How much money could be raised by charging VAT on private school fees?

Research note

June 2023

The information provided in this note does not, and is not intended to, constitute legal or accounting advice.

About EDSK

EDSK is an independent, impartial think tank.

Our mission is to design new and better ways of helping learners of all ages succeed, particularly those from disadvantaged backgrounds.

We aim to achieve this by conducting research on topics across the education and skills landscape and then producing evidence-based recommendations for how the system needs to change, both now and in the future.

Our research covers primary schools, secondary schools, colleges, apprenticeships and universities. Whichever topic or policy area we are investigating, our priority is always to produce better outcomes for learners while also ensuring that the greatest support is given to the most disadvantaged members of society.

We work closely with a range of individuals and organisations to ensure that our research reflects a wide range of evidence on any given issue. EDSK retains copyright and full editorial control over our research, irrespective of how it is funded.

EDSK is a not-for-profit think tank registered in England and Wales.
(Company Registration No. 11795717)

Find out more at www.edsk.org

Introduction

Despite its current political salience, the proposal to charge VAT on private ('independent') school fees in England is nothing new. The Labour Party's 1983 election manifesto set out plans to "withdraw charitable status from private schools and all their other public subsidies and tax privileges [and] we will also charge VAT on the fees paid to such schools."[1] Labour's more recent manifestos in 2017[2] and 2019[3] proposed similar reforms, with the 2017 manifesto including the specific claim that the removal of the VAT exemption for private school fees would raise £1.6 billion a year.[4]

The debate over the taxation and charitable status of private schools has become increasingly high-profile, with Prime Minister Rishi Sunak recently claiming that Labour's plans amount to "attacking the hard-working aspiration of millions of people in this country".[5] On that basis, this research note investigates the source and credibility of the often-cited £1.6 billion figure to assess whether it deserves to be included in discussions about the future of private schools. The findings in this note are not intended to represent a definitive answer on this matter, not least because some assumptions had to be made about where previous calculations and estimates came from. Nevertheless, this note aims to contribute to a pragmatic evidence base that education experts and policymakers can use to deliberate on the merits (or otherwise) of removing charitable status from private schools along with its financial implications for those schools as well as taxpayers.

This research note forms part of a larger research project at EDSK on the future of private schools in England, which is set to conclude in July 2023.

Where does the £1.6 billion figure come from?

Senior Labour figures [6] [7] have typically referenced the Resolution Foundation, a think tank, as the source of their £1.6 billion figure. It is true that the Resolution Foundation published a report in 2020 which asserted that making private school fees subject to VAT (presumably at the standard rate of 20 per cent) would raise £1.6 billion.[8] However, no calculations were offered to explain this sizeable claim. The reason for this lack of detail is that the Resolution Foundation did not come up with the figure themselves. As the costings document released alongside the 2017 Labour Party manifesto notes,[9] the original source of the £1.6 billion figure is an article in the 'Fabian Review' – published by the Fabian Society – back in 2011.

The article in question was written by the Fabian Society's then General Secretary Sunder Katwala. He proposed charging VAT at the standard rate on private school fees to fund the new 'Pupil Premium' for disadvantaged pupils attending state schools, which was being rolled out by the Coalition Government at the time. Rather than funding the Pupil Premium from existing state school budgets, he suggested that "a real pupil premium could be funded by putting VAT on private school fees, and dedicating the resources to an educational mobility fund. It could raise £1.5 billion per year for the pupil premium".[10] The calculations listed alongside this statement shed some more light on the idea:

> *"With 628,000 children in the independent sector, this could raise around £1.5 billion per year, with the money dedicated to a Pupil Premium Mobility Fund. The fairness case is this: whenever £10,000 is spent on private school fees, £2000 would go towards narrowing the gaps in opportunity and mobility. Every parent paying £30,000 per year at Eton would be contributing £6000 to the pupil premium, still leaving a hefty £24,000 to be spent on the best schooling that money can buy."* [11]

Even with this estimated number of children being educated in the 'independent sector', it still leaves the question of where the £1.5 billion figure is derived from as there was no mention of how it was conceived. The closest approximation that EDSK could establish comes from a 2007 newspaper article that quotes Mr Katwala in the context of "plans drawn up" by the Fabian Society, under which parents would have to pay VAT on private school fees. This was accompanied by the suggestion that such a 'levy' on private school fees could generate "[as] much as £2,500 a year extra for every child".[12] 628,000 children in the independent sector multiplied by this proposed £2,500 figure would equate to £1.57 billion.

