

Edu Sector Access Perspectives on education, skill and employment



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Foreword

Welcome to the first edition of Edu Sector Access!

The Indian education sector has been witnessing a number of regulatory developments in the recent past. Although most of these reforms are yet to be approved by the Parliament, such moves highlight the positive intent of the Government to radically transform the existing framework governing this sector. For some time now, the Indian private sector has managed to gain a strong foothold in this sector, however, the foreign investment has not been in line with the expectations of the Government. The foreign investors, although attracted by the huge potential offered by the Indian market, have not been very active due to various regulatory challenges. As per the latest FDI statistics, the Indian education sector has attracted a meager investment of \$661 mn since April 2000. Whilst the services sector, consisting of outsourcing, financial services, testing etc, has received a total investment of \$36 bn during the same period.

The Indian education sector has over centuries transformed from a *gurukul* (vedic school), where students resided with the *guru* (teacher) in the same house to learn, to virtual class rooms wherein a teacher is able to impart learning to students located in any part of the world through satellites. This transformation has largely been due to the dedicated efforts of some innovative Indian entrepreneurs who have managed to change the entire landscape of this industry. The significant reduction in dominance of Government funded institutions due to establishment of quality private institutions has also been one of the key reasons for this change.

Till 2008, the focus of the Government has largely been on formal school, college and university education however due to the number of unemployed youth in India reaching unmanageable proportions, the focus has now shifted to skill development and vocational education sector. The Government has formulated the National Skill Development Policy to give a much needed impetus to this sector and has set an aggressive target of training 500 mn people by 2022. The Prime Minister has recently set up a strategic body in the skill

development sector, under his direct Chairmanship, to ensure the right policy direction for this initiative. There was also an announcement by the Government for establishment of National Skills Authority in the near future.

In this backdrop, we are pleased to introduce the first edition of Edu Sector Access – Deloitte’s fortnightly newsletter on the Indian education sector. The newsletter will feature an interview with an eminent person from this sector along with an article by a senior member of the firm. In this edition, we are pleased to present an interview with Mr.J.P. Rai (ex-IAS), Executive Director at Prime Minister's National Council on Skill Development (NCSA), which is an advisory body entrusted with the task of developing strategy, envisioning reforms and mapping the gaps in the skill development sector. We are also pleased to include an article by Mr. Vedamoorthy Namasivayam, Head of GUIDe (Government, Utilities, Infrastructure & Development) practice at Deloitte focusing on the Education sector, who has worked very closely with the Central and State Governments in this sector. The newsletter will also provide information on latest sector news and tax & regulatory updates.

The education sector in India is at an evolving stage with a number of important initiatives such as Right to Education, National Commission for Higher Education and Research (NCHER) and Foreign Education Bill facing a number of challenges in approval and implementation. Despite these challenges, we are of the view that these are truly some exciting times for the Indian education sector and sincerely hope that Edu Sector Access serves its purpose of contributing to the knowledge of its readers.

We would be pleased to receive your feedback and subscription requests on ineducation@deloitte.com.

Happy Reading!

Deloitte Education Sector Team

Face to Face

The Governments at the Central & State level have always been focusing on the skill development initiatives as they directly impact the livelihood of our young generation. The National Skill Development Policy was formulated by the Government in this regard. The National Council on Skill Development (NCSD) has further been set up under the Prime Minister's Office with the primary objective of developing strategy for skill development at the national level in order to address the skill deficit. **The Deloitte in India team, led by Mr. K. R. Sekar, Education Sector Leader, including Mr. Vedamoorthy Namasivayam, Leader Public Sector and Mr. Rohin Kapoor, Senior Manager, recently met Mr. J. P. Rai (ex-IAS), Executive Director, NCSD,** leading all strategic efforts, to get a detailed overview of the progress made so far and the way forward. Excerpts:

Q1: Can you guide us on the role, vision and objectives of the PM's NCSD?

Ans: PM's National Council on Skill Development was an organization set up under the National Skills Policy of 2009. The Council is chaired by the Prime Minister and many of the honorable Cabinet Ministers are its members. There are a few experts from the industry and training associations who are on board as advisors. The council is an apex body, which lays down broad policy framework and guides the Prime Minister in the skill development sector.

There are two other organizations that play a vital role in this sector. One is the National Skill Development Coordination Board (NSDCB), housed in the Planning Commission and chaired by the Deputy Chairman of the Planning Commission. The role of the body is to ensure coordination among the 18 odd ministries within the government of India and the State Governments who are implementing skill development programs.

The other one is the National Skill Development Corporation (NSDC), which is a private sector body with 51 per cent equity ownership by the private sector and 49 per cent by the government. It is mandated to catalyse the creation of additional training capacity within the private sector through soft loans.

Q.2: The Government's focus on the skill development sector started about 4 years back with enactment of the National Policy on skill development. The policy has set an aggressive target of training 50 crore people by 2022. Do you

think that this target is attainable and how satisfied are you with the results of the last 4 years?

