



Department
for Education

International Student Levy – Impact Analysis

Methodology and impact analysis

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Summary

The International Student Levy (ISL) will take the form of a £925 annual fee per international student, payable by Higher Education Providers (HEPs), which will increase annually in line with inflation. There will be an allowance of 220 international students before the levy becomes payable, which will reduce the amount payable by c.200K for providers recruiting above this level.

This publication provides an updated assessment of the impact of the International Student Levy (Higher Education sector in England only). This publication supersedes the previous Impact Analysis¹ published alongside the technical consultation² and the Autumn Budget 2025.

For more information, please refer to the International Student Levy technical consultation document³.

Since the previous Impact Analysis, the evidence base has been strengthened through improved data and modelling, including updated international student forecasts, and new independent research by Alma Economics on price elasticities. This research, published alongside this Impact Analysis, informs the updated assessment of impacts.

¹ [International Student Levy - Impact Analysis \(Annex B\) - Department for Education - Citizen Space](#)

² [International Student Levy - Government Technical Consultation Response - GOV.UK](#)

³ [International Student Levy - Technical Consultation Document - Department for Education - Citizen Space](#)

Methodology and assumptions

Data and modelling improvements

Data updates

The analysis has been updated to reflect the latest available data. This includes the latest Higher Education Statistics Agency (HESA) student and finance data, and Home Office Immigration Statistics on sponsored study visas and Confirmation of Acceptance for Studies (CAS) allocations. These updates ensure the analysis reflects the most recent trends in international student recruitment and provider financial performance.

Price elasticity research

The analysis has also been updated to incorporate new evidence on the price elasticity of international student demand from research commissioned by DfE and undertaken by Alma Economics⁴. This research replaces the Public First analysis used in the previous assessment and provides updated estimates of student demand responsiveness, provider groupings (tiers) and levy pass-through assumptions. A link to the published research is provided alongside this annex.

Methodological refinements

Several refinements have been made to the modelling methodology to better reflect the operation of the proposed levy and its impact on provider finances. These include enhancements to the treatment of provider behavioural responses, accounting for student allowances that exempt providers from the levy for an initial number of students, and academic year to financial year conversions, alongside refinements to the sequencing of key modelling assumptions. Together, these changes improve the alignment of the model with the policy design and provide a more comprehensive estimate of potential impacts.

Overarching methodology

Key data sources underpinning our analysis include:

1. International student forecasts, which are based on existing data from HESA⁵, Home Office immigration statistics⁶, and CAS data.
2. International fee income by level of study⁷ (Undergraduate/Postgraduate).

⁴ [Demand determinants and elasticities for English higher education](#)

⁵ [HESA - Experts in higher education data and analysis](#)

⁶ [Migration statistics - GOV.UK](#)

⁷ [What is the income of HE providers? | HESA](#)

3. Price elasticities of international student demand from Alma Economics.

We use these data, and a range of assumptions, to model two key outputs: a) estimated ISL revenue generated and b) income loss incurred to HE providers. The overarching steps in our modelling are:

Step 1: Estimate future international tuition fee income in 2 scenarios:

Counterfactual (no levy): Counterfactual Total International Tuition Fee Income = Average international tuition fees per student x International student number forecasts.

In the counterfactual, average international tuition fees per student are assumed to increase annually in line with CPI inflation; no additional fee increases are assumed. As fees remain constant in real terms, international student demand is assumed not to respond to these inflationary increases and student forecasts remain unchanged.

Levy implemented: Total international tuition fee income = average international tuition fees per student (adjusted for CPI inflation and levy pass-through) × international student numbers (adjusted for student responses to levy-related fee increases).

In this scenario, average international tuition fees per student are assumed to increase annually in line with CPI⁸ inflation, with providers passing through a proportion of the levy from AY 2028/29 onwards (see provider behaviour section below).