It is not clear why the 2011 Fabian Society article settled on receipts of £1.5 billion rather than £1.6 billion. One possibility is that the 'as much as £2,500' from the 2007 Fabian proposal was rounded up from a slightly smaller figure (e.g. £2,400), which would have generated around £1.5 billion from the 628,000 pupils. Alternatively, the £1.5 billion from 2011 may have been increased in the 2017 Labour manifesto to account for inflation between 2011 and 2016/17.[13] Regardless, the question is how credible are the two central figures in this equation: 628,000 children being educated in the independent sector, and the £2,500 that would apparently be raised by charging VAT on the school fees for all these pupils?[14]

How many pupils are educated in private schools?

The claim that there were "628,000 children in the independent sector" was most likely taken from the website of the Independent Schools Council (ISC) – the representative body for many independent schools – which listed this exact figure in 2011.[15] Despite being sourced from the ISC, the figure appears to be misleading in this context for two reasons.

First, the 'independent sector' extended beyond fee-charging independent schools. For example, the data on pupil numbers published by the Government in 2007 (the year when the £2,500 figure appeared) showed that 630,720 pupils were educated in the 'independent sector' but this included City Technology Colleges and Academies – both of which were technically 'independent' of local authorities but still funded by the state. The total number of pupils in independent schools was only 577,670 in that year. By 2011, the number of pupils in independent schools was 576,230.[16]

Second, 628,000 represented the number of *children* – not pupils. Some independent schools offer classes for children aged 2 to 4 through nursery provision. While the total number of pupils in independent schools was 576,230 in 2011, the number of pupils aged under 5 in independent schools was 63,790.[17] Presumably no future government is planning on adding VAT to nursery fees in independent schools given the implications this may have for the wider childcare system (which is dominated by private sector organisations). Specifically targeting private school nurseries would also risk breaching the principle of 'fiscal neutrality', under which similar goods or services that are in competition with each other cannot be treated differently for VAT purposes. On that basis, it would seem prudent to remove children below compulsory school age from any calculations, putting the number of school-aged children in independent schools in 2011 at 512,440 – well below 628,000. Assuming the £2,500 figure is correct (which, as the next section explains, is unlikely), the more realistic estimate of 512,440 pupils would reduce the revenues generated by adding VAT on school fees to £1.28 billion.

How many pupils would leave private schools if VAT was added to fees?

Even when armed with a more appropriate figure for the number of pupils in private schools, the issue of how many pupils may leave these schools following the addition of 20 per cent VAT on school fees remains contentious. The Fabian Society article made no mention of this potential outcome and seemed to assume that there would be no drop-off in demand for private schools. In contrast, a 2018 report by Baines Cutler Solutions (commissioned by the ISC) projected that around 25 per cent of pupils may leave private schools following the addition of VAT on fees.[18] However, the Labour Party manifesto in 2019 suggested that, based on work by the Institute for Fiscal Studies (IFS),[19] there would only be a 5 per cent decrease in pupil numbers if the standard rate of VAT (20 per cent) was added onto fees.[20] It is worth noting that the IFS analysed the impact of rising fees over the course of two decades rather than estimating the impact of a substantial one-off rise in fees. Even so, there is evidently a wide range of possible outcomes from a 5 per cent to 25 per cent reduction in pupil numbers, so these projections will be used as the 'lower' and 'upper' estimates in this research note.

