

Entrance test fee not subject to GST: CBIC

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NEW DELHI: Fees paid by students to various central and state education boards, including the National Board of Examination (NBE), for tests are not subject to goods and services tax (GST), the government said. However, accreditation services provided by these boards to educational institutions are subject to tax.

In a set of clarifications, the Central Board of Indirect Taxes and Customs (CBIC) also said deferred payments to builders for construction of roads and bridges called annuities are taxable. The clarifications issued on Thursday are based on discussions at the 43rd GST Council meeting.

CBIC clarified that for the limited purpose of conducting examinations, central and state boards, including NBE, are treated as educational institutions, but not for the purpose of granting accreditations. Accordingly, GST is exempt on any fee charged by them for conducting examinations, including entrance examinations for admission to educational institutions. GST is also exempt on services bought by these boards for admission, conducting examinations, result publication and printing

of admit cards and questions papers. However, 18% GST applies to services provided by these boards such as providing accreditation to an institution or to a professional.

"The government has clarified that GST shall neither be charged on fees collected by central or state boards for any examinations, including entrance examinations, nor on any services procured by them relating to admission, or conduct of such examinations. This clarification will lower the cost of such fees charged to millions of students appearing for the government exams every year," said Rajat Mohan, senior partner at chartered accountants firm AMRG & Associates.

The NBE, at present, conducts examinations in over 70 disciplines in medicine and has accredited over 700 institutions including hospitals in the public and private sectors all over the country.

The clarification on annuity payments explains that tax exemption has been provided only in the case of such payments received for providing access to roads and highways. Where the payment is received for construction of roads, bridges or highways, it is not exempt from GST, said Abhishek Jain, tax partner at EY.

It has always been a grey area to determine what annuity payments pertain to construction and what pertain to grant of access, said Jain. "As such, the government can consider issuing a further detailed clarification on the subject matter and perhaps, contractors can clearly outline what part of consideration pertains to construction and what pertains to access of road/ highways in their agreements," said Jain.

In a separate notification, CBIC clarified that payments received from a government agency for construction of ropeways are taxable at 18%, not at 12%. CBIC also clarified that services provided to an educational institution, including pre-schools and anganwadis, by way of serving of food such as mid-day meals are exempt from GST irrespective of whether it is funded by government grants or corporate donations.

GST IS EXEMPT ON ANY FEE CHARGED BY INSTITUTES FOR CONDUCTING EXAMINATIONS, INCLUDING ENTRANCE EXAMINATIONS