



HM Treasury

Applying VAT to Private School Fees and Removing the Business Rates Charitable Rates Relief for Private Schools

Technical Note

July 2024

Applying VAT to Private
School Fees and Removing
the Business Rates
Charitable Rates Relief for
Private Schools

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Chapter 1

Background

- 1.1** The government is committed to breaking down barriers to opportunity, ensuring every child has access to high-quality education. To do this, the government is ending tax breaks for private schools, helping to raise revenue to fund state education priorities.
- 1.2** The government believes in parental choice, but is also determined to fulfil the aspiration of every parent to get the best education for their child. Around 94 per cent of school children in the UK attend state schools and ending the tax breaks on VAT and business rates for private schools is a tough but necessary decision that will secure additional funding to help deliver the government's commitments relating to education and young people.
- 1.3** To expand early years childcare for all, the government will open 3,000 new nurseries, helping parents back to work. The government will roll out breakfast clubs to all primary schools, so that no child has to start school hungry. The government will recruit 6,500 new teachers and improve teacher and headteacher training. Further detail on delivering these pledges will be set out at the next Spending Review.
- 1.4** The government will confirm the introduction of these tax policy changes at the Budget, at which point the Office for Budget Responsibility (OBR) will certify the government's costings and impact analysis for these measures. The VAT policy change will then be legislated for in the Finance Bill, which will be introduced following the Budget. The business rates policy change will be legislated for through a Local Government Finance Bill led by the Ministry of Housing, Communities and Local Government (MHCLG) scheduled for introduction following the Budget.
- 1.5** This technical note provides an overview of the scope and design of these two tax policy changes, as well as their expected impact, in order to provide clarity to those schools and families who will be impacted by these changes. This technical note also invites comments on some technical aspects of the policies, specifically around legislative definitions used in the VAT legislation. Draft legislation on the VAT policy change has also been published alongside this technical note. Further details on how to provide feedback on the drafting of this legislation, and the questions contained within this note, can be found in Chapter 6.

Overview of Policies

1.6 As VAT policy is reserved, the VAT policy change will affect private schools across the UK. As business rates policy is devolved, the business rates policy change will only impact private schools in England.

1.7 Education services, and closely related goods and services (i.e. goods and services that are for the direct use of pupils and that are necessary for delivering the education to pupils), supplied by an “eligible body” are exempt from VAT. For VAT purposes, an “eligible body” broadly refers to most regulated, publicly funded, or not-for-profit education providers. The term also extends to commercial providers to the extent that they provide the teaching of English as a foreign language. As private schools are a regulated education provider, no VAT is currently charged on private school fees, nor have private schools been able to recover the VAT they have incurred on their expenditure.

1.8 **As of 1 January 2025, all education services and vocational training supplied by a private school, or a “connected person”, for a charge will be subject to VAT at the standard rate of 20%. Boarding services closely related to such a supply will also be subject to VAT at 20%.** The concept of a “connected person” is set out in Chapter 2.

1.9 **Any fees paid from 29 July 2024 pertaining to the term starting in January 2025 onwards will be subject to VAT.**

1.10 Where pupils are placed in a private school because their needs cannot be met in the state sector, and they have their places funded by their Locally Authority (LA), a devolved government, or a non-departmental public body, their funder will be compensated for the VAT they incur on these pupils’ fees. Further details on this policy change, including how the VAT charged on these pupils’ fees will be recovered, are set out in Chapter 2.

1.11 On business rates, where a school in England has charitable status, it is currently eligible for mandatory charitable rates relief of 80%. LAs have the additional flexibility to provide a further relief, at their discretion, of 20%. Around 50% of private schools in England are registered charities and therefore benefit from charitable rates relief.

1.12 The business rates system also includes a full exemption for property, or parts of a property, used solely for disabled persons. This is applied by the Valuation Office Agency (VOA) and such property is excluded entirely from business rates. The exemption applies across both state and private schools.

1.13 **The government will legislate to remove eligibility of private schools in England to business rates charitable rates relief.** However, the government recognises some pupils have special educational needs that can only be met in a private school. Therefore, **the government will consider how to address the potential impact of these changes in cases where private school provision has been specified for pupils through an Education, Health and Care Plan (EHCP)** – a plan given to children and young people who need more support than is available through special educational needs (SEN)

support. The business rates policy change will be legislated for through a Local Government Finance Bill led by the MHCLG, which will be introduced following the Budget and is intended to take effect from April 2025, subject to Parliamentary process. Further details on this policy change are set out in Chapter 3.