TABLE 1: estimating the impact of pupil drop-off in private schools based on previous estimates of parental sensitivity to fee changes

	PUPIL POPULATION IN PRIVATE SCHOOLS
Fabian Society article in 2011 (using ISC website)	628,000
- excluding state-funded independent providers	577,670
- excluding children in independent schools aged 2-4	512,440
LOWER DROP-OFF ESTIMATE (5%) Total remaining pupils in private schools in 2011	**486,818**
UPPER DROP-OFF ESTIMATE (25%) Total remaining pupils in private schools in 2011	**384,330**

Needless to say, if pupils leave a private school then it is likely they will begin attending a state school instead. As the Fabian Society article did not countenance the possibility of any drop-off in pupil numbers then they understandably did not attempt to estimate how much additional government funding would be required to educate these pupils in state schools. Based on government documents, per-pupil spending (revenue and capital) in the state school sector was £6,600 in 2010/11[21] – which provides a useful benchmark for any additional spending by government at that time.

How much would be raised from adding VAT onto every pupil's fees?

It is far from obvious where the £2,500 per-pupil figure originated from. As noted earlier, it was proposed by the Fabian Society in 2007 but the ISC 'census' of its 1,276 schools in 2007 reported an average day fee of £2,885 per term (£8,655 a year), which would only generate £1,731 of VAT if charged at the standard rate of 20 per cent on the annual fee. Even the 'Overall average [fee]' in the census (which would also include boarding fees, even though boarding accommodation is exempt from VAT[22]) was £3,391 per term (£10,173 a year), resulting in a VAT cost of £2,035 per pupil on the annual fee. A separate survey in 2007 by Halifax Financial Services reported an average annual private school fee of £9,627,[23] which was also likely to have been inflated by the inclusion of boarding schools. By 2011 (four years after the £2,500 figure was published), the ISC census was still only reporting an average day fee of £3,736 per term (£11,208 a year), which would produce £2,242 of VAT. None of these figures support the claim that the imposition of VAT at 20 per cent would generate £2,500 from every pupil attending a private school. On that basis, this research note will proceed (somewhat generously) with the highest figure listed above: £2,242 raised per pupil by charging 20 per cent VAT on private school fees in 2011 when the '£1.5 billion' claim was initially aired.

Regardless of whether £2,500 was an appropriate figure to begin with, the assumption that VAT receipts for the government from each pupil would equate to 20 per cent of school fees is likely to prove incorrect. If a private school was forced to charge VAT on their fees (because their provision of education had now become a 'taxable supply') then the school would in turn be able to claim back the VAT that it had itself paid on goods and services supplied to it in relation to their provision of education (e.g. utility bills, maintenance costs). The 2018 report by Baines Cutler estimated that, as a result, the net VAT receipts from private school fees would instead be closer to 15 per cent of fees rather than 20 per cent[24] as the schools would now be able to recover some of their costs. This report will therefore draw on this 15 per cent net VAT rate, which would represent annual VAT receipts for the government of £1,681 per pupil attending a private school in 2011.

Estimating VAT receipts using the 2011 Fabian Society methodology

Now that the central figures have been interrogated, this research note will attempt to replicate the original calculations which led to the claim that £1.5 billion could be raised by charging VAT at the standard rate on private school fees but using a more appropriate set of assumptions. As shown in Table 2 (overleaf), if one prefers to use the lower estimate of pupil drop-off (5 per cent) then this would mean annual VAT receipts from private school fees of just over £800 million a year – around half what the Fabian Society claimed in 2011. What's more, the additional costs incurred by educating more pupils in state schools would place an extra burden on government spending, thereby weakening the government's overall financial position by another £170 million. Overall, it is estimated that had the government charged VAT on private school fees in 2011, the best-case scenario would have been an increase in net revenues of around £650 million.

