



India Union Budget 2025-26

Point of view

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Education and Skill Development

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Key announcements for the sector

Taxation in the Education and Skill Development sector

Direct Tax

All amendments applicable from FY 2024-25

- Incomplete application submitted for registration of charitable institutions not to be treated as a 'specified violation' leading to cancellation of tax exemption registration
- Validity of registration for smaller charitable institutions whose income does not exceed INR 5 crores in each of the two previous years prior to filing of application to be extended from 5 years to 10 years
- Threshold for coverage under 'specified persons' for persons making substantial contributions increased to INR 1 lakh per year and a cumulative limit of INR 10 lakhs
- Relatives and entities where substantial interest held by persons covered under 'specified persons' under the 'substantial contribution' definition excluded from the meaning of 'specified persons'
- No TCS on amount remitted under LRS for pursuing education out of loan obtained from financial institutions
- Provisions of TCS on sale of goods shall not be applicable from 1 April 2025 to reduce compliance burden on the taxpayers
- TDS threshold limit across various sections rationalized for ease of doing business and better compliance for taxpayers.

Indirect Tax

- Retrospective amendment proposed to substitute word 'plant or machinery' to 'plant & machinery' under section 17 (5) (d) of the CGST Act in order to restrict input tax credit on construction activities
- A new provision proposed vide Section 18 (A) of the Customs Act, 1962 to provide an opportunity to the importer or exporter of goods to revise the entry (BOE/ Shipping bill) and pay applicable taxes/ claim refund etc
- The Basic Custom Duty on all dutiable goods imported for personal tariff has been reduced from 35 per cent to 20 per cent
- Reduction in output tax liability on account of credit notes will be permitted only if the recipient reverses the corresponding input tax credit (if registered) or incidence of tax has not been passed on
- 10 per cent pre-deposit (at each stage) to be paid in appeals involving only penalty.

Key Policy Announcements in Budget 2025-26 for Education and Skill Development Sector

Skill Development

- A multi-sectorial 'Rural Prosperity and Resilience' Programme will be launched with states to tackle under-employment in agriculture through skilling, investment, technology and rural economic growth. The aim is to create opportunities in rural areas, so migration becomes an option, not necessity
- Building on the National Action Plan for Toys, a scheme to make India a global hub for toys will be implemented. The scheme will focus on development of clusters, skills, and a manufacturing ecosystem that will create high-quality, unique, innovative, and sustainable toys that will represent the 'Made in India' brand
- 5 National Centres of Excellence for skilling will be set up with global expertise and partnerships to equip our youth with the skills required for "Make for India, Make for the World" manufacturing. The partnerships will cover curriculum design, training of trainers, a skills certification framework, and periodic reviews
- Top 50 tourist destinations to be developed with intensive skill development programs for youth in tourism and hospitality sector
- A national framework will be formulated as guidance to states for promoting Global Capability Centres (GCC) in emerging tier 2 cities. This will suggest measures for enhancing availability of talent and infrastructure, building-byelaw reforms, and mechanisms for collaboration with industry.

Entrepreneurship

- Along with the existing Fund of Funds, a new Fund of Funds, with expanded scope and a fresh contribution of another INR 10,000 crores will be set up
- A new scheme for 5 lakh women, first-time entrepreneurs belonging Scheduled Castes and Scheduled Tribes to be launched. This will provide term loans up to INR 2 crores during the next 5 years.

Higher Education

- National Institute of Food Technology, Entrepreneurship and Management to be set up in Bihar. The institute will provide a strong fillip to food processing activities in the entire Eastern region. This will result in (1) enhanced income for the farmers through value addition to their produce, and (2) skilling, entrepreneurship and employment opportunities for the youth
- A Bharatiya Bhasha Pustak Scheme to provide digital-form Indian language books for higher education. This aims to help students understand their subjects better
- Additional infrastructure will be created in the 5 IITs started after 2014 to facilitate education for 6,500 more students. Hostel and other infrastructure capacity at IIT, Patna will also be expanded
- A Centre of Excellence in Artificial Intelligence (AI) for education will be set up with a total outlay of INR 500 crores
- Additional seats upto 10,000 will be added in medical colleges and hospitals in the next year, towards the goal of adding 75,000 seats in the next 5 years.

School Education

- The Saksham Anganwadi and Poshan 2.0 programme provides nutritional support to more than 8 crore children, 1 crore pregnant women and lactating mothers all over the country, and about 20 lakh adolescent girls in aspirational districts and the north-east region
- Fifty thousand Atal Tinkering Labs will be set up in Government schools in next 5 years to cultivate the spirit of curiosity and innovation and foster a scientific temper among young minds
- Broadband connectivity will be provided to all Government secondary schools in rural areas under the Bharatnet project
- Similar to Higher Education Sector, Bharatiya Bhasha Pustak Scheme will be launched for schools to provide digital-form Indian language books. This aims to help students understand their subjects better.

