

# Guide to Contracting in Germany

All you need to know to expand your business in Germany



## **About Us**

Engaging local or international workers in Germany requires strict adherence to intricate payroll and immigration laws.

AUGSIGHT GmbH enables recruitment agencies and corporate clients to concentrate on their primary operations by taking over the labour-intensive and complex aspects of employment, which includes managing payroll, taxes, legal compliance, and work visa processing – areas where we specialise and excel.

The numerous benefits of partnering with AUGSIGHT GmbH as your trusted provider in Germany include:

- Boosting take-home pay;
- Minimising administration for contractors, recruiters and corporates;
- Providing customised software for better payroll management;
- Ensuring compliance with all relevant laws and regulations;
- Immigration assistance and visa sponsorship.



#### **Local Presence**

We have our office in Mörfelden-Walldorf near Frankfurt.



#### **Work Permits**

We can help with work permits for non-EU/EEA workers.



#### **100% Compliant**

We hold an AuG licence that permits us to engage in staff-leasing in Germany and ensure that German and foreign contractors are working compliantly under the German tax system.



#### **Health Insurance**

German health insurance is mandatory by law. We partner with trusted German insurance providers, that can help you get the right coverage.

## **Our Services**



## **Payroll Outsourcing**

We provide end-to-end payroll management for temporary and permanent staff placement



#### **Health Insurance**

At AUGSIGHT we partner with trusted insurance providers, that can help you get the right coverage



## Employer of Record (EOR)

We manage your team's hiring, payroll, taxes, benefits, and insurance for you.



#### **Work Permits**

We provide a complete service ensuring all regulatory requirements are met

# **Summary Table**

	Employed/EOR Solution	Self-Employed Solution
Retention Rate	45% - 52%	67% - 75%
Eligibility	EU/EEA nationals and non-EU nationals with work permit	EU/EEA nationals and non-EU nationals with work permit
Work Permits	We can sponsor work permits for non-EU/EEA workers	We can sponsor work permits for non-EU/EEA workers
Registrations	The consultant/worker/contractor/employee must register at the Town Hall	The consultant/worker/contractor/employee must register at the Town Hall
Features	<ul> <li>The contractor is employed by us</li> <li>The employer (us) runs payroll and deducts the necessary tax and social security costs</li> <li>The gross salary will arise after we deduct the management fees and employer's contributions from the contract value</li> <li>We invoice the Client directly, and the Recruitment Agency receives a margin agreement from us</li> </ul>	<ul> <li>We will prepare the accounting and tax returns</li> <li>A self-employed contractor can claim a VAT refund on their professional expenses when filing a VAT return. However, the invoice should reflect their name, invoice number, and VAT amount / percentage</li> <li>Contributions for social security are optional. However, the contractor shall maintain a health insurance</li> </ul>
Benefits	<ul> <li>Easy to implement</li> <li>Open to non-EU/EEA nationals and non-graduates</li> <li>We are experts in German tax and social security</li> <li>We provide monthly payslips</li> <li>We will provide a complete reconciliation of funds during the exit payroll</li> </ul>	<ul> <li>Higher retention compared to being an employee, due to the optional social security contributions</li> <li>Possibility of holding simultaneous contracts</li> </ul>

## ! Notes

- % this is the approximate net retention rate, after allowing for all taxes, social charges and management fees;
- Illustrations pertain to €500/day pay rate, for 21 days/month, for a 12 month based contract;
- For employment solutions, local residents will not qualify for any expat allowance and retention may be lower than reflected above;
- Certain allowances/tax rates are based on level of income and net retentions may be more/less than indicated above;
- In some countries, services related to obtaining a work permit and/or sponsoring a work permit may be impaired by domestic legislation. Thus, our immigration services are provided on a case-by-case basis.
- From time to time, according to and as a result of country specific developments locally, changes to work permit quotas and immigration criteria/process times, some solutions may not always be available.

# Germany

Capital	Berlin
Spoken Language	German
Currency	Euro (EUR)
Minimum monthly wage	EUR 2,151.00 (Gross)

Germany is one of the most populous countries in Central Europe, a third of which is covered in forests and woodlands, giving it a moderate climate all year round. It is the largest economy in the EU, and has a very high level of employment, as well as a rich culture, excellent schooling, and an abundance of beautiful scenery and architecture.

Germany is also the second most popular destination for expats in the world – in no small part due to a friendly and welcoming population.



#### **Entry Visa**

Citizens of EU/EFTA Member States and Switzerland, as well as the USA, Australia, Canada, Israel, Japan, New Zealand and the Republic of Korea can enter Germany with an identity card or a valid passport.



#### **Public Holidays**

- New Year's Day, 01 Jan
- Epiphany, 06 Jan
- Good Friday, (Not a standard date, usually March/April)
- Easter Monday, (Not a standard date, after Good Friday)
- Labour Day, 01 May
- Ascension Day, 09 May
- Whit Monday, (Not a standard date)
- German Unity Day, 03 Oct
- Christmas Day, 25 Dec
- St. Stephen's Day, 26 Dec

There are also several regional holidays that are not official across the whole country.