TABLE 2: estimating the total receipts from government charging VAT on private school fees in 2011 based on lower estimate of pupil drop-off (5%)

Total remaining pupils in private schools	**486,818**
Estimated VAT receipts (based on 15% net VAT rate - £1,681 per pupil)	**£818 million**
Additional spending on state schools (based on £6,600 for 25,622 additional pupils who have left private schools)	**£169 million**
Total funding raised by government in 2011 after imposing VAT on private school fees	**£649 million**

While using the lower estimates for pupil drop-off from private schools would at least raise some new money for government, albeit less than half of what was originally proposed by the Fabian Society, the higher estimates for pupil drop-off lead to a dramatic worsening of the financial equation from the government's perspective. As Table 3 shows, if 25 per cent of pupils had left private schools in 2011 following the imposition of VAT on fees, it could have ended up with the government having £200 million less than if they had done nothing at all.

TABLE 3: estimating the total receipts from government charging VAT on private school fees in 2011 based on upper estimate of pupil drop-off (25%)

Total remaining pupils in private schools	**384,330**
Estimated VAT receipts (based on 15% net VAT rate - £1,681 per pupil)	**£646 million**
Additional spending on state schools (based on £6,600 for 128,110 additional pupils who have left private schools)	**£846 million**
Total funding raised by government in 2011 after imposing VAT on private school fees	**-£200 million**

Estimating VAT receipts in 2022 using an updated methodology

It is clear, then, that the original claim from 2011 that £1.5 billion a year could have been raised by making the provision of private school education a 'taxable supply' that incurred VAT was far too optimistic. The true figure is likely to have been considerably lower. A crude midpoint between the upper and lower estimates would be around £224 million a year in new revenue for the government – a fraction of the Fabian Society's prediction.

With this more robust methodology in mind for calculating potential VAT receipts, an updated set of figures can be incorporated into the same calculation for data related to private schools in 2022:

- **PUPIL NUMBERS**: according to the DfE, there were 525,786 pupils of compulsory school age and above attending independent schools in England.[25] This generates a projection of 499,497 pupils using the lower drop-off estimate from the Labour Party (5 per cent) and 394,340 using the higher drop-off estimate from Baines Cutler Solutions (25 per cent).

- **PRIVATE SCHOOL FEES**: the 2022 ISC census showed that the average day school fee was £5,218 per term (£15,654 a year). This produces an estimated per-pupil VAT receipt (at the 15 per cent net rate) of £2,348.

- **STATE SCHOOL EXPENDITURE**: the latest DfE figures show that per-pupil revenue spending was £6,510 in cash terms in 2022.[26] In addition, it is estimated that £3.2 billion was spent on capital programmes for state-funded institutions in 2022.[27] With 8.22 million pupils being educated in state primary and secondary schools in that year, this represents an average capital spend of £389 per pupil. In total, this produces an estimated spend per pupil (revenue and capital) in state schools of £6,899 last year.

For simplicity, these updated figures do not include the impact of the recent announcement by the Labour Party that 'Special Schools' for children and young people with Special Educational Needs and Disabilities (SEND) will not become liable for VAT at the standard rate regardless of Labour's proposed changes.[28] There are around 300 ISC schools that cater for pupils with SEND, including some specialist schools that cater wholly or mainly for this group, and many non-ISC private schools will do the same. Consequently, excluding such schools from the requirement to add VAT to fees could substantially reduce the likely revenue generated by this policy.

Leaving Special Schools to one side, new upper and lower estimates for future revenues from adding VAT on private school fees can now be produced using the 2022 figures above. As shown in Table 4 (overleaf), the new revenue projection based on a 5 per cent drop-off from private schools equates to around £1 billion of additional revenue for the government.

TABLE 4: estimating the total receipts from government charging VAT on private school fees in 2022 based on lower estimate of pupil drop-off (5%)

Total remaining pupils in private schools	**499,497**
Estimated VAT receipts (based on 15% net VAT rate - £2,348 per pupil)	**£1.173 billion**
Additional spending on state schools (based on £6,899 for 26,289 additional pupils who have left private schools)	**£181 million**
Total funding raised by government in 2022 after imposing VAT on private school fees	**£991 million**

As with the 2011 figures, the use of the higher estimate for pupil drop-off (25 per cent) significantly alters the result. Under this scenario (Table 5), adding VAT on private school fees would raise very little new revenue for the government, especially when additional administration costs for HMRC are taken into account.

