

# Impacation of GST in Indian Education Sector

Dr.Shrikesh Poojari, Dr.Sanoj Kumar

*Associate Professor, Pramod Ram Ujagar Tiwari Saket Institute of Management*

**Abstract** - This study aims to understand the taxation system of our Country and its impact on educational sector in India. GST (Goods and service tax) is major tax reform, in indirect tax structure of India since Independence. It was designed to provide the support and enhancing the economic growth of India. The idea to set up GST in India was put forth by Atal Bihari Vajpayee government in 2000, It is the biggest tax reform in India since Independence and was implemented by the Government of India on 1st of July 2017. Prior to this date, the system to collect indirect tax was complex as there were different heads of Indirect taxes but GST introduces the system which unifies 17 heads of Indirect taxes into one single set. At present, taxes are levied on the goods and services by the collective effort of central and state governments Goods and Services Tax is the tax that is levied on all goods and services based on their destination and India adopts a dual GST system by introducing Central GST (CGST) and State GST (SGST). It improves the taxation system of our Country by reducing the multiplicity and cascading effects of taxes and by bringing out transparency and improves compliances in every transaction. GST is the only indirect tax that affects all the sectors and sections of our economy.

Education is one of the major sectors of any economy and the future of any country depends on the quality of education provided to the youth. Education promotes understanding, vision, creativity and productivity of people which helps in advancement of a country. In India, Education is provided by public as well as private sector. Indian government's foremost priority is to provide low-cost education to one and all. That's why education sector enjoys lots of tax exemption. GST council tried to provide maximum exemptions or keep away from the GST regime to the educational sector. This study analyses GST and its impact on educational Sector based on the secondary data.

**Key Words** - Goods and Service Tax, Education Sector, Indirect Tax, Students

## INTRODUCTION

Education: As per Wikipedia "Education is a purposeful activity directed at achieving certain aims,

such as transmitting knowledge or fostering skills and character traits. Education is the backbone of a Nation and it directly affects the growth of an economy and providing education is always seen as a social activity rather than a business one. India is one of fastest growing economy in the world, moreover it is one of youngest economy in the world. So for it education plays crucial role for the social and economic growth of India. Education is one of the major service sectors for the economy like India because it will decide how the country will flourish. It promotes knowledge, skills, vision, innovation and creativity etc. of people which help in the growth of a country. India is a mixed economy, Education is provided by both the private and government sector. Central government passes the "Compulsory Education Act 2009" which makes the education compulsory for every child. In India, there are two types of educational institutions, viz public and private. Indian Government supports low-cost education to each people. That's why in India educational sector avails lots of tax exemption in Indirect taxes as well as direct taxes. Direct taxes are those taxes that are directly paid to the government like income tax, TDS, and indirect taxes are indirectly levied and paid to the government like, excise, GST, custom, etc. The Goods and Service Tax (GST) is a very vast concept that simplifies the taxation system and enhances the economy of our country by reducing the multiplicity of taxes and their evasion. GST is an indirect tax and levied on all goods and services supply in India. It is a destination-based tax and it applies to where the goods and services are supplied not by produced. GST has four types of rates of Tax: 5%, 12%, 18%, and 28%.<sup>2</sup> The government of India passed the GST bill on 1st July 2017 to subsume all the indirect taxes to avoid the cascading effects of indirect taxes and to reduce the cost of products and services raised due to multiplicity of taxes. Goods and Services Tax Council, GSTN, and all government agencies, etc., have been regularly deciding to resolve the problems encountered being at different levels to

ensure a smooth transition. With the introduction of the goods and services tax at the state level, the extra load of the CENVAT, as well as service tax, is eliminated and the major central and state taxes are included in GST, plummeting the multiplicity of taxes.

