

Education in India

A GST perspective





The government has a constitutional obligation to provide free and compulsory elementary education to every child. Education is an important activity that contributes toward nation-building.

The Indian education system is vast, in size as well as academic offerings. A vibrant and diverse education system means a wide variety of courses are available - from the modern and cutting-edge to the traditional. Indian education ranges from exposure to the latest advancements of science and technology, such as virtual and augmented reality, artificial intelligence and cognitive computing to yoga, Ayurveda, Sanskrit and classical dances.

This vastness of the Indian education system directly translates to enhanced opportunities for its students and global learning for an all-around academic and personal development.

The Indian education system is the world's second largest higher education system

Key statistics pertaining to the education sector are:



1,000+
universities



42,000+
colleges



INR 93,224
crore budget allocation (FY22)





250
million+ students


The new education policy


The **National Education Policy** of India, 2020 (NEP 2020), was approved by the government on 29 July 2020, which outlines the vision of India's new education system.


Key features


01  The new policy replaces the previous National Policy on Education, 1986

02  NEP 2020 envisions a national transformation into an equitable and vibrant knowledge-based society

03  The NEP document presents broad guidelines on education in a language that is advisory in nature

04  National Assessment Centre - 'PARAKH' will assess the students

05  The current 10+2 structure, covering ages 6-18, is to be replaced by a new pedagogical and curricular structure of 5+3+3+4 corresponding to ages 3-18

06  Mother tongue or regional language to be the medium of instruction, at least up to Class 5 and, preferably, till Class 8

Objectives

Identifying and strengthening the unique capabilities of each student



Promoting each student's holistic development



Achieving foundational literacy and numeracy in all students



Full equity and inclusion as the basis of all educational decisions



Teachers and faculty at the heart of the learning process



Regular formative assessment for learning



'Light but tight' regulatory framework



Encouraging innovation and out-of-the-box ideas





The Goods and Services Tax (GST) law tries to maintain a fine balance, whereby core educational services provided and received by educational institutions are exempt and other services are taxed. There are several transactions that could attract GST. Hence, it is essential for organisations to periodically review their tax positions to ensure compliance with the law.

Key focus areas

Tax positions adopted for key outward transactions

Input tax credit (ITC) optimisation

Education from outside India (OIDAR)

Ancillary transactions, including book publications and sales

Services by ed-tech companies

Tax liabilities under the reverse charge mechanism (RCM)

Taxability under GST for the education sector



Core exempt supplies

- Services provided by educational institutions to its students, faculty and staff, such as:
 - Education service fee/tuition fee
 - Online education
 - Fees for boarding, accommodation or hostel
 - Fees for entrance exam
 - Catering service
- Sale of printed/coloured books



Other exemptions

- Below are services provided to schools:
 - Transportation of students and staff
 - Security and housekeeping
 - Catering services
 - Conducting examinations
- Supply of online journals to colleges and universities



Issues to consider

- The meaning and concept of education, along with what qualifies as an educational institution
- Taxability and valuation of fee charged for extra-curricular activities by an educational institution, such as summer camps, career counselling sessions, sports, etc.
- Taxability of sale of e-books along with physical copies by publication houses
- Taxability of sale of uniform, stationery and other goods as a part of the course fee or should be charged separately
- Valuation of common or shared services with other branches



Taxable supplies

- Renting of premises
- Campus placement fee charged from corporates
- Research activities for commercial organisations
- Commission from tie-ups with a foreign university
- Fees for courses not recognised by law/certificate courses
- Services provided by private coaching institutes
- Advertising income



Online education

- Determination of place of supply for online education services
- GST registration requirement in India for foreign universities providing education in India through internet (OIDAR)
- Taxability of services by ed-tech companies



Common misconceptions

- All services provided by education institutes registered under Section 12AA of the Income-tax Act are exempt from GST
- Any service provided to an educational institution is exempt from GST
- All programmes by the Indian Institute of Management (IIM) are exempt from GST
- Degree recognised by foreign law is exempt from GST
- Education services from outside India is not liable to GST
- GST registration is not required for educational institutions

How Grant Thornton can assist

Our team of indirect tax professionals can provide complete end-to-end solutions for smooth functioning under the GST regime.



GST health check and due diligence services

GST compliance and advisory services, including OIDAR

Input optimisation and review of credits

Assistance in making representations/ Advance Rulings

Litigation support services

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