TABLE 5: estimating the total receipts from government charging VAT on private school fees in 2022 based on higher estimate of pupil drop-off (25%)

Total remaining pupils in private schools	**394,340**
Estimated VAT receipts (based on 15% net VAT rate - £2,348 per pupil)	**£926 million**
Additional spending on state schools (based on £6,899 for 131,446 additional pupils who have left private schools)	**£907 million**
Total funding raised by government in 2022 after imposing VAT on private school fees	**£19 million**

In line with the earlier analysis that challenged the credibility of raising £1.5 billion back in 2011, running the same calculations with 2022 figures raises further doubts about the likelihood of large gains in tax revenues. Again, a crude midpoint between the upper and lower estimates for pupil drop-off would result in around £486 million a year in new revenue for the government – less than a third of what is currently claimed to be the likely impact of charging 20 per cent VAT on private school fees.

Further risks to raising revenue from adding VAT onto fees

A new injection of almost £500 million a year may seem like a goal worth pursuing even if it represents a climbdown from previous claims of the policy's impact, yet there are several reasons to think that this much-diminished estimate may still be presenting an unduly positive outlook. For example, as mentioned earlier in this research note, the Fabian Society claimed in 2011 that adding 20 per cent VAT onto private schools fees would mean that "every parent paying £30,000 per year at Eton would be contributing £6000 to the pupil premium".[29] This is potentially incorrect because, as was also mentioned earlier, boarding accommodation is exempt from VAT as it is classed as a 'closely-related' good or service to the education that is being provided in a private school. Other closely related goods and services include catering, transport and school trips.[30]

As it stands, if a government imposed VAT on private school fees, it is unclear what this would mean for the portion of a school's fees that currently pay for these closely related items that are exempt from VAT under existing legislation. In the case of Eton or any other private boarding school, it may be that the provision of accommodation and food accounts for a large proportion of the fees that they charge, undermining the Fabian Society's claim that 20 per cent of a private school's fees would simply be converted into a guaranteed lump sum for government. For example, if a private school converted its boarding accommodation into a separate charitable organisation with a separate annual fee, it may not attract VAT regardless of whether its day-school counterpart became liable in future. To further complicate matters, a similar issue may arise with the provision of 'welfare services' such as after-school clubs and other non-residential care that could also be exempt from VAT in some circumstances.[31] The eventual outcome of such convoluted matters will also be affected by the broader question of whether private schools retain their charitable status even if they lose their VAT exemption, suffice to say that the estimates for how much money could be raised by adding VAT to fees could decrease as a result of these wider exemptions on related goods and services.

Another significant issue for making private schools liable for VAT is that, in addition to now being able to deduct any VAT that they pay in future on goods and supplies, they may also be able to recover VAT that they have incurred on past expenditure. For example, the Capital Goods Scheme (CGS) relates to capital expenditure on certain items (e.g. new buildings or renovations to existing buildings) worth £250,000 or more that was subject to VAT when it was purchased or the works undertaken.[32] Under the CGS, if a private school becomes registered for VAT because it is now deemed to be making 'taxable supplies' of private education, the school may be able to reclaim some of the VAT that it incurred on any qualifying capital projects prior to their date of registration. It is unlikely that the policy intent behind charging VAT on private school fees includes giving these same schools a potential tax windfall on major building or refurbishment projects including swimming pools, lecture halls, indoor and outdoor sports facilities, classrooms and laboratories that they constructed over the last decade, yet this is precisely what could happen under existing legislation. It is impossible to quantify in advance how much VAT could be recovered by private schools through the CGS, although when hundreds of private schools – some with large asset bases – become liable for VAT at the same time, it is reasonable to assume that the government could face a large bill.

