

IMPLICATIONS OF GOODS AND SERVICE TAX ON -EDUCATIONAL SECTOR

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ABSTRACT

Present study tries to comprehend the country's current taxation structure and its effects, both positive and negative, on India's educational sector. The Government of India adopted the Goods and Services Tax (GST), the largest tax reorganization in country after freedom, on July 1st, 2017. India implements a twin GST scheme by presenting Central GST (CGST) and State GST (SGST). The tax imposed on all goods and services-based on their final terminus is known as the "goods and services tax." By decreasing the multiplicity and cascading impacts of taxes, increasing transparency, and improving compliance in every transaction, it enhances our nation's taxation system. The only indirect tax that touches every sector and area of our economy is the GST. The forthcoming of any nation rests on the superiority of education given to young people, which is one of the foundational pillars of any economy. While they claim numerous tax exclusions or fall under the category of the negative list, the educational industry has benefited from the government. India has both public and private educational institutions, but the government favors free teaching for all citizens. The GST Council aimed to provide the educational sector the most exemptions possible or exempt it from the GST regime in order to reduce the cost on end users. Based on secondary data, this paper examines how the Goods and Services Tax has affected the educational sector.

KEYWORDS: *GST, Educational Segment, Implications of GST; Indirect tax, Direct Tax.*

1. INTRODUCTION

In order to prevent the snowball properties of indirect/secondary taxes and to lower the charge of goods and service elevated by their snowballing of taxes, the Indian government passed the GST bill on July 1, 2017. In order to safeguard a smooth transition, the GST Council, GSTN, and other organizations constantly decide how to address the issues that arise at various levels. With the implementation of the GST at the state level, the CENVAT and service tax's additional burden is removed, and the main federal and state taxes are incorporated into the GST, drastically reducing the number of taxes. It so represents a significant advancement completed the old taxing structure [1].

The GST is a very comprehensive idea that streamlines the taxation arrangement and improves our nation's economy by lowering the number of levies and tax evasion. GST is an indirect tax that is applied to all supplies of goods and services in India. It is a tax with a destination and is based on where the products and services are supplied, not where they are created. There are four different tax rates for GST: 5%, 12%, 18%, and 28% [2].

Although it is not specifically stated in any law, education is the foundation of a country and has a direct impact on economic development. As such, delivering knowledge/teaching is always viewed as a community service action rather than a commercial. Individuals become more knowledgeable, creative, and productive as a result of education. Public and private educational institutions are both present in India. The Indian government encourages everyone to receive affordable education. Because of this, the educational industry in India benefits greatly from both indirect and direct tax exemptions. Straight taxes are that levied and waged to the government directly, such as income tax and TDS, whereas secondary taxes, such as excise, GST, custom, and others, are levied and paid to the government indirectly [3].



Figure 1. Various types of taxes incorporated in GST.

2. PROBLEM IDENTIFICATION

The present investigate will useful to realize the contemporary taxation arrangement trailed by the educational sector. The core aim of this work is to analyses the optimistic and undesirable impression of the execution of GST on the school system. This study also examines the educational sector's GST-exempt and non-exempt services.

3. LITERATURE SURVEY

Dr. R Vasanthagopal assessed the effects of the GST on several industries, including agriculture, healthcare, real estate, and others. The GST, which he evaluated for both its favourable and unfavourable effects on various industries, will be India's most significant tax reform since Independence, which results into the increase of national revenue [4].

The effect of GST on logistics sector in India was studied by Dr. Anitha M. N. came to the conclusion that the GST will have a favorable effect on the logistics sector by lowering logistical costs and increasing efficiency [5].

An impact of GST on Indian Economy is comprehensively studied by Shefali Dani came to the conclusion that planned GST rule was unfavorable for the telecommunications industry and that government should exclude petroleum products, electricity, real estate, and alcohol from its scope. After agreement is reached, the government must put such a framework in place [6].

Alpna Yadav study of effect of GST on country's financial situation that GST will address the issue of the tax system's complexity since it substitutes complete indirect taxes with a single indirect tax. GST lowers the cascading effects, which lowers the cost of goods and services (tax on tax) [7].

Poonam claimed in her paper based on the topic GST in country: A Preliminary investigation suggest that the GST will retain transparency without providing some items or services preferential treatment while reducing tax evasion, the cascade effect, and distortion [8].

B. Anbuthambi and N. Chandrasekaran assessed GST and drill for its Application in India: A Perspective, which decided that GST was put into place on a nationwide scale. For trainers on GST rules and regulations, the government must offer training and a help desk facility [9].