1.14 When designing these tax policies, the government has sought to strike the right balance between the following principles, which will also be used to guide any technical amendments that are made to the policies following this consultation process:

1. Raise revenue to support the public finances and help deliver the government's commitments relating to education and young people.
2. Ensure high-quality education is available for every child.
3. Be fair, with all users of private schools paying their fair share, whilst ensuring that pupils with the most acute needs are not impacted.
4. Minimise administrative burdens for taxpayers and HMRC, whilst ensuring these policies are not open to abuse.

Chapter 2

Policy Design: VAT

Scope

2.1 When considering the VAT treatment of education services, there are a number of factors to take into account. Namely:

- **whether the supplies are being made in exchange for payment** (often referred to in VAT as “consideration”). Only goods and services provided for consideration (i.e. only goods and services supplied in the course of business) are subject to VAT.
- **who is providing the supplies, and whether they are an “eligible body”**. For VAT purposes, an “eligible body” broadly refers to most regulated, publicly funded, or not-for-profit education providers. The term also extends to commercial providers to the extent that they provide the teaching of English as a foreign language. All education provided by an eligible body is currently exempt from VAT. Education provided by someone who is not an eligible body is subject to VAT at 20%.
- **what is being supplied, and whether those supplies are considered to be education**. For VAT purposes, education means a course, lesson, instruction, or study in any subject (whether or not that subject is normally taught in schools, colleges, or universities), regardless of where and when it takes place. As well as academic subjects, this includes activities such as performing arts, physical training, sports, and arts & crafts.

2.2 As noted above, education services, and closely related goods and services, supplied by an “eligible body” are exempt from VAT. This includes private schools, who are considered to be regulated by virtue of needing to register with the government and be inspected regularly. This means that private schools have historically been able to provide private education and boarding services for a fee without having to charge VAT.

2.3 However, in order to raise revenue that will help to fund state education priorities, **as set out in the draft legislation, as of 1 January 2025, certain supplies by private schools will be excepted from the VAT exemptions.**

2.4 This means that **all education services and vocational training supplied by a private school, or a “closely connected person” (see 2.8 for an explanation of the “connected person” test), will be subject to VAT at the standard rate of 20%. Boarding and lodging closely related to such supplies will also be subject to 20% VAT.** This will put private schools on a level playing field with many other

suppliers of education services, and raise revenue to help deliver the government's commitments relating to education and young people.

2.5 Although education policy is devolved, VAT policy is reserved. As such, **this change will affect private schools across the UK.**

2.6 As set out in the draft legislation, "private schools" are defined as schools at which full-time education is provided for pupils of compulsory school age or, in Scotland, school age (whether or not such education is also provided for pupils under or over that age), or an institution at which full-time education is provided for persons over compulsory school age but under 19 and which is principally concerned with providing education suitable to the requirements of such persons (for example, a sixth form college), and where fees or other consideration are payable for that provision of full-time education.

2.7 "Compulsory school age", "pupil", "school" and "school age" have the meanings given by the Education Act 1996, the Education (Scotland) Act 1980, and the Education and Libraries (Northern Ireland) Order 1986 in relation to England and Wales, Scotland, and Northern Ireland respectively. Broadly speaking, in each piece of legislation, these terms take their everyday meaning. With regards to "compulsory school age" and "school age" – in England, Wales, and Scotland, this refers to children aged 5 to 16. In Northern Ireland, this refers to children aged 4 to 16.

2.8 The legislation will ensure that private schools are unable to contract out certain supplies to "closely connected persons" in order to still benefit from the VAT exemption. As set out in the draft legislation, the provision of education or vocational training at a private school by an eligible body that is not provision by a private school is to be treated as provision by a private school if: the eligible body and the private school at which the provision is made are closely bound to one another by financial, economic and organisational links; the eligible body and that private school are connected within the meaning of section 1122 of the Corporation Tax Act 2010 (connected persons); or the provision by the eligible body is a result of arrangements (including any agreement, understanding, scheme, transaction, or series of transactions, whether or not legally enforceable) the main purpose, or one of the main purposes, of which is to secure that the provision is an exempt supply.