Research and Development

- To implement private sector driven Research, Development and Innovation initiative announced in the July 2024 Budget, INR 20,000 crore has been allocated
- A Deep Tech Fund of Funds will be explored to catalyze the next generation startups as a part of this initiative
- In the next five years, under the PM Research Fellowship scheme, the government will provide 10,000 fellowships for technological research in IITs and IISc with enhanced financial support.

Others

- Identity cards and registration on the e-Shram portal will be arranged for gig-workers. They will be provided healthcare under PM Jan Arogya Yojana. This measure is likely to assist nearly 1 crore gig-workers
- Investment and turnover limits for MSME classification will increase from 2.5 and 2 times respectively. This will help generate employment for 7.5 crore people, further supporting 1 lakh registered MSMEs.

Implications for the sector

Taxation Implications in the Education and Skill Development Sector:

- Rationalization of tax provisions for non-profits to ease compliance and administrative requirements for the sector.

Overall Implications in the Education and Skill Development Sector:

Skill Development and Entrepreneurship

- The budget marks a significant shift in skill development by embedding it within the broader agenda of job creation and industry growth, rather than treating it as an isolated initiative. Unlike previous budgets that focused on direct incentives, this approach ensures that skilling aligns with economic expansion. Sectors like agriculture, leather, manufacturing (electronics, toys), mining, tourism, aviation, gig jobs, etc. have been prioritized – sectors where growth is largely derived by employment and job creation. The INR 1.5 lakhs crore interest-free loan for infrastructure will further accelerate job creation, amplifying the demand for skilled workers
- The recognition of gig-workers and their social security benefits is a major step forward. The emphasis on urban livelihood, women entrepreneurs and initiatives like the National Institute of Food Technology in Bihar reflects a broader vision for economic participation beyond formal jobs. While programmes like the National Centre of Excellence for Skilling and embedded skilling in expanding sectors are welcome, the real test will be in execution – ensuring that these investments lead to structured, scalable, and impactful skill development for India's evolving workforce.

Higher Education

- The higher education sector, which urgently requires attention, continues to receive steady allocations in the budget. While additional funds have been provided for IIT infrastructure expansion and more medical seats have been announced, these measures, though positive, may not fully meet India's growing higher education demands. Strengthening IITs is vital for enhancing India's global talent, but they are only one part of the broader higher education requirement. Also, it is equally important that these expansions are supported by adequate infrastructure and teaching capacity to ensure the effective implementation
- The private sector is playing an increasingly important role in broadening higher education across various formats and regions. This is an important agenda in the National Education Policy 2020 which talks about increasing the Gross Enrollment Ratio to 50 per cent from the current 28 per cent. Hence, there is an opportunity for further government support through enabling regulations and targeted incentives to help particularly in financing expansion to extend the reach of quality education
- Similarly, while consistent budgetary focus on expanding medical education is encouraging, its implementation could benefit from a closer examination of the structural factors that influence the progress. A thoughtful review could help ensure that the initiatives translate into the intended improvements in medical education.

School Education

- The focus on technology and early childhood development in the budget is a promising step towards transforming learning outcomes. Establishing Atal Tinkering Labs in 50,000 government schools, providing broadband connectivity to all secondary government schools, and introducing digital books in vernacular languages through Bharatiya Bhasha Pustak Scheme are measures that not only enhance digital awareness but also cultivate an innovative mindset from a young age. These initiatives can play a crucial role in bridging the digital divide and ensuring that quality education is accessible to all
- In tandem, the Saksham Anganwadi and Poshan 2.0 programmes are poised to make significant contributions to early childhood development and nutritional well-being.

Research and Development

- The budget strikes a balanced approach by not only prioritizing job creation but also strengthening foundational elements. Investment in Broadband connectivity for secondary schools, 500 new Atal Tinkering Labs, the Bhartiya Bhasha Pustak scheme, expansion of the PM Research Fellowship and INR 20,000 crores for innovation reflect strong commitment to building a robust research innovation ecosystem
- While core industries such as mining, agriculture, tourism, and energy receive a push, the budget also ensures that emerging fields like AI are not overlooked, as seen in the allocation for the Centre of Excellence in Artificial Intelligence.

Economic survey indicates need for students to acquire formal skills (beyond secondary education) and have more tighter integration of skills in formal education system enabling learners to acquire necessary employability skills that are needed to transition seamlessly transition to industry. While there is allocation for apprentice, internship outside formal education – the budget could have laid emphasis on tighter integration of skills in formal education system and seamless exchange of credits related to employable skills across school, vocational and higher education, and limited push for Public-Private partnerships to bring in better efficiencies in the higher education system.

Overall, it has been a very positive, forward-looking budget with job creation at its core – at the same time emphasizing on fundamentals of education and innovation. With this approach, India stands a strong chance to become a natural hub for education and attract international students in the years to come.

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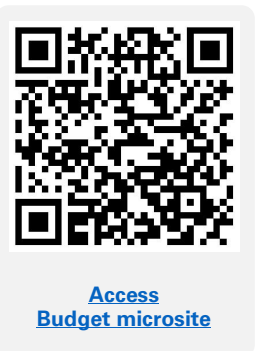
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