
THE ECONOMIC AND SOCIAL IMPACT OF GST ON EDUCATIONAL INSTITUTIONS AND HEALTHCARE

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ABSTRACT

India's indirect taxation system underwent a dramatic change in July 2017 with the implementation of the Goods and Services Tax (GST), which replaced a convoluted network of levies like excise duty, service tax, and VAT with a single tax structure. GST has had a significant and varied impact on vital industries including healthcare and education, despite its stated goals of improving transparency, streamlining compliance, and removing tax cascades. Taxation on supplementary services has increased operational costs in educational institutions, particularly private ones, resulting in higher fees and reduced affordability for students from low-income households. Similarly, healthcare providers have seen cost increases in medical equipment, consumables, and diagnostic services, affecting affordability and accessibility for economically disadvantaged populations.

This research explores the economic and social implications of GST on these two sectors from implementation to 2024, focusing on financial hardship, compliance issues, and expanding urban-rural differences. The study also explores the impact of GST on public versus private sector service delivery, the indirect influence on skill development, and the availability of key services for underprivileged people. While GST has simplified taxation and enhanced digital compliance systems, the analysis highlights the need for targeted changes and exclusions to reduce the negative effects on these critical sectors. The research also identifies possible ways to use GST to improve service delivery by utilizing cutting-edge technologies like online learning and telemedicine.

INTRODUCTION

The Goods and Services Tax (GST), which went into effect in July 2017, is one of the most significant tax reforms in India's history. In order to establish a more straightforward, transparent, and effective tax system, the GST replaced several cascading taxes, including excise duty, service tax, and VAT, with a single framework. While this shift has brought major benefits to areas such as manufacturing, retail, and logistics, it has had a complex and multidimensional influence on important sectors such as education and healthcare, which are critical to the country's social and economic development. Educational institutions and healthcare providers, which are cornerstones of societal growth, have been granted partial or full exemptions from essential services. Despite this, taxes on ancillary services like as transportation, food, coaching, medical equipment, and diagnostic tools have resulted in increased operational costs. This has had an indirect impact on end users' affordability, especially for patients and students from lower-income groups. Disparities in access to high-quality healthcare and education have also been made exacerbated by a lack of compliance and increased input costs for smaller clinics and institutions, especially in rural areas.

This paper aims to provide a comprehensive analysis of the economic and social consequences of GST on these sectors over the period from 2017 to 2024. It covers significant issues such as rising expenses, greater compliance demands, and widening socioeconomic gaps, as well as the benefits of streamlined taxation and prospects for innovation. The impact of GST on public versus private service delivery, the urban-rural gap, and access to education and healthcare for vulnerable people is highlighted.

BACKGROUND OF GST AND ITS APPLICABILITY

Overview of GST:

On July 1, 2017, India implemented a significant indirect tax reform known as the Goods and Services Tax (GST). It established a single tax structure in place of a disjointed one made up of excise taxes, service taxes, VAT, and other indirect taxes. In accordance with the destination-based approach, which collects tax revenues where the goods or services are consumed rather than where they are produced, the Goods and Services Tax (GST) is imposed on the supply of goods and services nationwide. This transformative taxation policy aimed to simplify compliance, eliminate tax cascading, and create a transparent and uniform tax

structure. GST categorizes products and services into several tax rate slabs, including 0%, 5%, 12%, 18%, and 28%.¹ Some goods and services are exempt or zero-rated. This framework allows for differentiating taxation based on the nature and importance of commodities and services. To encourage affordability and accessibility, fundamental services in socially important industries like healthcare and education are either taxed very little or not at all. However, there have been cascading consequences from the taxation of ancillary goods and services within these sectors, including medical devices, consumables, infrastructure development, and auxiliary educational services.² By indirectly increasing costs for end users, such as healthcare and students, these input taxes undermine the social justice that the GST seeks to promote. GST also introduced the Input Tax Credit (ITC) mechanism, which allows firms to claim credits for input taxes. However, it increases their costs because exempt industries like healthcare and education are unable to collect ITC on many of their inputs.

Applicability to Education:

- **Exempt Core Services:**

Education is considered a public good and a fundamental right under Indian law, so ensuring access to key educational services is critical. Thus, pre-primary, primary, and secondary schools as well as accredited universities that offer degree-granting programs are exempt from GST on their services. Tuition and activities directly associated with formal education are covered under these exemptions. Private coaching and training programs are not covered by the exemptions, though, which has put a financial burden on students from middle- and lower-class families who depend on extra financial aid for their education. In order to maintain affordability for a wide range of students, this partial exemption policy leaves some aspects of private education taxable, which leads to inequalities within the industry.

