



# TAX MATTERS FOR EDUCATIONAL INSTITUTIONS

## Introduction

- ▶ Education plays an important role in any economy as the education of the country's youth will decide how the country will flourish. Taxing the Education Sector has always been a sensitive issue, as education is seen more as a social activity than a business one.
- ▶ Therefore, government has given certain exemptions to educational institution in regard to GST. In a nutshell, every attempt is made to ensure that the core educational services are fully exempt from GST.

**"Education is an ornament in prosperity and a refuge in Adversity"**

**– Aristotle**





**Education as a part of an approved vocational education course.** In terms of explanation to Notification no. 12 CTR dated 28<sup>th</sup> July 2017 approved vocational educational course means

- a) A course run by an **Industrial training Institution** or an Industrial training centre affiliated to the National Council or State Council for Vocational Training offering courses in designated trades notified under the Apprentices Act, 1961 (52 of 1961); or
- b) A **Modular Employable Skill Course**, approved by the National Council of Vocational Training, run by a person registered with the Directorate General of Training, Ministry of Skill Development and Entrepreneurship.

Training given by **private coaching institutions** would **not be covered** under educational institution as such training does not lead to grant of a recognized qualification.



**Taxability with respect to services provided by an educational institution:**

Summary of services provided by an educational institution along with the taxability:

Service	Provided to	Taxability
Coaching fee	Its students	Exempt
Training fee	Its students, staff / faculty	Exempt
Arts and sports fee	Its students	Exempt
Library fee	Its students	Exempt
Tuition fee	Its students	Exempt
Sale of stationery	Its students	Exempt (treated as composite supply)
Sale of note books	Its students	Exempt (treated as composite supply)
Sale of Text books	Its students	Exempt (treated as composite supply)
Catering services	Its students, staff / faculty	Exempt
Hostel fee	Its students, staff / faculty	Exempt
Sale of uniform	Its students	Exempt

Service	Provided to	Taxability
Any other services	Its students, staff / faculty	Exempt
Any other services (Advertisement - Printing third party's brand name on the Institution pamphlet)	Any person (other than its students, staff or faculty)	Taxable
Hostel fee for stay to parents	Parents of students	Exempt if declared tariff is less than Rs. 1000/- per day

### **Bundled services provided by an educational institution**

Education institution generally provides educational services as bundle which includes:

- ▶ Fee for coaching
- ▶ Hostel fee (If boarding)
- ▶ Canteen fee (If boarding)
- ▶ Extra-curricular activities Like sports, dancing etc.,
- ▶ Sale of textbooks, notebooks, stationery etc.,

### Latest amendments effective from 22<sup>nd</sup> September 2025.

#### Stationery & Educational Supplies Now 0%

Essential learning materials such as exercise books, notebooks, pencils, erasers, maps, globes, and drawing tools have been reduced from 12% GST to **0%** effective 22 September 2025.

Geometry boxes and mathematical instruments are now taxed at **5%**.

#### Hostel Services Exempted

Boarding and lodging services provided by educational institutions (from pre-school up to higher secondary) are now **fully exempt from GST**, providing relief to students and parents.

## Taxability on Bundled Services

- ▶ Facilities like hostel , canteen and extra-curriculum activities are provided to its students which cannot be provided by outsiders separately and such services are **offered as a package** for the overall wellbeing of the students, it can be said that such services are **naturally bundled** and supplied in the **ordinary course of business**, it will be treated as the **principal supply** entirely.
- ▶ Since the education service is predominant entire service will be treated as a composite supply and the taxability will be determined as per the principal supply, hence the entire bundle of service is **exempt**.



## Taxability with respect to services provided to an educational institution

- 1) **Renting of school bus to an education institution:** Renting of school buses is **liable to tax** since the above entry covers transportation services only. In the instant case, it is of renting of motor vehicles.
- 2) **Catering services provided to educational institution:** Catering services provided to an educational institution shall be **exempted only** if such services are provided to an educational institution providing **pre-school education** and education up to **higher secondary school or equivalent**.
- 3) **Supply of fixed assets like sale of benches, projector, furniture etc., to an educational institution:** Fixed assets supplied to an educational institution is **taxable** as the exemption entry is applicable only on services provided to an educational institution.
- 4) **Advertisement services provided to an educational institution:** Educational institution procures services from advertising agencies for promoting their brand or institution, such advertisement services shall be **taxable**
- 5) **Sale of Books, Uniform, Stationary to an educational institution:** taxable/exempt based on their classification (HSN).

