Downloaded from Blogs on 08.11.2026 09:47h

By PwC Deutschland | 08. März 2016

Redundancy payments decree

The finance ministry has amended its redundancy payments decree to take account of minor amounts paid before or after the main payment.

https://blogs.pwc.de/de/german-tax-and-legal-news/article/229697/

Downloaded from Blogs on 08.11.2026 09:47h

Redundancy payments usually qualify as income earned over a period of years. This means that they are taxed at five times the incremental tax on one-fifth of the amount in the year of payment. This “fiving rule” relieves the burden of the progressive rate scale on, particularly, low or medium-range incomes. It is, however, basically conditional on the entire amount being paid in the same tax year. There are a number of exceptions to this condition for social or other reasons and, now, for low supplementary items. An item is low if it is not more than 10% of the main compensation or if it does not exceed the tax saving from the application of the “fiving rule”.

Schlagwörter

redundancy