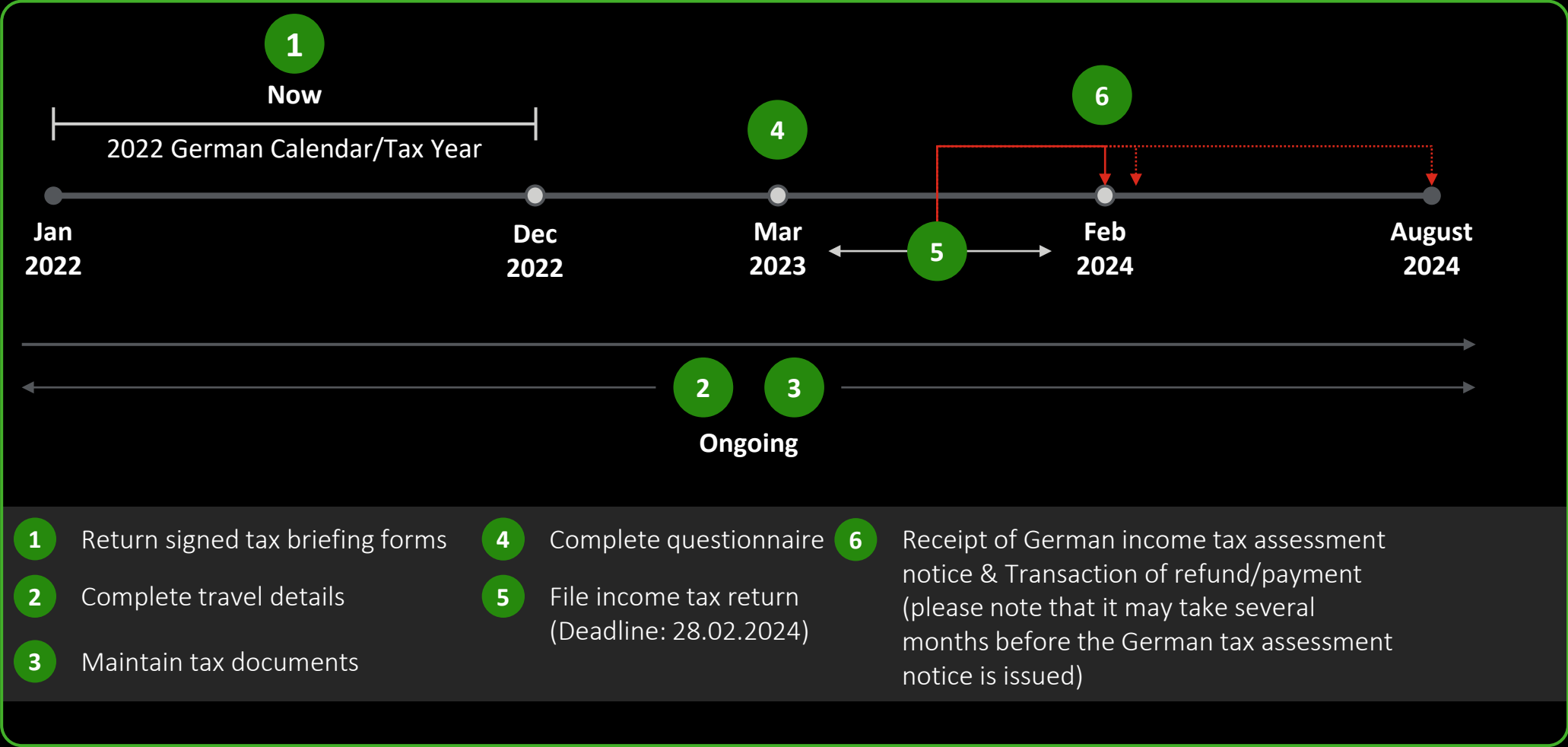
Taxpayers may be entitled to receive a monthly tax-free cash payment of € 219 for the first and second dependent child, € 225 for the third dependent child and € 250 for the fourth and following dependent children. The tax-free cash payment will be paid up to the age of 18 (up to the age of 25 for children in full-time education) if certain conditions are met.

The taxpayer can also claim a child allowance in the amount of € 4,194 per year and child (€ 8,388 for married tax payers) within the tax return if the resulting tax reduction is higher than the cash child payment received.

IMPORTANT: Please inform the child office in charge of your child (Familienkasse) about your move abroad in any case, even if you keep your German residence.

Timeline after this Briefing

Compliance Actions, Tax Return & Payment Timeline



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