

Information on payroll accounting

Minimum wage increase to EUR 12, marginal earnings threshold increase to EUR 520 and expansion of transitional range to EUR 1,600 from October 2022

September 2022

Which employment groups does the minimum wage apply to? Which rules apply if the marginal earnings threshold is exceeded and what adjustments will be made in the transitional range?

There will be extensive changes to payroll accounting from 1 October 2022: the Act on increasing protection provided by the statutory minimum wage and on changes concerning marginal employment has not just brought about an increase in the minimum wage, it has also set out the associated effects on marginal employment ("minijobs") and employment in the transitional range ("midijobs").

Increase in minimum wage

It is already widely known that the minimum wage will increase to a gross hourly rate of EUR 12 from 1 October 2022. But what does the increased minimum wage mean for payroll accounting? In fact, nothing new compared to the past seven increases since the minimum wage was introduced in 2015 (it has increased approx. 41% since the beginning). However, this significant increase has created expectations of larger impacts, with several types of employment now affected by it. A quick reminder: the minimum wage applies generally for all employees in a company apart from trainees (please note the separate rules for trainees), mandatory interns, long-term unemployed, young persons under 18 who have not completed vocational training and volunteer workers (Section 22 of the German Minimum Wage Act). Individual minimum wage requirements within sectors and companies must also be taken into account.

Marginal employment (minijob)

In line with the increase in the minimum wage, the marginal earnings threshold will be raised for the first time since 2014, going up from EUR 450 to EUR 520. What is new, however, is that this limit will be **dynamic** from 1 October 2022 and will be based on the minimum wage (EUR 12 * 10 hours per week * 4.33 weeks per month ~ EUR 520). The new limits will in future be announced in the German Federal Gazette. It is important to note that a transitional provision has been agreed for employees in the sliding zone earning between EUR 450.01 and EUR 520, which stipulates preservation of the status quo (grandfathering) for this group until 31 December 2023. However, employees can choose to forgo this grandfathering by requesting that their employer exempt them from compulsory insurance. It should also be noted that this grandfathering ceases to apply once the employee's monthly earnings are reduced to below EUR 450.01. There can then be no return to the grandfathering rules.

Questions about the consequences and rules concerning an unforeseeable breach of the marginal earnings threshold in one month should be familiar to any company with marginal employment. These rules, known as marginal employment guidelines, have now been anchored in law and specified. From 1 October 2022, people in marginal employment may, due to unforeseeable circumstances (e.g. sick leave cover), exceed the marginal earnings threshold to up to double the amount (so initially up to EUR 1,040) twice in the space of one year. If it can be foreseen that the marginal earnings threshold will regularly be exceeded, or if it has been exceeded more than twice within the space of a year, the marginal employment ceases from the time the limit is exceeded.

Employment in the transitional range (midijob)

The act also includes adjustments to the rules for employment in the transitional range (midijobs). The limit for this range will be raised from EUR 1,300 to EUR 1,600 (a further increase of the limit from 1 January 2023 to EUR 2,000 was also agreed in the coalition committee on 3 September 2022). In addition, the rules for calculating social security contributions were adjusted to take into account the marginal earnings threshold. On top of that, the employer's contribution above the marginal earnings threshold will initially be aligned with the flat rate of 28 percent to be paid for marginal employment and adjusted on a sliding scale according to the regular contributions. The aim is to smooth the transition for those at the marginal earnings threshold as they enter into work subject to compulsory social security contributions and to create incentives for employees to take on such work.

Overall, it can be seen that the government has adopted further measures than just the minimum wage, and that this will have impacts on payroll accounting. With the lump-sum payment for energy costs having now been settled, the next challenge awaits in October. If you have any questions on these legal modifications or require support in assessing the types of employment, please feel free to contact us. We would be happy to advise you.



Practical tips on the minimum wage increase to EUR 12, marginal earnings threshold increase to EUR 520 and transitional range increase to EUR 1,600 from October 2022

- Adjustment of all gross hourly wages to at least EUR 12 (potential adjustment to employment contract rules)
- Adjustment of all salaries representing gross earnings of less than EUR 12 per hour taking into account working time (potential adjustment to employment contract rules)
- Assessment of employment contracts between EUR 450.01 and EUR 520.00 and agreement with employees on how to proceed in the future (grandfathering rules apply until 31 December 2023)
- Assessment of employment contracts for gross earnings of between EUR 1,300.01 and EUR 1,600.00 to determine if a classification in the accounting system for the transitional range is necessary

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