

## **Case Study Series – GST Advance Ruling**

### **The crux of the case:**

Whether GST is applicable on services provided by the university to its constituent colleges by way of providing/extending affiliation?

Authority	TamilNadu Authority For Advance Ruling
Legal Name of Applicant	Bharathiyar University
Details of Application	GST ARA -001, Application No.04/2020 dtd 06.02.2020

### **Facts of the case:**

- The applicant is a university established under the Bharathiyar University Act, 1981.
- The applicant is engaged in the activity to affiliate colleges to university as affiliated - professional or post graduate colleges.
- The applicant provides the following services to its constituent colleges,
  - Application form fees
  - Application fees (Application \* Registration fee) (each course/section)
  - Inspection fees (each course/section)
  - Affiliation fee for each course
  - Affiliation fee for additional section
  - Initial affiliation fee to start an institution
  - Permanent affiliation to the college
  - Continuation of affiliation fee for each course
  - Increase in intake for each course for permanent basis, processing fee
  - Penal fee for receipt of late application
- The applicant wants to know whether the above mentioned services are covered under sl.no 66 of notification no 12/2017 CT(rate) dated 28.06.2017 which grants exemption to the services relating to admission of students or conduct of examination.

### **Applicant's view:**

- All the above mentioned services are a part of a composite supply of goods and services which are naturally bundled with the principle activity of providing affiliation to the college.

- The applicant claims that a student can take part in the university examination only if the college in which the student is studying is affiliated to the university.
- Since affiliation becomes a prerequisite for determining the eligibility of a candidate to appear in the examination, affiliation forms part of the services relating to admission of students or conduct of examination and hence is exempt from GST as per the above mentioned notification

### **Discussions and Findings:**

- As per Section 2(30) of the CGST Act, 2017 which defines composite supply, all the above mentioned activities relate to the university extending its affiliation to the college and hence we agree with the applicant that the same in its entirety is a composite supply with “extending affiliation” being the principle supply.
- As per regulation 2 of the UGC(Affiliation of colleges by universities) regulations, 2009, affiliation in relation to a college is an activity to recognize such college to the privileges of the university to which the institution is affiliated.
- In other words, the activity of affiliation is to monitor whether the institution possesses the required infrastructure in terms of space, technical prowess, financial liquidity, faculty strength etc. to be eligible for the privileges to conduct course/study programme for the degree/title extended by the university.
- It is evident that the affiliation services provided by the university enables the said institutions to conduct the courses/study programme of the university and **do not relate** to admission of students or conduct of examination. Therefore the above mentioned composite supply is taxable under GST and not exempt vide sl.no 66 of the above mentioned notification.

### **Order:**

**Whether the services provided by the university to its constituent colleges viz. self-financing and management colleges relating to admission to or conduct of examination by such institution by way of affiliation fee, registration fee such as**

- Application form fees, application fees, inspection fees**
- Affiliation fee for each course and for each additional section, initial affiliation fee, permanent affiliation fee.**
- Continuation of affiliation for each course**

**d. Increase in intake for each course on permanent basis, processing fees and penal fees for receipt of late application.**

**Are exempted vide sl.no.66 of notification no.12/2017 CTR dated 28.06.2017**

- Answered in negative (i.e. the exemption notification does not apply to the services mentioned in the question and hence is taxable)

**Key takeaways:**

1. The entire gamut of goods and services supplied in relation to affiliation forms part of a composite supply with the principal supply being “providing/extending affiliation”
2. Extending affiliation means that a university is granting privileges to an institution/college for conducting the course/programme offered by the university upon satisfaction of many underlying conditions such as infrastructure, space, financial viability etc.
3. Extending affiliation should not be construed as services relating to admission or conduct of examination even if it is pre-requisite for a student of an institution to appear in the examination conducted by the university.
4. In light of the above, the services of extending affiliation does not form part of sl.no 66 of the exemption notification and hence is subject to levy of GST.