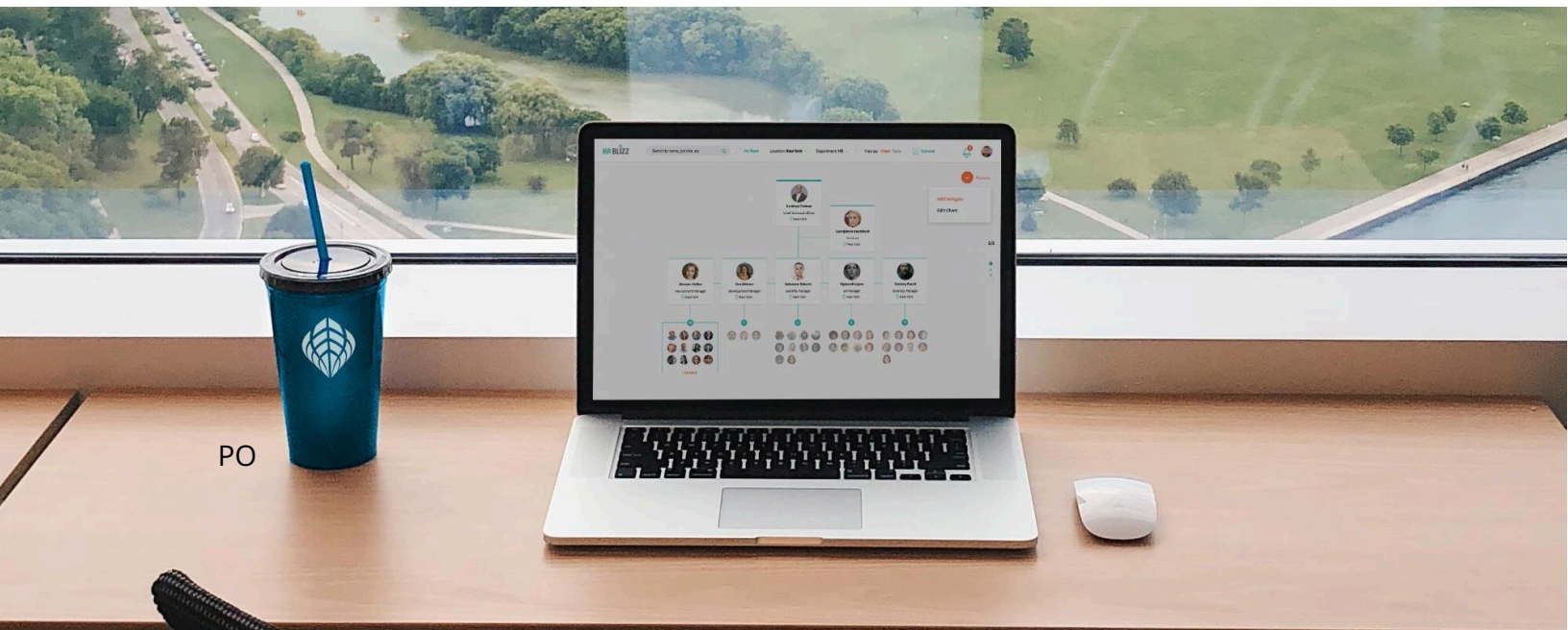




Simplifying Employment
Tasks Worldwide

Statutory Change Alert

Germany – Payroll and Social Security Tax Changes –
1 January 2025



PO

GERMANY



Jan 23, 2025

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We help you achieve your global ambitions

Thank you for trusting Mercans to outsource your HR and Payroll functions. We propose HR consulting services, actionable solutions, and cost-effective global payroll processing tools to energize your human capital management in real-time and augment your performance. We are dedicated to becoming your business growth facilitator.



Global Payroll Solutions – Boost your HR brand and employee satisfaction

Rationalize your HR budgets, monitor your data, and optimize your global payroll tasks in real-time. Systematize processes and streamline HRM lifecycles with HR Blizz™, our unified SaaS platform, to ensure your employees are paid accurately and on time.



PEO/GEO Services – Easily hire, deploy and manage your workforce abroad

A reliable Professional Employer Organization (PEO), Mercans is your trusted employer of record to globally select, engage, and manage highly qualified personnel on your behalf, through integrated Global Employment Outsourcing (GEO).



Global Talent Acquisition – Quickly fill vacancies with only the best candidates

Mercans supports you in designing/deploying long-term HR strategies and processing full-cycle recruitment. Our ATS Suite Mesaar™ and our hiring experts help to screen, select, attract the right candidates for your organization and populate your pipeline of prequalified talents.



BPO Services – Reclaim the focus on your core activities to expand your business

Concentrate on the essentials: outsource non-primary activities and your front- and back-office functions to Mercans. Save the time, money, and energy needed to refine the value chain engagement of your customers and suppliers and increase revenue.



HR Management SaaS – Access customizable cloud-based online platforms

Centralize your HR function on an all-in-one user-friendly and self-service platform. Combined with the expertise of our consultants, the Mesaar SaaS offers a built-in applicant tracking system and easy-integration features to improve internal processes.



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Local Statutory Compliance – Forget the hassle of setting up branches abroad

Mercans seasoned HR advisory team are compliance experts specialized in local cultures, business protocols, and tax and legal specificities. They are committed to ensure quick go-to-market abroad and achieve a compliant global expansion, risk-free from A to Z.