- **Taxation of Ancillary Services:**

Recreational activities, student transportation, hostel amenities, and catering are examples of services that are not exempt from GST and are subject to different rates of taxation. Additionally, the 18% GST rate raises the costs of private coaching centers, training facilities,

¹ https://www.academia.edu/105940759/CONCEPT_OF_GOODS_AND_SERVICES_TAX_GST_IN_INDIA

² Tyagi, Y. (n.d.). GST: A Brief Overview. Legal Service India.

and vocational programs considerably.³ This has reduced the affordability of supplemental education, especially for pupils from lower-income families, such as classes for improving skills and preparing for tests. These supplementary expenses have put further financial strain on families, which has had the unintended consequence of increasing the disparity in access to high-quality education between wealthy and underprivileged areas.

- **Impact on Infrastructure:**

The development of school buildings, libraries, and other amenities is one aspect of educational institutions' infrastructure that is impacted by GST. Educational institutions cannot claim the Input Tax Credit (ITC) for GST paid on building and maintenance services as they are exempt from the GST. This limitation disproportionately impacts private organizations, especially those located in rural locations or with little financial means. The inability to deduct input taxes raises their overall costs, which may result in lower investment in high-quality facilities and services or increased tuition for students.⁴

- **Skill-Based Education:**

Programs for skill-based training and certification that are not officially approved by government educational boards or institutions are subject to GST, which is typically levied at an 18% rate. These courses are essential for closing the workforce preparedness gap in India and helping young people gain employable skills. The GST burden on these programs has reduced their affordability, particularly for students from underprivileged backgrounds. Consequently, especially in rural and semi-urban areas, this tax impedes attempts to improve vocational training and combat unemployment.

Applicability to Healthcare:

- **Exempt Core Healthcare Services:**

Hospitals, clinics, and licensed medical professionals are free from GST on healthcare services, which reflects the sector's vital role in maintaining public health. Exempt services include patient care, surgery, and treatment, whether offered in public or private hospitals. This

³ GST on Education Services - Centre For Advancement of Philanthropy

⁴ <https://cleartax.in/s/gst-educational-institutions>

exemption also applies to medical care given by government hospitals and ambulance services. These provisions are intended to maintain the affordability of necessary medical care, especially for those who are less fortunate financially. However, many ancillary and supporting services are still subject to taxation because the exemptions are only applicable to core services.

- **Taxation of Ancillary Services:**

Ancillary services like diagnostic imaging, luxury room rents, and hospital canteen services are subject to GST even though essential healthcare services are excluded. Despite being exempt, diagnostic services rely significantly on taxable supplies and equipment, which raises patient expenses indirectly. The GST also taxes ancillary services like wellness initiatives and medical tourism, which drives up costs in the private healthcare industry. Patients frequently bear the brunt of these expenses, which reduces the affordability of private healthcare and forces them to rely on public facilities.

- **Medical Equipment and Pharmaceuticals:**

With tax rates ranging from 5% to 18%, GST is applicable to a broad range of medications, medical equipment, and consumables used in healthcare delivery.⁵ This tax structure applies to necessities like implants, surgical instruments, and diagnostic equipment. Consumables like syringes, gloves, and bandages, which are indispensable for patient care, also attract GST. The tax burden on these inputs increases the overall cost of healthcare delivery because hospitals and clinics are unable to claim ITC because their services are excluded. Economically disadvantaged segments of the community are disproportionately affected by these higher expenses, which are usually passed on to patients.

- **Health Insurance and Diagnostics:**

Health insurance premiums, which are subject to an 18% GST rate, have increased in price under the new tax regime. This higher price makes insurance coverage less affordable, especially for families with middle-class and lower-class incomes. The cost of advanced tests, which depend on sophisticated technology and are subject to higher GST rates, has increased, making it more difficult to obtain prompt and precise medical diagnosis. Patients who need

⁵ Ministry of Finance, GST Rates on Medical Equipment and Pharmaceuticals, Official Gazette, Government of India, 2024.

specialized treatment or long-term care are especially affected by these cost hikes, which further restricts their access to essential healthcare services.⁶

ECONOMIC IMPACT OF GST ON EDUCATIONAL INSTITUTIONS

The Goods and Services Tax (GST), which simplifies India's tax structure, has created a complicated web of issues for the education sector. The operational costs of educational institutions, especially private and rural ones, have been greatly impacted by the tax's application to ancillary services and infrastructure. This section delves into the GST's multidimensional economic impact on education, with a focus on ancillary services, infrastructural development, smaller institutions, and patterns seen from 2017–2024.

Increased Costs of Ancillary Services:

The rates for coaching sessions, professional training, and skill development programs have increased significantly as a result of the 18% GST levied on these services. The cost of competitive NEET, JEE, and UPSC exam preparation courses has increased, especially for middle- and lower-class households. This fee has increased the disparity in access, putting pupils from lower-income families at a disadvantage while granting wealthy families access to high-quality supplemental education. Many students are consequently compelled to depend entirely on public education institutions, which frequently lack the resources necessary for advanced preparation.⁷

Students who attend schools far from home depend on transportation and hostel services, which are subject to GST at a rate of 5% or more. The increased costs for these services as a result of the levy have affected families' capacity to pay for high-quality education. The lack of adequate transportation infrastructure in rural areas makes it more difficult for students to get to school, which raises the dropout rate. These rising expenses have resulted in higher tuition for urban private schools, further repelling children from lower-income families. GST is applied to hostel services offered by schools and colleges, which raises the cost of housing for students. Students from far-off places who rely on these institutions to receive high-quality education have been

⁶ Ministry of Health and Family Welfare, Public Health System in India: A Critical Analysis, Government of India, 2024.

