

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.

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