2.9 The policy intention is for nurseries (both standalone nurseries and those attached to a private school) to remain exempt, and for the fees of children in the first year of primary school in a private school upwards to become taxable. This is the year in which children turn compulsory school age, often referred to as "reception" in England and Wales, "Primary 1" in Scotland, and "Year 1" in Northern Ireland.

2.10 Education and vocational training provided either at sixth forms attached to private schools or standalone private sixth form colleges will also be subject to VAT. This is to ensure parity of tax treatment between further education supplied at sixth forms attached to private schools catering to children of compulsory school age (which are captured by the above definition of a private school), and those private

sixth form colleges that only provide education to pupils aged 16-19. The legislation is also drafted in this way to ensure that private schools are not incentivised to artificially separate their sixth forms from the parts of their school catering to children of compulsory school age.

2.11 However, education and vocational training provided by further education colleges, which are classified as public sector institutions, will not be subject to VAT. This is to ensure that the training these institutions provide remains accessible to a wide range of people, thereby supporting the government's objective to increase labour market activity.

2.12 Education and boarding provided by state schools (including academies) are not affected by this policy change, meaning they will continue to be exempt from VAT. This reflects the fact that state schools and academies will continue to be "eligible bodies".

Question 1: Does the above definition of private schools capture all private schools across the UK?

Question 2: Does this definition inadvertently capture any organisations that this policy does not intend to capture?

Question 3: Does the above "connected persons" test capture the relationships that exist between private schools and third parties?

Question 4: Does this "connected persons" test inadvertently capture any relationships that it is not intended to capture?

2.13 The policy intention is to only capture education services and vocational training supplied by a private school, or a "closely connected person", and closely related boarding services. The government recognises that other goods and services "closely related" to education, such as school meals, transport, and books and stationery, are integral to children accessing education. As a result, **other "closely related" goods and services other than boarding (i.e. goods and services that are provided by a private school for the direct use of their pupils and that are necessary for delivering the education to their pupils) will remain exempt from VAT.** This reflects that the government considers the risk of schools artificially assigning greater value to closely related goods and services, rather than education and boarding fees, in order to limit the amount of VAT they are charging parents and carers (sometimes referred to as "value shifting") to be low. HMRC will challenge any school who seeks to avoid their full VAT liability in this, or any other, way.

2.14 Private schools will, however, need to charge VAT on any additional supplies of education that they charge a fee for after school hours or during holidays. For instance, extra-curricular performing arts classes and sports lessons. This change will mean that VAT is applied in the same way when these supplies are made by private schools as

when they are made by other third-party providers who are not eligible bodies.

2.15 In some instances, private schools (if they are VAT-registered) may already be charging VAT on extra-curricular clubs that are not educational in nature. For instance, football clubs, where children are supervised whilst playing football with their peers, but where they are not being formally trained. The VAT treatment of extra-curricular clubs that are not educational in nature will not be affected by this policy change.

2.16 However, any before/after school childcare, or childcare-based holiday clubs, that just consist of childcare and that do not fall within the definition of education as outlined above, will remain exempt from VAT by virtue of the fact that welfare services are exempt from VAT.

2.17 Services provided by third-party providers who are not eligible bodies (such as drama schools or sports instructors), including providers that rent out private schools' facilities, have always been subject to VAT if the provider is VAT-registered. This will not change as a result of this policy. The treatment of education supplied by private tutors (which is exempt from VAT if the tutoring is of a subject ordinarily taught in schools) will also not change as a result of this policy.

2.18 Likewise, the hiring out of facilities by a private school to a third-party has always been subject to VAT (if the school was VAT-registered). This will not change as a result of this policy.

Pupils with Special Educational Needs (SEN)

2.19 The government is committed to ensuring that pupils with the most acute SEN are not impacted by this policy. As set out below, the way in which each UK nation supports children with SEN differs. Different terminology is also used. For instance, whilst in England and Northern Ireland pupils are referred to as having SEN, in Scotland pupils are referred to as having additional support needs (ASN), and in Wales, pupils are referred to as having additional learning needs (ALN).

2.20 The majority of pupils who have SEN, ASN, or ALN across the UK are educated in mainstream state schools, where their needs are met through the provision ordinarily available. However, the government is aware that some pupils have SEN that can only be met in a private school – usually in special private schools, but, depending on which part of the UK the pupil is based, sometimes in mainstream private schools.

