



VAT NEWSLETTER

Federal Ministry of Finance letter on educational services – the wait is over

39 | 2025

1 Background

On 1 January 2025, the legislature amended sec. 4 no. 21 of the German Value Added Tax Act (UStG) in order to bring it into line with EU law (see KMLZ VAT Newsletter 49 | 2024). The criticism focuses on the new certificates to be issued by state authorities, the unwanted change to VAT exemption for training providers, and the dependence of VAT exemption on a professional connection for music, dance, language, and other types of schools. In addition to the significant expansion of the licensing requirement under the Distance Learning Protection Act (FernUSG; see KMLZ VAT Newsletter 23 | 2025), providers of online education are also faced with two Federal Ministry of Finance (BMF) letters stating that digital elements can lead to VAT liability (see KMLZ VAT Newsletter 32 | 2025).

2 BMF letter dated 24 October 2025 – key content

Section 4.21.1 VAT Implementation Decree (UStAE): Services directly serving school and educational purposes

- By definition, educational services are “school instruction, university instruction, training, vocational training, and vocational retraining,” as well as closely related services. Services directly serve the purpose of schooling and education if they not only enable it, but also bring it into effect themselves. The goals of the participants are irrelevant; what counts is the nature and general suitability of the service as an educational service.
- Online education: Recordings provided without the need for additional payment are ancillary services to educational services. Electronic services such as mere streams or automated learning apps and platforms are not exempt. Courses approved under the FernUSG, on the other hand, constitute educational services.
- School and university education: The BMF follows the strict ECJ definition, according to which specialist knowledge excludes the exemption. However, typical school lessons in individual subjects, such as private tuition, are also eligible.



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- Training, vocational training, retraining: In addition to training measures with direct professional relevance, any training measures that serve to acquire or maintain professional knowledge are eligible for preferential treatment. For the latter, there is neither a requirement for direct relevance nor does direct professional relevance matter. The decisive factor is whether the service is tailored to professional needs. Accordingly, services provided by music schools, for example, are also eligible for exemption if they are aimed at professional use. Even an indirect professional benefit, such as that assumed in the case of language and computer courses, is sufficient. The duration of the course is irrelevant from the perspective of providers and lecturers.

Section 4.21.2 VAT UStAE: Services not directly serving educational purposes

- Courses that are purely for recreational purposes are not eligible for VAT exemption. The individual case is decisive. The mere possibility of professional use is not sufficient; what counts is the nature of the event.

Section 4.21.7 UStAE: Public law institutions

- Institutions entrusted with education on the basis of corresponding legal foundations (e.g. Trade and Crafts Code), are eligible for exemption. The activity does not have to be carried out in an independent area of the public law institution.

Section 4.21.7 UStAE: Certification procedure

- All beneficiary institutions, including public law entities, require a certificate from the state authority for the purposes of sec. 4 no. 21 letter a UStG. This certificate must show that the certified service is provided for school education, university education, training, vocational training, or vocational retraining. The tax office may request a review of the certificate issued and, at its own discretion, check the other characteristics of the tax exemption, including, in particular, the immediacy of the service provision and the institutional status. Certificates issued up until the end of 2025, with the wording of the old version of the law, will continue to be accepted in the future. The tax authorities may continue to request a review of the certificate issued by the state authority.

Section 4.21.8 UStAE: Private teachers

- Private teachers are exclusively natural persons who provide educational services in their own person, on their own account, and on their own responsibility. They do not require a state authority certificate. Subcontractors are not private teachers. The same applies to providers who have staff, material resources, and classrooms at their disposal.

Rules of application

- The letter applies to transactions from 1 January 2025. Until the end of 2027, businesses may refer to sections 4.21.1 to 4.21.5 of the previous version of the UStAE. Swimming lessons may be treated as VAT-exempt until the end of 2027.

3 Consequences for practice

The letter is welcome, although the devil is in the details. From now on, many providers will need a documented professional connection to (continue to) exempt their services. Online education remains an uncertain area: providers with approval under the FernUSG enjoy legal certainty, while all others must continue to live with uncertainty. It is positive that old certificates remain valid. However, a certificate no longer serves as circumstantial evidence against recreational purposes. This suggests a new gateway for the tax authorities. The tax office may continue to be involved in the issuance of certificates. Swimming schools and providers of professional education enjoy generous transitional arrangements, while professional education providers, in particular, would like to see an even more secure path to VAT liability.