Ans: It is a very tough target but I am sure if we work hard enough, everything is attainable. While there has been an increased focus on Skill Development in the last four years, it is not a new initiative. The various ministries, whether they are organized on sectorial lines, functional lines or target population lines, all of them have had schemes for imparting skills to citizens, enabling them to engage in economically productive activity, and in that sense, these were all part of Skill Development. What has happened in the last 4 years is that the focus on skill development has been sharpened, and there is an added sense of urgency.

The target of 50 crore, in my view, is an aspirational number and my understanding is that if India is going to realize the full economic potential offered by its youthful demographics, 50 crore is the number of people who will need to be skilled or up-skilled by 2022 so that every citizen in the working age bracket of 15-59 is actually working and is contributing positively to the economy, and is not dependent on anyone else. That would be on the supply side requirement, based on our population.

The demand side of the equation is represented by what the economy can absorb by 2022. Skill gap analysis commissioned by NSDC in respect of 20 key sectors of the economy projects an aggregate requirement of 34 crore trained manpower by 2022. If the economy were to grow at a much faster pace than assumed in these studies, it is possible that the entire 50 crore people could be absorbed. So, the 50 crore number has to be seen in this certain context.

Q3. What are the major challenges which can be encountered during this journey?

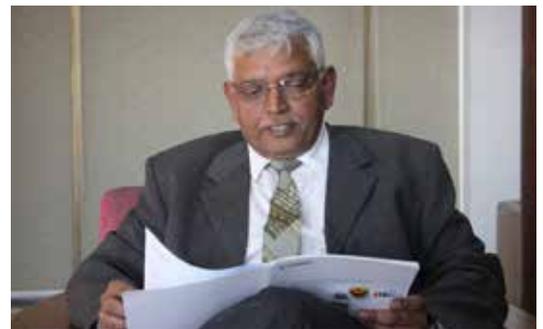
Ans: Challenges are manifold. Clearly the biggest challenge is effectively mustering the resources needed for skilling this very large number of persons. More than the financial resources, adequate number and quality of training providers and trainers poses an even bigger challenge. This can't be a government initiative alone and has to become everybody's program, with industry playing a pivotal role.

Further, about 90 per cent of our workforce is in the unorganized sector. And, reaching out to this workforce or upgrading their skills is a huge challenge.



In conversation:
(L to R) Mr. J. P. Rai (ex-IAS), Executive Director, NCSD; Mr. Vedamoorthy Namasivayam, Leader Public Sector; Mr. K. R. Sekar, Education Sector Leader and Mr. Rohin Kapoor, Senior Manager, Deloitte in India

Mr. Rai reading Deloitte's recently published thoughtpaper titled "Indian Higher Education Sector - Opportunities aplenty, growth unlimited!"



We are engaging with the NGOs and utilizing their outreach abilities to work with the informal sector. We are exploring ways in which we can use the Panchayati Raj bodies to reach out to the informal sector. When you are skilling people one lays emphasis on how best to train and absorb the people, as far as possible, locally. But again movements and migrations across the country are inevitable.

Q4: You were talking about industry playing a role in overcoming this challenge. Do you believe that a PPP model will come into play and will work more effectively?

Ans: I think the PPP model is indispensable in every sphere of this endeavour. The Government is encouraging and aggressively promoting public-private partnerships, whether it is the formation of NSDC, which is a PPP model or the next lot of ITIs is to be set up in the country. There are 3000 of them planned; 1500 immediately and 1500 later – all this is being done under the PPP model.

The HRD ministry is coming up with 'Model Schools', which are once again being done in the PPP model. Industry's role in the PPP model is not merely in terms of mobilizing resources or acting as employers but also working on laying the key certification and accreditation norms for each sector through the sector skill councils. These are supposed to be owned by industry. Industry is supposed to lay down and define what are the skill sets needed, what should be standards by which the capability of an individual will be measured so that he/she can be certified to be appropriate for a given job role, and what should be the requisites for a training institution to be able to impart these skills, so that the training institution can be duly accredited for the same.

Q5: The existing regulatory regime does not seem to be consistent with the present economic requirements. So what is the reform path, being considered by the Government to ensure that the skilled manpower meets the current demand of the industry and is there a structured way forward?

Ans: Clearly, the entire ecosystem is undergoing a change and everyone does realize that until you make your ecosystem more efficient and streamlined, achieving outcomes is going to be difficult. But in terms of replacing what is becoming obsolete with something that is more relevant, a major paradigm shift that has already happened is the recognition that Industry needs to assume leadership of the entire skill development effort.

If you look at any sector, the key aspect is to determine what are the skills that need to be provided, then translating them into relevant curriculum and determining how to test the credibility of that certification, which are the institutions that can deliver a certain kind of capability, what are the capabilities that the organisation needs to have to be able to impart each accreditation. Once you entrust the sectors to take up all these critical elements, there will be a time when the old and the new will co-exist and we will go through the phase of transition. And like any transitional phase we might face certain issues but the direction is clear. In this entire process, clearly Industry will be required to step forward and assume leadership of the relevant sector in order to ensure that trained youth are employable.

Q6: Given the said scenario, what about the aspirations of the people who participate? Today many people, for instance, are being trained in

the ITIs but there is a gap between what they are trained on and what is their employability? Secondly, mobility of job holders and seekers lacks considerably, given the absence of a proper framework for people to move up both horizontally and vertically. Goal of motivating and encouraging people to learn is also an important issue. How does the Government plan to address such issues?

