

20 September 2024

Dear Parents & Guardians

## **Imposition of VAT on fees from January 2025**

We hope you and your families have had a restful and enjoyable summer.

Following our letter in early August, on behalf of the Governors, we wanted to provide you with an update regarding the Government's announcement to introduce VAT (at 20%) on independent school fees from January 2025, alongside the removal of mandatory Business Rates relief.

As we mentioned previously, these proposals are still in the consultation phase and we don't expect an outcome until October at the earliest. We fully understand how unsettling this uncertainty is, especially as it would impact both parents and pupils mid-school year. We have attached a summary of the key points we know so far, based on the current information.

We truly appreciate that this situation is concerning for all families, and we are very mindful of the financial planning you may need to undertake. While the final details of the VAT policy remain uncertain, we hope that by sharing our approach and ongoing work, we can provide some clarity and reassurance.

Whilst we have been preparing for some time, since the announcement, we have been carefully reviewing all available guidance and analysing the Trust's budget for the 2024-25 academic year. In addition to VAT, the removal of mandatory Business Rates relief in April will add around £350,000 to our costs each year. Rest assured, we are doing everything we can to mitigate these additional expenses.

There are some positive steps we can take from January 2025, such as recovering VAT on certain goods and services that we buy-in and we anticipate that further VAT recovery may be possible on historic capital projects. However, by far the largest item in our budget is salaries, where there is no VAT paid and therefore no VAT to recover.

We are continually looking at how we can operate efficiently and ensure the best possible value whilst also considering and developing new revenue streams.

Our priority remains to keep any fee increases as manageable as possible while preserving the high standard of education and breadth of opportunities we offer. We are committed to keeping you informed and will share further updates as soon as more details become available.

## **Our expectation for fee levels from January 2025**

Based on the current draft legislation, we anticipate that schools will be required to apply 20% VAT to school fees and most 'extras' (excluding school transport) from January 2025.

We considered the option of phasing in this VAT-related increase to fees over a longer period. Instead, as part of our longer-term planning, we have decided that it is better to limit the overall increase by having a single fee adjustment following the introduction of VAT, currently expected from January 2025.

In anticipation of VAT being imposed during this academic year, the Governors had already limited the fee increases this September, absorbing a large proportion of the additional costs from a year where inflation was running in excess of 10%.

By taking this approach we have aimed to ensure our fees remain competitive and provide the best possible value.

Following our ongoing review of costs and anticipated VAT recovery, we can confirm that, should VAT be introduced in January 2025, we intend to reduce the tuition and boarding fees for the Spring and Summer terms 2025. With the Government's requirement to add VAT at 20%, this will represent a total, overall increase of 16%.

The adjustments to the base fee and the overall impact will be as follows:

- Reduction in the 2024-25 base fee from January 2025: **3.3%**
- Effective fee increase from January 2025, following the 20% VAT implementation: **16%**

<b>Bede's Prep School</b>						
<b>Year Group</b>	<b>Current Termly fee as of September 2024</b>	<b>Termly fee as of January 2025</b>	<b>Rate of reduction to fee</b>	<b>Termly VAT Payable</b>	<b>Revised fee inclusive of VAT: January 2025</b>	<b>Effective VAT impact on Sept 2024 fees</b>
R, 1 & 2	£3,835	£3,708	3.3%	£742	£4,450	16%
3 & 4	£5,550	£5,367	3.3%	£1,073	£6,440	16%
5 & 6	£6,500	£6,283	3.3%	£1,257	£7,540	16%
7 & 8	£6,790	£6,563	3.3%	£1,313	£7,875	16%
Boarding Supplement	£3,230	£3,121	3.4%	£624	£3,745	16%

<b>Bede's Senior School</b>						
<b>Year Group</b>	<b>Current Termly fee as of September 2024</b>	<b>Termly fee as of January 2025</b>	<b>Rate of reduction to fee</b>	<b>VAT Payable</b>	<b>Revised fee inclusive of VAT: January 2025</b>	<b>Effective VAT impact on Sept 2024 fees</b>
9 - 11	£9,310	£9,000	3.3%	£1,800	£10,800	16%
12, 13 & Pre-Sixth	£9,405	£9,092	3.3%	£1,818	£10,910	16%
Day Boarding Supplement	£260	£250	3.8%	£50	£300	15%
Weekly Boarding Supplement	£4,410	£4,267	3.2%	£853	£5,120	16%
Full Boarding Supplement	£5,270	£5,096	3.3%	£1,019	£6,115	16%

We recognise the challenges that any fee increase, especially mid-year, will still bring, but we are confident this approach is transparent and allows us to continue delivering the high-quality education you have chosen for your child while doing our best to ease the burden this rapidly introduced, new Government policy places on families.