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Mercans at a Glance

160+ Countries	20 Years of Success	1K+ Payroll and HR Specialists
22k+ Clients Worldwide	97% Client Retention Rate	1.5X Annual Revenue Growth
95k+ Largest Single Country Payroll	25M+ Pay Slips per Annum	0 Security Breaches

Number one for outsourced payroll services, we are endorsed by international authorities.



Mercans has the highest industry quality and IT security certificate certificate





Payroll, Social Security and Tax Changes from 1 January 2025

The German Federal Cabinet approved several changes for the 2025 tax year, which will take effect on January 1, 2025 unless stated otherwise. These changes include:

1. Abolition of the Legal District Distinction

- A unified **contribution ceiling for pension and unemployment insurance** will apply nationwide, abolishing the East/West legal district distinction.
- **Impact on Payroll:**
 - From reporting periods starting January 1, 2025, the **legal district indicator** is no longer required in social security reports.
 - For the **2024 annual report**, the legal district indicator must still be included.
 - Contribution statements must continue to be submitted separately by the legal district, even after December 31, 2024.

2. New Minimum Wage and Mini-Job Thresholds

- **Statutory Minimum Wage:**
 - Increase from **€12.41 to €12.82 per hour**.
- **Earnings Threshold for Mini-Jobs:**
 - Increased from **€538 to €556 per month**.

3. Enhancements in the eAU Process

- Extensive updates to the **electronic certificate of incapacity for work (eAU)** process by health insurance providers, including:
 - Additional feedback reasons.
 - Expanded protocols.
 - New query scenarios.



4. Contribution Ceiling Updates

- **Health and Long-Term Care Insurance:** €66,150 per year (€5,512.50 per month).
- **Unemployment and Pension Insurance:** €96,600 per year (€8,050 per month).
- Employers must only calculate contributions on gross wages up to these ceilings.

5. Annual Income Limit Updates for Health Insurance

- The annual income limit for assessing statutory health insurance obligations will increase from **€69,300 in 2024** to **€73,800 in 2025**.

6. Social Security Contribution Rates (2025)

- **Health Insurance:**
 - General rate: **14.6%** (unchanged).
 - Reduced rate: **14.0%** (unchanged).
 - Average additional contribution: **2.5%** (up from 1.7% in 2024).
- **Long-Term Care Insurance:** **3.6%** (up from 3.4%).
- **Pension Insurance:** **18.6%** (unchanged).
- **Unemployment Insurance:** **2.6%** (unchanged).

7. Non-Cash Benefit Updates

- New taxable **non-cash benefit values** for 2025:
 - **Meals:**
 - Breakfast: €2.30/day, €69/month.
 - Lunch/Dinner: €4.40/day, €132/month.
 - Total daily value: €11.10.
 - **Accommodation:** €282/month.

8. Changes to the Mini-Job and Temporary Employment Wage Floors

- Mini-job earnings limit: **€556/month** (linked to the minimum wage).
- Temporary employment minimum wage:
 - €14/hour from November 1, 2024.
 - €14.53/hour from March 1, 2025.

9. Company Data Reporting for 2025

- Second submission period: January 1, 2025 – May 31, 2025.
- Applicable for clients who missed the May 31, 2024 deadline or need to correct previously submitted data.



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10. Termination of the Fifth Rule for Severance Payments

- From January 1, 2025, the "fifth rule" for tax advantages on extraordinary payments is abolished in payroll.
- Employees can still apply the rule in their income tax returns.

11. Insolvency Levy 2025

- **Statutory Levy Rate: 0.15%** of wages, applicable to all employers in Germany.

Please contact your Mercans' services delivery team for any additional information regarding the implications of the above change.



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They already trust Mercans





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We Simplify Employment Tasks Worldwide

Everywhere for Everyone

We are a borderless people engagement enabler, driven by technology and innovation. We deliver bespoke human capital management services and global payroll solutions to empower businesses across 110+ countries regardless of their organizations' size and their industry. We pride ourselves on being global people experts with a striking local presence, committed to making your teams happy, and ensuring the consistent and sustainable growth of your organization.

Local Presence. Regional Strategy. Global Success

Supported by 500+ payroll and HR specialists with in-depth local knowledge, Mercans operate globally. Our pioneering human resources consulting services and trailblazing SaaS platforms are already satisfying 5,000+ international clients, ensuring timely measurable results and bottom-line savings. Thanks to success-oriented teams striving for excellence and taking care of our clients' tasks within budget, we have gained the trust of major multinational companies.

A Revolutionary Service Delivery System

Say goodbye to third-party service providers, offshore call centers, fragmented data, and endless chains of sub-contracts.

Mercans cloud-based SaaS Products, HR Blizz™ & Mesar™, combine the performance of proprietary technologies with a human touch. Cost-effective, they are fully-compliant self-service tools, packed with smart built-in features for your peace of mind. All your data are integrated into single interfaces accessible from everywhere and on any device.

Trailblazing Cloud-Based SaaS Products

HR Blizz & Mesar, our Software-as-a-Service platforms, both propose a preconfigured API integration capability with all the major global HRMS platforms, including SuccessFactors, Workday, Oracle HCM, and MS Dynamics. All Mercans systems and processes are GDPR compliant, ISO 9001, 20000, 27001 certified, and SOC 1 and SOC 2 audited. A registered Finpro expert, Mercans is also a member of the Global Payroll Association and the Global Payroll Management Institute.



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