India’s education sector is poised for exponential growth and presents a great investment opportunity driven by the country’s favourable demographics.

Last year, the Government of India (GoI) released a draft of the National Education Policy (NEP) 2019, which envisions a strategic shift in quality of learning outcomes and underscores the need of transformation through changes in pedagogical structure, contemporary teaching methodologies, upskilling of teachers and improved infrastructure. The importance of the education sector was also stressed upon in this year’s Union Budget speech by Finance Minister Nirmala Sitharaman. The GoI announced several initiatives to be taken for addressing skilling needs, as well as enabling growth in the education sector.

The GoI has been in consultation with various stakeholders to understand the sectoral policy measures/initiatives that need immediate attention. One important aspect that has continuously been highlighted in such consultations is the opportunities required for educational and skilling institutions to raise capital to meet their quality and infrastructural needs.

While this would need continuous engagement with the GoI to present varying perspectives and changes in the underlying regulatory framework, some of the key initiatives/developments that are currently ongoing are given below.

### Release of the draft NEP 2019

The draft NEP 2019 has been recently reviewed by the Prime Minister and is expected to be released soon. The NEP 2019 shall provide direction for the sector’s growth and transformation.

### Announcements in Union Budget 2020

#### Policy directions announced

Recognising the need for augmenting resources in the sector, the GoI has made the following key announcements in this year’s budget:

- Foreign direct investment (FDI) in educational institutions would be enabled. The foreign exchange laws would need an appropriate amendment to allow FDI in societies and trusts, which are responsible for how most educational institutions are presently set up. In this regard, the GoI is also contemplating the participation by foreign institutions to:
  - set up campuses/schools in India as part of existing Indian universities
  - set up own independent campuses in India
  - set up own campuses/schools within designated zones in the country (knowledge clusters or special knowledge zones).

- Building a framework to enable educational institutes to borrow foreign currency loans. An amendment to the External Commercial Borrowings Policy would be required to recognise educational institutions, set up as trusts, societies or not-for-profit companies under Section 8 of the Companies Act, 2013, as eligible borrowers.

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The top 100 universities in India, as ranked by the National Institute Ranking Framework (NIRF), would be allowed to provide online degrees, thereby creating huge potential for technology and content design related collaborations.

To strengthen India’s position as a preferred higher education destination, IND-SAT tests would be held in Asian and African countries to assess the eligibility of foreign students for scholarships in India.

Developing world class educational institutions in India will be one of the constituents for fund utilisation under the National Infrastructure Pipeline (NIP) scheme launched in December 2019.

The National Skills Development Agency (NSDA) will give a thrust to infrastructure-focused skill development opportunities in order to enhance employment opportunities for the youth in construction, development and maintenance of educational infrastructure in the country.

A national police university and a national forensic science university are to be set up for the subjects of policing science, forensic science, cyber forensics, etc.

There will be an increase in the allocation of funds for digital connectivity in government schools under the BharatNet programme.

Taxation announcements

The GoI has announced various changes in the income tax provisions governing not-for-profit entities, with the objective of streamlining the tax exemption claims as well as mapping donations with donors. The key changes include:

- Any institute’s registration process would be more streamlined with the introduction of the online filing facility. The registration would be valid for a period of five years. Existing organisations are required to seek fresh registration by 31 August 2020.

- Donations received would need to be reported by the recipient organisations and a certificate would need to be issued to donors in the prescribed format.

- To discourage switching between the provisions of Section 10(23C)/(46) and Section 11 of the Income-tax Act, 1961, tax exemption shall be available to registered organisations either under Section 10(23C)/(46) or Section 11 with effect from 1 June 2020, based on a one-time choice made by the organisation.

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