⁷ GST and its Impact on Education in India: A Comprehensive Analysis for 2024, Harish Varun, caclubindia, June 11, 2024. Available at: https://www.caclubindia.com/articles/details.asp?mod_id=51987

greatly impacted by this. The rise in hostel fees has discouraged many students from pursuing education in urban centers or renowned institutions, limiting their academic opportunities.

The GST has also increased the cost of programs that are crucial to holistic education, such as sports, cultural events, and leisure activities. These events frequently call for services like food, equipment rentals, and event management—all of which are liable to GST. Institutions struggling to manage these costs have scaled back on extracurricular offerings, depriving students of opportunities to develop skills beyond academics.

Impact on Infrastructure Development:

The financial burden on educational institutions has increased dramatically as a result of the GST's 18% tax on construction services, which includes building classrooms, labs, libraries, dormitories, and administrative offices. These institutions cannot claim the Input Tax Credit (ITC) because their fundamental services are exempt from GST, which drives up expenses even further. As a result, many educational institutions, especially private ones, have had to postpone or scrap plans for modernizing and expanding their infrastructure because of budgetary constraints.⁸ For example, organizations have had difficulty allocating enough funds to build state-of-the-art science labs or incorporate digital classrooms. The entire learning environment has been impacted, especially smaller private institutions that rely mostly on tuition fees. These institutions are frequently obliged to make concessions on the quality of their supplies or put off necessary repairs.

The cost hikes brought on by the GST have had a significant effect on rural schools and colleges, which already struggle with issues including insufficient finance and restricted access to resources. As a result, many schools now have hazardous or antiquated facilities, which detracts from the entire educational experience. Additionally, the disparity between urban and rural educational facilities has widened post-GST. While rural schools fall behind, urban schools have been able to use their financial resources to invest in modern facilities, limiting kids' access to top-notch learning environments.

Installing digital labs, e-learning platforms, and smart classrooms are examples of how technology integration in education is essential for 21st-century learning. However, hardware,

⁸ Kumar, R., & Sharma, S., "Impact of GST on Educational Infrastructure Development in India," *Journal of Educational Policy and Practice*, Vol. 15, Issue 2, 2024

software, and installation services—all of which are subject to 18% GST rates—are frequently included in these updates.⁹ A digital divide results from this, which is especially troublesome for smaller institutions that cannot afford these expenses. Regular maintenance of infrastructure, such as repairs to buildings, electrical systems, and IT equipment, is also subject to GST. This taxation increases operational expenses, leaving less room in budgets for student-centered initiatives like scholarships or extracurricular activities.

Large-scale infrastructure development in the education sector requires public-private partnerships, or PPPs. However, private companies have been discouraged from joining these partnerships due to the GST on building and maintenance services, as the inability to claim ITC lowers profitability. This has slowed the pace of infrastructure development in public education systems, further straining government resources.

The quality and accessibility of education in India will be impacted in the long run by the increased expenses related to infrastructure development and upkeep. Schools and colleges may find it difficult to meet the increasing needs of students without proper infrastructure, especially in STEM (science, technology, engineering, and mathematics) disciplines where state-of-the-art facilities are crucial. Higher tuition costs are another effect of the growing financial strain on institutions, rendering high-quality education expensive for many families.

Challenges for Smaller Institutions:

The implementation of the GST has disproportionately impacted smaller educational institutions, especially those located in rural or semi-urban areas. These organizations, which frequently serve underprivileged communities and have limited funding, confront a number of particular difficulties under the GST regime. Tuition fees are typically the main source of funding for smaller universities. Their operating expenses have increased as a result of the GST being imposed on ancillary services including transportation, catering, and hostel accommodations. Smaller colleges are less able to absorb these expenses than larger ones with diverse revenue streams or endowments, therefore they are forced to raise tuition for students.¹⁰ This has increased the cost of schooling, especially for rural families. The inability of smaller institutions to claim the Input Tax Credit (ITC) on expenses associated with maintenance,

⁹ Ministry of Education, Impact of GST on Educational Infrastructure in India, Government of India, 2024.

¹⁰ <https://www.deskera.com/in/gst-impact-on-education-sector-benefits-and-impacts>.

infrastructure, and other taxable services is one of the major obstacles they face. Institutions are unable to deduct the taxes spent on inputs such as building materials, maintenance, and administrative supplies because educational services are mostly free from GST. Due to the resulting tax load, expenses for colleges and universities with little funding have increased even more.

