

**Cabinet approves creation of a single non-lapsable corpus fund for Secondary and Higher education from the proceeds of Cess for Secondary and Higher Education levied under Section 136 of Finance Act, 2007**

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The Union Cabinet chaired by the Prime Minister Shri Narendra Modi has accorded its approval today for creation of a non-lapsable pool in the Public Account for secondary and higher, education known as "Madhyamik and Uchchatar Shiksha Kosh" (MUSK) into which all proceeds of "Secondary and Higher Education Cess" will be credited.

The funds arising from the MUSK would be utilized for schemes in the education sector which would be available for the benefit of students of secondary and higher education, all over the country.

In connection with the above fund, the Union Cabinet also accorded its approval to the following:

- (i) Administration and maintenance of the above pool by Ministry of Human Resource Development.
- (ii) Accruals from the Cess would be utilized in the ongoing schemes of Secondary and Higher Education. However, the Ministry of Human Resources Development can allocate funds for any future programme/scheme of secondary and higher education, based on the requirement, as per prescribed procedure,
- (iii) In any financial year, the expenditure on ongoing schemes of the Department of School Education & Literacy and Department of Higher Education would be initially incurred from the gross budgetary support (GBS) and the expenditure would be financed from the MUSK only after the GBS is exhausted.
- (iv) The MUSK would be maintained as a Reserve Fund in the non-interest bearing section of the Public Accounts of India.

The major benefit will be enhancing access to secondary and higher education through availability of adequate resources, while ensuring that the amount does not lapse at the end of financial year.

**Features:**

1. Accruals into the proposed non-lapsable fund will be made available for expansion of secondary education and higher education.
2. **For Secondary Education:** Presently, the Ministry of Human Resources Development envisages that the accruals from the Cess would be utilized in the secondary education for:
  - ongoing Rashtriya Madhyamik Shiksha Abhiyan Scheme and other approved programmes including:
  - National Means-Cum-Merit Scholarship Scheme and
  - National Scheme for Incentives to Girls for Secondary Education.

**3. For Higher Education:** the accruals would be utilized for:

ongoing Schemes of Interest Subsidy and contribution for guarantee funds, Scholarship for College & University Students;  
Rashtriya Uchchar Shiksha Abhiyaan;  
Scholarship (from Block Grant to the institutions) and National Mission on Teachers and Training.

However, the Ministry of Human Resources Development can allocate funds for any programme/scheme of secondary and higher education, based on the requirement & prescribed procedure.

The purpose of levying cess for secondary and higher education is to provide adequate resources for secondary and higher education.

The fund would be operationalised as per the present arrangements under Prarambhik Shiksha Kosh (PSK) wherein the proceeds of cess are used for Sarv Shiksha Abhiyan (SSA) and Mid-Day Meal (MDM) Schemes of the Department of School Education & Literacy.

**Background:**

- (i) During the 10th Plan, an education cess of 2% on all central taxes was imposed w.e.f. 1.4.2004 to make available additional resources for basic education/elementary education to augment the existing budgetary resources. A need was felt to give a similar fillip to the effort of the Central Government in universalizing access to secondary education and expanding the reach of the higher education sector. Therefore, the Finance Minister, in his budget speech of 2007 proposed an additional cess of 1% on central taxes for secondary and higher education.
- (ii) A cess @ 1% on central taxes, called the "Secondary and Higher Education Cess" was levied through Finance Act, 2007 to "fulfil the commitment of the Government to provide and finance secondary and higher education" (Section 136 of the Act).
- (iii) In July, 2010, a draft cabinet note was circulated by the HRD Ministry wherein it was proposed to create a non-lapsable fund in the Public Account called "Madhyamik and Uchchar Shiksha Kosh" (MUSK) as a receptacle for the proceeds of the Secondary and Higher Education Cess. The views of concerned Ministries viz the then Planning Commission, Ministry of North Eastern Region, and Department of Economic Affairs, Ministry of Finance were sought in this regard. The Department of Economic Affairs did not agree to the proposal on the grounds that the Budget allocations for the schemes of Secondary Education and Higher Education have been far more than the amount of 1% cess collected. Therefore, the amount of the cess collected is deemed to have been fully allocated for the schemes of Secondary and Higher Education in the respective financial years. Hence, funds on account of 1% cess for the past period are not available now for allocation.
- (iv) Subsequently, the HRD Ministry sought the approval of the Department of Economic Affairs for revisiting the issue of creation of "Madhyamik and Uchchar Shiksha Kosh" (MUSK) on 11th February, 2016. Department of Economic Affairs on 20th June, 2016 approved that this Ministry may move a draft Cabinet Note to seek the approval of the Cabinet for creation of MUSK.

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