2.21 Where it has been identified that a pupil's needs cannot be fully met in the state sector, or are best met elsewhere, the pupil may instead be placed in a private school that is able to offer the specialist provision necessary to meet the pupil's needs.

2.22 In England and Scotland, and for pupils under 16 in Wales, where this is the case, the LA will be responsible for identifying and funding the pupil's place in a private school. Where a placement at a specific private school is necessary to meet the pupil's needs, that school will be

named in one of the following, depending on which country the pupil is based in:

- In England, it will be named in the pupil's EHCP.
- In Scotland, it will be named in the pupil's Co-ordinated Support Plan (CSP). Alternatively, if the pupil does not have a CSP, their placement in a special private school will be determined by an assessment carried out by their LA.
- In Wales, it will be named in the pupil's Individual Development Plans (IDP), or a Statement of SEN. It is worth noting that the SEN system is currently transitioning to the ALN system in Wales. This transition will be completed by September 2025.

2.23 Where a pupil's place in a private school is funded by the LA (rather than parents and carers) because the pupil's needs cannot be fully met in the state sector, or are best met elsewhere, LAs will be able to reclaim the VAT they are charged on the fees of these pupils via the Section 33 VAT Refund Scheme. This ensures that parents and carers of pupils with an LA-funded place in a private school will not be impacted by this policy change.

2.24 It is worth noting that LAs will be able to recover any VAT they are charged on education and boarding fees of pupils in private schools, regardless of why the LA is funding that place. For instance, if an LA is funding a child's place in a private boarding school as an alternative to foster care, they will be able to reclaim the VAT incurred on those fees too.

2.25 For pupils over 16 in Wales who require a place in an independent further education college because their needs cannot be met in the state sector, the Welsh Government, rather than LAs, currently funds their places. In the 2028/29 financial year, this responsibility will transfer over to LAs. The Section 33 VAT Refund Scheme only allows specified bodies to recover VAT incurred on their non-business activities. Government departments do not qualify as a specified body and are therefore unable to use the Section 33 Refund Scheme. The government will consider the impact of this policy on the Welsh Government as part of the upcoming Spending Review to ensure that they are not adversely affected by this policy in the period until responsibility for funding these pupils' places is transferred to LAs in 2028/29.

2.26 In Northern Ireland, it is the Education Authority (EA), a non-departmental public body (NDPB) of the Department of Education that is responsible for funding placements of pupils with a statement of SEN within a private school. As an NDPB of a government department, the EA is unable to use the Section 33 Refund Scheme. However, the EA will be able to recover the VAT it is charged on these pupil's fees via the Section 99 VAT Refund Scheme, which allows departments of the Northern Ireland Government to recover VAT in a similar way.

2.27 Therefore, pupils who are placed in a private school because their needs cannot be fully met in the state sector will not be impacted by

this policy change. This is because, as set out above, their places in a private school will be funded by their LA, a devolved government (for post-16 pupils in Wales), or the EA (for pupils in Northern Ireland), all of which will be compensated for the VAT they incur on these pupils' fees.

2.28 There are a small number of pupils who have an EHCP (in England), IDP (in Wales), Statement of SEN (in Northern Ireland), or who have ASN (in Scotland), whose needs could be met in the state sector, but whose parents have placed them in a private school out of choice; their plan (if they have one in place) does not say placement at a private school is necessary to, or would be the best way to, meet the pupil's needs. These pupils are in a similar position to the pupils receiving general SEN, ASN or ALN support in private schools. Therefore, in line with the third principle set out in Chapter 1 (be fair, with all users of private schools paying their fair share, whilst ensuring that pupils with the most acute needs are not impacted), where parents and carers of children with SEN have chosen to send their child to private school, but their needs could be met in the state sector, VAT will apply to their fees.

Question 5: Does this approach achieve the intended policy aims across all four UK nations?

Pre-Payment of Fees

2.29 The VAT treatment of goods and services follows the policy that is in place at the time of the "tax point". For services, the basic tax point is the date when the service is performed. However, this can be overridden by either payment for the service being made, or a VAT invoice being issued, before the date at which the service is performed. Therefore, if either a payment is made, or a tax invoice is issued, before the date at which the service is performed, the date of the payment or the date of the tax invoice can become the tax point. This means that, if the government does not take action, parents could face different VAT liabilities for fees in respect of the same term based on when they paid those fees.