Smaller organizations frequently lack the staff members and administrative resources necessary to adequately handle these requests. Smaller schools are ill-prepared to absorb the additional financial burden of hiring outside experts or accountants to handle GST compliance. Operational inefficiencies and, occasionally, fines for non-compliance have resulted from this. Many families have been deterred from enrolling their children in private or semi-private schools by the rising cost of education, which is primarily caused by GST-related fees. In rural places, where families already suffer financial challenges, this is especially noticeable. Smaller institutions' finances have been further taxed by declining enrollment, which has led to a vicious cycle of growing expenses and declining income.¹¹

Many smaller institutions rely on government subsidies or grants to remain operational. These subsidies, however, have not been modified to compensate for the higher expenses brought on by GST. Many rural schools are finding it difficult to retain qualified instructors and maintain basic infrastructure due to a lack of funding. The quality of education in less developed areas has further declined as a result of the migration of qualified teachers from rural to urban schools. Efforts to improve the quality of education in these schools have been hampered by the imposition of GST, which has reduced the accessibility of such training programs. The gap between smaller and larger institutions has grown as a result of these difficulties compounding one another. Many smaller schools in rural and semi-urban areas are struggling to survive, while well-funded urban schools continue to flourish. Social and economic inequality have been exacerbated by this discrepancy, which has resulted in an unequal allocation of educational resources.

Trend Analysis:

Significant trends in the effects of the GST on educational institutions have emerged in the

¹¹ <https://www.financialexpress.com/jobs-career/education-the-undesirable-burden-of-gst-on-students-of-impact-education-3509544/>.

seven years after it was implemented.

- **Initial Period of Adjustment (2017–2020):**

The initial years were marked by widespread confusion and resistance from educational institutions. Operational interruptions resulted from smaller and more rural schools' difficulties comprehending and implementing GST compliance. Increased expenses caused financial difficulties for many institutions, which led to postponed teacher salaries and a decrease in extracurricular activities.

- **Adaptation by Larger Institutions (2020–2024):**

Better-resourced, larger institutions progressively adjusted to the GST system. To offset rising costs, many looked into cost-cutting strategies and made investments in digital solutions for compliance management. However, these adjustments have frequently come with higher tuition and other costs, which has an impact on students' capacity to finance them.

- **Rising Cost of Private Education:**

The total cost of private education increased by roughly 10–15% between 2017 and 2024, mostly due to GST-related costs. Families in the middle class have been disproportionately impacted since they are forced to choose between overloaded public schools and pricey private institutions.

- **Opportunities for Reform:**

The challenges highlighted by GST's impact have initiated discussions on potential reforms. Recommendations include lowering GST rates for skill-based training programs, offering ITC for educational facilities, and extending exemptions to ancillary services. Such measures could alleviate financial pressures on institutions and make quality education more accessible.

SOCIAL IMPACT OF GST ON EDUCATION

Reduced Accessibility:

The introduction of the Goods and Services Tax (GST) has resulted in higher expenses for

auxiliary services including transportation, dorm accommodations, and extracurricular activities in private schools.¹² Lower-income families, who already find it difficult to pay for high-quality education, are disproportionately affected by these expenditures, which have been passed on to children. As private institutions account for a significant share of educational service delivery in India, particularly in urban areas, the cost burden has resulted in reduced enrollment in higher education and professional training programs among marginalized groups. Additionally, students preparing for competitive examinations or seeking supplemental education now face greater financial obstacles due to the GST on coaching sessions and skill-development courses, which is sometimes levied at 18%.¹³ This has exacerbated educational disparities by disproportionately affecting pupils from smaller towns and rural locations, where access to reasonably priced coaching is already scarce.

Shift Toward Skill-Based Education:

Institutions have unintentionally been compelled to concentrate on skill-based education in response to the GST's taxation of traditional educational services like vocational training and specialized skill courses. This is in line with changing market demands and government programs like Skill India. However, this shift has its limitations. Traditional learning streams, which are essential for intellectual growth and a comprehensive education, are becoming sidelined because of their greater prices, even though skill-based education has somewhat become more accessible.¹⁴ Furthermore, rural residents are disadvantaged by the concentration of skill-based education in urban areas. As a result, urban and rural students now have different access to education, with the former frequently just receiving rudimentary education without the opportunity to receive advanced skill training.

Urban-Rural Divide:

The GST regime has widened the gap between urban and rural educational institutions. Urban institutions have adjusted to the higher costs and compliance requirements since they have greater financial and administrative resources. On the other hand, rural institutions, which sometimes have little budgets and depend on government assistance or small fees, have

¹² <https://www.efiletax.in/blog/gst-on-education-services-what-you-need-to-know-in-fy24/>

¹³ SAG Infotech. (n.d.). Impact of GST on Coaching Classes in India.

