KPMG

Information on payroll accounting

Lump-sum payment for energy costs as at 1 September 2022

June 2022

What effects will the lump-sum payment for energy costs have on payroll accounting? What action is planned and what special features need to be considered?

The lump-sum payment for energy costs is the government's response to the strong rise in energy prices in recent months. The lump-sum payment serves expressly as compensation for the dramatic, temporary rise in employment-related travel expenses. Consequently, those in active employment are entitled to the lump-sum payment for energy costs; this covers taxable employed persons (Section 13, Section 15, Section 18 of the German Income Tax Act [EStG]) and employees who receive a wage/salary from an existing first (main) employment relationship (tax class 1 to 5). Income from wages/salaries also covers the employer contribution to the maternity allowance and wages/salaries from minor or temporary employment. However, taxpayers without a place of residence or habitual abode in Germany (in particular cross-border commuters) as well as recipients of pensions and related benefits are not eligible. The entitlement to the one-off lump-sum payment for energy costs arises as at 1 September 2022 and amounts to EUR 300.

To ensure socially balanced compensation for the additional burden caused by energy prices, the lump-sum payment for energy costs results in taxable income that is taxed at the individual tax rate. This is to ensure that employees on a low income receive a higher net amount due to their lower tax rate than those on a higher income (higher tax rate). For those employed on a minor and temporary basis, taxation of the lump sum is waived as a practical expedient. No contributions are due for social insurance as the payment does not constitute remuneration within the meaning of Section 14 of the German Social Code IV [SGB].

The procedure for compensating employers for the payment of the lump-sum payment for energy costs is based on the BAV assistance amount (Section 100 EStG). This means that the employer excludes the lump sum from the total amount of payroll tax due and declares this separately in the payroll tax return. In this way compensation for the employer and taxation of the employee have the best possible synchronisation, meaning that possible liquidity shortages on the part of the employer are avoided. The lump-sum payment due can be deducted in the payroll tax return for the month of August 2022 and paid out in September. Those providing a quarterly return can defer the lump-sum payment for energy costs to October in order to first offset the lump-sum payment against the payroll tax return for the third quarter. Those providing an annual return can waive payment of the lump sum completely. In case of the latter, offsetting for the employee is then made as part of the income tax assessment.

Where the employee receives the lump-sum payment for energy costs from the employer, this is to be declared with the capital letter E in the certificate for payroll tax deduction. This is to ensure that double payments by the tax office for the income tax assessment are avoided.

In addition, in cases of minor employment for which no electronic payroll tax deduction attributes are provided (e.g. flat rate of 2%), payment of the lump sum may only be made if the employee submits written confirmation that the employment in question is their first (main) employment relationship. This confirmation is to be attached to the payroll account.

As you can see, even where the German federal government seeks to introduce unbureaucratic relief, as so often the devil is in the detail. If you have questions, for instance to clarify the handling of specific employee groups or to define the timeframe, please get in contact with us and arrange an appointment for concise advice.

Summary of the lump-sum payment for energy costs for payroll accounting

- Amount: EUR 300
- Entitlement date: 1 September 2022
- Taxable one-off payment
- Exemption from social security
- Only for employees receiving a salary/wage from an existing first (main) employment relationship
- Compensation via the payroll tax return of August 2022

Please do not hesitate to contact us if you have any questions. Get in touch.

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