We assume an increase in fees causes a subsequent change in student demand, using recent Alma Economics price elasticity estimates to apply the estimated reduction in demand to different provider tiers. More information can be found in the price elasticities section.

Step 2: Estimate ISL Revenue generated

To estimate the ISL revenue generated, we multiply the ISL fee per student (£925 in year 1 of policy, increasing with CPI thereafter) by the adjusted international student forecasts per year. We account for the allowance of 220 students per provider who are exempt from the levy.

Step 3: Estimate tuition fee income losses

Total international tuition fee income under the levy scenario is reduced by the ISL revenue generated in Step 2 to estimate the international tuition fee income retained by providers. This retained international tuition fee income is then compared with total international tuition fee income in the counterfactual to estimate the total loss in international tuition fee income to the HE sector.

⁸ [Consumer price inflation tables - Office for National Statistics](#)

Key assumptions

International student projections

Future UK international student numbers are inherently uncertain. The international student market is competitive, and inflows to the UK depend on a range of factors, including recruitment strategies from international competitors, exchange rates and other economic variables.

Our forecasts⁹ are based on sector level compound annual growth rates (CAGR) from historical HESA data on international student enrolments¹⁰. All years below are Academic Year (AY), unless stated otherwise.

In the short term, we use Home Office study visas granted, and Confirmation of Acceptance for Studies (CAS) datasets to derive the following:

- International students, across all levels of study, fall by 1% between 2024/25 and 2025/26, and
- International students, across all levels of study, change by the percentage change in CAS assigned at provider level, between academic years 2025/26 and 2026/27.

In the medium to longer-term, we modelled 2 scenarios:

1. International student growth follows historic trends prior to 2024/25.
 - a. Undergraduate scenario is 0% per annum (from 2026/27)
 - b. Postgraduate scenario is 6% per annum (CAGR 2020/21 – 2024/25)
2. Slight decrease of international student numbers in future years.
 - a. Undergraduate growth is -1% per annum (CAGR 2020/21 – 2024/25)
 - b. Postgraduate growth is 0% per annum (from 2026/27)

A central estimate was then chosen corresponding to the midpoint between these two scenarios. International student forecasts remain subject to uncertainty, reflecting the evolving higher education and international policy landscape. Forecasts will be reviewed and updated ahead of policy implementation to ensure they reflect the latest available evidence and emerging trends.

International fee projections

Average fees are estimated separately for undergraduate and postgraduate cohorts, at provider level. Specifically, international undergraduate fee income is divided by the number of international undergraduate students to derive an average UG fee, and the

⁹ For HE providers in England only

¹⁰ [Where do HE students come from? | HESA](#)

same approach is applied to postgraduate students to derive an average PG fee. These average fees are then uprated using CPI for future years.

The uncertainties associated with this method are that it relies on the accuracy of reported data from providers in HESA. Where a provider's average international fee appeared as an anomaly (i.e. extreme outliers, high or low), we assessed its validity and if required replaced the anomalous fee with the average undergraduate or postgraduate international fee for providers in the same OfS student typology¹¹.

Provider behaviour

According to the economic literature on tax incidence¹², tax pass-through depends on supply and demand elasticities, and the structure of the market. In reality, this is complex and highly uncertain. We have made a set of simplifying assumptions for the purpose of sector-level costing analysis.

We have assumed that providers will pass on the cost of the levy to international students in higher tuition fees and that the extent to which providers are able to do so without negatively impacting on their international student numbers will vary. We have divided providers into groups using Alma Economics provider tiers, which classifies universities according to their ranking in the 2022 Complete University Guide¹³ (CUG) league table for England:

- Tier 1: Oxbridge (Oxford and Cambridge) and Imperial College London
- Tier 2: Includes the remaining top 20 institutions in the CUG league table.
- Tier 3: Includes the next subset of providers by ranking.
- Tier 4: Includes providers with the lowest CUG rankings.

