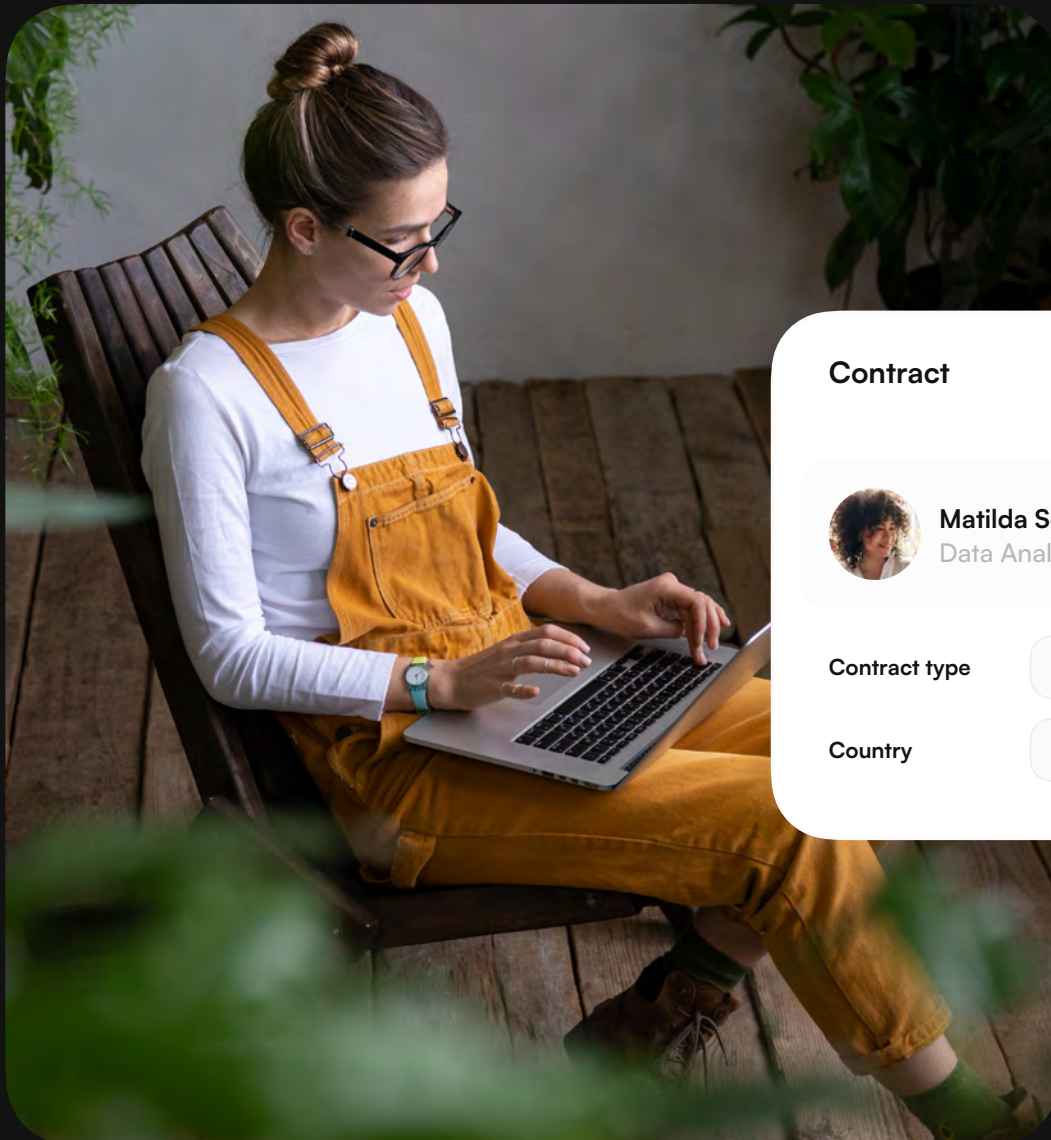


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# Global hiring guide for hiring in Germany

The essential guide to hiring  
overseas employees in Germany



**Contract** Full time


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Data Analyst

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**Contract type** Permanent

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**Country** Germany 

# As the largest domestic market in Europe, there's no doubt that Germany offers numerous benefits for employers looking to expand their **global workforce**.

From the automotive and aerospace industries, to healthcare and tech, Germany provides a diverse selection of opportunities for international businesses.

