



St David's College

— Est. 1965 —

## **FAQ for Parents Regarding the Implementation of VAT on School Fees.**

The answers to the questions below are given using the best advice available at the time of writing, 2 September 2024. As the legislation is drafted and more details appear, the answers will be updated. The Q&A is published as very general advice and should not be construed as anything other than general guidance.

### **General Information**

#### **Q1: What is the current situation regarding VAT on school fees?**

**A1:** The Labour government has confirmed that a 20% VAT will be implemented on education and boarding supplies from January 2025. This change will affect all fee-charging independent schools, including St David's College. It was previously believed that VAT would not apply to boarding, but this is not the case.

#### **Q2: Why is VAT being added to school fees?**

**A2:** The implementation of VAT on school fees is part of the Labour government's policy to increase tax revenues and address funding gaps in public services, specifically new teacher recruitment.

### **Impact on School Finances and Operations**

#### **Q3: Will the full 20% VAT be passed on to parents?**

**A3:** St David's College is committed to minimising the financial impact of the VAT increase on our families. While absorbing the entire cost is challenging, we will not pass the full 20% VAT increase on to parents. Instead, the fee increase for January 2025 will be an 8% uplift, inclusive of VAT. To achieve this, we have reduced the pre-VAT tuition and boarding fees by 10%. With the statutory addition of 20% VAT, the net effect for parents will be an overall 8% increase in the fees they will pay.

#### **Q4: How will the school manage the financial impact of VAT on fees?**

**A4:** At St David's College, our priority is to ensure that every student continues to receive an exceptional and supportive education, grounded in our unique holistic approach and Christian ethos. To manage the financial impact of VAT on fees, we are actively exploring a variety of strategies. These include optimising operational efficiencies, carefully reviewing our cost structures, and making necessary adjustments to our fee arrangements. Throughout this process, our commitment to nurturing each student's potential and maintaining our strong community values will remain at the forefront of all decisions. We aim to balance fiscal responsibility with our dedication to providing an environment where all students, regardless of their needs, can thrive and excel.

#### **Q5: Why is our fee increase only 8% when other schools are implementing the full 20%?**

**A5:** Our strong student enrolment this year has been encouraging, allowing us to keep costs down and remain competitive while being mindful of affordability. Additionally, we will recover some VAT on certain costs. While the recovery percentage is modest, it still contributes to mitigating the impact on the school.

**Q6: How will the implementation of VAT affect students with an EHCP?**

**A6:** At St David's College, we are deeply committed to supporting our students with Special Educational Needs and Disabilities (SEND). Our understanding is that pupils with Education, Health and Care Plans (EHCPs) will not be directly impacted by the implementation of VAT. While the government has not explicitly stated that EHCPs will remain exempt from VAT, local authorities (LAs) that fund a pupil's place at our school, because their needs are best met here, will be able to reclaim the VAT charged on these fees.

However, if a pupil with an EHCP could have their needs met in the state sector but parents opt for a private education, those fees will be subject to VAT. We remain dedicated to ensuring all our students receive the support and resources they need to thrive, regardless of financial or legislative changes.

**Payment of Fees in Advance**

**Q7: Can I pay school fees in advance to avoid the VAT?**

**A7:** According to the latest guidance, any fees paid from 29th July 2024 pertaining to the term starting January 2025 will be subject to VAT. This means that paying fees in advance will not help avoid the VAT for the affected terms.

**Q8: What if I have already paid the fees for the 2024/2025 academic year?**

**A8:** It is our understanding that fees paid before 29th July 2024 for the 2024/2025 academic year are not subject to VAT. However, fees paid after this date, even if paid in advance, will be subject to VAT for the term starting January 2025.

**Billing and Invoicing**

**Q9: Can you provide an example of how the invoice will look inclusive of VAT?**

**A9:** VAT will be applied to the invoices starting from January 2025. Each invoice will include the appropriate VAT amount based on the total fees due for that term. This example illustrates a 10% cost saving displayed as a separate line on the invoice, representing the amount absorbed by the school. The following is based on the Year 5 day termly fee:

- **£4,785** – This is the current fee for September 2024.
- The cost-saving example demonstrates how we arrive at the adjusted fee for January 2025.
- The left column is if the school were not absorbing any additional cost.

Full Fee + VAT		Full Fee - Cost Saving + VAT	
Tuition Fees	£4,785	Tuition Fees	£4,785
VAT at 20%	£957	Less Cost savings	(£475)
Total Payable	£5,742	VAT at 20%	£862
		Total Payable	£5,172

**Q10: Will the VAT rate be different for different services provided by the school?**

**A10:** The standard VAT rate will be applied to both education and boarding services. While boarding accommodation will be subject to VAT, other services closely related to education, such as school

meals, transport, books, and stationery, will remain exempt. These exemptions are in place because the government recognises these services as essential for children to access their education effectively. Thus, while VAT will impact certain areas, many integral services provided to our pupils will not be affected.

### **Bursaries and Scholarships**

**Q11: How will VAT affect bursaries and scholarships?**

**A11:** VAT will be applied only to the amount paid by parents. For example, if a student has a 10% bursary, VAT will be charged on the remaining 90% paid by the parents.

**Q12: Will there be any changes to the availability or amount of bursaries and scholarships?**

**A12:** We are currently reviewing our bursary and scholarship programmes to determine how best to support our families in light of the new VAT policy. Further updates will be provided in due course.

### **Further Assistance**

**Q13: Who can I contact for more information or specific concerns about VAT on school fees?**

**A13:** For any further questions or specific concerns, please contact our Bursar's office at [bursar@stdavidscollege.co.uk](mailto:bursar@stdavidscollege.co.uk) or call us at 01492 875 974. Our team is here to help and provide the necessary support during this transition.

We understand that the implementation of VAT on school fees raises several questions and concerns. Please rest assured that St David's College is committed to supporting our families through this change and will continue to provide updates as more information becomes available. Thank you for your understanding and cooperation.