¹⁴ Harish Varun. (2024, June 11). GST and its Impact on Education in India: A Comprehensive Analysis for 2024.

encountered major operational difficulties.¹⁵ Rural institutions have been discouraged from expanding their services or improving their facilities because of the higher expenses resulting from GST on ancillary services, construction materials, and infrastructure development. This has left rural students with fewer opportunities for quality education, pushing them toward urban centers or low-quality local institutions. Consequently, attempts to promote inclusive education have been undermined by the widening gap in educational quality between urban and rural communities.

Impact on Public versus Private Education:

Since public schools and institutes are mostly supported by government funds and are free from most taxes, the GST has had less of an immediate effect on them. However, the demand for public education has increased due to the rising expenses of private education, further taxing the already overburdened public education system. The quality of education provided to lower-income families who depend on public schools has been impacted by this change, which has further decreased the resources available in these institutions.

ECONOMIC IMPACT OF GST ON HEALTHCARE PROVIDERS

Affordability of Healthcare:

The affordability of healthcare has been impacted by the GST's implementation, particularly for those in society who are less well off. Core medical services are exempt, however supplementary services and necessary inputs such as diagnostic tools, medical equipment, and consumables are subject to GST rates that range from 5% to 18%. Hospitals and diagnostic facilities now face higher expenses as a result, which are then passed on to patients. As a result, the rising cost of consumables like syringes, implants, and surgical instruments has increased the cost of common operations like dialysis, chemotherapy, and surgery.¹⁶ The GST on raw materials and intermediates used in drug manufacture has resulted in price increases for essential medications, especially those for chronic disorders including diabetes, hypertension, and cardiovascular diseases. The cost of diagnostic tests such as MRIs, CT scans,

¹⁵ Jaipuria, A. (2024, June 27). Budget 2024: Urban-Rural schools funding discrepancies persist in education sector despite substantial investment. Financial Express.

¹⁶ Goods and Services Tax Council, "Clarification on Applicability of GST on Healthcare Services," GST Notification No. 12/2017-Central Tax (Rate), Ministry of Finance, Government of India, 2024.

and blood tests has increased as a result of GST on diagnostic reagents and equipment upkeep.¹⁷ Due to this, healthcare services have become more and more unaffordable for people in lower income categories, prompting many households to forgo necessary treatments or face financial difficulties.

Strain on Public Healthcare:

Patients from economically disadvantaged groups are increasingly using public healthcare facilities as private healthcare services grow more costly. This rising demand has been difficult for public hospitals to meet because they are frequently underfunded and lack proper facilities. The strain is evident in:

- **Overcrowding:** Longer treatment wait times are a result of congested outpatient and inpatient departments at urban government hospitals.
- **Resource Allocation:** Due to tight funds, public institutions have trouble keeping up with medical equipment and supplying necessary medications, which are subject to price hikes brought on by GST.
- **Staffing Shortages:** The rising volume of patients has made the lack of medical personnel in public facilities even worse, which has an impact on patient outcomes and service quality.

Long-Term Social Implications:

The rising healthcare costs and reduced accessibility have long-term social consequences, including:

- **Growing Health Disparities:** Rural and low-income groups have higher rates of morbidity and mortality, which is a result of the economic gap in access to healthcare.
- **Impact on Preventive Care:** In order to lessen the burden of non-communicable illnesses, people are using preventive healthcare services like routine checkups,

¹⁷ Ministry of Health and Family Welfare, Public Health System in India: A Critical Analysis, Government of India, 2024.

screenings, and immunizations less frequently as a result of the financial strain.

- **Increased Poverty:** A vicious cycle of bad health and unstable finances is created when households experience catastrophic health expenditures as a result of GST-induced cost hikes.

Inequalities in Access:

The existing disparities in access to healthcare, especially between urban and rural areas, have been exacerbated by GST. Low-income and rural people have been disproportionately impacted by the GST's cost hikes for the following reasons:

- **Rural Healthcare Infrastructure:** Purchasing medical supplies and equipment might be more expensive for rural clinics and hospitals, which already have limited funding. As a result, these facilities frequently have inadequate supplies or offer poor quality services.¹⁸
- **Metropolitan-Centric Healthcare Growth:** Rural residents have fewer options for high-quality healthcare due to the concentration of private healthcare providers in metropolitan areas, which are better able to bear GST-related costs.
- **Health Insurance Gap:** Many people in rural areas do not have health insurance, which makes it more difficult for them to pay for rising medical expenses. For low-income families, many are compelled to rely on out-of-pocket expenses, which are unsustainable.
- **Migration for Care:** In order to receive specialized treatments, patients from rural areas frequently need to travel to urban centers, which results in additional expenses for lodging, transportation, and lost income.

Potential Solutions:

Targeted actions are required to lessen these societal effects, including:

¹⁸ Khattar, R., & Baruah, D. (2025). Insurance coverage: Reimbursement of hospitalization expenses needs to improve. The Hindu BusinessLine.