## **Who is affected?**

VAT has to be applied to the fees of all pupils. This includes the day and boarding elements for UK-based and overseas families.

## **Bursaries and Scholarships:**

For parents of children receiving scholarships or bursaries, VAT will only be applied to the element of the fees after the award is deducted.

## **Fees in Advance:**

It is our understanding that fees paid through Fees in Advance agreements commencing prior to 29th July 2024, will not be subject to VAT, for the duration of the agreement. Please note that all Fees in Advance agreements are potentially subject to review by HMRC.

## **Notice Period:**

We very much hope that the steps that we are taking will help reassure parents of our commitment to continue to deliver an outstanding, broad education to our pupils whilst keeping our fees as low as possible. However, given the exceptional circumstances, if written notice of withdrawal is given before 19th October, there will be no obligation to pay fees beyond the current term.

## **Fees for September 2025 and beyond:**

We understand the concerns this new Government policy and rising inflation may cause. While we cannot completely offset their effects, we want to reassure you that our priority is to minimise the fee increase in September 2025 and keep future increases as low as possible. We have already worked hard to ensure recent fee adjustments remain below those of comparable schools. As always, we will provide an update on the September 2025 fees before the summer term, so you have time to plan accordingly.

## **A caveat:**

If the Government revises its position, in light of the consultation—such as delaying the introduction of VAT or excluding certain aspects of education from its scope—we will promptly adjust our approach. If VAT is delayed, we will not implement these changes in January. Rest assured, we will keep you fully informed as soon as any updates are available.

## **Action to consider:**

The sector continues to challenge the imposition of VAT and the School, along with independent school associations, has responded to the Government consultation to stress the detrimental impact of the policy on pupils, parents and schools. Bradley Thomas, Member of Parliament for Bromsgrove, has secured a 90-minute parliamentary debate on the 'Removal of VAT and business rates exemptions for independent schools' in Westminster Hall on 8 October 2024, this will be an important opportunity to urge your local MP to speak on the impact that the Government's proposals will have on you. We have written to our MPs to highlight the importance of his debate and have requested that they voice our concerns.

We encourage you to get in touch with us if you have any questions about our approach. We understand that these are incredibly challenging times for the independent school sector, but we are confident in our ability to adapt and thrive. Our preparation and future planning has been meticulous, ensuring the Trust is in the best possible position moving forward. By sharing

the impact between the Trust and parents, we believe we can maintain the right balance—preserving the exceptional quality of education your child receives, while keeping affordability in mind.

Yours sincerely,



**Nick Mercer**  
Chair of Governors



**Peter Goodyer MBA FRSA**  
Senior Head /CEO

## **Appendix: Details of proposed Government policy to reduce business rate relief and to impose 20% VAT on fees**

In brief, the Government has confirmed the following as its position before consultation:

- VAT at 20% will be applied to all fees payable from 01/01/2025. It is not expected to apply to nursery education but will apply to children from Reception upwards.
  - Any fees paid from 29/07/2024 pertaining to the term starting in January 2025 and onwards will be subject to VAT.
  - VAT will be applied to educational services outside the academic curriculum such as performing arts lessons and sports clubs which attract additional charges.
  - The cost of boarding will be subject to the VAT charge.
  - Some provisions will be exempt: transport to and from school; books; before and after school childcare; school meals. Clarity will be required as part of the consultation process on a number of these areas, particularly the distinction between 'childcare' and 'educational services' outside taught lessons.
  - VAT will be added to fees for all pupils including those with Special Educational Needs, those with EHCPs (Education Health and Care Plans), and those from military and diplomatic families. Local Education Authorities will be able to claim back from the Government the VAT added to the fees of children with EHCPs and the Government has pledged to carefully monitor the impact on military families.
  - Schools with charitable status, as is the case with Bede's, will cease to benefit from the mandatory 80% Business Rate Relief, with effect from April/2025.
- The proposed policy is consistent with the Labour Party's pre-election communication and manifesto, however, we are disappointed that it chose to accelerate these changes and introduce them midway through a school year.