Ans: A National Skills Qualification Framework is being formulated. It will bridge and allow multiple entry and exit points, linking what are now two very discrete silos of vocational training and general education. Assessment of capability will not be based on how many hours or how many years or how many subjects one learnt, but on the actual capability to do the job. Accumulation of credits will be based on the individual's capability to perform. Whether this ability to perform was acquired through a formal training process, or whether it was learnt through doing things is immaterial. The individual is certified for the said level based on his ability, and in this way, the system will have an in-built mechanism to recognize prior learning as well. From that level, if the individual wants to move up to the next level in the other silo – be it general education or vocational training, he will be able to do so.

Q7: In India, we have the "Right to education" but in countries like China, the right to get skilled has been guaranteed. Do you think India is ready for that kind of framework? Or do you see it as a prospective direction to be.

Ans: That is clearly a very important policy decision that only the top leaders of the country can take. However, we are already moving in a direction to try and equip every man or woman with skills needed to become economically productive, and the country is committing the necessary resources and is doing everything possible to reach all sections of the society.

Q8: A lot of things are happening in this space and a lot of institutions like the NCSO, NSDC, NSDCB etc have been formed and are playing an important role. But there is surely a need for an empowered statutory authority to lead and coordinate and monitor this multi-faceted reform program. Do we propose to have an over-arching body to ensure that our target of skilling 50 crore people by 2022 is achieved?

Ans: Optimisation of the institutional structure, is something that is being discussed. The Prime Minister in his Republic Day speech did mention that the Government is considering creation of a National Skills Development Authority.

Q9: In the future what kinds of policies or regulations are expected in this sector? Will the industry and the academia like ITIs/ITCs, be given the opportunity to participate in the deliberations on the policy aspects?

Ans: It is now a standard practice within the Government that whenever a new policy or draft is under consideration, it is put out on the website to elicit everybody's views. Thus, an opportunity is available for everyone to participate. At the same time, we are talking to various stakeholders, including NGOs, on how best can we push the agenda. The effort is clearly on to leverage on the strengths of each stakeholder and be able to reach out to every group, every community, and every geographical area. There is a role in this for every citizen in the country.

Q10: As you are aware, Deloitte is one of the largest professional services firm in the world having a strong global network. According to you, what role, as an organization, can we play in entire skill development sector?

Ans: Deloitte can play a key role. A great amount of policy formulation work that is going on, and Deloitte could harness its intellectual capital to contribute to this effort. You also have a large pool of corporate clients- reach out to them and get them actively involved in skill development efforts in their respective sectors.

Q11: You message to recipients of this newsletter on how could they participate or exploit this programme.

Ans: I think there is a role for everyone – from an individual to a corporate. The various ways people can participate are available on our website (www.skilldevelopment.gov.in). And we are open to all suggestions and ideas that people wish to share with us. There is also a great opportunity for those wishing to get into the field of skill development. The demand is only going to grow, and both the Central and State Governments are clearly seeking partners from the private sector to participate in the endeavour.

D Expert

Skill development and inclusive growth in India



Introduction

India's development policy planners now recognize that while sustaining the high economic growth achieved over the past few years is important, our priority as a nation has to be on making the growth process more inclusive. This has come out quite prominently in the country's 11th Five Year Plan and is also expected to guide the various policies and programmes of the 12th Plan.

Education is an important vehicle for enhancing people's capacities. A proper education foundation provided in schools equips children with appropriate skills, attitudes and values to contribute as effective social and economic agents in the society. Universalizing school education continues to be a thrust area in the country through various legislative and programmatic interventions (such as the Right to Education act, Sarva Shiksha Abhiyaan and Rashtriya Madhyamik Shiksha Abhiyaan).

A recent increase of focus has also been on skill development and job-oriented education, provided traditionally through vocational training and other higher education institutes, and this is what we intend to further highlight in the context of India's current development realities in this article.

Context

Over the next 15 years, the working-age population (18-59 years) in India is projected to grow from 74.7 crore to 89.9 crore. With these numbers, this age-group will constitute 64% of the country's population in 2026, marginally up from 63% in 2011. As expected, Uttar Pradesh has the largest share, with 16% of the country's total 15-59 age group population, followed by Maharashtra (10%) and Bihar (8%). The relative share in working-age population among states is projected to remain at almost the current levels up to 2026. The dividend expected to accrue out of this demographic structure will depend, to a large extent, on the ability of this group of population to participate and contribute positively in the country's economic growth process.

Agriculture, as a sector of economy, has witnessed a decline in its share of the national GDP, from 20% to 14% between 2004-05 and 2010-11. During this period, the Services sector has seen an increase from 53% to 58%, while Industry sector has increased marginally from 26% to 28%. The aggregate GDP growth in the range of 7-9% over the past decade has largely been brought about by a growth in the Services sector output at the average rate of 9.3 % and Industry sector output at 7.3%.

