

Information on Payroll Accounting

Adjustments to care insurance in the German Act to Provide Support and Relief in Nursing Care (Federal Law Gazette (BGBl.) 2023 I No. 155 dated 23 June 2023)

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With the new Care Support and Relief Act (*Pflegeunterstützungs- und -entlastungsgesetz*, [PUEG](#)), the current contribution rate for care insurance will be raised from 3.05 percent to 3.4 percent as of July 2023. The German Federal Constitutional Court's ruling will also be implemented regarding larger families receiving more favourable treatment over smaller families and those without children. But what does this mean for employers now?

With the PUEG, two key changes will be implemented as at 1 July 2023 in relation to the contribution in care insurance. Firstly, the contribution rates for care insurance will be adjusted. The contribution rate for

- social care insurance will thus be raised by 0.35 percentage points from 3.05 to 3.4 percent and
- the surcharge for members without children will be raised by 0.25 percentage points from 0.35 to 0.6 percent.

The legislators justify this increase with the need to strengthen home care and thereby bring relief for all persons involved. In addition, the working conditions for care staff are to be improved and increased use is to be made of potential for digitalization.

Secondly, with this law the legislators are complying with the German Federal Constitutional Court's demand to adjust the law on contributions by 31 July 2023. In a [ruling](#) on 7 April 2022, the court found that it is incompatible with the German Basic Law (*Grundgesetz*) for parents to be charged the same contributions in social care insurance irrespective of the number of children they look after. In the opinion of the court, it is constitutionally unjustified to treat something fundamentally unequal equally.

While contribution increases in all branches of social security have been standard practice in payroll accounting in recent years, the implementation of this ruling in particular poses fresh challenges for payroll accounting. This is because whereas previously only the question of whether or not an employee was a parent was relevant for the level of care insurance contributions, now the number and age of the children must also be taken into account.

What changes have the legislators resolved and what form will these take?

Generally, it is still the case that the total contribution for statutory care insurance for members who have reached the age of 23 and do not have any children is made up of the regular contribution rate and the surcharge for members without children (from 1 July 2023: 3.4 percent + 0.6 percent = 4.0 percent). This corresponds to an increase of 0.6 percentage points in total (0.35 percentage points for social care insurance and 0.25 percentage points for the surcharge for members without children).

For parents with one child, the regular contribution rate will continue to apply (from 1 July 2023: 3.4 percent; increase of 0.35 percentage points). This privileged treatment of parents under contribution law will also continue to apply on a lifelong basis.

The changes therefore relate to parents with two or more children. Taking account of the above-mentioned ruling, the legislators have now resolved that the contribution rate will be reduced by a deduction of 0.25 percentage points per child from the second to the fifth child for the period of bringing up the child (until the end of the month in which the respective child turns 25). After this, the deduction will no longer apply for the respective child. While the contribution rate for parents with two children will thus increase from 3.05 to 3.15 percent (previous 3.05 percent + increase of 0.35 percentage points – deduction of 0.25 percentage points for one child), the contribution rate for parents with at least three children will decrease in future (to 2.90 percent in the case of three children).

Parents whose children are all over the age of 25 already will thus pay the regular contribution rate (from 1 July 2023: 3.4 percent) starting from the date on which their youngest child turns 25. The legislators justify this time limit on the basis that the economic cost is typically incurred and is greatest in the period up until the age of 25.

For better guidance on the future contribution rates, we have presented these in the overview below:

Contribution for	Total contribution	Employee contribution*	Employer contribution
Members without children	4.00%	2.30%	1.70%
Parents with one child (lifelong)	3.40%	1.70%	1.70%
Parents with 2 children	3.15%	1.45%	1.70%
Parents with 3 children	2.90%	1.20%	1.70%
Parents with 4 children	2.65%	0.95%	1.70%
Parents with 5 or more children	2.40%	0.70%	1.70%

* please note different regulation on the allocation of contributions in the federal state of Saxony (from 1 July 2023: employer contribution 1.2 percent)

It is clear that in future employees will have to provide proof to their employers of both the number of children and their dates of birth in order to benefit from the reduction in contributions.

What proof is required?

With regard to the form of proof, the German National Association of Statutory Care Insurance Funds has issued recommendations in its [letter dated 21 June 2023](#) (also including information on accounting for adopted children and stepchildren). It is indicated here that a simplified procedure for providing proof is planned for the transitional period from 1 July 2023 to 30 June 2025. It will thus be sufficient for members to report their children under the age of 25 to the body paying the contributions (the employer) or to the care insurance fund after being asked to do so. It is explicitly mentioned that the submission and the associated review of tangible proof will not be required in this period. In addition, it is legally enshrined in Section 55 of the German Social Security Code (SGB), Volume XI, that a digital process for gathering information and providing proof of the number of eligible children is to be developed by 31 March 2025.

It is also stipulated for the transitional period that employees can inform their employer of a child at any time and this may then have to be taken into account retroactively as at 1 July 2023 (Section 55 (3d) sentence 1 SGB XI).

The implementation of the German Federal Constitutional Court's ruling with this law should thus lead to a constitutional handling of contributions in statutory care insurance. However, it will also mean that additional employee data will have to be requested by employers and stored in their systems. If you feel unsure about the implementation of this new statutory regulation or need support, please feel free to contact us at any time.



Summary of the new regulations

- New regulations apply from 1 July 2023
- Increase in the contribution rate for care insurance to 3.4 percent
- Increase in the care insurance surcharge for members without children to 0.6 percent
- Continued lifelong recognition of children when calculating contributions
- From the second to the fifth child, the contribution rate is reduced by 0.25 percent per child up to the age of 25 years
- Proof of parenthood, the number of children, and their dates of birth is to be provided to the employer in a suitable form

What needs to be done?

- Determine internal scheduling and procedure
- Send information letter and self-disclosure form to employees
- Gather responses from employees

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