

HM Treasury

**Applying Value Added Tax (VAT) to Private School Fees and Removing
the Business Rates Charitable Rates Relief for Private Schools**

General Comments

1. NASUWT is the Teachers' Union.
2. NASUWT represents teachers and school leaders in both independent and state schools throughout the UK.
3. The Union recognises that the independent school sector is a varied landscape and includes many different kinds of schools. They range from primary and secondary schools, boarding and day, to special and faith schools. Employers may be private companies or charitable trusts. We also note that there are a large number of independent special needs schools educating over 33,500¹ pupils with Education and Health Care Plans (EHCPs), where places are funded by local authorities or devolved governments. We further note that there are independent schools for those talented in music and the performing arts, and schools for children whose parents serve overseas in the armed forces, where places are fully or partly subsidised by government funding.

¹ [Annual Census – ISC](#)

4. NASUWT shares the Government's ambition '*to break down the barriers to opportunity*' and to '*transform the education system so all young people get the opportunities they deserve*',² including recruiting 6,500 new expert teachers. We welcome the recognition that '*teaching is a hard-earned and hard-learned skill*', as well as the ambition to raise the status of the teaching profession. Consequently, we consider in this consultation response the importance of retaining skilled and experienced teachers in the profession, working on good terms and conditions. Our shared ambition is for the highest quality of education for all pupils.
5. The Institute for Fiscal Studies (IFS) study *Tax, private school fees and state school spending* estimates that £1.3 to 1.5 billion could be raised by removing the exemption on VAT and business rates for independent schools. However, it clarifies that there are uncertainties around issues such as '*potential reduction in labour supply*' and '*uncertainties around pupils with high needs*'.³
6. Whilst recognising the Government's fiscal responsibilities, we outline our concerns in relation to the effect of the introduction of this policy on our members and the aim of achieving the best possible education for all pupils. We ask the Government to consider these issues in the implementation of this change so that the policy achieves the Government's aims and avoids any unintended consequences.
7. Independent schools have had an exemption from VAT and charitable business rates relief for many years. In removing the exemption, we ask that consideration is taken to avoid unintended consequences. These include creating job loss, cuts to terms and conditions for teachers and support staff, or school closure. This may impact on the retention of teachers in the profession, particularly women teachers. For pupils, changing mid-year may mean disruption to their education, mental health and wellbeing. Local authorities may be put under pressure to find excess school places or carry out more special educational needs and disabilities (SEND) assessments.

² [Labour Party Manifesto 2024: Our plan to change Britain – The Labour Party](#)

³ [Tax, private school fees and state school spending | Institute for Fiscal Studies \(ifs.org.uk\)](#)

8. We request that impact assessments take place in terms of the effects on the special needs systems in the four UK nations, and in particular the effect on local authorities where more mainstream places may be needed. We recognise that VAT affects all the UK nations. Each one will decide how to spend this revenue according to their own policy aims.
9. **We request that a more reasonable time frame is proposed in order to implement the change fairly and without excessive disruption for teachers, pupils and parents. In particular we ask that consideration is given to the retention of experienced teachers to the education system.**

Specific Comments

Question 1: Does the above definition of private schools capture all private schools across the UK?

10. The definition of private schools in the proposed legislation is where full-time education is provided for pupils of compulsory school age, which is ages 5-16 in England, Wales and Scotland, and 4-16 in Northern Ireland, for a fee or consideration. The definition further adds institutions which provide full-time education for persons over compulsory school age but under the age of 19. The institutions are principally concerned with providing education suitable to such persons and where fees or other consideration are payable for that provision; for example, an independent sixth-form college.
11. We understand this provision captures the majority of independent school providers. However, there may be a lack of clarity where providers are 'unregistered'; for example, those that provide education for pupils of compulsory school age for less than a full timetable, considered to be under 18 hours per week.

Question 2: Does the definition inadvertently capture any organisations that this policy does not intend to capture?

12. There are a varied range of providers and a need to ensure that they are treated fairly within the Government's definition.

Question 3: Does the above "connected persons" test capture the relationships that exist between private schools and third parties?

13. It should be noted that some independent school employers also run state-funded academies. This may be as part of the same Trust or a Trust formed with links to the same Trust Board.

Question 4: Does this "connected persons" test inadvertently capture any relationships that it is not intended to capture?

14. We have noted that there are a varied range of providers and there is a need to ensure that they are treated fairly within this definition.