The employment structure, on the other hand, is still tilted towards agriculture, which continues to employ 53% of the workforce, mainly as marginal cultivators and labourers. The higher growing Services sector employs 25% of the workforce, but a bulk of them (45%) are employed in the relatively low productive sub-sectors, such as trade, hotels and restaurants. This is true even of the Industry sector where 36% of employment is contributed by the lower paying construction sub-sector. In almost all major states, the rate of transformation of the employment structure has lagged behind the transformation of the economy structures, resulting in a disproportionately high dependence on agriculture where growth has been sluggish and incomes are low. A comparative analysis of the employment structures among BRIC countries show that India, with about 57% labour force engaged in agriculture has the highest percentage share of workers employed in agriculture in 2008¹. The comparative figures for China, Russia and Brazil are about 42%, 28% and 22%, respectively.

¹ Total Economy Database, The Conference Board

This misalignment of economy and employment structure superimposed on the projected changes in demographic structure imply that a significant growth in employment opportunities in the growing and more productive sectors of economy would be required to realize the goal of inclusive growth. This is especially important and critical given the fact that during the last few years, the employment elasticity of growth has been -0.02, that is for every 1-percentage point of additional GDP growth, total employment has decreased by 0.02 percentage points between 2004-05 and 2010-11. The trend is true of states like Maharashtra, whose contribution to country's GDP at 16% is higher than its share in working-age population at 10%, as well as UP which contributes 8% to GDP with a 16% share of working-age population.

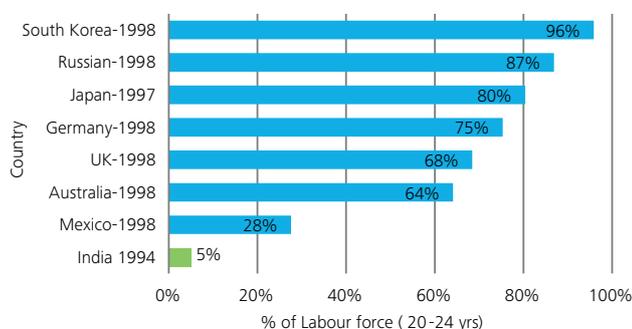
The rapidly declining share of agriculture as a contributor to the economy and the lower productivity levels indicate its inability to absorb the workforce into productive opportunities. A large proportion of work force will continue to move out of Agriculture into more productive sub-sectors of Industry and Services. The trend is already evident when we see Agriculture output growing along with a reduced workforce

while Industry and Services growth is accompanied by addition of employment opportunities. As per NSS (66th Round, 2009-10), employment generation in the Indian economy declined sharply with only 1.25 million new jobs recorded in the country between 2004-05 and 2009-10.

To enable a successful movement into more productive economy sectors, the transitioning workforce will require skills appropriate for the target sub-sectors. While the majority of Indian agriculture continues to be traditional skill-based, those in the sectors expected to grow in future will require specialized training and re-training. Moreover, over 90% of those employed in India are in the unorganized sector, which, by its very nature, has not had easy access to key institutional support systems, including those for skill development. With a Gross Enrollment Ratio (GER) in higher education at only 13 (UNESCO 2007), India is still well short of the world average of 26 and other BRIC nations. In terms of vocational training too India lags well behind the developed world with only around 5% of the labour force in the 20-24 year old age group estimated to have received formal training in 1994 while the figure was 28% in Mexico (1998) and 96% in South Korea (1998).

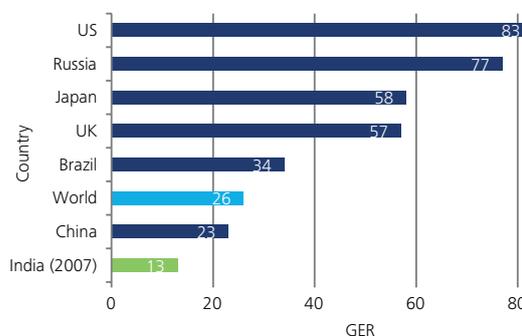
Figure 1: International comparison of Higher Education GER and proportion of vocationally trained labour force

International comparison of proportion of vocationally trained (formal) labour force (20-24 yrs)



Source: UNESCO GED 2010

Higher Education GER in different countries (2008)



Source: Report of the Task Force on Employment opportunities set up by the Planning Commission

The Indian skill development system and key challenges

Skill development and vocational training is a concurrent subject under the Indian Constitution and both the central and state governments share responsibility on various aspects of the same. Conventionally, the Directorate General of Employment & Training (DGE&T) in the Ministry of Labour is the apex organization for development and coordination at national level while the day-to-day administration of Industrial Training Institutes (ITIs) rests with state governments. The central government is advised by the National Council of Vocational Training (NCVT), a tripartite body having representatives from employers, workers and central/state governments on aspects like prescribing training standards, evaluation, certification, and accreditation.

To equip the workforce with technical capabilities and varied skills consistent with the demands arising from industry, the 11th Five-Year Plan has laid out a long-term policy framework through the National Skill Development Policy (NSDP) 2009. The policy has outlined a vision of designing a skill system for creating 500 million skilled people by 2022 while bridging the divides of gender, rural/urban, organized/unorganized employment. A 3-tier institutional structure consisting of the Prime Minister's National Council on Skill Development, Skill Development Co-ordination Board and National Skill Development Corporation has been set up to take this agenda forward. NSDC aims to foster private sector and industry participation, as

well as, developing an enabling environment for skills development, including promotion of Sector Skills Councils (SSCs) for key sectors of the economy.