The split between Tiers 3 and 4 was set so that first-year enrolments were broadly balanced between the two tiers. Providers not covered by the tier-based Alma analysis were then assigned to Tier 4 to reflect a conservative worst-case scenario.

Using Alma Economics provider tier assignments, providers in Tiers 1 and 2 are likely to be able to pass through a higher proportion of the levy cost to their international students, without experiencing a significant negative knock-on impact on their international student numbers, than providers in Tiers 3 and 4. Tier specific pass-through assumptions are derived from Alma Economics' analysis.

¹¹ [Provider typologies 2022: Methodology for grouping OfS-registered providers - Office for Students](#)

¹² Tax incidence refers to who pays a tax on a good or service: the producer or the consumer. In this context tax pass-through relates to the extent to which the provider is able to pass on the cost of the levy onto the student.

¹³ [Top UK University League Tables and Rankings 2027 - Complete University Guide](#)

Student behaviour

Estimating the response of students to fees across the sector is a significant source of uncertainty, as students across different providers will react differently. At an individual level, international students from different domiciles will have different personal characteristics, backgrounds and face different direct and indirect costs of studying in England, meaning their response to the same change in fees may vary. However, the evidence suggests that when these individual responses are averaged across broad student groups, such as EU and non-EU domiciled students or undergraduate and postgraduate students, differences in price sensitivity are relatively small.

It is not possible to fully adjust for this complexity. We account for this as best as possible by applying the price elasticities for EU and non-EU postgraduates and undergraduates estimated by Alma Economics to the 4 provider tiers described. Alma Economics price elasticities are shown below, they show the expected reduction in student demand if tuition fees were increased by 10%.

Alma Economics estimates of the expected reduction in international student demand, by domicile and level of study if tuition fees increase by 10%

Student region of domicile	Undergraduate	Postgraduate taught
Non-EU	-3.2%	-4.2%
EU (Tuition fee)	-3.7%	-4.5%
EU (Tuition fee and loan support ¹⁴)	-5.7%	NA

Alma Economics estimates of the expected reduction in international student demand, by provider tier if tuition fees increase by 10%

	Tier 1	Tier 2	Tier 3	Tier 4
Price elasticity of demand	-0.7%	-3.6%	-5.0%	-11.2%

Allowance

All providers subject to the levy will receive an allowance of 220 international students per year (equivalent to not paying up to the first c.£200,000 tax due). This means a provider will not be charged a levy on the first 220 international students, but the levy will be charged at the full rate for remaining students.

¹⁴ *This assumes that some EU students were not expected to repay their student loan in full, meaning the effective cost of tuition could be lower than the headline fee.

Direct impact

Our updated revenue estimates are lower than those reported in the previous impact analysis, predominantly due to updated student forecasts, and the inclusion of the student allowance in the final revenue estimates. The student allowance protects approximately £30m of provider revenue across the sector. Our estimates of income losses to the sector have increased from £900m over three years to £1bn over the same period, predominantly reflecting data updates and improvements to the modelling approach.

Revenue generated

Financial Year	28-29 ¹⁵	29-30	30-31
OBR-Scored Revenues	£400m	£460m	£480m

Rounded to nearest £5m. Estimates subject to change as refinements and updates are made in advance of the policy introduction.

Illustratively, £400m would represent around 4% of total international fee income at English HE providers in 2024/25¹⁶.

Net cost to the HE sector

The below table shows estimated unmitigated income losses to the HE sector, when comparing international fee income post levy collection to the counterfactual, at the aggregate level. These estimates should be seen as indicative because of the high degree of uncertainty in the underlying assumptions. The impact will vary depending on provider and student behaviour.

Financial Year	28-29	29-30	30-31
Income Loss to the Sector	-£280m	-£350m	-£380m

Rounded to the nearest -£10m. Estimates are uncertain and subject to change as refinements and updates are made in advance of the policy introduction.

Illustratively, £280m would represent around 3% of total international fee income at English HE providers in 2024/25¹⁷.

