INFO

PKDW

Information for members:
Your lump-sum payment – Taxes and social security contributions

The lump-sum benefit can be paid out between the completion of the 62nd (entrants before 01.01.2012: 60th) and 68th year of life.

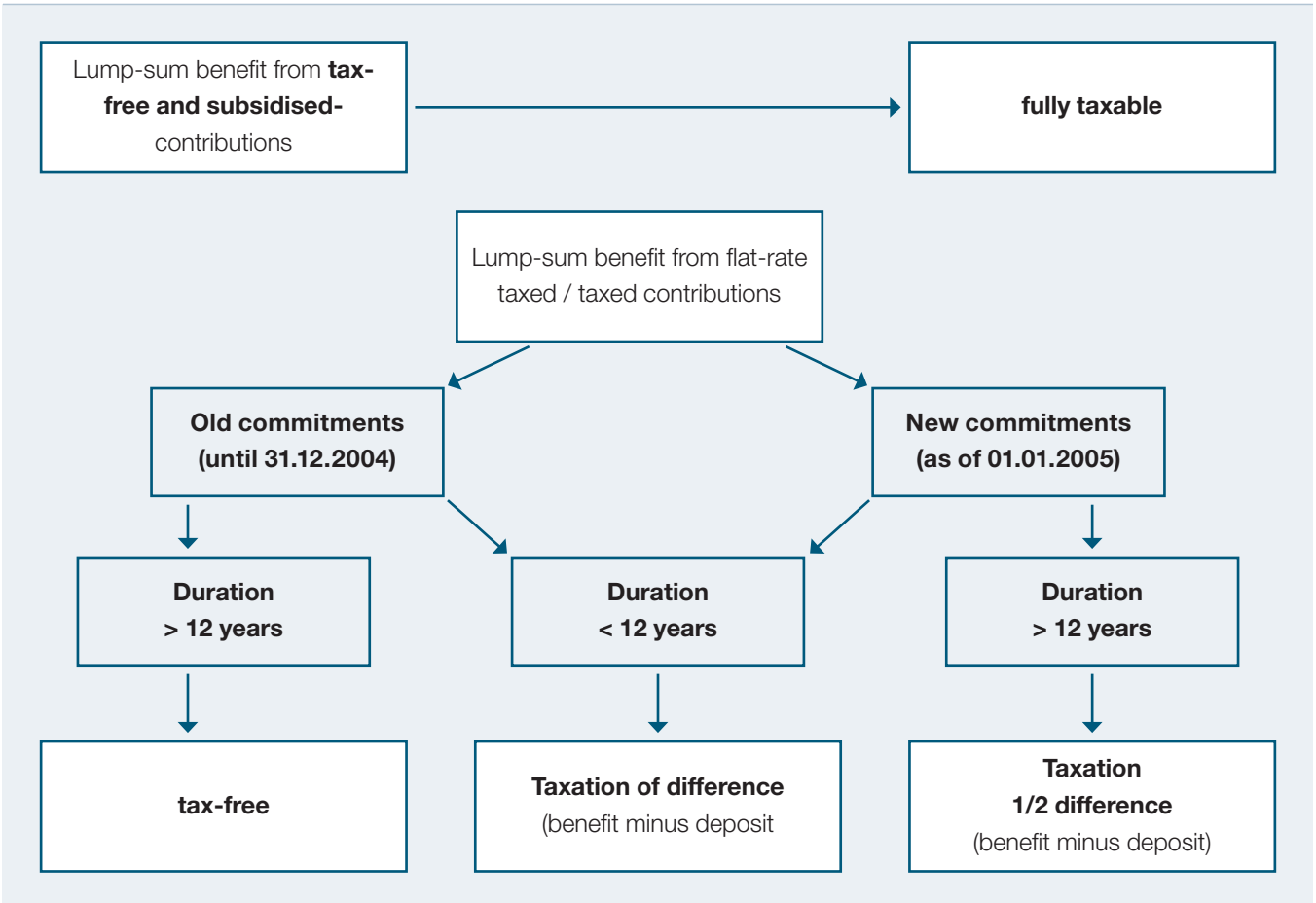
The **lump-sum** payment must be applied for **three years** prior to the payment date, the **partial lump-sum** payment **12 months** prior to the payment date.

As from this date, tax incentives pursuant to § 3 no. 63 EStG can no longer be used.

Provided that at least one contribution was lawfully taxed in accordance with § 40 b EStG before 01.01.2018, it is also possible to pay contributions into the pension fund taxed at a flat rate in accordance with § 40 b EStG after applying for the lump-sum benefit.

Note: If you apply for the lump-sum benefit only one year before you retire, you can continue to make contributions tax- and social security-free. The payment will be made two years after retirement then.

Taxation of the lump-sum payment



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Explanations to the chart:

Payments from tax-exempt and contributions subsidised by allowances

Lump-sum payments based on contributions that are tax-exempt pursuant to § 3 No. 63 EStG or subsidised pursuant to § 10 a EStG (Riester) are generally taxable.

Payments from taxed contributions:

Lump-sum payments from taxed or flat-rate taxed contributions are divided into old and new pension commitments (before and from 01.01.2005) as well as based on their contractual term (longer or shorter than 12 years).

Old commitments:

- For insured persons with pension commitments up to 31.12.2004 whose membership has lasted **longer than 12 years** at the time of exercising the option to receive a lump-sum payment, the **entire lump-sum payment is tax-free**.
- If the term is **less than 12 years**, only **the difference** between the **sum of the contributions paid in** and **the sum paid out is taxable**. This means that only the investment income is subject to tax. The sum of the paid-in contributions is tax-free.

New commitments:

- For insured persons with commitments as of 01.01.2005 whose membership has **not yet** existed for 12 years at the time of the application for the lump-sum payment, the **difference** between the **sum of the contributions paid in and the sum paid out is taxable**. Thus, only the capital gains are subject to tax. The sum of the paid-in contributions is tax-free.
- With a membership of at least 12 years, only **half of the difference** is taxable. This means that only half of the capital gain is taxable.

PKDW is obliged to report the data in electronic form to the Central Allowance Office for Old Age Assets (ZfA).

Social contribution obligation of the lump-sum payment

If you are compulsorily insured under the statutory health insurance scheme, the full amount of your pension is subject to compulsory contributions. Exceptionally, shares are non-contributory if

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

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

Contribution rates 2026

Health insurance: 14.6 % (general contribution rate)
+ additional contribution*

Nursing care insurance: 4.2 %
3.6 % (with child/children, lifelong)

* the amount of the additional contribution depends on your health insurance fund

Note: from the 2nd to the 5th child under the age of 25, the contribution rate is reduced by 0.25 percentage points in each case. Parental status can only be taken into account with appropriate proof. Suitable documents are e.g. birth or adoption certificate, certificate of paternity, certificate of descent, tax certificate of living from the residents' registration office or official confirmation of the foster child relationship.

PKDW is obliged to notify the health insurance fund responsible for you of the date of payment and the amount of your lump-sum benefit subject to contributions. The health insurance fund then levies contributions spread over a period of 10 years by dividing the gross amount of the lump-sum payment over 120 months and adding it to your pension income subject to contributions.

If the lump-sum benefit 1/120 together with other pensions is below EUR 197.75 per month (in 2026), no health and long-term care insurance contributions are due.

Please note that the information provided is neither a substitute for tax nor social security advice.

As of: 01/2026

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