

Opposition policy costing- Business Rates for Private Schools- Labour Party

Description of policy
<p>The proposal is to end business rates relief for private schools. <i>'We [Labour] will levy VAT on private schools and end their business rates exemption'</i>. ('Breaking down the barriers to opportunity', The Labour Party, Labour.org, July 2023, link)</p> <p>Putting an end to business rates relief. <i>'Labour says it would charge private schools 20% VAT, as well as ending business rates relief, to raise an estimated £1.7bn'</i> (BBC news, 28/09/23, link)</p>
Additional policy assumptions
<p><u>Assumptions from Special Advisers</u></p> <ul style="list-style-type: none">• 1: How the policy would be operationalised: Some private and independent schools are charities and meet the eligibility criteria to receive 80% mandatory charitable relief from business rates – this can be topped up to 100% at the discretion of the local authority. The costing assumes that the rules for mandatory charitable rate relief are amended to exclude private and independent schools from entitlement to the 80% mandatory business rate relief.• 2: Which schools would have business rates removed: Free Schools, other types of Academy Schools, and some other state-funded schools have charitable status and are therefore eligible for charitable rate relief. This costing assumes that "private schools" refers only to private and independent fee-paying schools, and that the other types of school listed above which benefit from charitable rate relief would be unaffected by this policy, and would continue to benefit from 80% relief.• 3: This costing assumes that private schools will remain eligible for Transitional Relief.
Additional technical modelling assumptions or judgements required
<p>The costing for this policy is based on data from the Valuation Office Agency of the rateable value of hereditaments split by Special Category "SCat" code, of which SCat code 223 covers "Public and Independent schools". However, not all the rateable value of hereditaments in SCat code 223 is in scope of the policy. The following technical adjustments have therefore been made:</p> <ul style="list-style-type: none">• Exclude the rateable value of free schools, which are included in Scat 223. To do so, Department for Education data is used to establish the total number of up-to-age-16 free schools as a proportion of all "Public and Independent" schools. This proportion is applied to the rateable value within the SCat. It is assumed that the average rateable value of free schools is the same as that of private schools.• Exclude the rateable value of private schools which are not charities and, therefore, cannot claim charity relief. Data provided by the Department for Education and cited in a 2022 Parliamentary Question is used for the proportion of private schools (50%) that claim charity relief. It is assumed that the average rateable value of private schools which claim charity relief is the same as the average rateable value of those private schools which do not. <p>Once the rateable value in scope of the policy has been approximated, the analysis estimates how much more revenue would be collectable under the policy change. The business rates multiplier is applied to</p>

rateable value and, after accounting for transitional relief, additional revenue generated from this policy is calculated.

Given the total rateable value for private schools is not known with certainty, nor which of those currently claim charity relief, there is some uncertainty around this costing, and actual costs may be higher or lower.

This policy is applied to England only. These figures include adjustments for Barnett consequential – as the UK government will be reducing the amount of Business Rates relief given in England, the amount given through Devolved Administration block grants will also be reduced.

The costing does not assume any behavioural change in response to the removal of the relief.

Cost/Revenue to the Exchequer over five years

	Revenue (£m – rounded to the nearest £5m)				
	2024-25	2025-26	2026-27	2027-28	2028-29
Total	110	115	120	120	120

Comparison with current system (if applicable):

Other comments (including other Departments consulted):

This costing has been prepared jointly by policy officials in DLUHC and HMT.

The nature of this costing is uncertain and is driven by assumptions provided by Special Advisers. The key sources of uncertainty in this costing are:

- The total rateable value for private schools
- The total rateable value of private schools currently claiming charitable rates relief

<i>To be completed by Permanent Secretary's Office</i> Date costing signed off:	22/01/2024
--	------------

<i>[If applicable]</i> Date revised costing signed off:	
--	--