Other tax considerations are likely to place further constraints on the sums raised by adding VAT to school fees. If private schools were to charge VAT in future, the VAT would be due on the date that the fees are paid. Needless to say, a government that wishes to impose VAT on fees could only do so from a future date, so any years of schooling paid for in advance of the new VAT rules – be that to cover one academic year or several – may avoid the new tax entirely and in the process deny the government an average of around £2,000-2,500 per pupil for every year of advance fees. Even if parents cannot afford to pay for as many as 14 years of private education in one go, every year of fees paid in advance that does not attract VAT would nonetheless have an immediate impact on the government's future revenue.

Admittedly, there are some caveats to this approach. For example, imposing VAT on school fees is likely to come into force when a government announced the change rather than when the formal legislative changes were passed (through what is known as 'anti-forestalling' legislation), so parents may need to pay their advance fees before a potential change of government at the next General Election. Even then, it is not clear exactly how HMRC would view such advance payments in terms of when the 'taxable supply' of education was delivered. In addition, parents paying fees in advance would almost certainly have to make the full amount available to the school rather than placing the fees in some form of holding account ('in escrow'). Even so, with a General Election conceivably not taking place until beyond September 2024, there is ample time for private schools to make the necessary arrangements for the advance payment of fees wherever families are able and willing to do so. In truth, many private schools already offer advance payment facilities and typically give parents a fee discount of around 1-2 per cent in the process.[33] An expanded use of such payment facilities presents a major risk to the potential revenue from adding VAT to fees because some parents – most likely to be the wealthiest families who send their children to the most expensive private schools – may be able to avoid the extra tax altogether.

More recent costings in the 2019 Labour Party manifesto

As noted earlier in this research note, the Labour Party's 2017 election manifesto had repeated the Fabian Society's claim about the potential receipts from adding VAT to fees. In their subsequent 2019 manifesto, the Labour Party attempted to provide their own calculations for VAT receipts that took a different approach to the Fabian Society:

> *"According to the Oxford Economics report 'The Impact of Independent Schools on the UK Economy', Independent Schools Council schools received £7.83bn for "core school operations" in 2017. Applying the same assumptions on elasticity of demand as in our funding for new state school places [i.e. the 5 per cent drop-off rate] suggests a reduction in tax base to around £7.4bn and therefore a potential tax yield of just under £1.5bn. As VAT-payers, private schools would be able to reclaim VAT on VAT-able expenses, but most outgoings relate to staff. Figure 11 of the Oxford Economics report suggests £189m of taxes on school purchases were paid, which is an upper bound on the VAT that could be reclaimed. Deducting that and adjusting upwards for the fact that only 85% of independent schools are ISC schools gives a potential yield just over £1.5bn for 2017 which is adjusted for school fee inflation in 2018 and 2019 and inflation forecasts going forwards."* [34]

Unfortunately, these statements suffer from many of the same flaws as the Fabian Society's projections and also fail to account for several wider issues described in this research note:

- The figure for income from 'school operations' taken from the Oxford Economics report includes the income from nursery provision for pre-primary school children, which is unlikely to incur VAT in light of the tax implications it could create for other private nursery providers (about 10 per cent of pupils in independent schools – around 56,000 – were below compulsory school age in 2022[35]).
- The 'school operations' income figure also fails to exclude the proportion of fees related to boarding accommodation, which is likely to remain VAT-exempt and could account for a significant proportion of the annual fee charged for each pupil (12 per cent of pupils in ISC schools attended a boarding school in 2022,[36] with average fees of £37,000 a year compared to £16,000 for private day schools[37]).
- As discussed throughout this research note, the assumed drop-off rate of 5 per cent of pupils leaving private schools is contested. Every percentage-point increase in the drop-off rate would both reduce VAT receipts for the government and increase the cost to government of educating those pupils in the state sector instead.
- The figure quoted for 'taxes on school purchases' (£189 million) increased to almost £300 million in the 2022 version of the Oxford Economics analysis, and the authors of

this analysis suggested that if COVID had not depressed school spending in the preceding 12 months then this figure would have been £439 million.[38]