Dr. Duggappa M.C. in his work entitled as "An Empirical Study on GST," whispered that the GST is advantageous and has changed the tax structure. Subhadeep Dutta in her work based on investiagtion of GST and its results came to the conclusion that following the employment of GST, tax rates will increase by 3-5%, increasing the charge of amenities to the end-user. SWOT analysis was used in her research to identify challenges and problems and to examine how the GST has affected students' way of life [10].

In the book published by CMA Amit A. Apte having title "GST on Educational Sector" resolved that solitary primary amenities are free from GST and that any subsidiary or related services connected to fundamental amenities are subject to GST [11].

4. PROCEDURE ADOPTED FOR STUDY

Secondary data provided by various sources is the foundation of present investigation. Author makes no effort to incorporate any arithmetical data in this analysis, and the information utilized for it was gathered from a variety of online sources, including websites run by the government, academic publications, and newspapers that dealt with GST. Reviewing the GST concept and examining how it affects the educational sector are the goals of this study.

5. ROLE OF GST IN EDUCATION FIELD

GST was not applicable to higher secondary educational institutions or to services that were straight connected to the essential instructive amenities. An institution offering services may be referred to as a "Educational Institutions" under GST. Preschool education, teaching as part of a program for gaining a requirement recognized by any law now in effect, and vocational education courses are all considered to be teaching up to higher secondary school or comparable.

The educational field was previously exempt from paying any indirect taxes, but since the implementation of GST, it now falls under the group of taxpayer. As a result, the cost of obtaining is increased by GST because the tax rates on items are higher than they were previously, increasing the educational sector's tax burden and costs. According to notification No. 12/2017- CT(R) dated June 28, 2017, and notification No. 09/2017- IT(R), as amended from time to time by the Government of India, core educational services were exempt [12].

6. EDUCATION SEGMENT RELATED SERVICES AND THEIR TAX RATES IN GST

According to a notification No. 2017-Central Tax (Rate), Education Services are categorized under heading 9992 of the GST Law and are subject to the following types of taxes [13]:

In Sequential No.66 of Announcement No. 12/2017 dated 28th June 2017, facilities providing by the institution to its scholars, teaching staff, and supporting staff and providing facilities like transport, cookery, facilities related to admission or entrance test are excused from GST. In Serial No.30 of Announcement No. 11/2017 dated 28th June 2017, Education Institution Facilities is chargeable at a rate of 18 percent.

In Sequential No. 67 of Announcement No. 12/2017 dated June 28, 2017, it was stated that the Executive Development Program (2 year PG programme in management based on the CAT, a fellowship programme in management, or a five-year integrated programme in management) that Indian Institutes of Management provide to their students is taxable at a NIL rate.

Vocational training programmes, reintegration, practical aids, and service of the blind, such as Braille typewriters, knowledge supports, sports, and other instruments, are chargeable at a rate of 2.5% CGST and 2.5% SGST.

Devices, device, models which are made for educational, exhibition, or similar works and unsuited for other applications are chargeable with 14% CGST and 14% SGST.

7. IMPLICATIONS OF GST IN EDUCATION SYSTEM

Although the GST was instituted to prevent the disadvantages of double taxation, it has both positive and negative effects as listed below:

7.1 Optimistic Implications of GST

- Higher secondary educational organizations are exempt from paying taxes and are eligible for tax exemptions.
- Educational organizations that only offer educational facilities to students and receive payment as fee are excluded from GST registration requirement.
- After receiving clearance from the IT Department by the Government of India, institutions administered by charitable trusts may be eligible for tax exemption under Section 12A.
- GST is not applicable to any of the services provided by the National Skill Development Corporation or the Sector Skill Council, including education services, training programmes, vocational skill development courses, or other type of services.

7.2 Negative Implications of GST

- Many educational institutions rely on outside service providers to meet their daily needs for things like housekeeping, transportation, catering, etc. However, with the application of GST, the charge of the educational segment will increase due to an upsurge in tax rates from 5-12% to 18%, which will have an indirect or direct impact on the nation's education system and economy due to the abrupt increase in the cost of education.
- Under the former tax system, non-Conventional courses fell under the 15% tax category, however under the GST, they are subject to the 18% tax bracket.
- Professionals, students, corporations, and other groups that participate in educational training or events conducted by foreign organisations in India are subject to an 18% tax rate.