#### Work Permit / Residence Permit

Citizens of EU/EFTA Member States and Switzerland can live and work without a work or residence permit in Germany.

Other foreign nationals can apply for a German Employment Visa if they have a concrete job offer or there is a shortage of skilled workers within their profession; the application is done at the representative body of Germany in their country of residence responsible for visa admission. After entering Germany with the visa, the individual will need to attend an interview at the Foreigner's office in order to obtain a residence permit.



#### **Social Security Registration**

Registration for Social Security is compulsory for anyone working in Germany as soon as employment has started, regardless of their nationality, and it is done fully by the employer.



#### **Working Hours**

A standard working week in Germany is 8 hours a day/40 hours a week. Those operating hours can be extended to 10 daily if the weekly hours do not exceed 48.



#### **Termination & Severance**

There is no statutory severance in Germany; however, in many cases, severance pay provisions may be agreed upon between the employer and employee when negotiating the contract, often amounting to 50% of the monthly salary.



#### **Pension**

To be eligible to receive a German state pension, an individual must have worked for a minimum of five years in Germany. The amount received depends on the contributions made (the longer the individual has worked in Germany, the bigger the benefits).



20 Years

#### **Notice Periods**

	Years of Service	Notice Period
	2 Years	1 Month
	5 Years	2 Months
	8 Years	3 Months
	10 Years	4 Months
	12 Years	5 Months
	15 Years	6 Months

7 Months

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#### **Maternity / Paternity Leave**

Maternity: 8-14 weeks; 6 weeks before birth (optional); eight weeks after birth (mandatory).

Paternity: Both parents can claim parental benefits and are entitled to do so until their child turns three. The employer cannot terminate the employment contract during the Paternity leave period. Entitlement demands that the parent(s) live in the same property and not work in excess of 30 hours per week.



#### **Sick Leave**

Employees are entitled to up to six consecutive weeks of fully paid sick leave if they fall ill. They must submit a doctor's note to the employer if the illness lasts over three days. Following the six weeks, if the individual is still unable to work due to illness, they are entitled to sickness benefits of 70% of their salary for up to 78 weeks.



#### **Vacation Allowance**

The minimum number of vacation days for a 5-day work week is 20. However, most employers grant up to 30 days of annual leave. Employees should be allowed to take at least one vacation of at least two weeks per year.

After six months of employment, there is full entitlement to leave.

From 2023, people working in Germany can carry over their unused holidays for up to three years.

#### **Social Security**

Social security contributions are paid equally between the employee and employer and are all deducted directly from the monthly pay.

Category	Employer (%)	Employee (%)	Salary Cap (EUR)
Health Insurance	7.9	7.9	5,175
Pension	9.3	9.3	7,550 (West) 7,450 (East)
Long-term care	1.525 (1.7*)	1.525 (1.7*)	5,175
Unemployment	1.3	1.3	7,550 (West) 7,450 (East)
Total	20.025 (20.20*)	20.025 (20.20*)	

<sup>\*</sup> There is an additional 3.4% (total employer and employee) if the employee does not have children.

The employer also pays into occupational accident insurance.

Following ECJ ruling in September, employers in Germany will soon have to record the location, start time, duration and end of working time of their employees. The ruling is designed to prevent people working unpaid overtime, although there are no specific rules as to how it must be implemented and who exactly should record the hours worked.



#### Tax Rates

The following progressive rates apply for 2024:

Taxable Income (EUR)	Rate (%)	
0 – 11,604	0%	
11,604.01 – 66,760	14%	
66,760.01 – 277,825	42%	
277.825.01 +	45%	



#### Tax Returns

The annual income tax return must be filed online or by paper copy by July 31 of the following year.

The fourth Corona Tax Relief Act also extended the deadline for future tax years: Those required to file a 2022 tax return have until September 30, 2023, to submit it to their local tax office. Since this deadline falls on a Saturday, there is a concession to extend it to October 2, 2023.

## % Taxation

The German fiscal year runs from January 1 to December 31.

## % Double Taxation

Germany has tax treaties with many countries that regulate which country will be responsible for applying its domestic tax law to the employed individual.

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#### **Health Insurance**

An individual must legally have health insurance to live and work in Germany. The government public health insurance, private insurance company, or a combination of the two are permissible. Anyone who is paying social security contributions is eligible for public insurance.

## €

## **Cost of Living**

The cost of living in Germany is in the average range for Europe. The estimated monthly cost for a single person is around 1,500 euros, with 800 going to rent.

# How We Can Help

It can be challenging to figure out how to employ a team and set up payroll in Germany; it requires great attention to detail and a deep understanding of local best practices.

We provide a complete set of services in Germany, allowing corporate clients, recruitment agencies and professional contractors to operate while ensuring that we handle all the local employment obligations: this is the optimal arrangement.

AUGSIGHT GmbH offers the following solutions in Germany:

- Employed
- Self-Employed
- Employer of Record (EOR)

Please get in touch with us if you would like to discuss how AUGSIGHT GmbH can help.

## Disclaimer

We have prepared this as a guide only; it does not form part of an offer. Please request illustrations based on your specific case from one of our solution managers.



# **Contact Us**

Please do not hesitate to contact us for any queries you may have, we would be happy to assist you



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