

THE INTRODUCTION OF VAT ON PRIVATE SCHOOL FEES AND THE IMPACT ON FAITH SCHOOLS.

BRIEFING

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Community Policy Forum

The Community Policy Forum is an independent think-tank seeking to promote evidence-based and community-centred approaches to the structural inequalities facing British Muslim communities. We attempt this through connecting policymakers with academic research and experts and through providing platforms for engagement with diverse Muslim voices on areas of contemporary importance.

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The UK government has proposed significant fiscal changes that would affect private schools in England. These changes include adding value-added-tax (VAT) on private school fees at 20% and removing charitable rates relief for private schools. These measures are part of broader efforts to address inequality in education and raise additional revenue for the public sector. However, there is significant concern that these changes will disproportionately impact smaller faith schools and could lead to the closure of a number of smaller schools, resulting in upheaval for families that rely upon them.

This briefing aims to outline the potential impact of this change in policy for faith schools from the perspective of Muslim schools, however, the issues outlined are applicable to faith schools more broadly. We hope that this briefing is of use to parliamentarians in engaging in the inherent nuances of this issue and to Muslim communities in protecting their access to faith schools in their areas.

Ultimately, we recommend that the [draft Finance Bill Measures](#) be amended to include thresholds based on a cap of tuition fees at between **£5,000 - £10,000.** This will ensure that smaller schools are not disproportionately impacted by these changes.



Understanding **THE IMPACT**

Private schools in England are currently exempt from VAT on tuition fees. This exemption helps keep the cost of private education lower than it otherwise would be. By adding 20% VAT on tuition fees and removing the charitable rates relief for private schools (which currently allows them to access an 80% reduction in business rates), the government hopes to generate revenue which could be redirected to fund public services, including state education, thereby contributing to a reduction in education inequality.

While much of the public debate surrounding these proposals has centred on elite schools, the impact on small independent faith schools has been largely overlooked. According to Rudi Elliott-Lockhart, CEO of the Independent Schools Association, these changes could have a disproportionate impact on faith schools, many of which have already been experiencing financial hardships in the face of the cost-of-living crisis, thus leaving parents and schools without the “capacity to absorb additional costs... So in many cases, there’ll be schools that simply won’t be able to continue to operate”.

When it comes to Muslim schools, there are roughly 150 independent Muslim schools across the country, for which the average annual fees are approximately £3,000 – far less than the average, which is estimated to be between **£15,200** and **£20,800** for day students. Many Muslim schools have fewer than 150 pupils and operate low fees on the basis of financial support from local communities and mosques. Indeed, many families that rely on these schools are in financially precarious positions and will not be able to respond to a 20% increase in fees, even with the financial contributions that many Muslim schools currently rely upon from local communities and mosques.

Consequently, these schools exist in a very different economic reality to that of the elite private schools that are presumably the target of these measures. Thus, the government revenue generated by applying VAT to the fees of Muslim schools will represent an inconsequential contribution to the **estimated** £1.6 billion raised in extra tax revenue each year.

Moreover, these institutions represent religious freedom in education and support families with limited financial means who may not be able to find suitable schools in the state sector that are reflective of their religious needs. The closure of such schools could, therefore, potentially lead to an increase in the withdrawal of Muslim children from mainstream education altogether.



Mitigating **THE IMPACT**

There are a number of ways that the proposals could be amended to mitigate the impacts on smaller faith schools that provide an important service to diverse communities:

- Introduce thresholds based on the size of tuition fees: We would suggest a VAT exemption for institutions charging less than £5,000 - £10,000 per year. This would ensure that smaller local schools that cater to families in financially difficult situations are not overburdened by additional charges.
- Introduce an exemption for faith schools: This would recognise the unique economic realities and social importance of independent faith schools serving minority communities.

Introduce government subsidies or grants for small faith schools: These would counter-balance the potential financial strain caused by the application of VAT and allow such schools to continue to provide an important service to local communities.



Next **STEPS**

The government is running a consultation on these proposals until the 15th of September. Comments on the proposals should be sent to: independentschools@hmtreasury.gov.uk

They would also like feedback on a series of questions that can be found on p21 of their [Technical Note](#).



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