

Studies Needn't Be So Taxing



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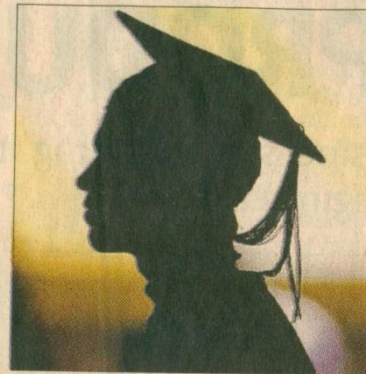
Education, like healthcare, is a priority area in the development of the Indian economy. GoI has provided tax relief to this sector. More specifically, higher education colleges and business schools that provide degrees or diplomas recognised by the government are exempted from the service tax.

The service tax is an indirect tax in which the service provider collects the tax on services from the service receiver and pays it to GoI. While the

government-approved higher education institutions are outside the purview of service tax, they do have to pay service tax on their inputs.

Consider professors of B-schools who are under the ambit of service tax. The college has to pay service tax on such input costs, currently around 15%.

However, B-schools are unable to claim an 'input credit' on such service tax paid to the faculty delivering the courses. The situation is similar to an organisation that now pays goods and services tax (GST) while shifting its products from the factory to its distribution centres located in different parts of the country. Their money will remain blocked until the products are sold. The B-schools' margins were reduced even in the previous service tax regime. With GST, the rate of tax applicable for such input costs has increased from 15% to 18%, further straining the



A degree of concern

financials of B-schools.

But the bigger cause of concern lies in the other inputs that B-schools use regularly, such as food catering, transportation services and security services provided to students. Until now, such services were outside the ambit of service tax.

With GST, these attract 18% service tax. So, B-schools now pay 18% of the total input cost relating to such services but are unable to secure an input credit on the same.

The very objective of GoI to provide a favourable tax regime to the education sector seems defeated by such disparities. Educational and coaching institutions will continue to play a critical role in fulfilling the objectives, aspirations and dreams of young Indians.

So, the tax should be zero-rated. To provide real benefit to the education sector, seamless credit should be allowed across the supply chain, so that under GST, the total cost of education will be lower than what it was in the previous tax regime.

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