



## JOY MORRISSEY MP

*Member of Parliament for Beaconsfield*

The intention to apply VAT to independent schools is a policy which will have significant and long-lasting impacts on the life chances of hundreds of thousands of young people. Its impact will be felt by young people educated in the state sector, as well as those in the independent sector. It will weaken the fabric of our education system, whilst failing to raise the scale of net tax revenue the Government anticipates.

It is simply a bad, rushed, ideologically motivated policy which will cause significant harm to young people, their families and schools across the independent and state sectors. It is an attack on aspiration, children with special educational needs and parental choice in education.

This technical note and the way it has been released is consistent with the rushed, ill-thought out nature of this policy. To quietly launch a technical note on what is known to be a controversial policy - fail to advise Members of Parliament - and provide just 7 weeks through the summer break for people to reply, is unacceptable. It is clear it is intended to be a perfunctory, box ticking consultation.

I have received widespread representation from constituents across Beaconsfield, Marlow and the South Bucks villages about the negative impacts of this policy. Whilst the parameters set in the technical note for response are narrow, I will set out what I believe are the serious issues that remain unaddressed by this change to tax policy and specifically respond to the technical note's question 5:

***Does this approach achieve the intended policy aims across all four nations?***

### **1. UK as an outlier in taxing education**

Language matters and it is instructive that in the technical note officials have slipped into the lexicon of Labour politicians of describing this as the removal of a "tax break". It is no such thing. Education has never been subject to VAT, and this will leave the UK as an outlier in the world for taxing education – an absurd place for a developed economy like ours to find itself.

Education is explicitly protected in the Principal VAT Directive of the European Union. It is instructive that this policy represents the first area that the Government has sought to create divergence in VAT policy post Brexit.

This is the imposition of a tax on schools, not the removal of some benevolent break. This tax will in almost all circumstances fall on parents to pay, out of already taxed income, through increased school fees. Furthermore, these are parents, and often other extended family members, who already contribute tax revenue to the state education system but have removed the costs of a child from that same state system by paying for independent education – the impact of which Oxford Economics estimated at a £3.6bn saving in its report of December 2022.

### **2. Impact on the state funded education sector**

The Government claims this policy will enable it to better fund the state sector. In 2023 the now Education Secretary said it would raise £1.7bn. In February 2024, the Shadow Education Minister lowered this to £1.3bn. Even if Labour politicians genuinely believed that

at the time, the evidence is increasingly clear that this policy will have the effect of increasing demand on the sector, placing even more pressure on funding. As highlighted earlier, it has been estimated that pupils being educated in the independent sector saves the taxpayer around £3.6bn.

There will be a clear impact of pupil displacement due to parents not being able to afford the increased fees:

- In 2018 the consultancy Baines Cutler estimated that VAT imposition would lead to a drop off 134,800 pupils over 5 years in the independent sector, needing to be picked up by the state sector
- The Independent Schools Council has reported a drop of 2.7% already due to anticipation of these changes.

Even at a modest assessment of displacement, the impact on state schools having to absorb these pupils is significant. It will increase class sizes thus worsening pupil outcomes; put significant strain on SEND teams having to support an influx of students with no EHCP but clear SEND needs; and it will lead to in-year strains on state school budgets.

What is compounding this issue is the haste with which the Government is seeking to implement these changes – from January 2024. It will lead to pupils leaving their settings mid-year, state school places not being available in preferred schools and likely chaos for parents and schools to navigate.

***In the technical note 1.14 it states that the principles of the policy include: 1. Raise revenue to support the public finances. 2. Ensure High Quality Education is available for every child. The above is clear evidence that this policy aim will not be met with both likely net revenues to be significantly lower than the Government anticipates and with material impacts on the quality of education of pupils currently in the state sector (higher class sizes) and the independent sector (unavailability of places in preferred schools and mid-year disruption).***

### **3. Impact on SEND pupils**

There are 100,000 young people in the independent sector with SEND being well supported but are not in possession of an EHCP. This is a material and potentially catastrophic impact from the imposition of this tax.

There is no plan to deal with displacement from this group and it is shocking that the sole response from Government Ministers seems to be “parents were warned”.

These are pupils where the costs to support them are higher and the Government appears to have made no provision to be able to do so.

***In the technical note under 1.14 it states that the principles of the policy include: 1. Raise revenue to support the public finances. 2. Ensure High Quality Education is available for every child. The evidence is clear that this policy intent will not be met. The impact on SEND pupils who will need to displace to the state funded sector will be material, worsening their education outcomes and putting increased pressure on school staff and budgets.***

#### 4. Conclusion

I have set out key reasons why the imposition of this tax will not enable the Government to meet its policy intent. By making the UK an outlier in the taxing of education, it will create material impacts on the state funded sector, lower the quality of education for all pupils irrespective of sector and it will significantly harm the life chances of thousands of young people with SEND.

These reasons are further strengthened by the significant benefit that independent schools bring to our communities across Beaconsfield, Marlow and the South Bucks villages. The bursaries they provide to young people from backgrounds that would otherwise not be able to access independent education. The partnerships they create with local state schools. Labour politicians have deliberately sought to paint this policy as one that is impacting the Eton and Harrow's of our school system. It will not. It will harm the young people and families served by the small and hitherto successful independent schools.

These schools create additional parental choice, lessen the burden on the state sector and support SEND pupils without EHCPs. The parents who pay their fees are not wealthy, but people who scrimp and save and aspire for their children to have the best education for them possible.

This is a catastrophic policy in the making which I urge the Government to stop before it harms the life chances of thousands of young people across our country.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Joy Morrissey', written in a cursive style.

Joy Morrissey MP