

# Info Capsule

## **NO GST ON ANNUAL SUBSCRIPTION/FEEES CHARGED AS LODGING/BOARDING CHARGES BY EDUCATIONAL INSTITUTIONS FROM ITS STUDENTS FOR HOSTEL ACCOMMODATION; SERVICES PROVIDED BY AN EDUCATIONAL INSTITUTION TO STUDENTS, FACULTY AND STAFF ARE FULLY EXEMPT FROM GST<sup>1</sup>**

There are some reports that GST@18% will be levied on annual subscription/fees charged for lodging in hostels. This is not true. There is no change in tax liability relating to education and related services in the GST era, except reduction in tax rate on certain items of education.

It may be mentioned that services provided by an educational institution to students, faculty and staff are fully exempt. Educational institution has been defined as an institution imparting

- (i) Pre-school education and education up to higher secondary school or equivalent;
- (ii) Education as a part of a curriculum for obtaining a qualification recognised by any law for the time being in force;
- (iii) Education as a part of an approved vocational education course.

Thus, services of lodging/boarding in hostels provided by such educational institutions which are providing pre-school education and education up to higher secondary school or equivalent or education leading to a qualification recognised by law, are fully exempt from GST. Annual subscription/fees charged as lodging/boarding charges by such educational institutions from its students for hostel accommodation shall not attract GST.

## **SERVICES PROVIDED BY THE HOUSING SOCIETY RESIDENT WELFARE ASSOCIATION (RWA) NOT TO BECOME EXPENSIVE UNDER GST; THERE IS NO CHANGE MADE TO SERVICES PROVIDED BY THE HOUSING SOCIETY (RWA) TO ITS MEMBERS IN THE GST REGIME<sup>2</sup>**

There are some press reports that services provided by a Housing Society [Resident Welfare Association (RWA)] will become expensive under GST. These are completely unsubstantiated.

It may be mentioned that supply of service by RWA (unincorporated body or a registered non-profit entity) to its own members by way of reimbursement of charges or share of contribution up to an amount of five thousand rupees per month per member for providing services and goods for the common use of its members in a housing society or a residential complex are exempt from GST.

Further, if the aggregate turnover of such RWA is upto Rs.20 Lakh in a financial year, then such supplies would be exempted from GST even if charges per member are more than Rs. five thousand.

<sup>1</sup> Available at: <http://pib.nic.in/newsite/erelease.aspx>

<sup>2</sup> Available at: <http://pib.nic.in/newsite/erelease.aspx>

RWA shall be required to pay GST on monthly subscription/contribution charged from its members if such subscription is more than Rs. 5000 per member and the annual turnover of RWA by way of supplying of services and goods is also Rs. 20 lakhs or more. Under GST, the tax burden on RWAs will be lower for the reason that they would now be entitled to ITC in respect of taxes paid by them on capital goods (generators, water pumps, lawn furniture etc.), goods (taps, pipes, other sanitary/hardware fillings etc.) and input services such as repair and maintenance services. ITC of Central Excise and VAT paid on goods and capital goods was not available in the pre-GST period and these were a cost to the RWA.

Thus, there is no change made to services provided by the Housing Society (RWA) to its members in the GST era.

### **GUIDELINES FOR PARTICIPATION/FUNCTIONING OF ELIGIBLE FOREIGN INVESTORS (EFIS) AND FPIS IN IFSC-AMENDMENT<sup>3</sup>**

1. Kindly refer to the SEBI circular IMD/HO/FPIC/CIR/P/2017/003 dated January 04, 2017 on the captioned subject.
2. Based on the discussions with various market participants, it has been decided to replace Clause 2 c) of the aforesaid circular with the following:

*"In case of participation of an EFI, not registered with SEBI as an FPI, but desirous of operating in IFSC, a trading member of the recognized stock exchange in IFSC may carry out the due diligence on its own or it may rely upon the due diligence carried out by a bank, which is permitted by RBI to operate in IFSC, during the account opening process of an EFI".*

3. This circular is being issued in exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992, to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

### **ONLINE FILING SYSTEM FOR FOREIGN VENTURE CAPITAL INVESTORS<sup>4</sup>**

1. In order to facilitate ease of operations in terms of applying for registration, reporting and various compliances under SEBI (Foreign Venture Capital Investors) Regulations, 2000 (hereinafter referred to as 'FVCI Regulations'), SEBI has introduced an online system for filings related to Foreign Venture Capital Investors(FVCI).The online system can be used for application for registration, reporting and filing under the provisions of FVCI Regulations.
2. All applicants desirous of seeking registration as a FVCI are now required to submit their applications online only, through SEBI Intermediary Portal at <https://siportal.sebi.gov.in>. Furthermore, all SEBI registered FVCIs are now required to file their compliance reports and submit applications for any request under the provisions of FVCI Regulations, through the online system only. The aforesaid online filing system for FVCI has been made operational from July 1, 2017.

<sup>3</sup> Available at [http://www.sebi.gov.in/legal/circulars/jul-2017/guidelines-for-participation-functioning-of-eligible-foreigninvestors-efis-and-fpis-in-ifsc-amendment\\_35287.html](http://www.sebi.gov.in/legal/circulars/jul-2017/guidelines-for-participation-functioning-of-eligible-foreigninvestors-efis-and-fpis-in-ifsc-amendment_35287.html)

<sup>4</sup> Available at: [http://www.sebi.gov.in/web/?file=../../sebi\\_data/attachdocs/jul-2017/1499342301261.pdf#page=1&zoom=auto,-24,624](http://www.sebi.gov.in/web/?file=../../sebi_data/attachdocs/jul-2017/1499342301261.pdf#page=1&zoom=auto,-24,624)

3. Link for SEBI Intermediary Portal is also available on SEBI website - [www.sebi.gov.in](http://www.sebi.gov.in). In case of any queries and clarifications, users may refer to the manual provided in the portal or contact the Portal Helpline as specified in the manual.
4. Existing SEBI registered FVCIs are advised to activate their online accounts, for which activation e-mail has been sent separately.
5. This circular is issued in exercise of the powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992, to protect the interests of investors in securities and to promote the development of and to regulate the securities market.

***Team ICSI***

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