

IMPACT OF GST ON HIGHER EDUCATION

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ABSTRACT

Government's ambitious tax plan, GST (Goods and Services Tax) is applicable all over India from the midnight of 30th Jun. The idea behind introducing GST was to regularize the tax policies and make them uniform across the country by doing away with the practice of giving the states the authority to levy tax on commodities and services.

GST IMPACT ON STUDENTS' LIFESTYLE

Gadgets, clothes, grooming products and food are important part of a student's life. Here we explain why and how the price of amenities is changing:

Gadgets: Mobile phones are likely to get costlier as the GST on phones manufactured in India has been increased. On the other hand, phones imported from foreign countries have become cheaper. To be exact, the cost will increase by 4-5 per cent with the government imposing a goods and services tax (GST) of 12 per cent, taking away the benefit under duty differential that was being offered to local manufacturers. The tax on laptops have to be increased from 14-15 per cent to 18 per cent so all in all, electronic items is pinching students' pocket more than before.

Food: Eating outside might become difficult now as GST of 12 per cent to be levied on non-air conditioned restaurants which are most frequented by the students. Guess it's time to eat more at the hostel canteen.

Clothes: One of the most exciting things about joining college is the need to not wear a uniform. The attempt to look your glamorous best but it might become a little challenging for now as the clothes which cost Rs 1000 or more per piece, is attracting a GST of 12 per cent compared to 5 per cent earlier.

HOSTEL FACILITIES AND STATIONARY

Services like laundry, food in hostel mess, medicine, stationary and other services products have to be now attract a GST of 18 per cent, increasing the expenses considerably. Since stamps, judicial papers, printed books and newspapers come under the 0 per cent tax bracket, items of daily use by students such as school bags, colouring books and notebooks have become cheaper.

GST RATES FOR EDUCATION SECTOR

All the services provided by the educational institutions, whether they are schools or colleges are exempted from GST. This is a correct step in direction of promoting education in the country where nearly half of the one billion plus population is below 25 years of age. Along with healthcare, this is the sector which has been put under the zero or minimum tax bracket. However, there is a slight twist, while the schools (from pre-school up to higher secondary school or its equivalent) do not have to pay GST in any way, higher education centres are required to pay it for services they are given by the government. By this we mean, 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. The 'output' services which means providing education will continue to remain tax free.

GST IMPACT ON STUDENT FEES

To explain it statistically, the student who paid Rs 1 lakh in a year for a course in a top college and Rs 3,000 as tax will have to pay Rs 15,000 more in tax after July 1. The rate of taxation is expected to range somewhere around 12 per cent to 18 per cent as compared to the existing 15 per cent, the exact rate is difficult to be derived since the variety of the services offered is huge.

The training or coaching institutes will have to bear the taxes because the training institutes do not give a recognized qualification. The new GST on coaching institutions will be 18 per cent. So, a student paying Rs 1 lakh to a coaching centre will have to pay Rs 1.18 lakh after GST, which is Rs 3,000 more.

The actual implications of application of GST in education sector will only be revealed later when practical application happens but one can only expect the price of education to rise a bit. This is expected to impact the number of applications by foreign students in Indian universities.

1. 2 year full-time residential PG programs in Management for Post Graduate Diploma in Management, admission in which is granted via CAT.
2. Fellowship programs in Management.
3. 5 Year Integrated Programs in management studies (but excludes the Executive Development Program).

THE EDUCATION SERVICES PROVIDED BY THE BELOW ARE ALSO EXEMPTED FROM GST:

1. National Skill Development Corporation set up by the Government of India
2. Sector Skill Councils approved by the National Skill Development Corporation
3. Assessment agencies approved by the Sector Skill Council or the National Skill Development Corporation
4. Training partners approved by the National Skill Development Corporation or the Sector Skill Council are also included w.r.t the following programs:
 - (a) the National Skill Development Programme implemented by the National Skill Development Corporation
 - (b) a vocational skill development course under the National Skill Certification and Monetary Reward Scheme
 - (c) any other Scheme implemented by the National Skill Development Corporation”.

However, as the educational services led by training and coaching foundations don't help in getting legally perceived qualifications therefore these are not exempted from GST. Let us take a look at them:

1. Higher Education Institutions and Private Institutions

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

Higher education in the private segment will end up being more costly and in turn, rivalry for admissions in government schools/colleges/foundations will increment. There will be a 3 to 5% of the obligation jump on the cost of administrations that will over the long haul impact the common man. The burden will be the most on

middle class families who obtain education loans or put their life-long savings into educating their wards at reputed institutions.

2. Coaching Institutes

Coaching institutes form an integral part of education today as clearing competitive exams and entrance exams seems just impossible without taking professional coaching on how to clear and attempt them. GST has raised the rate of taxes to 18% from 14% for these coaching institutes. This will be a burden for all parents whose child is about to start coaching for IITs and other competitive examinations.

3. Cost of Organizing Events

Any educational/training events organized in India by foreign entities which are attended by professionals, individuals and overseas participants as well would be taxed under GST.

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