It's also worth noting that Germany's strong emphasis on vocational training contributes significantly to the skilled workforce available in the country. But what are the specific advantages and considerations for employers when it comes to hiring in Germany?

This guide is here to help you find out!



# What's inside

- 04 Understanding the hiring landscape in Germany
- 05 Language: German and English proficiency
- 06 German currency: The Euro (EUR)
- 07 German payroll: When do German employees expect to be paid?
- 08 German tax regulations: Navigating compliance
- 10 Social security: Mandatory contributions
- 11 Right to time off: Annual leave, sick pay, and parental leave
- 12 German employment terms: Employer responsibilities
- 13 Empower your global workforce with Teamed
- 14 Getting started with Teamed is quick and easy!

**Disclaimer:** This guide provides general information and is not a substitute for legal advice. While we strive to provide you with up-to-date information, the insights contained in this checklist may not reflect the latest legal developments. We can't be held liable for actions taken based on the information provided.

# Understanding the hiring landscape in Germany

Germany, known for its economic stability, high-value exports, and rich culture, offers a vibrant marketplace for businesses seeking international expansion. With a highly skilled workforce and strategic location in the heart of Europe, Germany can be an enticing destination for companies looking to broaden their horizons.

But before embarking on your hiring journey in Germany, it's important to understand the intricacies of the local hiring landscape — something our experts are no strangers to.



# Language: German and English proficiency

When hiring abroad, language proficiency is usually one of the biggest concerns for employers. However, as a nation renowned for its exceptional language skills, Germany can present less of an issue in this area than other European countries.

That said, the official language is still German, and while many Germans are also highly proficient in English (especially in the business world), it's important not to make assumptions about the skills of your workforce. As an overseas employer, it's your responsibility to ensure that your employees have the language skills necessary to succeed in their roles.

For example:



**German language:** For positions that involve regular interaction with local clients or require integration into the German workplace culture, proficiency in German is often essential. It can enhance communication, team cohesion, and overall job performance.

**English language:** On the other hand, English proficiency is valuable for international companies or roles that involve global communication. Most Germans, particularly in urban areas and industries like tech or finance, have a good command of English — but again, this should never be assumed!

**Tip:** As an overseas employer, it's good to assess the language requirements for each specific role you're offering and consider providing language training or support if necessary. This ensures that your employees can work effectively and contribute to your company's success in the German market.

# German **currency:** The Euro (EUR)

As the official currency of Germany, the Euro (EUR) is not just a form of monetary exchange, it's also a symbol of the nation's economic strength. Renowned for its stability and widespread acceptance in international trade and finance, the Euro offers numerous advantages for businesses operating within Germany's highly regarded economy.

Some key advantages of the Euro for businesses operating in Germany include:

- ✔ **Effortless cross-border transactions:** Using the Euro simplifies financial transactions within the Eurozone, promoting ease of trade.
- ✔ **Price stability:** The Euro has maintained relative price stability, reducing the risk associated with currency fluctuations.
- ✔ **Global acceptance:** While not as widespread as the US Dollar (USD), the Euro is still the second-largest reserve currency in the world and is widely accepted in various international contexts.
- ✔ **Influence in the eurozone:** Germany's central position at the heart of the Eurozone, helps ensure that the Euro remains at the forefront of global trade and finance.



# German payroll: When do German employees expect to be paid?

In Germany, employees are typically paid on a monthly basis. Monthly payroll offers consistency and predictability for both employers and employees and aligns well with the country's emphasis on precise financial planning and accuracy.

While monthly payment is the norm, it's important to note that the payroll cycle can be influenced by:



- ✓ **Industry standards:** Some sectors, such as construction or hospitality, may follow a more frequent payroll cycle, such as weekly or biweekly payments.
- ✓ **Public holidays:** Germany observes several public holidays throughout the year. This can affect the timing of payroll processing, and as a result, employers will need to plan payroll schedules accordingly.
- ✓ **Individual employment contracts:** Employment agreements can specify unique payment schedules, so it's crucial to review the terms outlined in each employee's contract to ensure compliance.
- ✓ **13-month pay:** 13-month pay, also known as the Christmas bonus, is a customary additional salary provided to employees in Germany to support end-of-year expenses. However, payment of this bonus will depend on the employee's contract and how many months they have worked during the year.

