

# VAT unlikely to be imposed on school fees until next year

Ian Murray, the Secretary of State for Scotland says that applying 20% VAT to private school fees will happen – but not immediately.

He said: “This is a difficult decision that has been made – the 20% is happening – it will have to go through a fiscal event, so I think that will be the budget later this year, which will have to then be in a finance bill, so it’s not going to happen this side of the year.

“I think 2025 is what the Treasury – when Rachel (Reeve) was Shadow Chancellor – said, so it’s not coming in right away. But let’s get around the table and try and resolve these issues. I fully understand the concerns of parents, fully understand the anxiety of pupils who may have to change. But let’s all work together to try and find a partnership model and an Edinburgh educational ecosystem- type way that we can have it really working together to provide the best education for every child.”

**The Scottish Government has confirmed it will ringfence any additional monies raised from the new UK VAT policy and spend them entirely on education – and not to stem any other gaps in funding.**

It has responded to the move by the new UK Government to end the VAT exemption on private school fees positively. Scottish private schools have already lost the non-domestic rates charity exemption which they enjoyed two years ago, in line with the findings of the independent Barclay review.

A Scottish Government spokesperson said: “The First Minister has made it clear that he supports efforts to remove the VAT exemption on independent schools.

“We hope that the UK Government will hold a budget as soon as is practicable to deliver clarity as to whether there will be any increase in Barnett consequential from spending decisions in England, as none have yet been notified to the Scottish Government.

“If a net increase in consequential from schools spending is forthcoming we would seek to make that available to improve education outcomes in Scotland.”

Labour said consistently during the General Election campaign that in government it would seek to impose VAT on school fees from day one. The party said this was an unfair tax break and that by “closing the loophole” Labour would “raise vital money needed to improve standards in stretched state schools with more teachers”.

If it appears that the UK Government is fixing an English

problem – a lack of teachers – with a UK wide solution which also affects Scotland, then the Scottish Secretary of State, emphatically denied that this is the case.

Mr Murray said to The Edinburgh Reporter: “The beauty of devolution is that areas can do things differently.

“In this particular sense, the reason and the justification for the policy is that public finances are in a dreadful state – we wouldn’t have promised anything that we couldn’t pay for.

“This is a difficult decision that’s been made to find money to put into the state education system. And I’m glad that The Scottish Government have committed that they will now spend it on state education, which means now we can look at what £150-160 million a year in extra revenue in the Scottish education system can do to improve education for everyone.”

Education is a matter devolved to The Scottish Government which has control over what it spends its money on, and notwithstanding that the First Minister agrees that imposing VAT on school fees is a good idea, the UK Government cannot impose restrictions on Holyrood spending. But what it is perfectly at liberty to do, is change the tax regime, and it will now do this following an announcement in the autumn budget.

Almost a quarter of school pupils in Edinburgh are educated privately – around 10,000 pupils – which means the policy could cause a significant problem if parents decide they cannot afford the extra payments and pupils are then moved into the state sector.

We have asked The City of Edinburgh Council to confirm school rolls in the city to ascertain availability of places.

Parents are joining campaign groups to “book” spaces for their children in state schools even if they don’t think they will need to use them in an effort to swamp the Scottish education system and encourage a u-turn on the policy. Others are prepaying fees in an effort to minimise future expense.

Researchers BIGGAR Economics reported that private schools contribute up to £500 million to the economy and employ around 12,000 people in Scotland. The company also reported that any VAT benefits will be wiped out if pupils have to move to state schools – it estimates that one pupil costs the state £8,500 a year to educate, and that around 6,000 pupils might move into the state sector. And at the same time BIGGAR state that independent schools save the public sector about £189 million.

Lorraine Davidson, the chief executive of the Scottish Council of Independent Schools, warned that the plans would “disrupt the education of children and place an added burden on the state sector which will have to cope with more pupils, many of whom have additional support needs”.

She said: “We are seeking early talks with Labour to minimise the impact on all children and to discuss how independent and state schools can build on their partnership work for the benefit of all children.

“We have written to the Scottish government seeking urgent clarity on how they plan to exempt children with complex needs, whose places are funded by local councils, from having VAT added to their fees. There is a system for doing this in England but no direct equivalent in Scotland.”



12/7/2024

New Secretary of State for Scotland Ian Murray MP in his Edinburgh Office in Queen Elizabeth House PHOTO Alan Simpson