



COLLISION OF GST ON HIGHER EDUCATION IN INDIA

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ABSTRACT

Education plays an important role in the advancement of a progressive economy. How a country nurtures its generations with comprehensive education decides the progress of that country. In India, public and private, both sectors are engaged in providing education to enhance productivity and creativity of its population. Now a day's education is run by organised industry with huge revenues. The educational institutions that have been granted the exemption from GST are pre-schools and higher secondary educational institutes both private and Government. To clarify the applicability of GST on Educational Sector, we have to differentiate between core and ancillary education since core educational services is exempted from GST and other education services are subject to GST @18%. The government has a constitutional obligation to provide free and compulsory elementary education to every child. Thus, to promote education, it would be beneficial if educational services are exempted from tax. However, commercialization of education is also a reality.

KEYWORDS: Goods and Service Tax (GST), Education, Industry, Institution.

➤ INTRODUCTION

Education is one of the major sector for an economy. The education of country's youth will decide how the economy of that country will flourish. Education promotes understanding, vision, creativity and productivity of people which helps in advancement of a country. In India, education is provided both by public sector education institutions as well as private sectors education institutions. Indian government's foremost priority is to provide low cost education every child. That's why education sector enjoy lots of tax exemption as they are not taxed or comes in negative list. The educational institutions that have been granted the exemption from GST are pre-schools and higher secondary educational institutes – both private and Government.

➤ GST LAWS RELATING TO EDUCATIONAL INSTITUTIONS

Services provided by an educational institution to its students or faculty or staff were exempt. (Mega Exemption -Notification Number ST-25/2012 dated 20/06/2012)

Later the exemption in relation to services provided to educational institutions was modified with effect from 01-04-2014 and scope of the exemption

for services provided to the Educational Institutions (Institution providing pre-school education and education up to higher secondary school or equivalent) was restricted to some specified services namely-

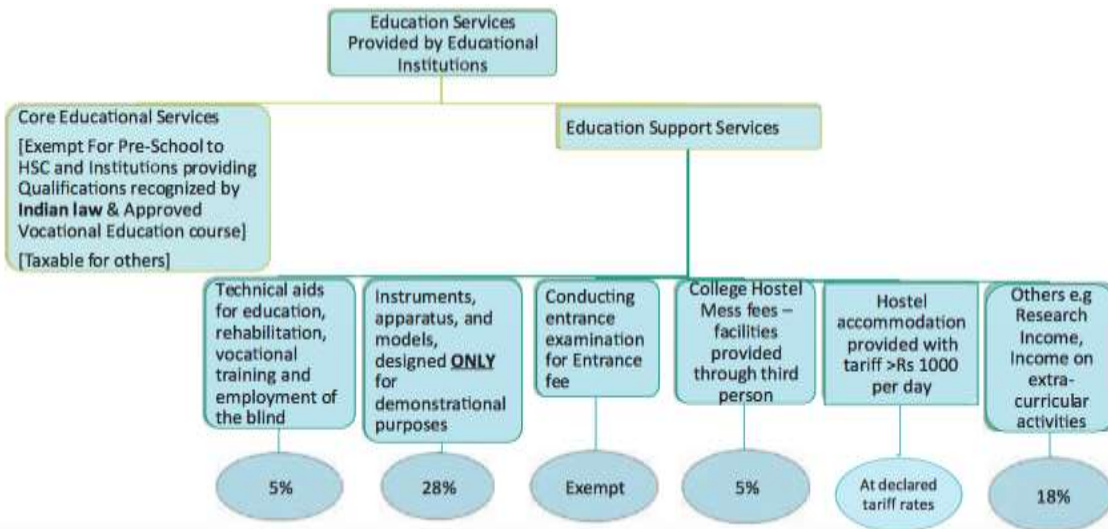
1. Transportation of students, faculty and staff
2. Catering, including any mid-day meals scheme sponsored by the Government;
3. Security services performed in such educational institution
4. Cleaning services performed in such educational institution
5. House-keeping services performed in such educational institution
6. Services relating to admission to, or conduct of examination by, such institution

Any other service provided apart from those mentioned above to educational institution (Institution providing pre-school education and education up to higher secondary school or equivalent) was taxable.

Also, any service provided to an institution other than Institution providing pre-school education and education up to higher secondary school or equivalent was taxable.



➤ **GST PROVISIONS ON EDUCATIONS SERVICES**



➤ **EDUCATIONAL INSTITUTION UNDER GST**

Under GST, “educational institution” is defined as an institution providing services by way of:

- Pre-school education and education up to higher secondary school or equivalent;
- Education as a part of a curriculum for obtaining a qualification recognized by any law for the time being in force;
- Education as a part of an approved vocational education course;

➤ **REGISTRATION OF EDUCATIONAL INSTITUTIONS UNDER GST**

- Where the educational institution is providing only education as a service then such fees are chargeable at NIL rate and such educational institutions are not required to be registered.
- Where educational institutions are also providing other supplies or other services, i.e., providing books to students, providing shoes or uniforms etc. to students then in such cases such institutions are liable to get themselves registered.