Question 5: Does this approach achieve the intended policy aims across all four UK nations?

Raise revenue to support the public finances and help deliver the Government's commitments relating to education and young people.

15. We raise concerns about the immediate impact of the policy on teacher supply, given the timing of the fee increase starting in January 2025.

16. The implementation of the VAT increase mid-year will put in-year pressures on school budgets, which are likely to lead to possible redundancies and deterioration of teachers' pay and conditions, and on the provision of school places for pupils. It is essential that schools are given adequate time to prepare for these changes.

17. Schools have already budgeted for the academic year 2024-25 including staff pay, pension contributions and the cost-of-living pay uplift. Fees have been set for the academic year 2024-25.

18. The cost of staff pay for schools is approximately 70-75% of a school's outgoings. Costs have increased recently due to the increase in the cost of living and the increase in the employer contribution to the Teachers' Pension Scheme (TPS). In some cases, schools may be required to close – which will lead to job loss and would be disruptive to pupils' education.
19. The majority of teachers in independent schools are members of the TPS. However, the employer contribution to the TPS increased to 23.68% in 2019 and then to 28.68% in 2024 (23% to 26% in Scotland) which has already led to some 463 schools withdrawing from the TPS scheme between 2018 and 2022.⁴ This has been detrimental to the terms and conditions of teachers and to the TPS itself.
20. Enrolment in the TPS enables teachers to move between the private and public sector without affecting their pension. While some schools can afford the TPS increase coupled with the VAT increase, this will put additional pressures on school finances.
21. NASUWT has supported members in opposing changes to pensions which has led to industrial action across the sector. We would not wish to see further industrial relation disputes arising as a consequence of implementation of the Government's policy.
22. The cost of the VAT and business rates, alongside the pensions and high cost of living, will put smaller or less wealthy schools under financial pressure. This may lead to school closures or a further threat to teachers' pay, pensions and conditions. This will impact on smaller employers disproportionately. The ISC annual census states that *'most ISC schools are small – half of pupils have fewer than 285 pupils and one quarter of schools have fewer than 153 pupils'*.⁵

⁴ [Written questions and answers - Written questions, answers and statements - UK Parliament](#)

⁵ [Annual Census - ISC](#)

23. Unfortunately, some independent school employers have employed the unscrupulous practice of 'fire and rehire' in relation to TPS withdrawal. We welcome the Government's commitment to end 'fire and rehire'. However, while legislation on employment rights is yet to outlaw this practice, we raise concerns that staff in independent schools may be subject to redundancy or a change in terms and conditions over the current academic year.
24. We do not wish to see the loss of talented teachers from the profession. However, it may not be possible for teachers who are made redundant in the next two terms to secure an equivalent role. Teachers would have to be given notice for the end of this term or next and could therefore be looking for employment in January. The majority of state and independent schools will have completed their recruitment rounds for this year. Because of this, teachers may not be able to secure a new post.
25. We are concerned that teachers who have been made redundant and are unable to secure a new post this year may be lost permanently to the profession.
26. Some independent school teachers' homes are linked to their employment and therefore some staff may be at risk of losing their homes.
27. The majority (over 60%) of teachers in ISC independent schools are women, including over 80% of those who work part time.⁶ Therefore, potential job loss or cuts to pay, pensions and conditions are more likely to affect women workers. The equality impact assessment of the Government's measures merits examination.
28. We ask the Government to consider the effect of imposing this change mid-year on the current employment of teachers. It is clearly not the intention that funding for new teachers might come from current teachers losing their jobs.

⁶ [Annual Census - ISC](#)

We suggest that support be put in place for teachers in securing another post; for example, training to teach a different subject or age range.

Devolved nations

29. VAT is a reserved matter and independent schools in all nations of the UK will be subject to a fee increase. Due to the Barnett consequential, the VAT revenue will increase funding to the devolved nations governments; however, it will not be ring-fenced to education. Business rates will go to the local authority. The Government is not in a position to direct how this revenue is spent in the devolved nations.

30. This policy will have a particular impact on schools in Scotland due to the proportion of pupils that attend independent schools in some areas. In the UK, 6-7% of pupils attend independent schools. However, in Edinburgh, 25% of pupils attend independent secondary schools, with an overall figure of 13% (primary and secondary) of the school population in the city. In Perth and Kinross, this figure is 10%. In Aberdeen city, it is 8%.⁷ Therefore, there is likely to be a greater impact on pupils, parents and teachers' jobs. The revenue from this change will go to the SNP Government that will allocate it according to their priorities rather than the Department for Education's (DfE's) priorities.

