

## German payroll tax for employers without a registered office in Germany

Payroll tax is a form of income tax and, therefore, a personal tax borne solely by the employee. In Germany, employers withhold this tax from each employee's pay and transfer it to the tax office. This procedure requires that the company has a registered office in Germany and a tax number.

On the other hand, if the employee works in Germany but is employed by a foreign company without a permanent place of business in Germany, this type of payroll tax deduction cannot be carried out. In this case, employees must individually register with the tax authorities and transfer their payroll tax directly to the tax office.

To do so, employees simply contact the tax office responsible for their home address and describe the situation. Employees will need proof of income (e.g. a pay stub). Based on the proof of income, the tax office issues a notice stating how much income tax is to be paid each quarter (advance income tax payment notice). Since these employees have to pay the payroll tax themselves, they are advised to set aside the appropriate amount and transfer it on time.

Paychex is able to simplify this process for employees. Employees submit their tax payment notice to the employer. The employer forwards the document to the Paychex specialist. Using this as a reference, we calculate the correct amount to be deducted from the monthly salary. The tax amounts withheld from the gross salary remain with the employer.

By the due date each quarter, Paychex then indicates the quarterly amount on a payroll list and the employer transfers the quarterly amount directly to the relevant tax office.

As the tax payment notice is usually not yet available at the time of the first payroll run, no tax deduction is initially shown for the employees. Consequently, they are paid their remuneration in full. If the employer instructs Paychex to withhold the quarterly payments, the amount will be withheld from the following month's pay, along with the amount for the current month.

If Paychex does not receive a copy of the notice issued by the tax office, the employee will continue to be paid their full remuneration. This means that they must make the payments to the tax office themselves.

**Note: For social security matters, an authorized representative is required in Germany.**

Since the beginning of 2021, employers without a registered office in Germany who have employees subject to social security contributions in Germany are legally required to appoint an authorized representative.

This authorized representative is responsible for maintaining all payroll records related to social security. Paychex can fulfill this role for its international customers.