¹⁶ [What is the income of HE providers? | HESA](#)

¹⁷ [What is the income of HE providers? | HESA](#)

This is before factoring in the impacts of other policy changes, such as increasing domestic tuition fees. Illustrative detail on the impact of tuition fees is set out in the annex.

Migration impact

The below table estimates the number of student enrolments lost due to the implementation of the ISL, across both undergraduate (UG) and postgraduate (PG) courses, calculated by taking the difference between student forecasts in the counterfactual versus elasticity adjusted forecasts. Losses are counted as enrolments, so a UG student who is deterred from entering a HE provider because of the ISL is counted as a loss in each year they would otherwise have been enrolled.

The ISL will apply to all international student enrolments from its introduction in 2028/29, but we assume that students already enrolled on a course are not price-responsive. The impact on undergraduates therefore builds up over time as cohorts who entered under the policy progress through their courses, whereas the impact on postgraduates is felt in full, from the first year. For undergraduate, losses reflect new entrants in 2028/29, first year and second year students in 2029/30, and all UG enrolments from 2030/31. Postgraduate (PG) courses are assumed to last one year, so all PG enrolments are also entrants and affected from the first year.

Student Losses (Academic year)	28/29	29/30	30/31	31/32	32/33	33/34	33/34
Total	-8,000	-9,500	-11,000	-11,000	-11,000	-11,500	-11,500

Rounded to the nearest 500. Estimates are uncertain and subject to change as refinements and updates are made in advance of the policy introduction.

Wider impacts

Impact on exports

For every pound of the levy that is passed on to students, education exports¹⁸ will increase because international tuition fee income will increase. However, for every student deterred by the price increase, education exports will decrease. The impact on exports of the ISL will be equal to the difference between additional tuition fee income generated by providers increasing their tuition fees in response to the levy, and exports losses (in tuition fees and living expenditure) from students being deterred by increase in tuition fees.

Impact on cross-subsidy within the HE sector

Research

International student income provides important investment in our world-class science and research capability. Universities perform c.75% of all non-business research and development. While we cannot predict the complete impact of the levy on research activity across the sector and individual institutional responses will vary, a decrease in international student income is likely therefore to decrease the cross-subsidy available to research. This is before accounting for the full reinvestment of levy income into higher education and skills, and the impact of other government policies including government reforms to research funding.

Domestic Teaching

Domestic teaching has become increasingly reliant on cross subsidies from international tuition fee income as the result of several years of tuition fee freezes. The introduction of the levy is likely therefore to reduce cross-subsidy for domestic teaching.

¹⁸ Education exports is defined as the total revenue that comes from spending by overseas residents coming to the UK to study. It includes spending on tuition fees and living expenditure

Illustrative annex: cumulative impact of the International Student Levy and tuition fee increases

The Department for Education estimated in its published impact assessment that the 2026 increase in maximum tuition fees for UK undergraduate students would generate around £400 million in additional fee income for higher education providers in England in 2026-27¹⁹.

If we look cumulatively, compared to a scenario where tuition fees remain frozen, the overall expected financial gain to the HE sector over time is significantly greater than the annual increase in income figures suggest. That is, HE providers benefit not just from the latest tuition fee uplift but also from all preceding annual increases. Due to this, the total annual value of each fee uplift increases over time.

To illustrate, if we assume from 2026-27 that fee uplifts generate an additional £400m in annual income (i.e. assuming similar income is generated in future years), then in 2027-28 providers will gain an additional £800m. This is because providers will be receiving the £400m from the previous 2026-27 uplift, in addition to the new £400m uplift of 2027-28. Based on our illustrative assumptions, between 2026-27 and 2030-31 the sector could gain up to an estimated additional £6 billion of income from fee uplifts²⁰.

In contrast, the impacts of the ISL do not compound over time as the ISL is a flat, fixed annual cost on income from international students' tuition fees. Previous years' ISL costs do not influence future impacts, since ISL costs are incurred in a given year and do not accrue over time.