2.30 The government believes that this outcome would not meet the third principle outlined in Chapter 1 for the changes to be fair, with all users of private schools paying their fair share. It is also not in line with the first principle outlined in Chapter 1 (raise revenue to support the public finances and help deliver the government's commitments relating to education and young people). Therefore, the government will legislate in the Finance Bill with retrospective effect to provide that **fees paid from 29 July 2024 pertaining to the term starting in January 2025 onwards to be subject to VAT**. This will protect Exchequer revenue by allowing HMRC to collect VAT incurred on fees paid in the period between the date this policy is announced and the Finance Bill receiving Royal Assent. It will also help to ensure parity of treatment between parents and carers who may otherwise seek to pay

multiple years' worth of fees upfront in the period between this policy being announced and it taking effect, and those parents and carers for whom that is not a viable option.

2.31 The government judges the date this policy was formally announced to be a fair point from which to subject fees to VAT, given that it is on this date that the details of this policy change were made clear to taxpayers, and draft legislation was published.

2.32 The government is aware that, whilst many schools have always offered schemes enabling pre-payment of fees, there have been reports of increased numbers of parents utilising such schemes recently in an attempt to avoid these fees being subject to VAT. In many cases, the structure of these schemes means that the tax point has not yet been passed. For instance, if the scheme involved paying a lump sum to the school in advance, but the details of the supplies that the money was buying were not determined at the time the money was paid (i.e. if the money paid did not relate to specific terms' fees that had already been set), HMRC stands ready to challenge the validity of such payments and will seek to collect VAT on those fees where it is due. Indeed, the government is committed to tackling tax avoidance and in line with the principle to ensure that the changes are fair and that all users of private schools pay their fair share, HMRC will be carefully scrutinising the detail of these schemes to ensure that schools pay the correct VAT where it is due.

HMRC Delivery

2.33 Private schools that are not currently VAT-registered will need to register with HMRC in line with the normal VAT rules from 1 January 2025. **Schools who do not currently make any taxable supplies (such as the hiring out of their facilities) will be able to register with HMRC from 30 October**, which is when the Budget will be taking place. **Schools who do currently make taxable supplies can voluntarily register for VAT ahead of 30 October**. If schools opt to do this, they should be aware that they will need to begin charging VAT on all of their taxable supplies straight away (this does not include education and boarding services, which are currently still exempt when provided by a private school), and they will need to comply with their obligations as a VAT-registered business, including submitting VAT returns and keeping relevant records. Further information on registering for VAT can be found in [HMRC guidance: Register for VAT](#).

2.34 HMRC will be putting in place a number of measures to ensure that all private schools can be registered ahead of 1 January 2025, including publishing bespoke guidance products on GOV.UK ahead of 30 October, updating registration systems, and putting additional resource in place to help process applications.

2.35 Under normal VAT rules, private schools will be able to recover the VAT they pay on goods and services relating to their taxable supplies. If a private school also provides exempt supplies, such as

goods and services (other than boarding) closely related to the education services they provide, it will become a partially exempt business. Where private schools pay VAT on goods and services that are used in making both their exempt and taxable supplies, they will need to perform a partial exemption calculation to calculate how much VAT they can recover. HMRC will be providing specific guidance for schools on how a partial exemption calculation will need to be performed. In the meantime, general guidance on partial exemption can be found in [HMRC guidance \(VAT Notice 706\)](#).

2.36 The government recognises that, for many private schools, this will be the first time they have needed to register for VAT. The government is committed to supporting these schools to ensure that the registration process is as smooth as possible for them, and to ensuring they have the necessary support in order to be able to correctly charge VAT and remit it to HMRC. As such, HMRC will be publishing bespoke guidance for private schools and will hold support sessions for private schools over the coming months. The government will be contacting private schools directly with information about when these support sessions will be taking place.

Chapter 3

Policy Design: Business Rates

Scope

3.1 Business rates are a tax that apply to all non-domestic properties in England, unless specifically exempt from rating. The revenue is a vital source of local government funding, used to fund local services, such as children's social care, and for broader central government priorities, including education.

3.2 To help deliver the government's commitments relating to education and young people, the decision has been made to remove the business rates relief that private schools benefit from. **Private schools that are charities will no longer be eligible to claim charitable rates relief and will be required to pay their full business rates liability.**

3.3 For business rates, "private schools" are defined as schools at which full-time education is provided for pupils of compulsory school age where fees are payable.