- **GST Exemptions:** Patients and healthcare providers may save money if essential medical devices, consumables, and diagnostics are added to the list of GST exemptions.
- **Public Healthcare Subsidies:** Increasing government funding for public healthcare facilities might help them handle more patients and provide better services.
- **Promoting the Use of Health Insurance:** The financial burden of healthcare costs could be lessened by promoting cheap health insurance programs, especially for low-income and rural communities.

SOCIAL IMPACT OF GST ON HEALTHCARE

Strain on Public Healthcare:

A discernible shift in patient volume from private hospitals to public healthcare facilities has resulted from the GST's increase in the cost of private healthcare, further taxing government-run clinics and hospitals. India's public healthcare institutions are already underfunded and face challenges such as a lack of staff, poor infrastructure, and scarce resources. As a result of the increased reliance on these services, critical treatments are being delayed as a result of public hospitals, particularly those in urban areas, having lengthier wait times for consultations, tests, and procedures.

Many government hospitals are running at or above capacity due to serious infrastructure issues. The influx of patients who can no longer afford private care has exacerbated this issue, compromising the quality of care provided. Public hospitals' doctors, nurses, and support personnel are dealing with more work as a result of the demand for healthcare services, which has an impact on patient satisfaction, efficiency, and morale. With limited resources and overcrowded facilities, public hospitals are unable to provide specialized care or advanced treatments, leaving patients with no choice but to seek expensive private care if they can afford it or forego treatment altogether.

Social Consequences of Increased Costs:

There are significant societal repercussions from the higher healthcare expenses brought on by GST. Rising healthcare costs have pushed many families into debt. Long-term financial hardship has resulted from people having to take out loans or sell assets to pay for medical bills

due to the out-of-pocket costs of treatments, diagnostics, and prescription drugs. Medical care is often postponed or skipped because of financial worries. This is particularly true for those from economically disadvantaged backgrounds. Increased death rates, worsening health problems, and higher long-term healthcare costs are frequently the results of this treatment delay. Mental health has been significantly impacted by the financial hardship brought on by growing medical costs.

Inequalities in Access:

Inequalities in healthcare access between urban and rural populations, as well as between various socioeconomic classes, have gotten worse as a result of GST. The GST has presented major obstacles for rural healthcare providers. Rural hospitals and clinics frequently have fewer resources and treat fewer patients than their metropolitan counterparts, which makes it more difficult for them to absorb the extra expenses brought on by GST. Rural areas where access to healthcare services was already restricted, have been disproportionately impacted by the absence of tax deductions on necessary medical supplies and equipment. Rural residents now have fewer options for high-quality healthcare as a result of the widening healthcare gap between urban and rural communities.¹⁹

The rising expenses of healthcare have disproportionately affected the most economically vulnerable segments of society. The cost of private healthcare services has decreased, and many people are unable to afford the high costs of surgeries, treatments, or diagnostics. Health outcomes have been worse over time as a result of families being compelled to prefer short-term therapies over long-term care due to the financial load. Specialized healthcare services including cardiology, orthopedics, and cancer have been especially affected by the increased operating expenses brought on by GST.²⁰ Rural communities and lower-income groups have limited access to sophisticated healthcare services because smaller hospitals and clinics, particularly those in rural areas, cannot afford to invest in costly diagnostic equipment or specialist medical staff. Due to financial limitations, many people especially those from low-income backgrounds choose to forego regular examinations and diagnoses, which leads to late-stage disease diagnosis, which is more costly and challenging to cure.

¹⁹ <https://www.captainbiz.com/blogs/gst-and-the-healthcare-sector/>

²⁰ <https://gstpress.com/news/cm5eoo5t1003p10qmy77239b9/rationalising-gst-rates-for-a-healthier-india>

Innovations to Bridge Inequality Gaps:

The GST framework has aided in the expansion of telemedicine services, which are now an affordable way to deliver healthcare to remote locations. Digital healthcare platforms have helped reduce travel costs and improve access to specialized care for rural populations. In an effort to lessen the effects of cost rises brought on by the GST, certain healthcare providers have looked at PPPs. By collaborating with government programs, private hospitals can provide subsidized treatments for economically disadvantaged groups. Government health insurance programs such as Ayushman Bharat have helped offset some of the cost burdens for low-income families by covering essential treatments. The efficacy of these programs has been constrained, nevertheless, by the increased operational expenses of private hospitals brought on by GST.

OPPORTUNITIES AND CHALLENGES FOR EDUCATIONAL INSTITUTIONS AND HEALTHCARE PROVIDERS**Opportunities:**

- **Tax simplification:**

A disjointed system of indirect taxes, including excise duties, service taxes, and VAT, has been replaced by a single tax system known as GST. For larger organizations and hospitals, this has made administrative processes simpler, freeing them up to concentrate more on essential tasks like quality improvement and service delivery. The GST has also removed the need to file numerous returns for various taxes by offering a single platform for tax filing.

- **Increased Use of Digital Services:**

The expansion of telemedicine services and online learning platforms has been made possible by the digital infrastructure of the GST. The availability of simplified tax compliance procedures has stimulated investments in these fields, leading to advances that have broadened the scope of healthcare and education. For example, telemedicine has made healthcare available to those in rural areas with little physical infrastructure, and internet platforms now serve underserved and remote locations.

