



5 Points Employers Need to Know About Germany's New Bureaucracy Reduction Act IV

Insights

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Employers in Germany are facing a significant shift in labor law under a new act that aims to streamline administrative processes and reduce bureaucracy. The goal of the German Bureaucracy Reduction Act IV (BEG IV) — which took full effect this year — is to enable a more efficient and digitally oriented work environment. Here are the five key points covered employers need to know in order to stay compliant and the steps you should consider taking to adapt to these new regulations.

What Happened?

The Bureaucracy Reduction Act IV — which was enacted in October 2024 and took effect on January 1 — has the primary goal of reducing bureaucracy through digital solutions and simplified administrative processes. This initiative is part of a broader effort by the German government to modernize labor regulations and alleviate the administrative burdens on businesses.

What Does This Mean for Employers?

The BEG IV introduced new rules for employment contracts, references, and various administrative processes, which led employers to update their documentation and communication practices. The act's focus on digital formats will require employers to invest in technology and training to ensure a smooth transition.

These updates come at a time of political change in Germany. Notably, potential shifts in the country's employment landscape are in the works following the recent federal election and exploratory talks between political parties. The parties' exploratory paper, which was released on March 8, outlines a preliminary agreement on various political issues, including significant reforms in labor law and social policy.

As the parties move into formal coalition negotiations, stakeholders and the public will be closely watching to see which of these initiatives are realized and how they shape the future of work and social welfare in Germany. [You can read more about this topic here.](#)

What's Next?

In the meantime, as we await more labor law changes, employers in Germany should consider taking proactive measures to align their processes with the new regulations under the BEG IV. This includes updating contract templates, training HR personnel, and ensuring compliance with digital documentation standards. Here are the key changes and an action plan to help you ensure compliance.

1. Digitization of Employment Contracts

Electronic Transmission: One of the most significant changes under the BEG IV is the shift towards electronic transmission of employment contracts. Employers can now send essential contractual and working conditions to employees in text form, such as email or PDF. This change replaces the previous written requirement, offering greater flexibility and efficiency in contract management.

Receipt Confirmation: To ensure accountability and transparency, employers must request that employees confirm receipt of the documents to provide a record of communication. Employers should consider implementing systems that automatically track and store these confirmations.

Exceptions: Certain industries, such as construction and hospitality, are exempt from this change and employers in those industries should continue complying with written requirements. Additionally, fixed-term contracts and post-contractual non-compete clauses are not subject to the new electronic transmission rules.

Implementation Tips

- **Update Contract Templates:** Ensure that all employment contract templates are available in digital formats that comply with the new regulations and include the new wording (“text form”) in the corresponding clauses.
- **Train HR Staff:** Provide training to HR on the new processes for sending and confirming receipt of electronic contracts.
- **Invest in Technology:** Implement secure and user-friendly systems for managing electronic contracts and tracking receipt confirmations.

2. Changes in Employment References

Electronic References: The BEG IV allows for electronic employment references if the employee consents. This change aims to simplify processes and reduce costs associated with traditional paper-based references. Employers can now create references as PDFs with a so called “qualified electronic signature,” which is equivalent to a handwritten signature.

Implementation Tips

- **HR Department Preparation:** Equip HR departments with the tools and training necessary to create and manage electronic references.
- **Employee Communication:** Inform employees about the option for electronic references and obtain their consent before implementation.
- **Secure Storage:** Ensure electronic references are stored securely to protect personal data and can be easily accessed by HR when needed.

3. Reduced Bureaucracy in Administrative Processes

Hotel Registration: The BEG IV abolishes the obligation for Germans to register at hotels domestically, saving time and reducing bureaucratic work. This change particularly benefits self-employed individuals, freelancers, and employees who regularly stay in hotels, offering them a simpler and less bureaucratic check-in process.

Document Retention: The retention periods for commercial and tax-related documents have been shortened from 10 years to eight years. This change relieves companies of significant administrative burdens and reduces the costs associated with long-term document storage.

Implementation Tips

- **Review Retention Policies:** Update document retention policies to reflect the new requirements and ensure compliance.
- **Train Staff:** Provide training to staff responsible for document management to ensure they understand the new retention periods.
- **Leverage Technology:** Implement digital solutions for document storage and management to streamline processes and reduce costs.

4. Digital Working Time Documentation

Flexible Documentation: The BEG IV allows companies to provide information about working hours or breaks digitally on a website or intranet, replacing the need for physical postings.

Accessibility: Employees must have easy and unrestricted access to this digital information. Companies should ensure that their digital platforms are user-friendly and accessible from various devices, such as computers, tablets, and smartphones.

Implementation Tips:

- **Update Documentation Practices:** Review and update working time documentation practices to comply with the new digital requirements.

- **Invest in Technology:** Implement digital platforms that support working time documentation and ensure they are accessible to all employees.
- **Train Employees:** Provide training to employees on how to access and use the new digital platforms for working time documentation.

5. Integration of Electronic-Invoices

Mandatory E-Invoices: From 2025, companies in Germany are required to issue e-invoices in the B2B sector. This change affects payroll and travel expense accounting and eliminates manual steps.

Compliance Requirements: Employers must adapt their ERP systems to e-invoice standards and ensure long-term, audit-proof archiving of documents. HR personnel will need specific training to manage these changes and ensure compliance with the new regulations.

Implementation Tips

- **Update ERP Systems:** Ensure that ERP systems are compatible with e-invoice standards and can support automated processing.
- **Train HR Personnel:** Provide training to HR staff on the new e-invoicing processes and compliance requirements.
- **Ensure Secure Archiving:** Implement secure and reliable archiving solutions for e-invoices to ensure long-term accessibility and compliance.

What Should You Do Now?

U.S. businesses in Germany should take proactive steps to ensure compliance with the BEG IV. In addition to the implementation steps above, we recommend taking the following actions:

- **Assess Your Current Processes:** Review your existing documentation and communication processes to identify areas that need updating. Conduct a thorough audit of your current practices to ensure they align with the new regulations.
- **Consult Legal Counsel:** Seek legal advice to ensure full compliance with the new regulations and to address any specific concerns.
- **Communicate with Employees:** Inform employees about the changes and how they will affect their roles and responsibilities. Provide training and support to help them adapt to the new processes and ensure a smooth transition.
- **Monitor and Adjust:** Stay informed about any updates or changes to the regulations and be prepared to adapt your practices accordingly.

Conclusion

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