3.4 However, the government recognises some pupils have special educational needs that can only be met in a private school. Therefore, **the government will consider how to address the potential impact of these changes in cases where private school provision has been specified for pupils through an EHCP.** The government will engage with schools before setting out a final proposal in due course.

3.5 Following the Budget, the MHCLG will bring forward primary legislation to amend the Local Government Finance Act 1988 to end relief eligibility for private schools intended to take effect from April 2025, subject to Parliamentary process.

3.6 Business rates policy is devolved. Therefore, **this change will only apply to private schools in England.**

Chapter 4

Impacts Analysis

4.1 The government has carefully considered the impact that these policy changes will have on pupils and their families across both the state and private sector, as well as the impact they will have on state and private schools. In doing so, the government has considered a range of evidence and data, as well as analysis in the public domain that has been conducted by third parties.

4.2 Following scrutiny by the OBR, further details of the government's assessment of the expected impacts of these policy changes will be published at the Budget in the usual way. However, the government recognises that schools, parents, and other interested parties may find it helpful to see some qualitative analysis on the expected impacts of these policy changes ahead of then, in order to understand what effect they may have in practice.

The Impact of VAT on School Fees

4.3 Although schools will need to state on their invoices that they are charging 20% VAT on their education and boarding fees, the government does not expect fees to go up by 20% as a result of this policy change. Rather, the government expects private schools to take steps to minimise fee increases.

4.4 As outlined above, like all VAT-registered businesses, private schools will be able to reclaim the VAT they pay on goods and services used in the production of their taxable supplies (i.e. their input VAT). This will be deducted from the VAT schools charge on their taxable supplies (i.e. their output VAT) in order to arrive at the amount of VAT to be remitted to HMRC.

4.5 After recovery of VAT on their costs, on average, the government expects schools to be liable for VAT amounting to around 15% of their fee income. It will be a commercial decision for individual schools how they fund this additional cost. There are a variety of ways in which a school may choose to do this, including: reducing their surpluses or reserves, cutting back on non-essential expenditure, and increasing fees. Whilst it will be for individual schools to consider how they manage this cost based on their individual circumstances, the government expects private schools to take steps to minimise fee increases.

The Impact of Increased Business Rates on School Fees

4.6 The government is also removing charitable rates relief for private schools with charitable status in England. Business rates are fully devolved in Scotland, Wales and Northern Ireland, meaning this policy change will apply in England only. Therefore, funding received by the devolved administrations through the Barnett formula will be impacted in response to changes in business rates policy.

4.7 As business rates is a tax on the property, the impact of this change will primarily be through an increase in private schools' business rates liabilities. The increased rates liability will vary from school to school; however, the government expects increased rates liabilities to have a limited impact on average school fees per pupil.

Potential Impact on the State Sector

4.8 The government recognises that these policy changes may lead to increased costs for some parents and carers, and that some pupils may subsequently move into the state education sector. The number of pupils who may switch schools as a result of these changes represent a very small proportion of overall pupil numbers in the state sector.¹ The government is therefore confident that the state sector will be able to accommodate any additional pupils and that there will not be a significant impact on the state education system as a whole.

4.9 All children of compulsory school age are entitled to a state-funded school place if they need one. The government understands that moving schools can be challenging. However, LAs and schools already have processes in place to support pupils moving between schools.

Other Potential Impacts

4.10 The government has considered the impact that these policy changes will have on LAs and does not expect this to be significant. As is usual, the government will undertake a New Burden's assessment and fund any additional administrative costs to local government associated with this policy.

4.11 There are a small number of circumstances where the government contributes to the private school fees of children of UK military service personnel and UK diplomatic officials through the Continuity of Education Allowance (CEA). The government will monitor closely the impact of these policy changes on affected military and

¹ Even if pupil displacement is somewhat above the Institute for Fiscal Studies' estimated range of up to 40,000, this is still likely to represent less than 1% of total UK state school pupils of more than 9 million.

diplomatic families, with the upcoming Spending Review being the right time to consider any changes to this scheme. Though expected to be limited, the government will also consider any impact of the business rates changes on hospital schools or schools providing alternative provision as part of the upcoming Spending Review.

Chapter 5

Next Steps

5.1 This consultation will be open for 7 weeks until 15 September 2024. If you have any comments on the draft VAT legislation, or the questions contained within this technical note, please contact: independentschools@hmtreasury.gov.uk by 15 September 2024.

