

Impact of GST on higher edu institutes decoded

Though Kept Out Of The Ambit, Outsourced Services To Bear Levy

TIMES NEWS NETWORK

Let's make 'Study in India' happen! To achieve this, the government needs to think progressively like a business partner. **TOI** spoke to experts to decode the GST impact on higher educational institutions. The importance of education cannot be undermined in a country like India—where nearly half of its billion plus population is below the age of 25. In the years to come, the country will need to cater to a huge demand for jobs—a challenging prospect in an environment which could be dominated by robotics and artificial intelligence.

Jobs will call for creative problem solving, analytics and critical thinking. Hence, helping higher educational institutions which can impart cutting edge knowledge, at times in collaboration with foreign institutions, is the need of the hour. Even as private higher educational institutions are emerging, these are forced to continue to operate under the umbrella of 'not-for-profit'.

The GST Council's decision to continue to exempt services provided by educational institutions to its students is a step in the right direction. To this extent, the apple cart has not been rocked. However, services to higher educational institutions are not GST free. Higher educational institutions will have to pay GST when availing of a wide range of services. This dilutes the objective of keeping education outside the GST ambit.

Earlier, a vast majority of services provided to educational institutions were classified as 'business auxiliary services' and procurement of such services did not attract service tax. Then, the cate-

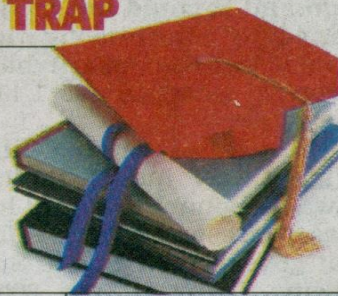
HIGHER EDUCATIONAL INSTITUTIONS IN GST TRAP

➤ GST exemption on procurement of services, viz: transportation, catering, housekeeping, services relating to admission or conduct of examination, are available only to those providing up to higher secondary education

➤ Higher educational institutions need to be treated at par

➤ Higher educational institutions have to pay GST on the inputs used by them, even if connected with education in all cases

➤ Countries, like Australia have a zero rated concept, where refund of GST paid on inputs is available



ry of services supplied to educational institutions which would not attract service tax were restricted to four. Bipin Sapra, indirect tax partner at EY India, explains: "The first step to distinguish between services provided to educational institutions v/s higher educational institutions, was taken in March, much before the GST bills were passed in the Parliament". Services in the nature of transportation, catering, housekeeping, admissions or examination conduct if provided to higher educational institutions were subject to service tax. "Unfortunately, the GST Council, has continued with this. Given the importance of higher education, in a country like ours, there is an urgent need to revisit this," says Sapra.

Services provided to higher educational institutions are taxable. While services provided by an educational institution are out of the GST ambit, unfortunately 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 second-

ary school or its equivalent). Thus, 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 a GST levy. This will have to be borne by the higher educational institution.

As the 'output' (service of providing education to students) is tax free, no input credit would be available. This partly defeats the purpose of exempting educational services from GST.

In fact, sprawling campus of higher educational institutions, especially if these have boarders are likely to incur heavy expenditure on some of the above items—such as security, housekeeping or catering, as compared to schools. For instance, maintenance of laptops provided to students, or maintenance of a swimming pool or basketball court. Since all educational institutions operate as non-profits, so why this dichotomy?

There is an additional issue. "The impact of non-eligibility of input tax credit, is even more pinching due to the mandatory

reverse charge mechanism if the goods or services are procured from unregistered dealers. Educational institutions typically obtain services from freelancers such as supervisors, research assistants, paper setters et al. Payments to such individuals would attract GST under reverse charge—it is the educational institution which would pay this tax and also comply with formalities of uploading documents on the GSTN portal," explains Sunil Gabhawalla, chartered account and indirect tax specialist.

Australia has the most comprehensive GST regime in the world—it covers almost all goods and services and provides for very few exemptions. However, education largely remains GST free. Supply of services to educational institutions are 'zero rated'. In other words, these institutions (as they are GST exempt) can claim a refund against the taxes paid by them on inputs. Other countries such as South Africa also adopt a similar norm.

Higher costs would be an added deterrent for foreign students, who wish to study in India. Statistics drawn from the All India Survey on Higher Education conducted by the Union ministry of human resource development show that 45,424 students enrolled in India in 2015-16. While these students came from 165 countries, bulk of the students were from our neighbouring countries - Nepal (21%), followed by Afghanistan (10%) and Bhutan (6%). Compared with the outflow of students from India, overseas—largely to USA, this seems an insignificant figure. However, it denotes a rise of 31% as compared with numbers two years earlier.