



India Union Budget 2024-2025

Point of view

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Education and Skill Development

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Key announcements for the sector

Direct Taxes

- Domestic corporate tax rates remain unchanged. Tax rate for foreign companies (branch office, project office and permanent establishment) has been reduced from 40% to 35%.
- Provisions of Equalisation Levy, applicable to online education service providers shall not be applicable from 1st August 2024.
- Single tax exemption regime applicable from 1 October 2024. All exempt organisations registered under 10(23C) to transition to the single regime specified under Section 11 to 13.
- Tax on accreted income shall not apply on merger of trusts if the other trust / institution has same / similar objects, is registered for tax exemption and merger fulfills conditions as may be prescribed.
- Principal Commissioner / Commissioner of Income-tax granted powers to condone delay in filing application for obtaining charitable status in cases of genuine hardship.
- TDS rates across various sections rationalized for ease of doing business and better compliance for taxpayers.
- W.e.f 1 October 2024, no TCS / TCS at a lower rate to be collected from certain classes of person whose income is exempt from tax, as notified by the Central Government.

Indirect Taxes

Customs

- End date of 30th September 2024 prescribed for exemption from Customs duty on import of pedagogic material for educational or vocational training courses has been removed and thus, exemption from Customs duty on the said goods would be available subject to conditions specified under the Notification No. 46/74-Customs, Dated 25th May, 1974.
- Specific amendment brought under the Customs Act specifying that certain manufacturing process or other operations, as specified, will not be eligible for benefit of Manufacturing and Other Operation in Warehousing Regulation ('MOOWR'), 2019 (No.2), which appears to deny the benefit of setting of solar power plant in MOOWR.

Goods and Services Tax

- GST Amnesty: Section 128A is introduced to provide for a conditional waiver of interest and penalty for GST demand issued under section 73 and pertaining to the financial years 2017-18, 2018-19, and 2019-20, subject to payment of full tax liability by the taxpayer.
- Relaxation in timeline for taking input tax credit pertaining to the Financial Years 2017-18, 2018-19, 2019-20, and 2020-21 is extended till filling of GSTR-3B return up to the 30th day of November 2021.
- Specific provision introduced to empower the government to regularize non-levy or short levy of GST due to any general practice prevalent in trade. Similar provisions are proposed under IGST Act, UTGST Act and GST (Compensation to States) Act.
- Section 17 of the Central Goods and Services Tax ('CGST') Act, 2017 is amended to remove the restriction of input tax credit if the GST is paid under Section 74, 129 and 130 of the CGST Act, 2017 from 2024 onwards. Thus, the restriction under the above provision will only be applicable for tax paid under Section 74 for the Financial Year ('F.Y.') up to 2023-24.
- Section 73 and 74 of CGST Act, 2017 are amended to limit the applicability of these sections to demands up to FY 2023-24, since from FY 2024-25 onwards, GST demands will be issued under the new Section 74A of the CGST Act, 2017.
- A new Section 74A of the CGST Act, 2017 is inserted in the CGST Act, 2017 to issue demand of GST within the time frame of 42 months from the due date of furnishing returns. Furthermore, the tax authority will be required to pass the order within 12 months from the date of issuance of SCN.

Key policy announcements and budget allocation for Education and Skill Development

An overall provision of INR 1.48 lakh crore for education, employment and skilling has been announced in the Budget 2024.

Higher Education

- E-vouchers for loans up to INR 10 lakh for higher education in domestic institutions to be given directly to 1 lakh students every year for annual interest subvention of 3% of loan amount.
- New medical colleges would be established in Bihar. This move aims to enhance healthcare infrastructure and educational opportunities in the region.

Skill Development and Entrepreneurship

- Prime Minister's Package of 5 Schemes and Initiatives for employment, skilling and other opportunities for 4.1 crore youth over a 5-year period.
 - Scheme A - First Timers: One-month salary of up to INR 5,000 to be provided in 3 installments to first-time employees, as registered in the Employees' Provident Fund Organisation (EPFO)
 - Scheme B - Job Creation in manufacturing: Incentive to be provided at specified scale directly, both employee and employer, with respect to their EPFO contribution in the first 4 years of employment
 - Scheme C - Support to employers: Government to reimburse up to INR 3,000 per month for 2 years towards EPFO contribution of employers, for each additional employee
 - New centrally sponsored scheme for Skilling:
 - 20 lakh youth to be skilled over a 5-year period
 - 1,000 Industrial Training Institutes (ITIs) to be upgraded in hub and spoke arrangements with 200 hub ITIs and 800 spoke ITIs. Course content and design to be aligned with the skill needs

of the industry and new courses to be introduced for emerging needs. Focus on outcome and quality of skilling:

- Course content and design to be aligned to the needs of the industry
- Total outlay of INR 60,000 Crore over five years with following share division:
 - o Government of India: INR 30,000 Crore
 - o State Governments: INR 20,000 Crore
 - o Industry: INR 10,000 Crore (including CSR funding).
- o New Scheme for Internship in 500 Top Companies to 1 crore youth in 5 years. These internships aim to provide practical work experience and skill development opportunities. This scheme is applicable for youth aged between 21-24 who are not employed and not engaged in full time education. Participation of companies is voluntary. Cost sharing (per annum):
 - Government – INR 54,000 towards monthly allowance (plus INR 6,000 grant for incidentals)
 - Company – INR 6,000 from CSR funds towards monthly allowance
 - Training cost to be borne by the Company from CSR funds
 - Administrative costs to be borne by respective parties (for the Company, reasonable administrative expenses can be counted as CSR expenditure).
- Model Skill Loan Scheme to be revised to facilitate loans up to INR 7.5 lakh with a guarantee from a government promoted fund: expected to help 25,000 students every year.
- To facilitate higher participation of women in the workforce, creches and hostels for working women will be set up in collaboration with industry. In addition, the partnership will seek to organise women-specific skilling programmes, and promotion of market access for women SHG enterprises.
- A comprehensive integration of e-shram portal with other portals will facilitate such one-stop solution. Open architecture databases for the rapidly changing labour market, skill requirements and available job roles, and a mechanism to connect job-aspirants with potential employers and skill providers will be covered in these services.

Research and Development

- Operationalisation of the Anusandhan National Research Fund for basic research and prototype development. Further, a mechanism for spurring private sector-driven research and innovation at commercial scale will be set up with a financing pool of INR 1 lakh crore in line with the announcement in the interim budget.
- INR 1000 Crore allocated for establishment of 4 Institutes of Excellence and INR 250 Crore allocated for establishment of 3 Centres of Excellence for AI.
- Prime Minister's Research Fellowship to continue with an allocation of INR 350 Crore.

Implications for the sector

Taxation in the Education sector

- Streamlining of exemption regimes to simplify administration of exempt organisations for both the assessee and tax department.
- Providing exemption on merger of tax-exempt trust / institutes provides certainty on tax implication and shall facilitate the consolidation of Institutions in the education sector.

Overall implication in the Education and Skill Development sector

- The budget is set to significantly boost employment and skill development for youth. It includes detailed allocations for specific schemes, with clear timelines, identified beneficiaries and direct instructions for implementation. It presents the right initiatives to address the challenges towards job creation in formal sector. Unlike many previous budgets, this one is also carefully measured in terms of the number of beneficiaries and its overall impact.
- The internship scheme is both innovative and interesting, placing a strong emphasis on industry ownership for its execution. It offers substantial incentives through stipend allocations while also requiring industries to contribute 10% of this incentive from the CSR budgets. This approach is expected to significantly revitalize the currently sluggish internship drives from industry, academia and students.
- The upgradation of 1,000 ITIs is a critical component of vocational education reforms. This upgradation coupled with course revalidation and revamping trainer training ecosystem will ensure modern training and address challenges related to trainers' capacity and obsolete course content. The government had previously launched the bank funded Skills Strengthening for Industrial Value Enhancement (STRIVE) project, which enhanced 500 ITIs and is now swiftly applying those lesson to the next 1,000 ITIs.
- The provisions of loans for students pursuing higher education at Indian Universities is a valuable incentive that encourages these institutions to enhance their educational quality. While the government permits foreign higher education institutions, it has also prioritised improving opportunities for students seeking quality education within India. This initiative will enable Indian institutions to invest in their programmes and compete with top global institutions, thus retaining and attracting top talent in the long term.
- The Employment-Linked Incentive scheme, which offer one month salary to newly employed workers registered with EPFO and provide contributions to EPFO for additional employees, are significant measures designed to encourage more organisations-particularly in manufacturing sector-to join the formal economy and contribute to the GDP. While tracking new employment through EPFO has been successful, determining whether it is an employee's first job has occasionally posed a challenge. This issue can be addressed through de-duplication using Aadhar or other technologies.
- Fund allocation for skill development of 20 lakhs youth—aligned to industry needs and in collaboration with state governments, is a step in the right direction. This will help align skill development institutions to the local and industry needs and directly improve the job prospects of such skilling initiatives. The involvement of both industry and state in skilling of youth will ensure that specific geographical and industry cluster demands are effectively identified and addressed within each region.
- The model loan scheme for skill development is bound to attract more youth and encourage skill development institutions to come up with skilling programs for emerging sectors with job prospects.

- The impetus on research through Anusandhan National Research Fund along with private sector contribution will ensure innovation and encourage students to take up research.

In summary, this budget will be a shot in the arm for employment, employers, skill development institutions, universities and other higher education institutions and will spur jobs-led economic growth.

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