5.2 A summary of the questions posed in this technical note can be found below:

- **Question 1:** Does the above definition of private schools capture all private schools across the UK?
- **Question 2:** Does this definition inadvertently capture any organisations that this policy does not intend to capture?
- **Question 3:** Does the above “connected persons” test capture the relationships that exist between private schools and third parties?
- **Question 4:** Does this “connected persons” test inadvertently capture any relationships that it is not intended to capture?
- **Question 5:** Does this approach achieve the intended policy aims across all four UK nations?

5.3 The government will also contact relevant stakeholders to discuss how these policies will work in practice, as well as to discuss the draft VAT legislation that has been published alongside this technical note to ensure it achieves the government’s policy objectives.

5.4 Following this consultation process, the government will consider stakeholder feedback, and may make technical amendments to the VAT legislation in order to ensure that it works as intended, ahead of confirming these policy changes at the Budget.

5.5 The VAT policy change will be legislated for in the Finance Bill, which will be introduced following the Budget and will take effect from 1 January 2025. Any fees paid from 29 July 2024 pertaining to the term starting in January 2025 onwards will be subject to VAT. HMRC will be publishing guidance and holding support sessions for schools in the coming months. The government will be in contact with schools about these support sessions.

5.6 The business rates policy change will be legislated for through a Local Government Finance Bill led by the MHCLG, which will be introduced following the Budget and is intended to take effect from April 2025, subject to Parliamentary process. The Bill will make an amendment to the Local Government Finance Act 1988.

Chapter 6

Privacy Notice

Processing of personal data

This section sets out how we will use your personal data and explains your relevant rights under the UK General Data Protection Regulation (UK GDPR). For the purposes of the UK GDPR, HM Treasury is the data controller for any personal data you provide in response to this technical note.

Data subjects

The personal data we will collect relates to individuals responding to this technical note. These responses will come from a wide group of stakeholders with knowledge of, and an interest in, the topic of this technical note.

The personal data we collect

The personal data will be collected through email and are likely to include respondents' names, email addresses, their job titles, and opinions.

How we will use the personal data

This personal data will only be processed for the purpose of obtaining opinions about government policies, proposals, or an issue of public interest.

Processing of this personal data is necessary to help us understand who has responded to this technical note and, in some cases, contact certain respondents to discuss their response.

Lawful basis for processing the personal data

Article 6(1)(e) of the UK GDPR; the processing is necessary for the performance of a task we are carrying out in the public interest. This task is consulting on the development of departmental policies or proposals to help us to develop effective government policies.

Who will have access to the personal data

The personal data will only be made available to those with a legitimate business need to see it as part of consultation process.

HM Treasury will be collecting the personal data from you. For the purpose of policy development, responses may also be shared with HMRC, the Department for Education, and the Department for Levelling Up, Housing and Communities.

As the personal data is stored on departments' IT infrastructure, it will also be accessible to IT service providers. They will only process this personal data for our purposes and in fulfilment with the contractual obligations they have with departments.

How long we hold the personal data for

We will retain the personal data until work on this technical note is complete and no longer needed.

Your data protection rights

HM Treasury are the lead department for data protection in connection with this technical note.

Relevant rights in relation to this activity are to:

- request information about how we process your personal data and request a copy of it.
- object to the processing of your personal data.
- request that any inaccuracies in your personal data are rectified without delay.
- request that your personal data are erased if there is no longer a justification for them to be processed.
- complain to the Information Commissioner's Office if you are unhappy with the way in which we have processed your personal data.

How to submit a data subject access request (DSAR)

To request access to your personal data that HM Treasury holds, please email: dsar@hmtreasury.gov.uk.

Complaints

If you have concerns about our use of your personal data, please contact Treasury's Data Protection Officer (DPO) in the first instance at: privacy@hmtreasury.gov.uk.

If we are unable to address your concerns to your satisfaction, you can make a complaint to the Information commissioner at casework@ico.org.uk or via this website: <https://ico.org.uk/make-a-complaint>.

HM Treasury contacts

This document can be downloaded from www.gov.uk

If you require this information in an alternative format or have general enquiries about HM Treasury and its work, contact:

Correspondence Team
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

Tel: 020 7270 5000

Email: public.enquiries@hmtreasury.gov.uk