The process for formulation of a National Vocational Qualification Framework has also been initiated. Other components of the skill development system include skill development and livelihood initiatives by NGOs, private training centres that impart internal training and CSR initiatives of corporate bodies.

Infrastructure: Vocational training has been traditionally delivered through ITIs that operationally report to and are funded by the state governments as well as Industrial Training Centers (ITCs) that are either privately funded or are 'Government-aided institutions'. There has been a steady growth in the number and seating capacity of ITIs in the country. The number of ITIs has grown from 59 in 1959 to 8687 in 2011. The seating capacity has increased from 3.89 lakh in 1992 to 12.06 lakh in 2010. A comparison of the regional spread of vocational training infrastructure and proportion of working age population shows that the southern states have performed better than other regions, both in term of number of institutes and seating capacity. The table also highlights the need to focus on strengthening the vocational training infrastructure in the eastern region, which accounts for 26% of the working group population, but has only 19% of training institutes with an 18% seating capacity.

Table 1: Region-wise number of ITIs and seating capacity

	Number of Govt. ITI	Seating Capacity (Govt.)	Number of Pvt.ITCs	Seating Capacity (Pvt.)	Total ITIs/ITCs	Total Seating Capacity	Approx. Working age population
Northern Region	777	118,818	1,828	204,529	2,605 (30%)	323,347 (27%)	30%
Southern Region	394	90,460	2,802	306,070	3,196 (37%)	396,530 (33%)	22%
Eastern Region	200	49,242	1,046	173,645	1,246 (14%)	222,887 (18%)	26%
Western Region	818	194,826	822	76,458	1,640 (19%)	271,284 (22%)	23%
Total	2189	453,346	6,498	760,702	8,687	1214,048	

Source: Annual Report 2010-11, Ministry of Labour and Employment

Expansion of the infrastructure should constitute a key component, considering the expected increase in the student population emerging out of the school system in the coming years. This should include physical and technical infrastructure such as buildings, equipment, laboratories, as well as, other supporting infrastructure required for all round development of students.

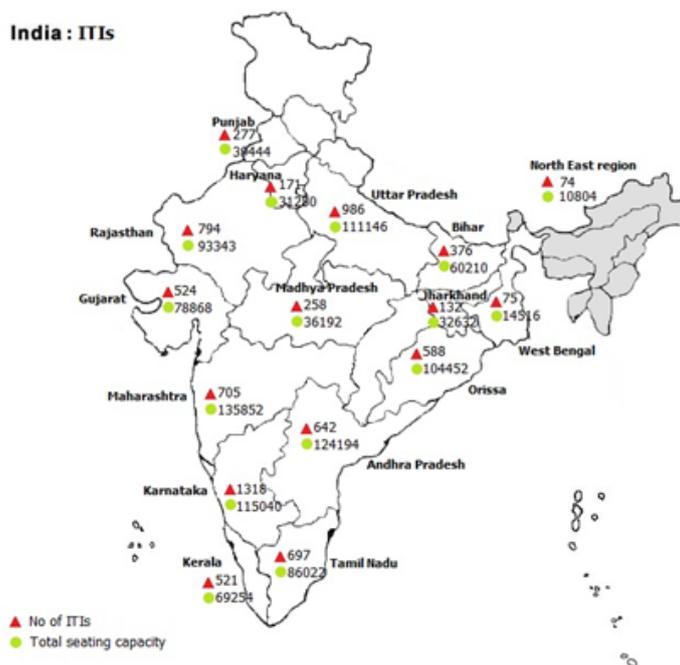
In addition, shortage of faculty and their inadequate qualifications constitute a major problem in educational institutes in India. There is a need to facilitate capacity building through faculty development programs and faculty exchange programmes.

Industry orientation: The two flagship schemes under the vocational training system are the Craftmen Training Scheme (CTS) and the Apprenticeship Training Scheme (ATS). There are 63 engineering and 53 non-engineering trades covered under the CTS; while ATS covers 235 trades for school passed candidates, 122 engineering and technical trades and 122 fields for technical (vocational) apprenticeships. Other schemes include the Skill Development Initiative Scheme (SDIS) with a focus on modular courses.

Improving industry linkages is, however, an important requirement for enhancing the skill development system especially in the context of growing concerns with employability of trained and educated youth. Curriculum revision to make it more industry relevant as well as effective industry-academia collaborations through avenues such as apprenticeships, joint programs, trainers from industry, etc. and strategies to promote entrepreneurship are one side of the story. The other aspect of industry orientation is the creation of industry ready workforce as an output of the skill development system. This can be assessed by the quantity and quality of placement of candidates passing out of the system. The aim is to create a structured basis for conducting industry-institute interactions through the entire life cycle of the training.

