German Payroll: The Basics

2026

Content

German Minimum Wage

Germany has a general statutory minimum wage that cannot be undercut. The minimum hourly wage is subject to periodic adjustments.

2026: EUR 13.90 / hour

Some industries may have collective bargaining agreements and therefore individual minimum wage requirements.

Tax

Everyone who works in Germany is assigned a tax ID that is valid for life. The employer uses this tax ID to determine the individual's tax classification. The following taxes apply:

- Wage tax, church tax & solidarity surcharge (all paid by the employee only)
- Lump sum wage tax (paid by the employer)

Based on the individual's tax data, a classification is assigned, which is binding for all payroll tax matters. Any changes to this information must be reported directly to the tax office by the employee.

2026 income tax table
Tax rate based on income bracket (EUR)

Single taxpayer		Married taxpayer	
0 – 12,348	0% tax rate	0 – 24,696	0% tax rate
12,349 – 69,878	ca. 14%-42% tax rate	24,698 – 139,756	ca. 14%-42% tax rate
69,879 – 277,825	ca. 42% tax rate	139,758 – 555,650	ca. 42% tax rate
277,826 and more	45% tax rate	555,651 and more	45% tax rate

Tax Classes

In Germany, wage tax is categorized into six tax classes (Steuerklassen), which determine how much tax is deducted from the monthly salary.

- Class I: Single, divorced, widowed, or married but living separately
- Class II: Single parents with at least one child living in their household
- Class III: Married people if one spouse earns significantly more; the other spouse is in Class V
- Class IV: Married couples earning similar incomes
- Class V: Married people whose spouse is in Class III (higher tax rate)
- Class VI: Additional jobs (second employment) with the highest tax rate

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Social Security

Every employee has a social security ID that is valid for life and must be recorded by the employer. The amount of social security contributions is set by the federal government and changes regularly. Social security contributions are paid 50% by the employer and 50% by the employee. Levy contributions and accident insurance are exceptions, as these are paid solely by the employer.

Pension insurance
The overall contribution is 18.6% of the gross salary. The employer's share is 9.3%. The ceiling for pension insurance contributions is as follows:

2026: EUR 8,450 per month

Unemployment insurance
The overall contribution is 2.6% of the gross salary. The employer's share is 1.3%. The ceiling for unemployment insurance contributions is as follows:

2026: EUR 8,450 per month

Health insurance
Everyone in Germany is required to have health insurance. Depending on their income level, employees are insured either through public or private health insurance. The ceiling for public health insurance contributions is as follows:

2026: EUR 69,750 per year (EUR 5,812.50 per month)

The general contribution is 14.6% of the gross salary. The employer's share is 7.3%. The additional contribution may vary depending on the health insurance provider.

Nursing care insurance
The contribution to the nursing care insurance is tiered depending on the number of children someone has and how old they are. The overall contribution lies between 3.6 – 4.2% of the gross salary with an employer's share between 1.3 – 1.8%.

Levy contributions (only employer):

Levy U1 - (sickness): Employers with up to 30 regular employees are generally required to pay this levy. In return, they are entitled to salary reimbursements from the health insurance provider when employees fall ill. The contribution is paid solely by the employer and varies depending on the employee's health insurance provider.

Levy U2 - (maternity): All employers are required to pay this levy, which also varies depending on the employee's health insurance provider.

Insolvency benefit contribution: All employers must pay this levy, which is set at 0.15% for 2026.

Filing Deadlines

Social Security

Social security returns must be submitted to the health insurance funds by the fifth-last bank day at the latest.

Social security contributions must be paid by the third-last bank working day of the month at the latest.

Wage tax

Wage tax payments are due by the 10th of the following month.

Public Holidays

Germany has a number of different bank holidays. Some apply to the whole country while others are only observed in some federal states.

Jan 1st	New Year's	national	varies	Corpus Christi	BW, BY, HE, NRW, RP, SL
Jan 6th	Epiphany	BW, BY & SA	Aug 15th	Assumption Day	BY, SL
Mar 8th	Intl. Women's Day	BE, MV	Sep 20th	Children's Day	TH
varies	Good Friday	national	Oct 3rd	Day of German Unity	national
varies	Easter Sunday	national	Oct 31st	Reformation Day	BB, BR, HH, MV, NS, SC, SA, SH, TH
varies	Easter Monday	national	Nov 1st	All Saints' Day	BW, BY, NRW, RP, SL
May 1st	Labour Day	national	varies	Repentance Day	SC
varies	Ascension Day	national	Dec 25th	1st Day of Christmas	national
varies	Whit Sunday	BB	Dec 26th	2nd Day of Christmas	national
varies	Whit Monday	national			

Employer Registration

Employers must obtain a **company registration number** from the Federal Employment Agency. This number is used for reporting, registration and for social insurance purposes. Employers are legally obliged to register their employee for social insurance when they start at the company.

