

Tax Benefits for University Students in Germany

Tax deductions available in conjunction with academic studies reduce current or future tax obligations of individuals studying in Germany while they also lower the financial burdens students incur for their studies overall. To take advantage of all of these benefits, all deduction eligible costs have to be included with the tax return for the year during which they were incurred.

One of the key factors is the distinction that has to be made in German tax law between these costs as special expenditures or professional/income related expenses. If the student is enrolled in the first study course, the expenses are considered special expenditures; if it's the second study course, they are classified as income related expenses.

The eligibility of special expenses as deductions is limited. They reduce the tax burden on income generated during the same year the expenses were incurred. If the taxpayer does not claim them for that year, they cannot be transferred to subsequent years.

Income related costs, on the other hand, are fully tax deduction eligible and reduce the income from employment relationships (wages/salaries) the taxes due are based upon. If the income related costs exceed the income earned in any given year or if the student did not have any such income, the remaining balance of these costs is carried forward to the years that follow, during which the taxpayer generates taxable income. Hence, these costs reduce the future tax debt. For students working towards a master's degree, this is usually the case when they start their careers.

Principally, the following expenses are tax deductible:

- **Tuition and semester fees (incl. tuition paid abroad and interest paid on student loans)**
- **Supplies:**
 - o Tuition fees
 - o Computers
 - o Books
 - o Writing instruments, paper and copies
 - o Telephone and Internet use
 - o Other supplies

- **Application costs**
 - o Test fees (e.g. for admission exams, TOEFL, GMAT etc.)
 - o Notarization fees, postage, etc.
 - o Application related travel expenses
- **Commuter expenses residence – university and back**
- **Relocation costs**
- **If student maintains two households:**
 - o Rent including utilities for the secondary residence
 - o Furnishings for the secondary residence (furniture, etc.)
 - o Additional per diem (for the first 3 months lump sum of €24 per day/ 24h spent at the secondary residence at the study venue or € 12 for each day of travel to and from the secondary residence
 - o Travel expenses for trips home to the primary residence

Tax Benefits for MBA Students and Students Working Towards a Master's Degree

All MBA and Master's courses are second study programs. Hence, any related expenses (spent in advance) are fully deductible from (future) income that is taxable in Germany as job related expenditures (spent in advance).

Practical Advice:

The above defined tax benefits apply exclusively to income that is taxable in Germany. The tax practices in other countries may be different.

Evidence of the costs incurred has to be compiled and submitted to the German internal revenue service office along with your tax return (contracts, invoices, receipts, statements of account, etc.).

Tax returns for any given year have to be submitted at the latest by May 31 of the subsequent year. The deadline for taxpayers who use the services of a tax consultant is 9 months longer; i.e. the return has to be submitted by February 28 of the second year after the tax year. If taxable income was not generated (this usually applies to full-time students), it is possible to submit retroactive tax returns for the past 4 years.