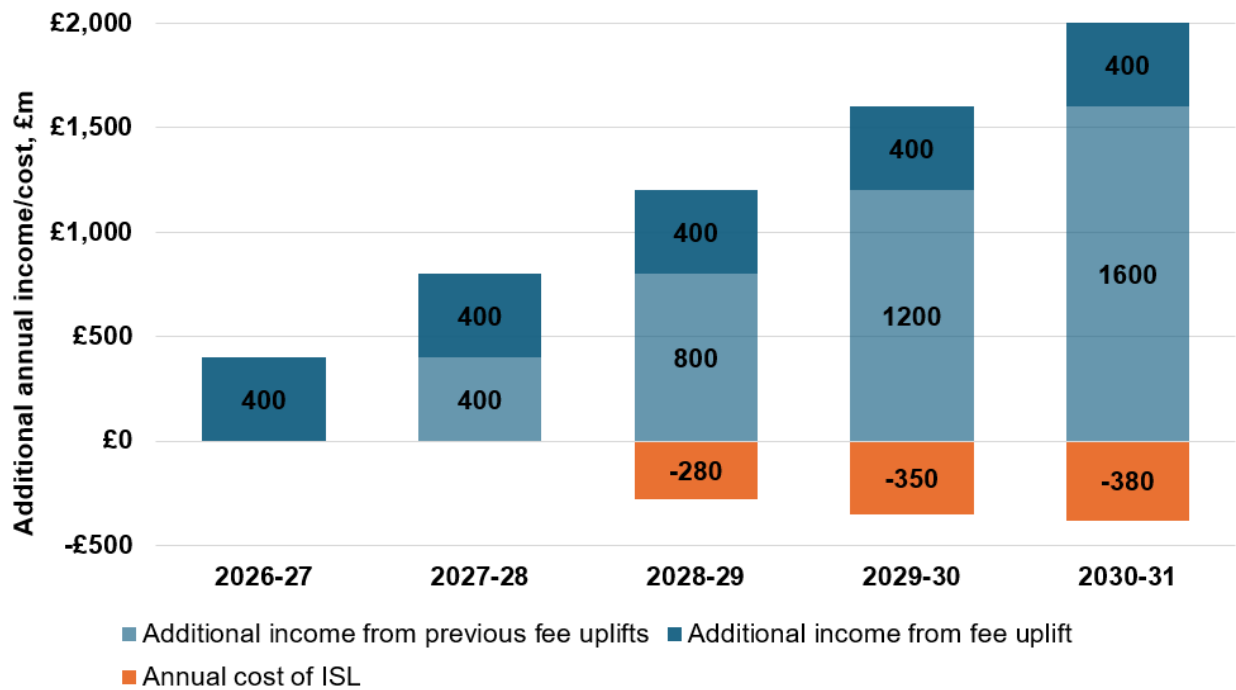
Assuming the ISL roughly costs the sector £280m, £350m, and £380m from 2028-29 to 2030-31, this would imply that the sector could lose approximately £1 billion in income by 2030-31.

See figure 1 for an illustrative example.

¹⁹ [The Education \(Student Fees, Awards, Support and Loan Repayments\) \(Amendment\) Regulations 2026](#)

²⁰ The £6bn estimate is based on forecast SLC borrower numbers and OBR inflation forecasts used in the impact assessment on increasing tuition fees in AY26/27 and AY27/28 (see link in footnote 19 above). The £6bn figure is subject to uncertainty and change as student number and inflation forecasts, (which are key drivers of the total expected financial benefit to the sector of future tuition fees) are revised and updated. The £6bn should also be considered an upper bound estimate as it assumes that all eligible HE providers are able to apply annual increases in fees linked to inflation.

Figure 1: Illustrative example of the cumulative impact of fee uplifts and the levy, £m





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