

The Employee Savings Allowance (Arbeitnehmer - Sparzulage)

The employee savings allowance is a state subsidy granted to employees for capital accumulation purposes. It is paid upon the capital forming savings payments made by the employer to the employee if the legal requirements are met. The capital forming savings payments of the employer are payments that are invested by the employer on behalf of the employee in certain low risk savings products for a longer period. Normally they are part of the employee's contractual remuneration. But they can be also paid in addition to the salary, depending on the individual agreement of the employer and the employee.

The employee savings allowance is administered by the local tax offices and is paid out of the states income tax revenues. It is regulated by the 5th Act on the Promotion of Capital Acquisition by Employees (5. VermBG).

In general, all employees and civil servants obtaining revenues from their employment may claim the employee savings allowance. This does, however, not apply to freelancers, self employed persons as well as persons authorised to represent legal entities (e.g. directors, CEOs..) who are by law exempted from the circle of beneficiaries.

So, beneficiaries are to

1. have income from employment that is
2. not exceeding 17.900 € for singles and 35.800 € for married couples who are assessed jointly for taxation.
3. Investment of the capital forming savings payments in an adequate savings product is required as well as the
4. Completion of the retention period

Although the right to the employee savings allowance arises at the end of the year in which the capital forming savings payments have been invested, the payout will not take place before the retention period has passed. The duration of this period is six to seven years depending on the type of investment product the employee has chosen. Only in cases of special interest such as unemployment or invalidity, the use / consumption of the invested capital will not preclude the claimant from receiving the employee savings allowance.

The following payments are subsidised with 18% of the invested capital forming savings payments per year whereas the maximum of the state support is limited to 400 €:

- Payments in the context with a savings contract aimed at acquiring securities or other capital investments,
- Payments due to the purchase of securities,
- Payments due to the acquisition of shares of the company in which the employee is employed.

The following payments are subsidised with 9% of the invested capital forming savings payments per year whereas the maximum of the state support is limited to 470 €:

- Payments according to the House Building Premium Act (including within others payments to building societies aimed at obtaining a home loan or for the first acquisition of shares of a cooperative building association or a residential building cooperative, as well as in the context of a savings contract concluded with a housing firm or housing cooperative),
- Payments in the context of the acquisition, construction or amplification of a residential building or apartment situated in Germany.