FAU information sheet on the awarding of scholarships

(Last updated: 01/09/2017)

Scholarships are awarded in order to provide altruistic funding for students and doctoral candidates whose development promises outstanding academic and professional achievements. The responsibilities and procedures for awarding scholarships at FAU are set forth in the “FAU general regulations on the awarding of scholarships” (FAU-StipR). FAU also provides a template Scholarship Agreement. Please begin by consulting both of these documents.

This Information sheet is intended for scholarship holders and scholarship coordinators. It provides answers to the following issues:
- an additional position of gainful employment
- required insurance coverage
- tax implications

1. Employment while in receipt of a scholarship
   a) Principle: Exemption from tax and social security contributions if there is no direct connection with the position of employment

Scholarships are not subject to social security contributions or income tax in accordance with the provisions of Section 3 (44) of the German Income Tax Act (EStG). However, this does not apply if a scholarship is connected with a simultaneous position of employment, i.e. if they are unable to be viewed as separate from each other. In this case, the scholarship would also be subject to social security contributions and income tax due to the inseparable connection with the simultaneous position of employment.

b) Third-party employment (= not at FAU)

Providing the provisions stipulated in Section 3 (4) FAU-StipR; are observed, third-party employment in addition to a scholarship at FAU is not a problem, as no time-, location- or operationally related connection is to be presumed with the activities of the scholarship.
Please note that only the German version of this document is legally binding.

c) Employment at FAU
If the scholarship holder is employed at FAU, it must always be ensured that any activities related to the scholarship are always separated from their employment at FAU with regard to time, location and operations. If a tax and social security assessment and investigation were to be conducted by the collecting agencies, a substantial back payment in tax and social security contributions would otherwise be expected which would have to be covered by the employing office (i.e. the respective chair).
It is therefore strongly advised that a clear separation is ensured between activities relating to the scholarship and activities carried out within the scope of employment at FAU.

d) Teaching work
Teaching work is permitted within the scope of a teaching assignment which does not constitute employment but is deemed as a special contract under public law (maximum of nine semester hours in accordance with Section 2 (2, 2) LLHVV.

e) Permissible weekly working hours
In accordance with Section 3 (1 b) FAU-StipR, the employment of the scholarship holder while in receipt of the scholarship must not exceed a workload of more than eight hours per week. Furthermore, scholarship holders are required to inform FAU about the commencement of any employment while in receipt of the scholarship.

2. Insurance
As scholarship holders are not engaged in a position of employment with FAU, in accordance with Section 3 FAU-StipR, FAU recommends that scholarship holders ensure suitable coverage for the relevant risks by taking out the following insurance:

2.1 Personal liability insurance/laboratory liability insurance
In accordance with the applicable statutory provisions, scholarship holders are liable for any damage they cause. In order to ensure financial coverage, it is recommended that scholarship holders take out personal liability insurance. It should be individually clarified with the insurance provider that activities carried out within the scope of the scholarship are to be classified as private activities and not as professional employment to ensure that they are covered by the personal liability insurance policy.
If activities are conducted in the laboratory as part of the scholarship, it must be clarified whether such activities are covered by the personal liability insurance policy or whether an additional laboratory liability insurance policy is required.
2.2 Health insurance
The receipt of the scholarship does not constitute grounds for health insurance coverage. Scholarship holders must therefore independently arrange health insurance (statutory or private). In a legal assessment any other position of employment may play a role.

2.3 Accident insurance/disability insurance

a) Principle: A scholarship does not constitute grounds for accident insurance coverage
The receipt of a scholarship alone does not constitute grounds for statutory accident insurance coverage.

b) Students are insured against accidents
Students who are in receipt of a scholarship are covered by statutory accident insurance if they are enrolled and are attending the university for the legitimate purpose of their further and continuing education. In order to qualify for coverage, their academic activity must be attributable to the organisational sphere of responsibility of FAU and a substantial direct connection must exist with FAU and its institutions with regard to time and place (e.g. attending lectures, going to university libraries, seminars and institutes for study purposes or participating in excursions; but not studying or working in the student's private or home domain).

c) Special case: Final thesis
Statutory accident insurance coverage applies for writing final theses and dissertations if the work is produced within the University’s organisational sphere of responsibility and a substantial direct connection exists with FAU and its institutions with regard to time and place. Activities conducted in the scholarship holder’s private or home domain are not insured. If final theses or dissertations are produced at a company, statutory accident insurance coverage only exists via the company’s insurance provider if the scholarship holder is truly integrated into the company’s operations with a contract of employment and payment of remuneration. If the final thesis or dissertation is independently and autonomously produced with free allocation of time and without any connection to the company via a contract of employment, no accident insurance coverage exists.

If no statutory accident insurance coverage exists on the basis of the above criteria, it is recommended that scholarship holders take out private accident insurance if the consequences of an accident are not covered by their health insurance. In addition, scholarship holders may also need to take out disability or incapacity insurance if disability or incapacity are not covered by their private accident insurance. In a legal assessment, any other positions of employment, e.g. at FAU, may play a role.
3. Income tax
Subject to the conditions of Section 3 (44) of the German Income Tax Act (EStG), the scholarship is tax free. Whether or not the conditions for income tax exemption are fulfilled in each individual case shall be decided on by the tax office responsible for the scholarship holder’s place of residence.
We therefore strongly recommend that scholarship holders personally clarify all tax-related issues, if necessary with the help of a tax advisor.
Irrespective of the aforesaid, pursuant to the transaction reporting obligations for public authorities and institutions (MV), FAU is obliged to inform the tax office responsible for the scholarship holder’s place of residence about all scholarship payments. This is done via an automatic procedure by the Office of Accounting of the University Administration (H4). Therefore, in the formal payment instructions or FSV screens relating to scholarships, please ensure that “150” is entered in “Feld 20– sonstige Anordnung” (Field 20 – other instructions).

4. Contact
If you have any queries, please contact the scholarship issuing office.