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By PwC Deutschland | 08 March 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.

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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”.

Keywords

redundancy