Employers must also register immediately for **Employer's Liability Insurance** with the institution relevant to the employer's industrial sector. Upon registration, the employer will receive a registration number and details about the different risk groups within the company. A risk group is a category based on the type of work carried out by the employees and influences the insurance premium.

Typical German Benefits

There is no legal obligation for companies to offer corporate benefits; however, they often use them to attract employees. Employers may provide benefits in kind up to EUR 50 per employee per month tax-free. Other common benefits include public transport tickets, company cars, gym memberships, voucher programs, electronic devices for personal use, and sponsored lunches or events.

Employers are only required to offer a company pension plan if employees finance their private life insurance through salary conversion. However, while employers must offer this option, employees are not obligated to accept it.

Starters / Registration

German employees must have a written **employment contract** that outlines the key aspects of the employment relationship (parties bound by the contract, work to be performed by the employee, gross salary and benefits, annual leave entitlement, start date of employment, working location and notice periods). If a collective bargaining agreement applies, its terms and conditions take precedence.

Employers are responsible for registering all new employees for **social and health insurance**. Therefore, employees must provide their social security number and the details of their health insurance provider.

New employees must also be registered with **ELStAM** (Electronic Payroll Tax Deduction Characteristics) prior to the employee’s first pay run. Employees must provide their personal tax identification number and date of birth for tax reporting purposes.

Employees who are not EU citizens must present a work permit or similar documentation to their employer.

Leavers / Deregistration

German legislation has strict guidelines concerning the **termination of an employment contract**. Dismissals must be communicated in writing (on paper). Emails are not permitted. Employers must comply with the German Employment Protection Act which differentiates between various types of dismissals and sets specific requirements for each.

Both employees and employers are legally obliged to adhere to the **statutory notice period** when terminating a permanent employment contract (unless otherwise specified in the employment contract).

When the employment ends or when an employee transitions from statutory to private health insurance, the employer is responsible for deregistering the employee with the health insurance provider.

At the employee's request, the employer must provide a qualified reference detailing the employee’s tasks and performance.

Statutory Absence / Payments

Annual Leave

The statutory minimum leave is 24 working days per year for a 6-day week and 20 days for a 5-day week. Special rules apply to certain groups, such as people with disabilities. Full entitlement to leave is acquired only after six months of employment. Unused vacation days can be carried over. During annual leave, the salary is paid in full.

Maternity Leave

The Maternity Protection Law governs the rights and duties of pregnant employees. The maternity protection period starts six weeks before the expected due date and ends eight weeks after delivery (or 12 weeks in cases of premature or multiple births). During this period, pregnant employees are entitled to receive the average of their net wages for the three months (or 13 weeks) prior to pregnancy, paid by the employee's health insurance up to a maximum amount. If this amount is exceeded, the employer covers the difference.

Parental Leave

Both parents are entitled to parental benefits from the German government until their child turns three. During parental leave, there is no obligation for the employer to continue salary payments, and the employer cannot terminate the employment relationship. Employers must report the start and end date of the parental leave to the health insurance company if the employee has statutory health insurance.

Sick Leave

Employers are legally obliged to pay workers on sick leave their full salary for up to six weeks. After six weeks, the health insurance pays sickness benefits of 70% (max. 90%) of the normal salary. If the illness lasts for more than three days, the employee must submit a certificate of incapacity for work which includes the duration. Doctors submit this proof electronically (eAU).

Company Overview

Founded in 2016

Locations in Düsseldorf & Cologne

Our Services

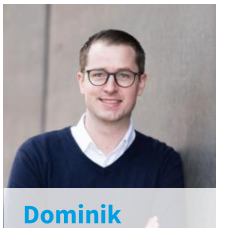
Audit, tax, accounting, payroll and business consulting

Clients from more than **15 countries** with focus on Japan

nhs* | Member of winglobally

Members and associated firms in more than 40 countires in Europe, Asia and North and South America

Your Contacts



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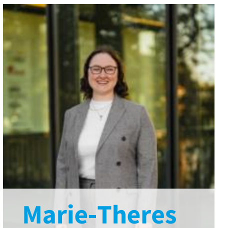

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