Although it is a very rudimentary approach, one could take the full income for the whole independent sector (not just ISC schools) from the 2022 Oxford Economics report of £9.96 billion[39] and then incorporate the above estimates of revenue reductions into the 2019 manifesto calculation (e.g. subtract 10 per cent to exclude nursery-aged children in independent schools). This approach produces an estimated revenue gain from VAT on private school fees of £1.02 billion a year[40] - almost identical to the £991 million estimated earlier in this research note should the government have charged VAT on school fees in 2022. Again, this represents a best-case scenario given that the pupil drop-off rate is 5 per cent rather than 25 per cent and there is also no accounting for additional effects such as parents paying fees in advance or Special Schools not being liable for VAT on fees, meaning that the final outcome could be considerably worse for the government finances. On that basis, as with the Fabian Society's original proposals, it is hard to have much confidence in the 2019 manifesto's projections for future VAT receipts.

Conclusion

As stated at the outset, this research note did not aim to produce a final answer to the question of how much money would be raised by adding VAT on private school fees. Even so, the analysis in this note suggests that previous claims about how much new revenue could be unlocked by this policy seem very optimistic, particularly if any more than a small number of pupils end up leaving independent schools and moving to the state sector instead. Moreover, this note did not consider several other legal and accounting issues that may emerge from removing the charitable status of private schools and adding VAT on their fees, which could potentially make the policy less attractive irrespective of the financial sums at play.

As always with these types of projections, there is an element of interpretation about what constitutes the most appropriate figures or estimates in some cases. A few technical issues are also particularly challenging, such as choosing how to model the impact of inflation on government spending figures, school fees or earlier cost estimates to ensure fair comparisons between proposals from different time periods. This note also did not investigate the differential effects of VAT on fees based on the size of a private school or the possible behavioural effects generated by, for example, private schools choosing to absorb some of the VAT fee increase rather than passing it on to parents in full. Nevertheless, it is hoped that the figures and calculations presented in this research note will provide a useful basis for further discussions on this high-profile matter.

REFERENCES

[1] The Labour Party (unofficial site), 'Labour Party Manifestos: 1983', Webpage, 2001.

[2] The Labour Party, *For the Many Not the Few: The Labour Party Manifesto 2017* (London: Labour Party, 2017), 38.

[3] The Labour Party, *It's Time for Real Change: The Labour Party Manifesto 2019* (London: Labour Party, 2019), 40.

[4] The Labour Party, *For the Many Not the Few: Funding Britain's Future* (London: Labour Party, 2017), 5.

[5] James Tapsfield, 'Rishi Sunak Accuses Keir Starmer of Attacking "aspiration" with Plans to Strip Private Schools of Tax Breaks - but Labour Leader Swipes That Ministers Should Focus on "Driving up Standards in Southampton" Instead of "Rifle Ranges at Winchester"', *Mail Online*, 30 November 2022.

[6] Bridget Phillipson, 'Which Means, as Respected Think Tanks like the Resolution Foundation Have Estimated, Ending the Private School VAT Tax Break Would Bring in about £1.6 Billion', Twitter, 4 December 2022, https://twitter.com/bphillipsonMP/status/1599343683983536129.

[7] Stephen Morgan, 'Commons Debate on "Fair Taxation of Schools and Education Standards Committee"' (HC Volume 725, 11 January 2023).

[8] George Bangham et al., *Unhealthy Finances: How to Support the Economy Today and Repair the Public Finances Tomorrow* (London: Resolution Foundation, 2020), 133.

[9] The Labour Party, *For the Many Not the Few: Funding Britain's Future*, 7.

[10] Sunder Katwala, 'How to Fund a Real Pupil Premium', *Fabian Review*, 2011.

[11] Ibid., 17.