**Tip:** Payroll compliance is extremely important in Germany. This is why it's common for companies to outsource payroll to professional service providers. It's also worth pointing out that the preference for monthly payment cycles in Germany aligns with the culture of precision and planning, making it easier for both employers and employees to budget and engage in long-term financial planning.

# German tax regulations: Navigating compliance

Tax compliance is another essential aspect of conducting business in Germany. Not only is it important for legal reasons, it's also essential for maintaining the reputation of your business amongst employees and prospective partners. However, with the tax system in Germany being so strict, it's easy to get overwhelmed by the liabilities and regulations that apply to overseas employees. This is why it's always advised to consult a tax specialist with knowledge of German taxation before making hiring arrangements.

To start you off, here are some key points to consider:

## EMPLOYEES

### Income Tax

Germany operates a progressive income tax system, with rates ranging from 0% to 45%. For example:

- ✔ Less than 10,908€: 0%
- ✔ 10,909 - 62,809€: 14% to 42%
- ✔ 62,810 - 277,825€: 42%
- ✔ More than 277,826€: 45%

## EMPLOYERS

### Corporate Tax

Companies in Germany are subject to two main corporate taxes:

- ✔ **Corporation Tax**, levied at a uniform rate of 15% with a 5.5% solidarity surcharge
- ✔ **Trade Tax**, which combines a base rate of 3.5% with a municipal tax rate (Hebesatz).

**Note:** Employers are responsible for withholding income tax from their employees' salaries.



## Additionally, as an overseas employer, it's important to note the following taxes in Germany:

- ✔ Windfall tax: A windfall tax, known as the EU energy crisis solidarity contribution, applies to certain enterprises in the oil, natural gas, coal, and refinery sectors, with a tax rate of 33%.
- ✔ Local taxes: Local municipalities may impose additional taxes, so it's vital to research the specific requirements of the city or region where your business operates.
- ✔ Value Added Tax (VAT): Germany applies VAT to most goods and services. Businesses must adhere to VAT regulations and reporting. Currently, the standard VAT rate in Germany is 19%, but a reduced rate of 7% applies to food, books, hotel accommodation, cultural services, and other goods and services.



## Solidarity surcharge

It's important to highlight that in Germany, the solidarity surcharge (a supplementary tax on income and corporate tax) is no longer a flat rate. Instead, it will now be increased to 5.5% as your income reaches certain thresholds.

Changes such as this demonstrates why updating your knowledge of corporate taxation is so essential, given the complexity of German tax laws. Seeking advice from professionals, such as Teamed, who are well-versed in German tax regulations, can be invaluable in navigating these changes effectively.

*(Information correct as of August 2023)*

**Note:** On August 30th 2023, Germany announced a revised draft bill indicating that the largest corporate tax reform since 2018 is imminent. Employers are advised to actively monitor updates relevant to this proposal or as mentioned, enlist the help of professionals.

# Social security: Mandatory contributions

Social security contributions in Germany (as of January 2022) are based on employment income. These contributions are generally tax-free for employers, but as always, employers are advised to seek professional advice before assuming tax exemption. Social security contributions in Germany can be broken down as follows:

- ✔ **Insolvency contribution:** This is only paid by employers at a rate of 0.09%, capped at EUR 84,600 annually (81,000€ in the new federal states).
- ✔ **Unemployment Insurance:** 2.4% (capped at 84,600€ annually). Employers and employees each contribute 1.2%.
- ✔ **Health insurance:** 14.6% (capped at 58,050€ annually). Employers & employees each contribute 7.3%.
- ✔ **Pension Insurance:** 18.6% (capped at 84,600€ annually). Employers and employees each contribute 9.3%.
- ✔ **Long-term care insurance:** 3.05% (3.4% for childless individuals aged 23 or older, capped at 58,050€ annually). Employers contribute 1.525%, and employees contribute 1.525% (1.875% for childless individuals aged 23 or older).
- ✔ **Work accident scheme:** Contributions vary by industry and accident risk and are covered by employers.

**Note:** Self-employed individuals generally don't have mandatory social security contributions, but again, this is subject to change and should be closely monitored. For employers looking to ensure compliance and navigate the social security contributions system effectively, partnering with Teamed can be a valuable resource. Teamed's fast response times and expertise in global employment matters can make all the difference to your global hiring operations.

