

## Information for members:

### Your lump-sum payment - taxes and social security contributions

The lump-sum payment can be made between the ages of 62 (for those who joined prior to 1 January 2012: 60) and 68.

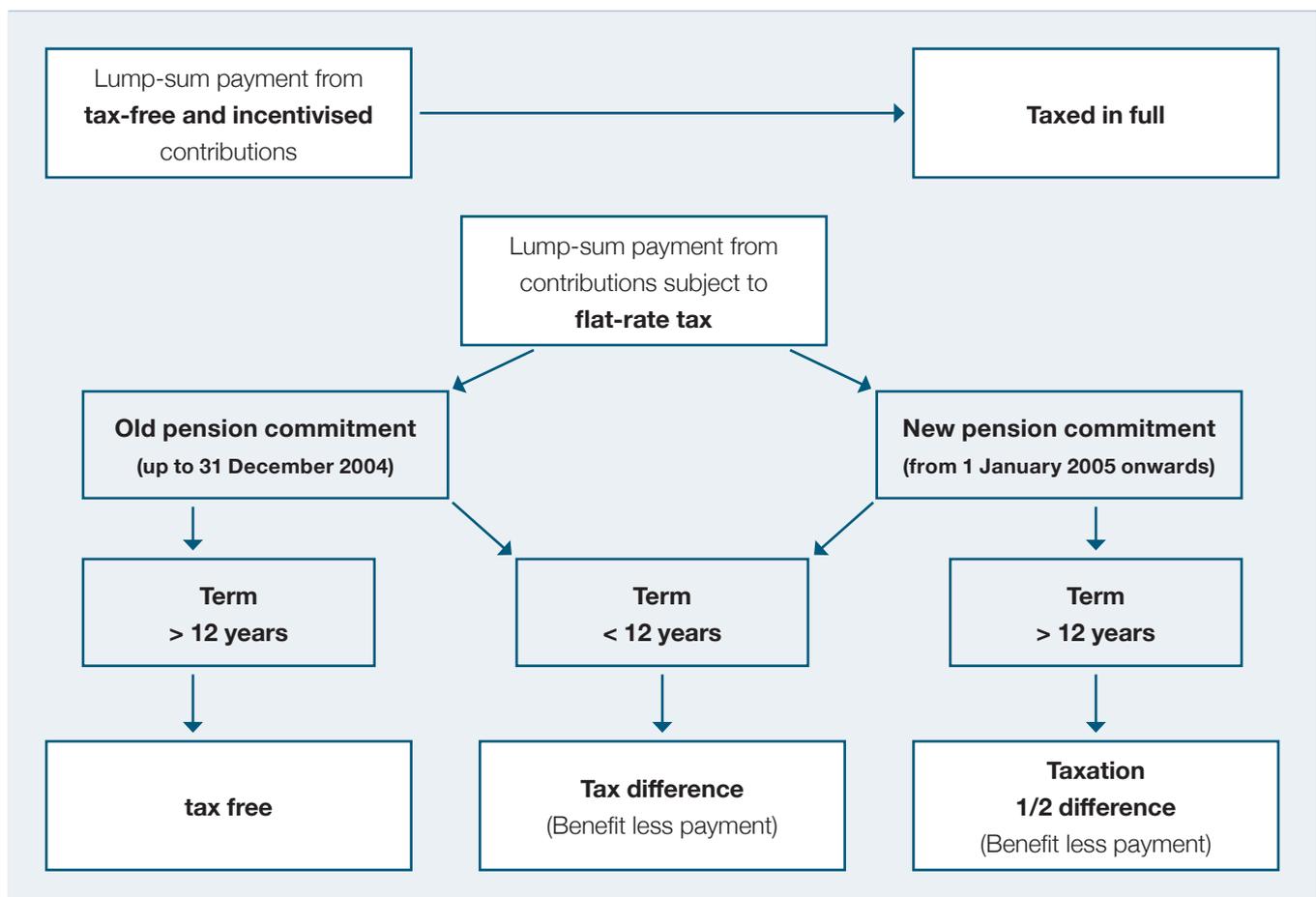
If you would like to make use of the lump-sum payment you must in principle apply for this **three years before the desired payment date**.