Access: Skill development systems must be open and inclusive to give even the most underprivileged, including women and people in rural areas, access to learning and training. The Women’s Training Cell of DGE&T is aimed at designing and pursuing long term policies related to women’s vocational training. There are about 1898 Women ITIs and women wings in general ITIs amounting to a seating capacity of 70,062

Map 1: State-wise number of ITIs and seating capacity



training seats for women. The opportunity for people from all communities / areas to train themselves to lead productive lives is essential for reducing poverty and enhancing the prosperity of the people. Access should be enhanced along the aspects of financial access, physical access, information access and access to disadvantaged groups.

Quality: Quality in technical education is a key factor that needs to be addressed by the policy. Upgradation of 500 ITIs into Centres of Excellence, and upgradation of 1396 ITIs in PPP mode and new training institutes through PPP have been some initiatives to augment infrastructure facilities at ITIs. There is a need for continuous research into the factors that impact quality in education such as curriculum design, teaching methods and assessment methodologies. Quality is an all pervasive dimension; so, performance of a skill development system across various dimensions like faculty, infrastructure, industry orientation, etc. determines the overall quality.

Management and governance: This includes strategies for developing appropriate institutional linkages among institutes, guidelines for the admissions process, scholarships, student apprenticeship programmes and tie-ups with national and international institutes.

Regarding Governance, aspects like financial and administrative autonomy, private participation, accountability and strategies to ensure effective monitoring and evaluation have to be addressed.

Conclusion

While NSDP 2009 brings the focus to skill development, the pace and diversity of initiatives required to achieve the ambitious goals of the policy is unprecedented. The primacy to scale up the capacity (infrastructure) and capabilities to skill, up-skill and reskill the country's workforce should not let the quality and access issues lag behind. There is a need to create an enabling ecosystem with appropriate focus on critical factors like faculty, physical infrastructure, management and governance etc., which will ultimately determine the credibility of the system in the national and global labour markets. The approach should be punctuated by a consultative process involving expert inputs, as well as, with the considerations of key stakeholders, from both the demand and supply-side, along the above mentioned aspects to ensure that the country's response to an inclusive and sustainable development is robust and comprehensive.



Industry Updates



Recent tax updates

ADIT v. The Delhi Public School Society
ITA No 4344/ Del/2011 dated 28 September 2012

The assessee, an educational institution registered u/s 12AA of the Income tax Act, 1961 ('the Act') runs number of schools under its umbrella. It has also granted permission to several other entities ('satellite schools') across the country to open school and use its brand name 'DPS'. These satellite schools have a different management from that of the assessee. During the year under consideration, the assessee received franchise fees from the satellite schools.

The Assessing Officer ('AO'), in the absence of books of accounts stipulated under section 2(12A) of the Act and resultantly having not met the stipulation under section 11(4) of the Act, held that the amount received from the satellite school as franchisee fee is liable to be taxed under section 11(4A) of the Act.

On appeal, the Income-tax Appellate Tribunal (Tribunal') observed that provisions of Section 10(23C)(vi), refers to "any income" and is therefore larger in scope than the provisions of Section 11 of the Act. The assessee was duly approved as an Educational Institution for the purpose the aforesaid section of the Act. Any income

of an educational institution notified under section 10 (23C)(vi) is exempted.

Further, one of the objects of the assessee is to establish progressive schools or other educational institutions in Delhi or outside Delhi. A perusal of the agreement under which satellite schools were being set up by the assessee also indicates that apart from allowing the satellite schools to use the name of Delhi Public School and its Logo and Moto, the assessee also undertook rendering of several services. These services include imparting of education and providing the necessary staff to impart education. Hence, it could not be said that the purpose sought to be achieved through this agreement for establishing satellite schools is not educational.

On considering the other issues relating books of account etc., the Tribunal held that the amount received by the assessee as franchise fees from various satellite schools was not liable to tax.

Regulatory updates

AICTE (Grant of Approval for Technical Institutions) Regulations, 2012 and AICTE Approval Process Handbook 2013-14

AICTE, the governing body for technical education in

the country has recently released its revised regulations and approval process handbook for the academic year 2013-14. A brief synopsis of key changes in the approval process prescribed by AICTE is given below:

AICTE Approval Process Handbook 2013-14

A Private Limited or Public Limited company/industry having turnover of at least Rs 100 crores per year for previous 3 years shall be eligible for establishing diploma or under graduate or post graduate institute. The Institute setup by such a Private Limited or Public Limited company/industry can only be set up as a Society/Trust/ Section 25 company with all the related restrictions.

Mandatory appointment of Ombudsman in every technical institute for grievance redressal.

AICTE (Grant of Approval for Technical Institutions) Regulations, 2012

- Maximum batch limit for Post Graduate Program in Engineering / Technology / Pharmacy / Hotel Management & Catering Technology / Applied Arts & Crafts / Architecture / Town Planning has been increased to 30 seats (from 18 seats earlier). Also, AICTE has added a batch of maximum 60 seats in Dual Degree Courses in Management (MAM) and MCA to the definition of the term "Division".
- AICTE has defined the part time programs as activities conducted in evening time i.e. 5.30 pm to 9.30 pm (six days a week) wherever First / General shift working exits and are meant only for working professionals or professionals with at least two years of work experience.
- Restricting AICTE's mandate to govern collaborations and twinning arrangements between Indian and foreign universities in the field of technical education only instead of regulating entry and operation of foreign institutions in India.
- Deletion of provision stating that all promoters of technical Institutions and or Polytechnic (Technical Institution offering Diplomas) shall require prior approval of the Council for converting the existing AICTE approved technical institutions into a technical campus.
- Insertion of a new clause stating that all promoters of technical institutions and or Polytechnic (Technical Institution offering Diplomas) shall require prior approval of the Council for change of site/location of the existing institution. Therefore, AICTE has now

permitted change of site/location of an existing institution also subject to its approval.

