

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:417
ANSWERED ON:11.07.2014
TAX ON COMMERCIAL TRANSACTIONS OF EDUCATIONAL INSTITUTIONS
Jadhav Shri Prataprao Ganpatrao

Will the Minister of FINANCE be pleased to state:

- (a) whether commercial transactions taking place in higher and technical educational institutions involving donations, development charges, exorbitant fees come within the ambit of taxation in the country;
- (b) if so, the details thereof and the mechanism put in place to monitor the same;
- (c) if not, the reasons therefor and the reaction of the Government thereto; and
- (d) the steps taken/being taken by the Government to bring them under the tax net?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SMT. NIRMALA SITHARAMAN)

Part (a) & (b): (i) As regards income tax, the income of educational institutions is chargeable to tax unless such educational institutions are charitable in objects and are either registered u/s 12AA or approved/exempt u/s 10(23C) of the Income-tax Act, 1961 ('the Act') and they apply their income for education, apart from complying with other prescribed conditions under the Act. However, anonymous donations above a prescribed limit are taxable u/s 115BBC of the Act. Donations which are not voluntary in nature are also taxable. Fees and development charges taken in violation of State Government Regulations attract cancellation of registration/approval. Violations are taxed/penalized on a case to case basis.

(ii) As regards service tax, services by way of education as a part of curriculum for obtaining a qualification recognized by any law for the time being in force and education as a part of an approved vocational education course are in the negative list (as specified in section 66D(l) of the Finance Act, 1994) and are not leviable to service tax.

Part (c) & (d): Do not arise.