Germany statutory employers’ responsibilities 2026

Income tax is an employee-only contribution. In any German legal entity it is the employer’s responsibility to withhold the tax from the employee’s gross income and to pay it directly to the tax office for all the company’s employees (1 - 3).

Germany has a structured social security system (4 – 8). It is made up of the following components:

- Health insurance
- Nursing care insurance
- Pension insurance
- Unemployment insurance

Social security contributions are paid equal parts by employer (ER) and employee (EE). The total social security contributions are the sum of ER and EE amounts and calculated as a percentage of the gross income. The contributions are transferred by the employer to each employee’s health insurance which collects the contributions to all the social security components.

1	income tax	rate varies (borne by EE only, withheld by ER)	EE: 100%	
2	church tax	applicable only if EE is member of a public-law church, rate varies by state, 8 – 9% of income tax (1)	EE: 100%	
3	solidarity tax	reunification tax, full rate 5,5% of income tax (1), no deduction for incomes of up to about 75.000 € full rate only if income exceeds about 110.500 € (if taxed as single person)	EE: 100%	
4	health insurance[1]	total: 14,6%[2] + additional contribution equally made by EE and ER, (average: + 2,60%)[3] capped at 5.812,5 € per month (max. base amount) obligatory insurance limited to incomes of up to 6.450,00 € per month[4]	ER: 7,3%	EE: 7,3%
	nursing care insurance	total: 3,6% capped at 5.812,50 € per month (max. base amount), obligatory insurance limited to incomes of up to 6.450,00 € per month[4]	ER: 1,8%[5]	EE: 1,8%[5]
	pension insurance	total: 18,6% capped at 8.450,00 € per month (max. base amount)	ER: 9,3%	EE: 9,3%
	unemployment insurance	total: 2,6% capped at 8.450,00 € per month (max. base amount)	ER: 1,3%	EE: 1,3%
5	U1[6]	continued payment of income in case of sickness rate varies by health insurance company, 1,1 – 4,9%	ER: 100%	
6	U2[6]	continued payment of income in case of maternity rate varies by health insurance company, 0,20 – 0,65%	ER: 100 %	
7	insolvency insurance	rate 0,15%	ER: 100 %	
8	accident insurance	worker´s compensation / ER liability insurance, paid yearly, rate varies by industry and individual employee’s job,	ER: 100 %	

[1] Under certain conditions employees may choose private health insurance. This requires an income exceeding 77.400 € annually/ 6.450,00 € monthly. In this case the total contributions for health insurance and nursing care insurance are set by the private health insurance. The employee will receive an employer contribution, capped at 508,59 / 104,63 € per month max. (health/nursing care insurance).

[2] There is a reduced contribution for employed pensioners of 14,0%; ER: 7,0 % EE 7,0%. The additional rate is applicable in full.

[3] This is an additional contribution to the health insurance company set by the health insurance company itself.

[4] This limit is used to assess, if the contribution / participation in the public health and pension insurance is obligatory for EE

[5] Note: additional rate for childless EEs older than 23 years: 0,6%. Discount rate from the second child onwards: -0,25%; third child: -0,75% etc.

[6] Please refer to the detailed explanation of U1 and U2 below.

Continued payment of income insurance (sick leave and maternity leave | U1 and U2)

The German Law on the Reimbursement of Employer Expenditures (Aufwandsausgleichsgesetz, AAG) reduces the employer's loss due to statutory continued payment of employment compensation to incapacitated employees (sick leave pay | U1), and to expenditures required by the Maternity Protection Act (maternity leave pay | U2).

The reimbursement procedure U1 applies to employers who employ no more than 30 people as a rule. Part time employees will be taken into account according to their regular weekly working hours on a factor of 25% per each 10 hours per week. All employers, regardless of the number of employees, participate in the U2 reimbursement procedure.

U1 – reimbursement of sickness expenses (sick leave pay)

The health insurance reimburses employers for the bulk of their expenditures for the statutory continuation of payment of employment compensation to the employee (sick leave pay). The reimbursement rates are set by the health insurance individually and vary between 40% and 80% of the gross payment.
The funds for the U1 reimbursement procedure are provided in full by a special benefit cost contribution from the participating employers. The amount of the special benefit cost contribution is set by the health insurance individually and varies between 1,1% and 4,9%.
The benefit cost amounts assessed are entered together with the total social insurance contributions in the contribution account statement (contribution group U1) by Paychex and paid. The reimbursement request must be submitted by electronic data transmission. It is based on the doctor's certificate provided to the employee's health insurance and retrieved by electronic data transmission. Paychex applies for reimbursement upon request.
Reimbursement amounts are only paid into German bank accounts.

U2 – reimbursement of maternity expenses (maternity leave pay)

The health insurance reimburses employers regardless of the number of employees for:

- the maternity benefit subsidy paid during statutory protection periods before and after childbirth (six weeks before and eight weeks after). The subsidy amounts to the employee's net payment during the protection period.
- the employment compensation paid to compensate for a reduction in earnings occurring due to the prohibition of employment. This subsidy amounts to the gross payment plus employer's social security contributions.

Financing is provided by a special benefit cost contribution assessment of participating employers. The basis for the U2 assessment is the employment compensation of all employees (male and female) in the company.

The assessed amounts for compensation of maternity expenses are also to be documented and paid along with the rest of the social insurance deductions on the contribution account statement (contribution group U2).

Minimum wage raised

Statutory minimum wages have been raised to EUR 13,90 gross per hour on January 1st, 2026. Statutory minimum wages apply nationwide and industry-independent to all employees who are employed in Germany, regardless of whether the employer is German or not.

Some industrial sectors may have higher minimum wages. In this case this higher minimum wage applies.