- The Council, which earlier did not permit any technical education program to be run as either an evening or part time program in any technical institution, shall now permit only University affiliated Technical Education / Management Programs to be run as part time programs in any AICTE approved Technical / Management Institution.
- Institutions not having qualified Principal / Director for a period of more than 18 months shall now be liable to be placed under no admission status for one academic year (this period had not been defined earlier).
- The AICTE has issued stricter punitive actions against those institutions not following the guidelines issued by the Council regarding refund of fees on cancellations of admissions or delaying refunds. Additional actions now proposed include - placing the institution under no admission status for one academic year and withdrawal of the approval granted by AICTE for the program/course.

UGC to grant innovation university tag to worthy institutes

The Indian Express; Oct 3, 2012

Impact Assessment: Innovation University would be recognition of excellence by the Government for any institute/center. The universities will be provided complete autonomy in appointing a foreigner as VC, choosing its own quality standards and admission process etc. Such recognition will become a key differentiating factor between the institutes that provide better quality of education from others.

After making way for foreign institutes to collaborate with Indian ones, the University Grants Commission (UGC) is all set to help chart an alternative route to set up 'world class' innovation universities in the country. At a recent meeting, the UGC decided to launch a scheme for conferring the tag of "innovation universities" and "innovation centres" to worthy institutes. To be implemented in the 12th plan period, the scheme will fund existing Central and state universities as well as the best of deemed to be universities to upgrade to an innovation university/ centre status, provided they meet certain parameters related to innovative research.

The minutes of the meeting say that government varsities apart, those deemed varsities that were classified as category 'A' by the Tandon committee — indicating that they meet all specified criteria — will also be eligible for an innovative university tag. However, no grants or funding will be released to self-financing deemed to be universities. The UGC intends to extend the scheme to colleges.

The Universities of Innovation Bill — in the works since 2009 and introduced in the Lok Sabha in May 2012 — aims at establishing varsities that will encourage superlative academic quality and research output. These were to be set up either by the government, private entities or through public private partnerships and offer unmatched academic freedom.

The Bill provides for upgradation of universities/institutes to the status of innovation universities, provided they meet certain criteria — a suggestion made by the Planning Commission. It promises a flexible framework allowing freedom to appoint a foreign academician as a vice-chancellor, invite a promising student to join as faculty, allow varsities to devise their own merit-based admission process, individual quality standards free from UGC, and to keep the varsity out of CAG's ambit.

CBSE to launch vocational courses in classes 9 & 10

The Times of India; Nov 23, 2012

Impact Assessment: Introduction of vocational courses from secondary level will provide the school children an exposure to skill training at an early stage and open up various avenues for them by the time they complete their schooling. This definitely is a positive step which will help the Government in creating a competent pool of skilled manpower and intellectual capital in the next decade.

The Central Board of Secondary Education (CBSE) will soon launch the National Vocational Educational Qualification Framework (NVEQF) in class 9 and 10 in schools all over the country, including the northeast in a bid to increase competency among students. The NVEQF will include courses in information technology, retail management, automobile, security and front desk management. The main aim of these vocational courses is to impart knowledge and training that will strengthen the core skills of students.

CBSE regional officer K K Choudhury said, "The newly framed curriculum can be taken up by students as additional subjects, but they should regard it as compulsory subjects as exams will be held on these subjects and the marks will be given in their final mark sheet."

"We are planning to implement these courses from this session itself. We have sent letters to all the schools in the northeast regarding the implementation of these vocational courses. We have received a response from 13 schools in the northeast," Choudhury added. Vocational courses for classes 11 and 12 have already been introduced, he said, adding that there are 34 vocational courses in classes 11 and 12, but this is the first time that vocational courses will be introduced in classes 9 and 10. "We will be stressing on these two classes more," he said.

"The curriculum for these vocational courses is prepared keeping in mind the present job market. There is always a saturation point in the government sector. Around 94 per cent jobs available today are in the private sector. So students can start taking up vocational courses in classes 9 and 10 itself. Earlier, students could study these courses only after passing class 12, but now they can take up these courses in school itself," the regional officer said.

UGC hints at a separate board for undergraduate education

The Times of India; December 15, 2012

Impact Assessment: The introduction of separate undergraduate board along with the overhaul of the existing affiliation process of colleges can potentially improve the quality of undergraduate education in India. The colleges will be forced to improve the quality and infrastructure as regulated by the respective board. This will help the universities to focus more on post-graduate research and education which is lacking in the Indian education system.

If an idea mooted by the University Grants Commission (UGC) is brought into action, all the states might have a separate undergraduate board on the lines of school boards such as ICSE, CBSE and state boards. The implementation of such a plan will result in universities getting more time for postgraduate research and education.