- 6) **Admission services to educational institution:** services such as enrolling students is exempted
- 7) **Lunch management services/Transport management services provided to an educational institution:** Lunch management services such as arranging food, arranging plates/tables and transport management services such as arranging time slots for picking/dropping students, supply of drivers etc., is **taxable** as such services will **not be covered under catering** (As it does not involve supply of food) and transportation services (as vehicle is not rented by the supplier only management services are provided).
- 8) **Campus placement services provided to educational institutions for securing job placements for the students:** Taxable as the same are not covered in the exemption entry.
- 9) **Renting of building to an educational institution:** Taxable as rental services are not covered in the exemption entry.
- 10) **Services like Karate, Music, Swimming provided directly to the students of educational institution:**

### Eligibility of Input tax credit to an Educational institution:

- ▶ Education institution is not eligible to avail input tax credit on inputs/input services which are exclusively used for effecting exempt supplies.
- ▶ However, such institutions are eligible to avail input tax credit on input/input services which are used for effecting taxable supplies
- ▶ On inputs/inputs services which are used for effecting both taxable and exempt supplies input tax credit eligible to be availed shall be calculated as per rule 42/43



### Applicability of GST on application fee charged for entrance or the fee charged for issuance of eligibility certificate for admission or for issuance of migration certificate by educational institutions

Representations have been received regarding applicability of GST on application fee charged for entrance or the fee charged for issuance of eligibility certificate for admission or for issuance of migration certificate by educational institutions.

In this regard, it is stated that educational services supplied by educational institutions to its students are **exempt** from GST vide **entry 66 of the notification No. 12/2017 Central Tax (Rate) dated 28.06.2017** relevant portion of which reads as under, -“Services provided –

a. by an educational institution to its students, faculty and staff;

[(aa) by an educational institution by way of conduct of **entrance examination** against consideration in the form of entrance fee;]...”



- ▶ Therefore, it can be seen that **all services** supplied by an 'educational institution' to its students are exempt from GST. Consideration charged by the educational institutes by way of **entrance fee** for conduct of entrance examination is also exempt. The exemption is wide enough to cover the amount or fee charged for admission or entrance, or amount charged for application fee for entrance, or the fee charged from prospective students for issuance of eligibility certificate to them in the process of their entrance/admission to the educational institution. Services supplied by an educational institution by way of issuance of migration certificate to the leaving or ex-students are also covered by the exemption. Accordingly, such activities of educational institution are also exempt.
- ▶ Accordingly, it is clarified that the amount or fee charged from prospective students for entrance or admission, or for issuance of eligibility certificate to them in the process of their entrance/admission as well as the fee charged for issuance of migration certificates by educational institutions to the leaving or ex-students is covered by exemption under Sl. No. 66 of Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017.



### TDS applicable for Educational Institutions

Section	Type of payment	Rate of deduction
192	Salary	As per slab rate
194C	Any payment in pursuance of any contract for consideration of more than Rs. 30,000 (or) aggregate of payments during the year exceeds Rs. 1,00,000	In the case of individual, Hindu Undivided Family payees - 1%, Other payees - 2%
194J(a) and 194J(b)	Fees for technical and professional services exceeding Rs.30,000 in a year	2% for technical services 10% for professional services
194H	Commission or brokerage exceeding Rs.15,000	5%

Section	Type of payment	Rate of deduction
194I(a) and 194I(b)	Rent exceeding Rs.2,40,0000 per annum	a) Rent for plant, machinery or equipment - 2%  b) Rent for land, building or both, furniture or fittings - 10%
194Q	Deduction of tax at source on payment of certain sum for purchase of goods value or aggregate of such value exceeding fifty lakh rupees in any previous year if sales or gross receipts or turnover exceeds Rs.10 crores in a financial year	0.10%

## Consequences of failure to deduct or pay

Where any person is required to deduct TDS does not deduct, or does not pay, or after so deducting fails to pay, the whole or any part of the tax, as required by or under the Income Tax Act is deemed to be assessee in default in respect of tax and is liable to pay simple interest, -

(i) at **one per cent** for every month or part of a month on the amount of such tax from the date on which such tax was deductible to the date on which such tax is deducted; and

(ii) at **one and one-half per cent** for every month or part of a month on the amount of such tax from the date on which such tax was deducted to the date on which such tax is actually paid, and such interest shall be paid before furnishing the statement in accordance with the provisions of sub-section (3) of section 200.



**Section 40 (a)(i)** - Non deduction of TDS on any interest or royalty, fees for technical services or other sum chargeable under the Act which is payable outside India or in India to a non-resident, not being a company or to a foreign company- **entire amount** is disallowed.

Provided that where in respect of any such sum, tax has been deducted in any subsequent year, or has been deducted during the previous year but paid after the due date specified in sub-section (1) of section 139, such sum shall be allowed as a deduction in computing the income of the previous year in which such tax has been paid.

Non deduction of sum payable to resident on which TDS to be deducted -**Thirty percent** of the amount payable.

Provided that where in respect of any such sum, tax has been deducted in any subsequent year, or has been deducted during the previous year but paid after the due date specified in sub-section (1) of section 139, thirty per cent of such sum shall be allowed as a deduction in computing the income of the previous year in which such tax has been paid.



Thank you!

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