31. We suggest an impact assessment on the effect on pupil places required in the devolved nations and an understanding of how the revenue might be spent in devolved nations; for example, to support local authorities that may have increased numbers if pupils are withdrawn from school.

Ensure high-quality education is available for every child

⁷ [Economic Impact Report » SCIS](#)

32. It is widely acknowledged that provision for SEND systems in the UK is under great pressure, with the onus on many mainstream schools to support pupils with SEND needs in the classroom. The recent SEND and AP improvement plan, published by the DfE in 2023, states that *'families are frustrated by the system'* and *'local authority spending continues to outstrip funding'*. This plan expects to *'reduce the need for EHCPs because the needs of more children and young people will be met without them, through ordinarily available provision'*.⁸

33. The majority of pupils with special needs in both state and independent education do not have an EHCP, Co-ordinated Support Plan, Individual Development Plan or Statement of Special Educational Needs. Statistics for 2023-24 show that 4.3% of pupils in England have an EHCP plan, while 13.6% receive support without having a plan.⁹ It should be acknowledged that higher fees will affect students with a special need that do not have an EHCP or equivalent assessment. Pupils may have a specific special need, e.g. dyslexia; however, will not necessarily be assessed as needing an EHCP. It is clear that the direction of travel of the previous government was intended to limit numbers of EHCPs by early intervention in mainstream schools.

34. The ISC annual report states that there are 111,154 pupils in their schools who receive support for specified SEND needs,¹⁰ with 7,646 that have an EHCP. The number of SEND pupils has increased by 8% since last year. Many parents choose independent schools as they do not think their local school can fulfil their child's needs or they have had difficulty navigating the SEND system in order to obtain school support or an EHCP for their child. Should VAT be implemented mid-year, it may be that pupils will need places in mainstream schools that will have to be accommodated locally. This will put pressure on local authorities and schools. Furthermore, this will be disruptive to pupils' education and their mental health.

⁸ [SEND and alternative provision improvement plan - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/114444/SEND_and_alternative_provision_improvement_plan.pdf)

⁹ [Special educational needs in England, Academic year 2023/24 - Explore education statistics - GOV.UK \(explore-education-statistics.service.gov.uk\)](https://www.explore-education-statistics.service.gov.uk/)

¹⁰ [isc census 2024 15may24.pdf](#)

35. As a result, more parents may wish to apply for SEND assessments for an EHCP which could put further pressure on the assessment system and result in local authorities or governments having to fund more SEND pupils in special schools. Recent DfE data reports that only 50.3% of EHC plans¹¹ were completed within 20 weeks (in England). In Scotland, local authorities are not obliged to assess additional support for learning (ASL) pupils in independent schools – which would mean they would have to enter the state sector first to be assessed.
36. There are many independent special needs schools in which places are entirely or mainly funded by local authorities. The IFS estimated that £1.47 billion is paid by local authorities for independent special school provision.¹² While local authorities will be able to claim back the VAT, this will increase the fees to be paid by local authorities in the first instance and will increase administration costs. Some pupils in such schools are privately funded and this will increase the costs for those parents. It may be the case that more parents decide to request an EHCP assessment so their child can stay in a preferred school. Whether they are able to get an EHCP or not, this could increase the pressure on the system of allocating EHCPs and equivalent support plans.
37. We suggest that an impact assessment is carried out on the possible increase in SEND assessments and provision needed, particularly in parts of the UK where there are more independent education providers.
38. Independent schools are disproportionately found in certain areas of the UK. Evidence shows this is in the South East, London, Eastern Region, South West and in some cities such as Edinburgh and Bristol. We request that consideration is given to an impact assessment of whether places are available for mainstream and SEND pupils in those areas. Arrangements may need to be in place to support extra funding for schools and academies that

¹¹ [Education, health and care plans. Reporting year 2024 - Explore education statistics - GOV.UK \(explore-education-statistics.service.gov.uk\)](https://www.gov.uk/explore-education-statistics)

¹² [Tax, private school fees and state school spending | Institute for Fiscal Studies \(ifs.org.uk\)](https://www.ifs.org.uk)

take on pupils from independent schools mid-year. The Local Government Association (LGA) states that *'the DfE must continue to closely monitor pupil movement and ensure local authorities that are oversubscribed have appropriate support'*.¹³ Predictions on the number of pupils who may leave the state system in the consultation documents rely on the overall number of pupils, not the area in which they may need school places.

