

IMPACT OF AMENDMENT BY CBEC NOTIFICATION 10/2017 DATED 08/03/2017 – SERVICE TAX – SERVICES PROVIDED TO AN EDUCATIONAL INSTITUTION

The Government has issued notification No: 10/2017 dated 08/03/2017 proposing to amend Sl. No. 9 of Mega Exemption Notification 25/2012 **with effect from 1st April 2017.** This article analyses the impact of the said notification.

When the Negative Service Tax regime was introduced in July 2012, Education was in the Negative List category u/s 66D of the Act. Further many services provided to an educational institution and also certain services provided by an educational institution to persons [other than Students, Staff and Faculty] were exempt from Service Tax under the Mega Exemption Notification.

Finance Act, 2016 removed Education from the Negative List completely. However Entry No. 9 of Mega Exemption Notification 25/2012 was simultaneously amended to provide exemption from Service Tax for Educational Institutions in respect any service rendered to its Students, Staff and Faculty. This exemption continues even after 1st April 2017.

The issue of exemption from Service Tax in respect Service provided to an Educational Institution was continuously trimmed with only a few services provided to an Educational Institution being covered by the exemption.

The current notification further reduces the exemption available to Service Providers while providing service to an Educational Institution.

CURRENT SCENARIO

(a) Any Service rendered by an Educational Institution to its Students, Staff and Faculty is exempt from tax under Entry No. 9(a) of Mega Exemption Notification. **This exemption will continue to apply from 1st April 2017 also.**

(b) The following Services rendered to an Educational Institution by other Service Providers are currently tax exempt:

- (i) transportation of students, faculty and staff;
- (ii) catering, including any mid-day meals scheme sponsored by the Govt.
- (iii) security or cleaning or house-keeping services performed in such educational institution;
- (iv) services relating to admission to, or conduct of examination by, such institution;

The notification No: 10/2017 restricts the exemption available in (b) only to the following Educational Institutions:

- Pre School Education and
- Educational Institutions providing education upto to Higher Secondary School (HSC) or its equivalent.

