

RCEM Overseas Tax Liabilities - Q&A

What is the College's position regarding Indian Sales Tax?

These two variations of indirect tax which impact us slightly differently:

- Online Information Database Access and Retrieval Services Sales Tax (OIDAR - current rate 18%) - for online services such as our online examinations or digitally delivered events.
- Goods & Services Tax (GST, current rate 18%) for face-to-face delivery of activity e.g. our practical based Objective Structured Clinical Observation exams (otherwise known as OSCEs), our paper-based theory examinations in country prior to them going online with Pearson Vue in 2021 or any other services such as events etc.

In India, we have registered for the OIDAR. Enquiries are ongoing as to whether / how non-Indian entities are able to register for GST, including wider direct tax considerations. A potential solution might involve setting up a subsidiary in India to deliver our face-to-face services there e.g. OSCEs. We are working with the Indian authorities, India and UK-based tax experts, and other Royal Colleges to establish the implications and effect of this.

As part of this work, we have become aware that we have historical liabilities which will have occurred over a number of years which the Indian Government did not seek to recover when the tax was brought in. These now need to be paid.

How was this identified?

In July 2024 we were alerted by another medical Royal College to changes in the tax system in India which may affect the examinations RCEM delivers in the country.

We immediately began looking into this matter and as a result, we discovered we are liable for local sales taxes in India, as above.

How do sales tax arrangements work?

These vary by country, the basic principle is that the tax is added to the price of the service supplied and the purchaser pays the tax, which the supplier then remits to the local taxation authorities.

Who else has to pay these taxes?

This sales tax in India impacts Indian residents purchasing goods or services in person or online.

Why wasn't the College aware of this previously?

As far as we have been able to establish, we had no contact from the authorities about this to flag any concerns, nor had our contacts or suppliers alerted us to any changes.

Which RCEM activity does it impact?

Any of our activities including membership, examinations, events delivered in India to Indian residents and any face-to-face activity such as OSCEs.

How much could RCEM have to pay for the previous activity undertaken?

The total amount outstanding is still to be confirmed but we have a working estimate. We are working with our external tax advisors and the Indian authorities to clarify the exact time frame and details of the outstanding liability so that we can refine our estimates.

Can the College pay the tax?

Thanks to good financial governance, we are confident that we have the financial resilience to meet the current legacy liability by using College reserves.

What about the tax in the future?

Going forward these taxes will be added automatically to qualifying examinations at the time of booking and any other activity that we decide to deliver in India. We will then pass the taxes paid onto the relevant authorities.

Will you be stopping delivering activity in India?

No. We will continue to deliver our examinations activity as planned and are committed to ensuring the excellent standards that we uphold can be accessed by those in India and other parts of the world.

Is the College going to be asking exam candidates who have already sat exams to retrospectively pay the taxes?

We have already asked those candidates who sat examinations in India from 1 October 2023 when OIDAR was introduced in India onwards to pay for the Indian Government's tax. We are awaiting advice in relation to face to face activities in India and our activities in other countries.

Are membership fees going to be put up as a result?

There are no current plans to increase membership fees as a result of this issue. At the College's AGM in 2024, a motion was passed to implement a formula for the calculation for annual increases to the membership fee going forwards, at the average inflation rate of the previous three years, capped at 5%.

Are all exam fees going to be put up as a result?

Exams fees going forward will have any relevant tax added to it. This will then be paid by the College to the relevant Government that requires it.

What is the College doing to ensure that it is aware of all its tax liabilities around the world?

RCEM has commissioned Crowe - a UK-based accountancy firm with international reach offering audit, tax, advisory and consulting service - to identify the scope and nature of the liability for all our global activities.

Crowe is working closely with the College on this matter. This work is on-going, and a report will be delivered at RCEM's Board meeting in April 2025.

To mitigate the risk of a situation such as this occurring in the future, RCEM's Audit and Risk Committee will also undertake regular reviews (at least once a year) of all out non-UK activities and ensure associated compliance with any localised tax policy.

We have suspended the commencement of any new international activity without the agreement of the Audit and Risk Committee.

Could RCEM be subject to tax in any other countries?

Potentially and this is being looked at. A full audit of all our non-UK examination delivery has been conducted to ensure we are fully aware of any fiscal policies which may apply to our examinations in the more than 80 countries where we deliver them. This work is on-going. The volume of activity varies considerably by country, India is our largest country by activity volume.

Should auditors or the Indian Government have identified this issue for you?

We are liaising with our auditors and other advisors, including those in India, to consider if and how this liability should or could have been identified sooner.

Is there a risk that this could apply to examinations or member offerings in the UK?

As a partial exempt organisation, we are not required to charge indirect tax (VAT) to provide vital education service to our candidates due to our VAT exemption status applied to our services. Therefore, this will not apply to our examinations and most of our college activities apart from sponsorship income to our events programmes which we charge VAT.