- **Promotion of Modernization:**

Institutions and healthcare providers have been forced to upgrade their operations in order to comply with GST, which has made the adoption of technology for record-keeping and filing necessary. Efficiency and accountability have been indirectly enhanced by this change, particularly for larger organizations.

- **Possibility of Standardization:**

GST's tax unification has made it possible to standardize service delivery costs. This can eventually result in consistent pricing policies nationwide, lessening regional differences in access to high-quality healthcare and education.

- **Possibilities for Developing Skills:**

Indirectly helping the education industry, the GST has increased demand for tax consultants and compliance specialists, leading to a push for specialized training programs. The number of skill-development organizations providing GST-related certifications has increased, helping to upskill the workforce and create jobs.

Challenges:

- **Burdens of Compliance:**

Smaller players, including rural educational institutions and smaller healthcare clinics, face significant challenges in adhering to GST compliance. Many of these organizations lack the financial and technological capabilities needed to manage input tax credits, file GST filings, and keep digital records. This has led to increased operational strain and, in some cases, non-compliance penalties.

- **Ancillary Service Cost Increases:**

Ancillary services including transportation, hostel accommodations, and diagnostics are subject to GST, but fundamental services in healthcare and education are not. The entire cost of these necessary services has increased as a result, making them unaffordable for many in the population who are less well off.

- **Insufficient Sector-Specific Modifications:**

The lack of GST exclusions for essential products and services, like consumables, medical equipment, and educational infrastructure development, nevertheless puts a burden on suppliers in both industries. Accessibility and affordability are restricted as a result of these higher expenses, which are frequently transferred to patients and students.

- **Effects of PPPs (public-private partnerships):**

Due to complicated tax systems and increased input costs, public-private partnership projects in the fields of healthcare and education have encountered difficulties under the GST. Private investment in public projects has been deterred by these obstacles, especially in underserved areas.

- **The Urban-Rural Divide:**

The urban-rural divide has been made worse by the disproportionately negative effects of the GST's administrative complexity and financial burden on rural clinics and institutions. Rural residents have less access to services because rural entities, which are frequently underfunded and ill-equipped, find it difficult to handle the increased expenses and compliance requirements.

- **Unfair Tax Obligation:**

GST is applied consistently across industries, frequently ignoring the particular requirements and sensitivities of the healthcare and education sectors. Unfair tax burdens have emerged from this, especially for smaller service providers with narrow profit margins and non-profit organizations.

- **Delayed Tax Refunds:**

Cash flows for healthcare providers and educational institutions, particularly those that depend on recurring investments in infrastructure and equipment, have been impacted by delays in getting GST input tax credits and refunds. This has made it more difficult for them to modernize and expand their facilities.

- **Resistance to Change:**

The transition to GST, while beneficial in the long term, has faced resistance from stakeholders who were accustomed to the pre-GST taxation framework. For small and medium-sized institutions and providers, the learning curve and upfront expenses related to GST adaptation have been especially difficult.

RECOMMENDATIONS FOR TARGETED REFORMS

To address the economic and social challenges posed by GST on educational institutions and healthcare providers, it is essential to implement targeted reforms that ensure affordability, accessibility, and equity in these critical sectors. To reduce the negative effects of GST and enhance service delivery, the following suggestions center on increasing exclusions, simplifying compliance, bolstering public services, and encouraging innovation.

Exemptions and Subsidies

The taxation of ancillary services that have a direct bearing on the price of healthcare and education is one of the main issues with GST. While essential services like medical care and instruction in the classroom are free from GST, other services including lodging, food, diagnostic testing, and medical equipment are subject to the tax, which raises overall expenses for providers and institutions. The government should consider expanding GST exemptions to cover essential ancillary services in both sectors. Services like student transportation, dorm accommodations, and food services ought to be completely free from GST for educational institutions. To lessen the financial strain on patients and healthcare providers, exemptions should be expanded to include diagnostic services, medical equipment, and necessary consumables. Smaller educational institutions and healthcare providers, particularly in rural areas, face significant challenges in managing GST-related costs. To counteract growing expenses, the government may implement tax breaks or subsidies. For example, tax rebates could be provided to small private schools to make tuition cheap for kids from low-income families, and input tax credits could be given to rural hospitals and clinics for necessary expenditures. Enhancing employability requires vocational training and skill development initiatives. These programs often fall under the taxable category, making them less accessible to economically weaker sections. Offering subsidies or exemptions for such programs can promote skill development, especially in underserved areas.

Strengthening Public Services:

A greater reliance on public institutions, which are frequently overworked and understaffed, has resulted from the GST's increase in the cost of private healthcare and education. To lessen the disparities made worse by GST, public healthcare and education systems must be strengthened. To guarantee that high-quality services continue to be available to economically disadvantaged populations, the government should enhance financing for public hospitals, colleges, and schools. The provision of services at public institutions will be enhanced by investments in staff training, medical equipment, teaching materials, and infrastructure.