[12] James Kirkup, 'Private School Fees "Should Carry VAT"', *The Daily Telegraph*, 12 December 2007.

[13] £1.5 billion in 2011 would be equivalent to £1.62 billion in 2016 prices or £1.66 billion in 2017 prices, depending on when the 2017 Labour Party election manifesto was being drafted.

[14] Throughout this research note, VAT will be assumed to be charged at the standard rate of 20 per cent unless otherwise stated.

[15] Independent Schools Council, 'Pupil Numbers', Webpage, 2010, https://web.archive.org/web/20100830085936/http://www.isc.co.uk:80/FactsFigures_PupilNumbers.htm.

[16] Department for Education, *Statistical First Release: Schools, Pupils, and Their Characteristics - January 2011* (London: Department for Education, 2011), 13.

[17] Ibid.

[18] Baines Cutler Solutions, *VAT on School Fees – Report: October 2018* (London: Baines Cutler, 2018).

[19] Richard Blundell, Lorraine Dearden, and Luke Sibieta, *The Demand for Private Schooling in England: The Impact of Price and Quality* (London: Institute for Fiscal Studies, 2010).

[20] The Labour Party, *Funding Real Change* (London: Labour Party, 2019), 13.

[21] HM Treasury, *Budget 2007: Building Britain's Long-Term Future* (London: HM Treasury, 2007).

[22] HM Government, *Value Added Tax Act (Schedule 9)*, 1994.

[23] BBC News, 'Private School Fees "Rise by 43%"', *BBC News Online*, 12 July 2008.

[24] Baines Cutler Solutions, *VAT on School Fees – Report: October 2018* (London: Baines Cutler, 2018).

[25] Department for Education, 'Academic Year 2021/22: Schools, Pupils and Their Characteristics', Webpage, 2022.

[26] Department for Education, 'Financial Year 2021-22: School Funding Statistics', Webpage, 2022.

[27] House of Commons Library, *School Buildings and Capital Funding (England)* (London: Her Majesty's Stationery Office, 2023).

[28] Claire Ellicott, 'Backlash Sparks Labour Rethink on "devastating" Private School Tax Hikes', *The Mail On Sunday*, 9 April 2023.

[29] Sunder Katwala, 'How to Fund a Real Pupil Premium', *Fabian Review*, 2011.

[30] HM Revenue & Customs, 'Guidance: Education and Vocational Training (VAT Notice 701/30)', Webpage, 2023.

[31] HM Revenue & Customs, 'Guidance: Welfare Services and Goods (VAT Notice 701/2)', Webpage, 5 July 2011.

[32] HM Revenue & Customs, 'Guidance: Capital Goods Scheme (VAT Notice 706/2)', Webpage, 2020.

[33] Brighton College, *Detailed Fees Structure 2022-23: Fees and Extra Charges Explained* (Brighton: Brighton College, 2022), 11.; Kings College School Wimbledon, *Fees in Advance Scheme (Composition Fees)* (London: Kings College School, 2022).

[34] The Labour Party, *Funding Real Change* (London: Labour Party, 2019), 39.

[35] Department for Education, 'Academic Year 2021/22: Schools, Pupils and Their Characteristics'.

[36] Oxford Economics, *The Impact of Independent Schools on the UK Economy* (Oxford: Oxford Economics Ltd, 2022), 9.

[37] Independent Schools Council, *ISC Census and Annual Report 2022* (London: ISC, 2022), 17.

[38] Oxford Economics, *The Impact of Independent Schools on the UK Economy*, 18.

[39] Ibid., 16.

[40] The revenue reduction measures were as follows: a 5 per cent decrease in pupil numbers due to dropouts; a 10 per cent decrease in pupil numbers due to removing nursery-aged provision; a 6 per cent reduction in sector income to account for removing half the revenue from VAT-exempt boarding fees from the 12 per cent of pupils who are boarders; an effective net VAT rate of 15 per cent (as used throughout this research note); and the £181 million in additional government spending on state schools calculated in Table 4.