*(Information correct as of August 2023)*

# Right to **time off**: Annual leave, sick pay, and parental leave

In Germany, time off plays a significant role in employment agreements. Not only is it crucial for your company's policies to align with German standards for legal reasons, but it's also important for supporting the necessary work-life balance German employees seek. A healthy work-life balance is a significant aspect of German work culture, and employers should always consider this when crafting their employment agreements. **To help, here's an overview of time-off entitlements:**



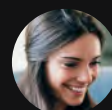
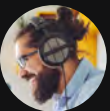
- ✓ **Public holidays:** In Germany, public holidays and specific leave policies may vary by state (Bundesland). Therefore, it's essential to be aware of regional variations in labour laws and adapt your policies accordingly.
- ✓ **Annual leave:** German employees are entitled to a minimum of 20 days of paid annual leave per year. Many collective agreements and employment contracts offer more generous leave allowances, but this is generally at the discretion of the employer.
- ✓ **Sick pay:** In case of illness, employees typically receive continued payment of their salary for up to six weeks. Beyond this period, statutory health insurance takes over.
- ✓ **Parental leave:** Germany offers generous parental leave (Elternzeit) policies. In general, parents can take up to three years of parental leave per child (which can be taken in one continuous period or split into shorter periods). While employers are not obliged to pay salary during parental leave, employees can apply for a more generous parental allowance ("Elterngeld") than other countries offer.

*(Information correct as of August 2023)*

# German employment terms: Employer responsibilities

Transparent employment terms are essential in Germany. Clarity on everything, from role expectations to termination procedures, is essential for not only promoting a positive work environment but also safeguarding employers against legal disputes. Here are some key elements to include in employment contracts to avoid repercussions:

- ✔ **Job description:** Clearly define the roles and responsibilities of employees to establish expectations and promote transparency.
- ✔ **Working hours:** Specify working hours, including any flexible work arrangements, to support work-life balance.
- ✔ **Compensation:** Detail the salary structure, bonuses, benefits, and any additional perks to ensure a fair and competitive package.
- ✔ **Sick leave:** Communicate the sick leave policy, reporting procedures, and requirements for medical documentation.
- ✔ **Termination process:** Provide information about notice periods required for both employers and employees in cases of termination. Additionally, it's crucial to clearly outline probationary periods in employment contracts, as this is a common practice in Germany and helps set expectations for both parties.
- ✔ **Annual leave:** Outline the role's annual leave entitlement, including vacation days and public holidays, to enhance employee well-being.



# Empower your global workforce with Teamed

## Manage the hiring & retention of global teams with ease

Offering you global employment software with a human touch and local expertise, Teamed is your new partner in global workforce management.

Teamed simplifies the process of hiring and managing a global team, from helping you adhere to local regulations to facilitating seamless payroll processes. Whether you're an established company or a budding startup, Teamed's advanced (but user-friendly!) platform offers reliable advantages such as:

- ✔ **Global payroll expertise:** Seamlessly processes payroll in 50+ currencies, ensuring accurate and compliant payments worldwide.
- ✔ **Tailored employee experiences:** From benefits to onboarding, create a localised approach for your global employees — enhancing satisfaction and engagement.
- ✔ **Transparent pricing:** Access critical features without the hefty costs, with plans starting from £199 per month.
- ✔ **Effortless onboarding:** Onboard employees within hours, not weeks, with our same-day onboarding process.
- ✔ **24/5 support:** Get expert assistance whenever you need it, addressing the complexities of global hiring with a dedicated (and human!) support team.
- ✔ **Dedicated local experts:** Benefit from 1-1 employee onboarding, guided by local experts who understand the nuances of each region.
- ✔ **Local tax & compliance:** Rely on Teamed's legal experts to navigate the intricate web of global regulations, mitigating risks and ensuring full compliance.

# With Teamed as your partner, you can start hiring in Germany quickly and easily!

Start using the Teamed platform in just three easy steps:



## Step 1

Kick off call &  
platform access.



## Step 2

1-1 employee  
onboarding call with one  
of our local experts.



## Step 3

Contract sent to the  
employee to be signed  
and complete. Sorted!

## Learn more

To learn more about Teamed's global employment software and kickstart your global hiring journey with our in-house expertise, speak with one of our experts today!

Alternatively, try out our employment cost calculator to compare employment costs in different countries and discover how hiring overseas can benefit you.

[Speak to an expert](#)

[Calculate](#)