

Leaflet on Student Finance from the CHANCEN eG

Overview: Advantages of Student Finance from the CHANCEN eG

- Cash-flow advantage during studies
- Financing security during studies
- Income-dependent repayment and protection from excessive indebtedness
- Constant and comprehensive tax deductibility of tuition fees
- Possibility of total exemption from repayment according to need
- Planning security due to maximum repayment amounts and repayment periods
- Easy management of student finance
 - no repeated applications for payment
 - no complicated approval process because of the university's cooperation with the CHANCEN eG

Tax Deductibility of Tuition Fees

First Course of Study

Tax Deductibility Without Use of the CHANCEN eG's Financing Offer

A first course of study is one that doesn't follow a completed vocational training and one that is not completed as part of an employment relationship.

Tuition fees up to 6,000 Euro per year for a first course of study can be considered special expenses pursuant to Clause 10 Paragraph 1 Number 7 of the German Income Tax Act.

If the student pays tuition fees directly to the university, these fees are only relevant from a tax standpoint for the calendar year in which the fees were paid. However, students' income is normally so low that they don't benefit from the tax deductibility. The tuition fees cannot be listed as special expenses in later years.

Tax Deductibility with Use of the CHANCEN eG's Financing Offer

With financing from the CHANCEN eG, the tuition fees only become relevant from a tax standpoint after the student has graduated, and are dependent on the student's income. In this way, up to 6,000 Euro per year paid to the CHANCEN eG can be considered special expenses. Through this shift of the tuition fee payment into the period of professional life, the supported students can get a tax benefit, especially when they have a high income, because the special expenses are deducted from their income taxes.

Second Course of Study

Tax Deductibility Without Use of the CHANCEN eG's Financing Offer

A second course of study is one that is begun after the successful completion of a vocational training or another course of study. Whether a course of study is a second one should be clarified before the course of study begins. Tuition fees of a second course of study can be considered professional expenses pursuant to Clause 9 Paragraph 6 Sentence 1 of the German Income Tax Act.

In a second course of study, the tuition fees are also only relevant from a tax standpoint in the calendar year in which they are paid.

However, tuition fees can be considered professional expenses and unlike special expenses are not limited to 6,000 Euro. If the professional expenses exceed the taxable income, then there is a loss that the student can carry over into the next years. However, these carried over losses are often completely offset by income in the first year of professional life. The tax relief is then dependent on the graduate's individual tax rate.

Tax Deductibility with Use of the CHANCEN eG's Financing Offer

With financing from the CHANCEN eG, the tuition fees only become relevant from a tax standpoint after the student has graduated, and are dependent on the students' income. In this way, all money paid to the CHANCEN eG can be considered professional expenses. Because of higher income with a degree and the fact that the repayments are spread out over years, a greater tax relief can result.

Note

The different treatment of education costs from a tax standpoint for a first course of study or vocational training and a second one is potentially unconstitutional. The Federal Finance Court has therefore brought proceedings BFH VI/R 2/12 und BFH VI/R 8/12 before the Federal Constitutional Court to clear up this issue. The proceedings are still pending in the Federal Constitutional Court under the reference number 2 BvL 23/14 und 2 BvL 24/14.

FAQ:

- *How does support from the CHANCEN eG work?*

The CHANCEN eG enters a grant agreement with the student. In this agreement the percentage of later income to be repaid and the repayment period are arranged. Afterward, the CHANCEN eG purchases the student's tuition fees from the university.

- *Can more than one degree program be supported by the CHANCEN eG?*

Yes, more than one degree program can be supported by the CHANCEN eG, if both suitability and finance interviews have a positive outcome. In this case, the student will receive two bills during the repayment period. This is because the costs for a first degree and second are treated differently.

- *What happens if I am unemployed or earn very little?*

If a student becomes unemployed and doesn't earn any income, the payments to the CHANCEN eG are deferred. The repayment is income-dependent. Only once the income exceeds a minimum of 21,000 Euro are payments due to the CHANCEN eG. If in the 25 years after graduation the income never exceeds 21,000 Euro nothing ever needs to be repaid.

- *What happens if I earn a lot?*
Who earns a lot, because of the income-dependent repayments, has higher payments to the CHANCEN eG. However, the maximum repayment will never exceed the amount agreed upon in the contract. If this amount is reached, no additional payments are due to the CHANCEN eG.
- *What should I pay attention to if I end up working abroad?*
If the student ends up working abroad and doesn't receive a German tax assessment, the student is required to share income information with the CHANCEN eG. Upon request from the CHANCEN eG, a certified calculation from a tax consultant or accountant must be submitted. The CHANCEN eG cannot make a blanket statement about tax deductibility of the payments abroad due to the diversity of regulations.
- *What kind of securities or collaterals does the CHANCEN eG need?*
The CHANCEN eG doesn't need any securities or collaterals.
- *What happens if I drop out of university?*
If you drop out, the number of semesters spent at university will be set in proportion to the number of semesters needed to complete the course of study. The repayment amount will then be multiplied by this fraction. The maximum and minimum repayment amounts, as well as the minimum monthly repayment when no income information is available, will also be adjusted in proportion to the repayments with or without dropping out.
- *What happens when my repayment amount is less than I should have to pay according to my income?*
If the minimum monthly payments are less than the annual repayment amount, the CHANCEN eG will inform you and send an invoice, which must be paid within 14 days.

Disclaimer

This leaflet is not a legally binding tax document and does not replace an individual consultation. The statements made here are of a general nature. For legally binding advice and information for specific situations, it is necessary to contact a tax consultant or lawyer who can take individual circumstances into account. Tax rules are subject to change. It cannot be ruled out that a financial office or court takes a different point of view in an individual case. No responsibility is held for accuracy of this information.

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