After this date, tax relief in accordance with § 3 no. 63 of the German Income Tax Act (EStG) can no longer be claimed.

If at least one contribution was lawfully taxed before 1 January 2018 in accordance with § 40b EStG, you have the option, even after applying for the lump-sum payment, to make contributions taxed at a flat rate pursuant to § 40b EStG into the pension fund.

**Note:** If you initially apply for the lump-sum payment a year before retiring from the company, you can continue to make contributions free from tax and social security contributions. It is then paid two years after you retire.

#### Tax on the lump-sum payment



## Notes on the diagram:

### Payments from tax-free and incentivised contributions

Lump-sum payments based on contributions that are tax-free in accordance with § 3 no. 63 EStG or were made with an incentive in accordance with § 10a EStG (»Riester«) are subject to tax in principle.

### Payments from taxed contributions

Lump-sum payments from contributions subject to tax or flat-rate tax are divided into old and new pension commitments (before and after 1 January 2005) as well as based on their contractual term (longer or shorter than 12 years).

#### Old pension commitments:

- > For insured persons who were given pension commitments prior to 31 December 2004, who had been members for **longer than 12 years** at the time of exercising the right to choose a lump-sum payment, the **entire lump-sum payment is tax-free**.
- > In the case of a term of **less than 12 years**, only the **difference** between the **total contributions made** and **amount paid out** is subject to tax. Therefore, only capital gains are subject to tax. The total amount of contributions made is tax-free.

#### New pension commitments:

- > For insured persons who were given pension commitments after 1 January 2005, who had **not yet been members for 12 years** at the time of exercising the right to choose a lump-sum payment, the **difference** between the total **contributions made** and the **amount paid out** is subject to tax. Therefore, only capital gains are subject to tax. The total amount of contributions made is tax-free.
- > If you have been a member for at least 12 years, only **half of the difference** is subject to tax. Therefore, only half of the capital gains is subject to tax, too.

You will receive a notification to be provided to the tax office for your income tax return in January of the year after your lump-sum payment has been made. PKDW is also obliged to report the data to the Central Benefits Agency for Retirement Assets (Zentrale Zulagenstelle für Altersvermögen, ZfA) electronically.

### Social security contributions on the lump-sum payment

If you are compulsorily insured in the statutory health insurance, your pension is generally subject to the full amount of the contribution obligation. Exceptionally, shares are exempt from contributions if

- > you have continued your provision with PKDW after leaving the company with purely private contributions and without the participation of an employer, or
- > you have made riester-subsidised contributions according to §§ 10 a, 82 ff EStG.

No contributions to health and nursing care insurance are levied on the portion of your pension that was earned from these contribution payments.

#### Contribution rates 2019

- > Health insurance: 14.6 % (general contribution rate) + *additional contribution* (dependent on your health insurance scheme)
- > Nursing care insurance: 3.05 % (childless members: 3.3%)

PKDW is obliged to report the payment date and the amount of your lump-sum payment to the health insurance provider responsible for you. The health insurance provider collects contributions on this. It does so over a period of 10 years, by dividing the gross amount of the lump-sum payment up over 120 months and adding on your retirement income that is liable for contributions.

#### Formula for calculating contribution obligation (2019):

Lump-sum payment / 120 \* (14.6 % + additional contribution + 3.05 % or 3.3 %) = monthly social security contribution for a period of 10 years

#### Example:

- > Insured person without children, lump-sum payment = **EUR 60.000**
- >  $EUR 60.000 / 120 =$  **EUR 500**
- >  $EUR 500 * 18.9\% (14.6\% + 1.0\% + 3.3\%) =$  **EUR 94.50** social security contribution per month (over 10 years)

If the lump-sum payment /120 (here: EUR 500) together with other benefit income is less than EUR 155.75 per month (in 2019), there are no health and nursing care insurance contributions.

Please note that the information provided is not a replacement for tax or legal social security advice.

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