#### OBJECTIVE OF THE STUDY

- To know the impact of GST on education
- To check the positive and negative sides of GST
- To furnish information for further research work on GST

#### NEED OF THE STUDY

This study will help us to understand the present taxation system followed by the educational sector. This study is necessary to analyse the positive and negative impact of the implementation of GST on the educational sector. This study also analyse the exempted and non-exempted services from GST of the educational sector

#### REVIEW OF LITERATURE

- Radha Dhaked (2022) in her study Impact of GST Tax on Education Sector helped in defining the education institutes under GST and elaborate various taxable and exempt education service as per GST Regime and a complete list of exemption offered to education institutions.
- Amit Khiyani (2021) in his study elaborate impact of GST and rates of GST in Education Services
- CMA Amit A. Apte (2019) published a book on "GST on Educational Sector" and concluded that only primary services are exempted from GST and any ancillary or incidental services related to primary services are taxable under GST.13
- ICAI (2019) in their study had given all the details about GST on Education Sector, Exempted and Non exempted education educational services and practical approach in collecting GST.
- Dr. Duggappa M.C (2018) in his study "An Empirical Study on Goods and Service Tax" said that the GST system is favourable and brought changes in the tax regime.
- Subhadeep Dutta (2018) in her study "A Study of Goods and Service Tax and its impacts" concluded that after implementation of GST tax

rates will be increased by 3-5% resulting in an increase in the cost of services to the end-user. Challenges and issues find out by using SWOT analysis in her study and analyse the impact of GST on student's lifestyles.

- B. Anbuthambi and N. Chandrasekaran (2017) studied "Goods and Services Tax (GST) and Training for its Implementation in India: A Perspective" and concluded that GST was implemented at the national level. Government must provide training and help desk facility for trainers on GST rules and regulations.
- Alpna Yadav (2017) in her study "Impact of Goods and Services Tax on Indian Economy" concluded that GST will solve the problem of complexity of the tax system because it replaces all the indirect taxes into one indirect tax. GST also reduces the cost of goods and services by reducing the cascading effects (tax on tax).
- Dr. R Vasanthagopal (2011) in his study evaluated the impacts of GST on the various sectors like education, agriculture etc and also assessed the positive and negative impacts of GST on various sectors and concluded that it will be the biggest tax reform in India which will increase the revenue of the nation.

#### METHODOLOGY

This study is based on secondary data and does not include any statistical data. The data used for this study has been collected from various online sources, official websites, journal articles, newspapers, related to GST.

#### IMPACTS OF GST ON EDUCATIONAL SECTOR

GST was implemented to avoid double taxation effects but there are some Positive and Negative impacts of GST as below:

##### POSITIVE IMPACTS OF GST

- Educational Institutions providing only education services to students and receiving money as fees for educational services are not required to be registered under GST
- Institutions up to Higher Secondary are exempt from paying any tax and avail tax exemptions.

- Institutions runs by Charitable Trust can avail tax exemption U/s 12A after taking approval from the Income Tax Department.
- Education Services, Training Programs, Vocational Skill Development Course or any other Type of Services Provided by National Skill Development Corporation, Sector Skill Council are fully Exempt from GST.

#### NEGATIVE IMPACTS OF GST

- Most of the educational Institution depends on third-party service providers for Housekeeping, Transport, Catering Services, etc. to fulfil their daily requirements but with the Implementation of GST, cost of educational sector will rise due to increase in tax rates from 5-12% to 18% and it directly or indirectly affects the education system.
- Coaching fee is subject to 18% and Non-Conventional courses were under the tax bracket of 15 % in the previous tax system but under GST it comes to the tax bracket of 18%.
- Educational training/events organized by foreign entities in India come under the tax bracket of 18% that are attended by professionals, students, corporates, etc.
- Some products shall become more expensive and some products shall be cheaper. For instance, Schoolbag was taxed at 12.5 % under previous taxation system while under GST regime it comes under 18 % tax bracket.
- Ball pen and exercise book under the old system was taxed at 18.68 % and now it comes under the tax bracket of 12 % and become less expensive.

#### LIMITATION OF THE STUDY

One of the biggest problem is the repeatedly changes in GST rates by the GST council. It is one of the biggest problem in this specific research study. There are lots of scopes available for further researchers with the up-dated and redesigned data.

#### CONCLUSION

Education Services provided from preschool up to higher secondary or its equivalent are exempt from GST and those educational institutions provided only education as a service need not be registered under

GST. Due to implementation of GST, the cost of educational is increasing due to an increase in the tax rate on different items, and those Institutions and universities who provided education after higher secondary are required to pay GST for services which means transportation, catering, housekeeping, etc. will levy GST and the cost will have to be borne by the institutions. Education is free from GST means output service of institutions.

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