- Certain goods will increase in price, while others will decrease in price. For instance, schoolbags were overtaxed at 12.5% under the preceding taxation arrangement, but under the GST system, they fall under the 18% tax bracket. On the other hand, ballpoint pens and exercise books were taxed at 18.68% under the previous taxation system, but they now charge at 12%.

8. EDUCATIONAL FACILITIES EXEMPTED UNDER GST

- Services pertaining to the curriculum or course materials.
- Student examination costs, scholar registering fees, administration related services (such as public library fees, penalty for late submission, issuance or replacing I-Card etc.), and transport facilities for instructors, staff, and scholars are just a few examples.
- The Entrance Test fee is likewise exempt from GST.
- Security, cleaning, and housekeeping services are provided by the institution on its own.
- Catering or midday meals for instructors, staff, and scholars are supported by the organization on its own.

9. EDUCATIONAL SERVICES NOT EXEMPTED UNDER GST

- Any kind of service obtained from a third party is subject to GST taxation, including those for computers, musical gadgets, cleaning, safety, transport, etc.
- Non-academic provisions like clothing, office supplies, or anything else.
- Providing food and lodging for excursions.

10. LIMITATIONS AND SCOPE OF STUDY

Repeatedly The greatest issue in this research study is variations in GST rates made by the GST council throughout sessions. The updated and revised data offer numerous opportunities for additional investigation. Some FAQ related to GST impact on education system are discussed below,

Question	Response
Educational institution under GST	Education as a component of a program for achieving a credential predictable by any legislation currently in force is defined as a service provided by an educational institution as: <ul style="list-style-type: none"> • Preschool teaching and teaching up to higher secondary school or comparable. • Instruction as a component of a recognized professional education programme.
What is meant by an permitted professional instructive course?	A course offered by an Industrial Training Institute, Industrial Training Center, or State Council for Vocational Training that offers courses in prepared trades informed under the Apprentices Act of 1961 is referred to as an approved vocational educational course.
What are the circumstances where services provided by educational institutions do not attract GST?	GST is not applied to the services that educational institutions give to their instructors, employees, and students. It should be noted that the exemption only applies to services rendered by educational institutions; it does not apply to the supply of commodities by such institutions to their students, employees, or professors.
What are the services that are exempted from GST if provided to a college or approved vocational institution?	Only the services listed below are excluded if given to a college or recognised vocational institution. assistance in applying to or taking exams at such colleges, universities, or organisations. availability of

	magazines or publications for education online.
Should private coaching classes charge GST?	Private coaching centres' or tuitions' services do not constitute recognised vocational education programmes, nor do they offer instruction that is part of a legislation for the time being in effect-approved curriculum. These coaching sessions or tuition fees are thus taxed because they do not fall within the definition of educational institutions.
Are facilities provided by Indian Institute of Management taxable?	IIMs will be subject to the exemption notification granting exemption to educational organizations providing services to its pupils, staff, and faculty as of January 31, 2018, as they will be regarded as educational institutions providing teaching as a component of a program for obtaining a qualification recognized by any law. Nevertheless, short-term (less than a year) programmes provided by IIMs for which participation certificates are given are not exempt and must thus pay GST.
When books and stationery are distributed by a school to its students, will such supply attract GST?	Supply of books is exempted from GST. However, any other non-academic related supplies, uniform or stationery are not covered under any exemption and are hence taxable.
Are services provided to a higher secondary school exempted from GST?	<p>The following services provided to a higher secondary school are exempt from GST Transport of students, staff and faculty.</p> <ul style="list-style-type: none"> • Food preparation services • Mid-day meals scheme sponsored by the Central Government or State Government • Safety services • House-keeping facilities provided by such educational institutions • Amenities keeping relevance to admission process or conduction exam by such institution <p>Note: The above mentioned services are exempted only if provided to any educational institution providing services by way of pre-school education or education upto higher secondary school or equivalent. (I.e. pre-schools and schools offering education upto 12th standard or equivalent)</p>

11. CONCLUSIONS

Preschool through higher secondary or its comparable education services are exempted from GST, and educational organizations that simply offer education as a service are not required to register under GST. Because of the application of GST, the charges of teaching institutions is rising as a result of an increase in the tax rate on various goods. Additionally, institutions and universities that provide education beyond the higher secondary level are now mandatory to pay GST for services, which means they will be responsible for the cost of transportation, catering, housekeeping, etc. Education as an output service that is exempt from GST.

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