39. As acknowledged in the manifesto, there is a mental health crisis in schools. Changing schools mid-year may have a detrimental effect on a child's mental health and wellbeing. We welcome the manifesto commitment to provide access to specialist mental health professionals in every school; however, we note that this is not yet in place.

40. We request that impact assessments around the provision of SEND support and local authority placing is carried out so that planning can be carried out ahead of the implementation of this policy.

Be fair, with all users of private schools paying their fair share, whilst ensuring that pupils with the most acute needs are not impacted

41. Fees at independent schools vary from £3,000-£6,000 per term for day pupils and £10,000 to £14,000 for boarding pupils.¹⁴ Some schools, such as faith schools, charge below the average amount spent in state education. While this was a manifesto commitment of the Government, the majority of parents and schools did not expect the changes to take place in this academic year. Therefore, when making decisions about and budgeting for their children's schooling, they were not in a position to plan for the increase the schools would put on to their child or children's fees.

42. Where parents cannot afford the increased fees, they will need to apply for a local authority school place partway through the academic year. It may not be

¹³ [Debate on contribution of independent schools and the potential effects of removal of VAT exemption on their school fees, House of Lords, 5 September 2024 | Local Government Association](#)

¹⁴ [isc census 2024 15may24.pdf](#)

possible for those parents to secure a place for their children in a school of their choice, or at least a local school by January. If those pupils are taken out of an independent school and are without a place, their education will be disrupted. There have been varying estimates of the number of pupils likely to leave independent schools due to this policy, ranging from 40,000 by the IFS to 90,000 in a report by Baines Cutler for the ISC.¹⁵ These reports provide an overall figure which is not specific to different areas of the UK or local authorities.

43. The number of pupils that may leave independent education is unknown and is likely to affect certain areas of the country more than others. Although pupil numbers nationally are falling, this is currently at the primary age range, so there may not be sufficient pupil places at all stages of education.

44. Pupils in examination classes may be affected if they are moved to a school that follows a different exam board or syllabus option at A Level or GCSE. It may not be possible for parents to find a school which is following the same subjects with the same examination board. This might also be the case if they are studying qualifications such as the International Baccalaureate (IB). In Scotland, many pupils in independent schools follow an English or IB curriculum, rather than Scottish Qualifications Authority (SQA) examinations.

45. Many pupils in independent schools benefit from means-tested fee assistance and bursaries to the level of £1.4 billion for over 180,000 pupils.¹⁶ Parents will have to pay VAT on the contribution they make to fees. Gifted students may be partially funded through the Music and Dance Scheme in England or the Scottish Government's Aided Place Scheme, amongst other funding programmes. In these schemes, parents pay depending on their means and will therefore have to pay VAT on their contribution. The Ministry of Defence Continuity Education Allowance scheme allows parents that are in the armed

¹⁵ [Tax, private school fees and state school spending | Institute for Fiscal Studies \(ifs.org.uk\)](#)

¹⁶ [isc_census_2024_15may24.pdf](#) page 21

forces to pay a minimum of 10% towards subsidised boarding fees which will be subject to VAT.

46. We welcome the Government's decision to exempt pupils that have an EHCP from VAT and note the need to consider that Section 33 arrangements do not apply where places are funded by governments. Nevertheless, this will create increased administration costs for local authorities and government departments in reclaiming the VAT.

47. NASUWT proposes that consideration is made for pupils whose parents pay the fees in part due to their child being in receipt of a bursary or means-tested fee assistance, or other schemes that mean their contribution to fees will increase significantly this year.

Minimise administrative burdens for taxpayers and HMRC, whilst ensuring these policies are not open to abuse

48. Schools will need to apply for VAT registration before 1 January 2025. Given that there are approximately 2,500 independent schools, it is possible that there may be delay in this process. We understand that schools have been advised to make the application in the short period between 30 October and 1 January. HMRC should be equipped to provide guidance to support those establishments that are not currently VAT registered.

49. Given that local authorities spend £1.47 billion in independent school fees for special needs pupils, this change is likely to create a greater administrative burden and increase overall expenditure.

50. The HMRC should provide support for schools and consider giving additional time for schools that need to set up new financial systems. There should be consideration of the administrative burden on local authorities.

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