PPPs have the potential to significantly enhance the caliber and accessibility of public services. PPPs in the healthcare and education sectors should be promoted by the government in order to offer improved facilities, cutting-edge infrastructure, and creative solutions. For example, private diagnostic centers could partner with public hospitals to offer affordable diagnostic services.

Special attention must be given to rural and underserved areas, where public institutions are often the only source of education and healthcare. The government can introduce targeted programs to improve infrastructure, recruit skilled staff, and provide essential medical supplies in these areas. Digital classrooms and mobile medical units can also aid in bridging the gap in isolated areas.

Streamlined Compliance:

One of the major challenges faced by smaller institutions and healthcare providers is the complexity of GST compliance. Smaller businesses frequently lack the time, energy, and resources necessary to manage tax credits, file returns, and comply with changing GST requirements. The government should simplify GST filing requirements for smaller institutions and healthcare providers. The administrative load will be lessened by implementing a streamlined GST return filing system created especially for small enterprises and nonprofits involved in the healthcare and education industries. A quarterly or annual filing system, instead of the current monthly system, could be implemented for institutions with lower turnover.

Many rural institutions and healthcare providers lack the necessary digital infrastructure and knowledge to comply with GST regulations. The government can introduce digital literacy and

support programs to help these organizations manage their GST obligations more efficiently. Providing free or subsidized accounting software and organizing workshops on GST compliance would be beneficial. The government can consider revising the GST registration threshold for educational and healthcare providers. Raising the threshold would lower compliance costs by exempting smaller clinics and institutions from the requirement to register for GST.

Policy Reforms for Equitable Taxation:

The goal of GST adjustments should be to maintain the affordability and accessibility of important services for all societal segments. In the fields of healthcare and education, the government may implement various tax rates for important services. For example, primary care and immunizations may be charged at low or no rates, while luxury healthcare services may be subject to higher charges. Similarly, educational services aimed at skill development and training for marginalized groups could be fully exempt from GST. The government ought to conduct a recurring examination of the GST slabs for necessities like medical equipment, diagnostic instruments, and school supplies. Reducing GST rates on these items would lower input costs for institutions and providers, ultimately benefiting students and patients.

Encouraging Innovation and Digital Transformation:

Adoption of digital solutions in the healthcare and education sectors has been aided by GST compliance. Through the provision of affordable substitutes, innovations like telemedicine services and online learning environments have somewhat mitigated the adverse effects of GST. Providing tax breaks or lowered GST rates for telemedicine and digital education platforms will promote their uptake, particularly in remote regions. For underserved populations, these programs can significantly increase access to high-quality healthcare and education. Healthcare organizations and educational institutions ought to receive assistance in modernizing their technological infrastructure. To assist hospitals in implementing digital health records and telemedicine platforms, as well as schools in implementing e-learning solutions, grants or low-interest loans may be offered. To promote innovation in cost-effective service delivery models, the government can provide incentives for startups in the EdTech and HealthTech sectors. Startups that create cost-effective solutions for rural areas should be given priority in terms of funding and tax benefits.

CONCLUSION

India's socioeconomic development depends on a number of areas, including healthcare and education, which have been significantly impacted by the Goods and Services Tax (GST) implementation. GST's impact on these vital industries has been a mixed bag of opportunities and challenges, despite its stated goals of streamlining taxes and fostering a single tax system. Due in large part to the GST's taxation of basic products and associated services, educational institutions and healthcare providers now face higher operating costs. The affordability and accessibility of high-quality healthcare and education have also been impacted by these growing expenses, particularly for rural and economically disadvantaged populations.

In education, GST has made private schooling and coaching more expensive, widening socioeconomic disparities. In the healthcare industry, taxes on diagnostic services, medical supplies, and equipment have raised treatment prices and put patients under more financial strain. The urban-rural gap in access to basic services has been made worse by these issues, which have disproportionately affected smaller organizations and rural service providers. But GST has also spurred innovation and digital transformation in both fields, with telemedicine and online learning platforms showing up as affordable substitutes. If backed by specific legislative actions, these technologies could enhance service delivery, especially in rural and neglected areas.

Reforms include increasing exclusions for important services, streamlining compliance processes, and bolstering public services are essential to reducing the negative effects of GST. By addressing these challenges, policymakers can ensure that GST serves as a tool for equitable growth rather than a barrier to accessibility. GST has simplified taxes and enhanced compliance systems, but its unforeseen effects on healthcare and education demand urgent attention. It is feasible to achieve a balance between social justice and economic efficiency with focused reforms and policy interventions, guaranteeing that everyone, regardless of financial situation, has access to reasonably priced healthcare and education. A more inclusive GST framework would help create a stronger, healthier, and better-educated society in the years after the GST is implemented, in addition to fostering long-term sustainability in these industries.

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