

List of Typical Expenses for a Freelance English Teacher

The following list does not cover every single cost a freelance teacher might have, but is simply a list of some of the more common expenses (all the figures given here are based on what they were in 2005):

As a freelance teacher you should ask for receipts for all expenses that are connected with your work. Without a receipt you cannot set these expenses off!

- accountant's and lawyer's fees
- advertising or any costs connected with finding courses
- audio cassettes CDs, videos, etc. (for teaching purposes)
- bank charges (it is best to have two bank accounts, one purely for business)
- books, magazines and newspapers (but only if connected with your work)
- car – petrol, leasing rates, car tax, insurance, repair costs, rent for the garage. NB. You cannot set off all the costs connected with your car. The tax office assumes that some of these costs are connected with private use.
- computer hardware (has to be written off over 3 years, if it cost more than €410 net, i.e. after VAT has been deducted).
- computer software – again it has to be written off over several years if it cost more than €410 net
- donations to charities
- insurances (if they are directly connected with your work, for example a business liability or car insurance). Health insurances and pension schemes can be set this expense off under “*Sonderausgaben*”.
- membership to teachers' associations
- office furniture and equipment (has to be written off over several years if it cost more than €410 net,)
- office/study (+ all the associated costs for heating, lighting, etc.. The tax office insists that an office has to be a separate room (and not a *Durchgangszimmer*, i.e. does not connect two other rooms) and is only used as an office.
- office stationery
- on-line charges
- postage
- presents (up to €40 net and only if connected with work)
- teacher training seminars, teaching conferences, etc.
- telephone, fax (normally 70% business, 30% for private purposes, but negotiable).
- travel expenses (e.g. taxi receipts, train tickets, flights connected with your work, etc.)
- wining and dining (but only if connected with your work!), and only 80%. there are certain flat rates called “*Verpflegungsmehraufwendungen*” you can set off if you are away from home (for a purpose connected with work) for more than 8, 14 or 24 hours.

Sonderausgaben: Special expenses:

You may be entitled to set off some “special expenses”, but there is a limit to how much you can set off and this sum is based on your income. You really need an accountant to do these sums for you!

- Church tax
- Accountant’s fees
- Payments to your divorced/separated partner
- Donations
- Insurances (certain types of life insurance, health insurance, nursing insurance, accident insurance, professional liability insurance)

Your tax return for the year normally has to go in to your tax office before 31 May of the following year, e.g. your tax return for 2005 has to be sent in before 31 May 2006.

Hiring an accountant to do your income tax declaration for you will probably cost around €300-400. Most teachers hire accountants to calculate their income and expenses, and to put in their tax returns for them. Accountants can also ask for an extension from the tax office (of course, you can too, but are less likely to be given one).

Your accountant can only set off expenses from teaching, if you have kept and have the receipts for them, so make sure you:

- keep or file your receipts somewhere safe
- sort them out so that they are filed logically i.e. keep your receipts for petrol separate from your receipts for books and so on. Your accountant will not be overjoyed if you just hand him a shoebox with all your different receipts from one year in it! S/he may still do your tax return, but will also charge you for all the time and effort needed to sort your receipts out
- don’t include items on receipts which are not tax deductible. Some receipts may contain items that are not tax deductible, e.g. you fill the car up (tax deductible) and buy a Mars bar (not tax deductible). Cross the Mars bar off your receipt. The same applies to so-called strip tickets – cross off any trips you made for private purposes
- ask for a special receipt if you have taken a client out for a meal and a drink and want to set the bill off as an expense. This receipt allows you to add the names of the people you wined and dined, together with the reason you wined and dined them – the reason must be directly related to your teaching work.

Software

The tax office offers a free software program called ELSTER to do your VAT and income tax returns online. This can be downloaded from <https://www.elster.de/>

If you are looking for a program that can do your income tax declaration for you (and your German is relatively good), you might like to consider buying WISO-Sparbuch (cost €15) from www.buhl.de or Steuertipps Steuer-Spar-Erklärung (cost €35) from www.steuertipps.de/. Both these programs have been ranked as being very good in numerous tests.

If you are interested in doing some of the bookkeeping yourself and entering your expenses and income, you should look for software that can do an “*Einnahme-Überschuß-Rechnung*”. If you are prepared to do some of the bookkeeping yourself and keep track of the money that comes in and goes out using software, you will probably save your accountant time and help to keep your accountant’s fees to a minimum.

NB. None of the points mentioned here has anything to do with VAT or MwSt. This is a completely different tax and is covered elsewhere in this booklet.

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