In a questionnaire sent out to colleges and universities, the UGC has asked them, among other things, whether it would be "appropriate to have a state board of undergraduate education on the lines of CBSE/school boards or an undergraduate board in each university" so that varsities can focus on postgraduate education and research.

UGC's joint director for the western region G Srinivas said, "We have sought opinion of colleges on several issues and this is one of them. The idea is aimed at strengthening collegiate education," he said. The UGC is also trying to overhaul the process of college affiliation and ensure that more colleges benefit from its funding. In a bid to take feedback from all the stakeholders, the UGC has been holding seminars for colleges and universities on the current affiliation system. One such seminar will be held in Pune on December 14-15.

In its questionnaire, the UGC has asked colleges and universities to list reforms that can be introduced to improve the education system. "Can colleges be affiliated to any university in the country and not be bound by geographical jurisdiction? Can the relationship between a college and a university be defined as that of a master-slave, a mother-child or any other," the commission has asked in its questionnaire.

"Colleges are being neglected by universities. Out of the 33,000-odd colleges in the country, only 7,000 are recognized by the UGC and receive funds for development. Most colleges do not have permanent affiliation, which is why they are losing out. The exercise is to get many more colleges under the UGC's purview," Srinivas said. "Temporary affiliation fee has become a source of revenue for universities," he added.

Sectorial Nuggets

'FDI must to boost higher edu'

Times of India; Nov 02, 2012

Deloitte Touché Tohmatsu India Private Limited has recently released a thought paper on the education sector – titled 'Indian Higher Education sector: Opportunities aplenty, growth unlimited'. The report states that success in leveraging knowledge and innovation that could contribute to hi-tech manufacturing and high value-added services is only possible with a sound infrastructure in higher education. The report highlights the role of private sector in higher education has significantly increased in the last decade. However, due to various impediments the amount of FDI attracted by this sector since 2000 is dismally low at just \$400 million.

Cell formed to spur government colleges for NAAC accreditation

Times of India, Nov 16, 2012

The higher education department has recently formed a State-Level Quality Assurance Cell (SLQAC) with the objective of encouraging government colleges to go for accreditation from the National Assessment and Accreditation Council (NAAC). NAAC is set up to monitor the performance of educational institutions on the basis of a few parameters. However, several institutions do not take the accreditation from the NAAC in the absence of proper awareness. The SLQAC will hold workshops and seminars to teach educational institutions about the benefits of having accreditation from the NAAC. The recognition from NAAC would help government institutions attract students in large numbers.

'Skewed ratio of student intake a concern'

Times of India, Nov 07 2012

For every five students who join engineering courses, there is only one student who takes up polytechnic education. The ideal ratio of student intake, however, is three students in polytechnic for one student joining engineering education. Oversupply from engineering institutions and undersupply from polytechnic institutions has led to students who graduate as engineers finding employment as technicians. The ratio is also an outcome of the growth of the Indian economy in the last few decades with the services sector outperforming the manufacturing sector.

Two Indians among Forbes' top 15 education innovators list

Times of India, Nov 10, 2012

Indian-origin CEO of Datawind, the maker of India's low-cost tablet Aakash, Suneet Singh Tuli and Massachusetts Institute of Technology and Professor Anant Agarwal have been named by Forbes magazine among the 15 "classroom revolutionaries" who are using innovative technologies to reinvent education for students and teachers globally. The Forbes list names 15 education innovators who are "harnessing a slew of disruptive technologies to change everything from the way we teach grade school math to how we train the next generation of teachers."

Mandatory accreditation for polytechnic institutes mooted

Times of India, Nov 7, 2012

If the HRD ministry has its way, polytechnic institutions in the country will soon be required to undergo mandatory accreditation and assessment by an industry-sponsored agency recognised by the All India Council for Technical Education (AICTE). As of now, the National Board of Accreditation assesses the courses offered by polytechnics, but the process is not mandatory. The rating from such assessment is given to individual courses and not to the institutions.

Not US or UK, future of Indian education lies in digital world

Hindustan Times, November 17, 2012

India cannot build enough brick and mortar universities to meet the exploding demand for higher education from millions of its youth, and must rely on digital technology instead Kapil Sibal said in a recent interview. India has 540 million citizens under 25- a demographic dividend that international agencies like the International Monetary Fund have said could help the country gain an additional 2% GDP growth. But the country has less than 50% of what it needs to achieve its target of a 30% gross enrolment rate in higher education by 2020. This gap between demand and supply has increasingly become evident. India has encouraged the private sector to invest in the sector, expanded government institutions of excellence, supported states in setting up more colleges and tried to enact a legislation that would allow foreign universities to set up campuses in India.



HDFC to roll out schools from 2014

Hindustan Times, November 17, 2012

HDFC Education and Development Services, a wholly owned subsidiary of Housing Development Finance Corporation Ltd (HDFC), will launch its schools from academic year 2014. The company, which was formed last November, may begin operations with its first school in the national capital region (NCR).

HDFC's education arm is currently exploring both the options — owning and managing schools. Last year, the HDFC board had cleared the foray into HDFC Educational and Development Services with an investment of Rs 100 crore.

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