➤ **EDUCATIONAL INSTITUTIONS EXEMPTED UNDER GST**

1. Income from education is wholly exempt from GST if a charitable trust is running a school, college or education institution for abandoned, orphans, homeless children, physically or mentally abused persons,

prisoners or persons over the age of 65 years or above residing in a rural area.

2. Government or local authority or governmental authority carrying on the activity of education is exempted from GST as this is not included in the ambit of supply of services. For Example – Government schools / Municipal schools.
3. Education provided by below are also Exempted Under GST:
 - a. National skill development corporation set up by the Indian government
 - b. National skill development corporation approved sector skill councils
 - c. National skill development corporation approved assessment agencies
 - d. The national skill development programs approved by NSDC Vocational skill development program approved under national skill certification and monetary reward scheme
 - e. Any scheme implemented by NSDC with training partners
4. Exemption has also been granted to the services provided by the IIM–a. 2 year full-time residential PG programs in Management for Post Graduate Diploma in Management, admission in which is granted via CAT
 - b. Fellowship programs in Management
 - c. 5 Year Integrated Programs in management studies (but excludes the Executive Development Program).



➤ **NON-EXEMPTED EDUCATIONAL SERVICES UNDER GST**

The educational services that are not exempted from GST are after school activities offered directly by third parties, food and accommodation supplied for excursion, supplies provided by third parties like musical instrument, computers, sports equipment, and uniform, stationery, and other non-academic related supplies. The educational services led by training and coaching foundations are also not exempted from GST.

1. Higher Education Institutions and Private Institutions

The exemption under GST has been granted for pre-schools till higher secondary education. Since universities and other advanced educational institutions have not been mentioned in the exception list, 18% GST is expected to be levied on this.

Higher education in the private segment will end up being more costly and in turn, competition for admissions in government schools/colleges/foundations will increase. There will be a 3 to 5% of the obligation jump on the administration costs that will over the long haul impact the common man. The middle class families who obtain education loans or put their life-long savings into educating their wards at reputed institutions will be facing the inconvenience.

2. Coaching Institutes

As clearing competitive exams and entrance exams seems impossible without taking professional coaching, coaching institutes form an integral part of education. GST has raised the tax rate to 18% from 14% for these coaching institutes. The parents whose children are about to start coaching for IITs and other competitive examinations will be facing the inconvenience.

3. Cost of Organizing Events

When foreign entities organize any educational or training events in India which are attended by professionals, individuals and overseas participants would be taxed under GST.

Apart from the exemption, the private education is likely to get expensive up to 2 or 3% after GST rolled out in India. Even if the lowest tax slab of 5% is applied, the chances are high to get it expensive according to the research and analysis of all the provisions of the bills introduced.

The GST slab rate of 5% is considered as lowest and thus, the government is requested to frame the laws in such a manner that the tax rate and input tax credit allowed in the education industry can share a load of taxation further improving the conditions.

➤ **APPLICABILITY OF GST ON HIGHER EDUCATIONAL INSTITUTIONS**

Services provided to higher educational institutions are taxable. While services provided by an educational institution are out of the GST ambit, the same is not the case with services provided to an educational institution.

The GST exemption on procurements is available only to schools (from pre-school up to higher secondary school or its equivalent). Hence, the 'input' or supply of services such as transportation, catering, housekeeping, services relating to admission or conduct of examination to higher educational institutions will bear GST levy. This will have to be borne by the higher educational institution.

➤ **APPLICABILITY OF GST ON TRAINING PROGRAMS, CAMPS, YOGA PROGRAMS AND OTHER EVENTS.**

Training programs, camps, yoga programs and other events would be considered a commercial activity, liable for GST.

Whether books or stationery distributed to students covered under GST?

Uniform, stationery, and other non-academic related supplies are taxable under GST. Supplies provided by third parties like the musical instrument, computers, sports equipment and after-school activities offered directly by third parties are also taxable. Supply of books is exempt under GST.

➤ **CHARGEABILITY OF GST ON PRIVATE COACHING CENTRES AND DISTANCE EDUCATION.**

1. Private institution and coaching centres do not have any specific curriculum and do not conduct any examination or award any qualification. Hence taxable at the rate of 18 percent.
2. Distance Education is taken up generally for higher education and hence taxable at the rate of 18 percent.

The importance of education in India can't be undermined due to the majority of the population below 25 years of age. Due to the large population and poverty, Education should easily be available at less cost. Implementation of GST has led to rise in the cost of the higher education and Distance Education.

When schools were considered and exempted from GST, the government had to give the same consideration to HEIs as well, which would have avoided such a situation.



➤ CONCLUSION

Education institutions play an important role in fulfilling the objectives of various students as well as parents, It is important that Educational institutions and the educationists should aim to build the capacities of the spirit of creativity, entrepreneurial and moral leadership among students and become their role model. Being a developing country, it is mandatory for the government to put a lesser burden of tax on the education sector. Indirectly, the taxes levied on coaching centers and training institutes will be burdened on students and their parents. Hence, a seamless credit should be allowed in the education chain to keep the cost of education lower in today's scenario.

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