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Budget 2014-15

Impact on Education Sector

July 2014



Budget 2014-15

Impact on Education & Skill Development Sector

Overarching objectives:

- Establishment of new IITs, IIMs and AIIMS to boost capacity in such institutes of excellence
- Increased emphasis on skilling youth with employability and entrepreneurial skills
- Address issues of quality in schools & girl child education through specialized schemes and creation of basic infrastructure
- Allocation for teacher training in order to have a direct impact on the learning outcomes of students
- Simplification of norms to facilitate education loan for higher studies

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Impact on Education & Skill Development Sector (contd)

Key Proposals

Education

- Total budgetary allocation for education sector increased by 12.3% to ₹ 83,771 crs (US \$14 bn)
 - Sarva Shiksha Abhiyan (SSA): ₹ 28,635 crs (US \$ 4.8 bn)
 - Rashtriya Madhyamik Shiksha Abhiyan (RMSA): ₹ 4,966 crs (US \$ 830 mn)
 - Rashtriya Uchcha Shiksha Abhiyan (RUSA): ₹ 2,200 crs (US \$ 368 mn)
 - Mid-Day Meal Scheme (MDM): ₹ 13,215 crs (US \$ 2.1 bn)
 - Technical Education (incl assistance to IITs, IIMs & NITs): ₹ 6,338 crs (US \$ 1.1 bn)
- School Assessment Programme is being initiated at a cost of ₹ 30 crs (US \$ 5 mn)
- Establishing virtual classrooms and promoting online courses: ₹ 100 crs (US \$ 16.7 mn)

Impact Assessment

- Increased budgetary allocation for primary & secondary education expected to positively impact the quality of infrastructure & teaching
 - May also help in curbing the drop-out rate
- The school assessment program is expected to gauge the quality through various parameters such as levels of student learning outcomes, quality of teaching by teachers etc. Such information will be useful for parents & students to make a more informed choice about schools
- Assistance for scaling up of existing technical institutions and establishment of new institutions of national importance such as IITs, IIMs and AIIMS is expected to boost the intake capacity and improve access
- Increased thrust on embracing technology through online courses and virtual classrooms likely to benefit the masses by making quality education available at a click of a button

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Impact on Education & Skill Development Sector (contd)

Key Proposals

Education

- Establishment of 5 new IITs in Jammu, Chhattisgarh, Goa, Andhra Pradesh & Kerala and 5 new IIMs in Himachal Pradesh, Punjab, Bihar, Odisha & Maharashtra at a total cost of ₹ 500 crs (US \$ 83.6 mn).
- Setting up 4 new AIIMS in Andhra Pradesh, West Bengal, Vidarbha and Purvanchal at a cost of ₹ 500 crs (US \$ 83.6 mn).
- Pandit Madan Mohan Malviya Teachers Training Programme for motivating teachers & infusing new training tools launched at a cost of ₹ 500 crs (US \$ 83.6 mn)
- Allocation of ₹ 100 crs (US \$ 16.7 mn) towards *Beti Bachao, Beti Padhao Yojana* (Save & Educate Girl Child Scheme)
- Initial investment of ₹ 200 crs (US \$ 33.4 mn) proposed for setting up agriculture universities in Andhra Pradesh and Rajasthan. Proposal for setting up Horticulture Universities in Telangana and Haryana also placed
- Sports university in Manipur proposed at an initial investment of ₹ 100 (US \$ 16.7 mn) in the current financial year

Impact Assessment

- Teacher training programme to address the issue of quality and lack of trained teachers
 - Likely to improve the learning outcomes as the focus of this program is to motivate teachers and adopt modern tools and approaches
- Special emphasis on education of girl child to generate awareness and improve efficiency of delivery of welfare services to women
- Given the demographic profile of the nation, special emphasis has been laid on setting up agriculture & horticulture universities
 - Commitment to sustain 4% growth in agriculture and achieving higher productivity reflected in agro-related initiative
 - Proposal to set up a sports university aimed at moulding Indian youth into world class professionals

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Impact on Education & Skill Development Sector (contd)

Key Proposals

Skill Development & Vocational Education

- Skill India, a national multi-skill programme aimed at employability and entrepreneur skills to be launched
- Fund with a corpus of ₹ 200 crs (US \$ 33.4 mn) proposed to be set up to establish technology centre network for promoting innovation, entrepreneurship and agro-industry
- A National Rural Internet and Technology Mission for services in villages and schools, training in IT skills and E-Kranti for government service delivery and governance scheme is proposed at an investment of ₹ 100 crs (US \$ 16.7 mn)
- Apprenticeship Act to be amended to make it more responsive to industry and youth

Impact Assessment

- Announcement of a focused skill development program can help the nation in building a large trained manpower resource with the skillset to pursue employment or entrepreneurial opportunities
 - Designed to largely benefit the low income group by providing training and support for traditional professions like welders, carpenters, masons etc
 - If implemented successfully, India can also achieve its target of become a global manpower provider
- Emphasis on funding technology driven innovation & entrepreneurship likely to boost the start-up ecosystem in the country
- Unutilized training facilities across industries to be addressed through amendment in Apprenticeship Act
 - Likely to cater to the needs of youth and industry, with benefits for Micro, Small and Medium enterprises

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Tax Proposals

Key Proposals

Direct Tax

- Expenditure incurred on CSR activities as specified in Companies Act, 2013 will not be allowed as deduction unless otherwise allowable
- Education cess to continue at 3% for all taxpayers
- Impose education cess on imported electronic products

Impact Assessment

Direct Tax

- Expenditure on CSR has become mandatory under the new Companies Act. Education & skill development are two permissible activities for fulfillment of this obligation
 - The Government has clarified that expenditure incurred on CSR activities can't be claimed as deduction under the Income Tax Act
 - Additional burden on the industry as tax payable for noble cause (CSR contribution) becomes a sunk cost
- No reduction in Education cess vindicates Government commitment to reform this sector. Further, imposition of education cess on imported electronic goods to increase the size of the kitty

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Tax Proposals (contd)

Key Proposals

Indirect Tax

- Option to pay 2% excise duty without credit withdrawn for manufacturers of writing or printing paper for printing educational textbooks. Uniform excise duty of 6% with credit now applicable
- Service tax exemption withdrawn on services provided by way of renting of immovable property to an educational institution
- Exemption with respect to receipt of services by educational institutions restricted. The exemption is now available with respect of specified services provided to an educational institution : (i) transportation of students, faculty and staff; (ii) catering including any mid-day meals scheme sponsored by the Government; (iii) security or cleaning or house-keeping services performed in such educational institution; and (iv) services relating to admission to such institution or conduct of examination

Impact Assessment

Indirect Tax

- Levy of uniform excise duty on writing and printing paper for printing educational textbooks may increase the cost of textbooks for students
- Withdrawal of service tax exemption on renting of immovable property expected to substantially increase the cost burden for educational institutions
 - Building rentals constitutes a major expenditure for educational institutions, especially in urban and semi-urban areas
- Exemption with respect to receipt of services by educational institutions has been restricted, therefore cost burden for educational institutions likely to increase



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