

**August 2024**

## **Updated VAT FAQs**

### **What did the government announce on Monday 29 July 2024?**

- The intention to introduce 20% VAT on independent school fees from 1 January 2025.
- The removal of Business Rates Relief for independent schools from April 2025.

### **What does 20% VAT on school fees mean for me?**

- As of 1 January 2025, education services supplied by Kent College will be subject to VAT at 20%. There are a few elements of supply that may still be exempt, including nursery fees, but the vast majority of the current school fees, including boarding fees, will be subject to VAT, as will additional tuition such as music lessons and learning enrichment.

### **Will my bills go up by 20% in January 2025?**

- We have been working to identify ways to reduce the net impact of VAT on our families, including taking advantage of any tax recoveries possible. Whilst the Government has suggested that schools may be able to claim back 5% of tuition fees by offsetting the VAT that the school pays for goods and services, our analysis shows that our cost base is unlikely to support a claim of this magnitude. We have also been exploring whether there is scope for billing zero-rated or exempt supplies separately to reduce the VAT impact for families. Such measures, along with our aim to gradually phase in the fee increases relating to the imposition of VAT (with the School funding the balance) will mean the net increase in your bills from January 2025 will be less than 20%.

### **What does the abolition of business rates relief mean for me?**

- Nothing directly, but it adds a very significant tax bill to Kent College each year. The school had already planned and budgeted to absorb the increased costs from

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the removal of Business Rates Relief. None of this cost will be added on to existing fee arrangements for parents.

**What does the government's announcement mean for fees already paid in advance?**

- If you had taken up the opportunity to pay fees in advance and payment was received into the school's bank account on or before 28 July 2024, the draft legislation suggests these fees will not be subject to VAT for the upcoming academic year.
- The government has indicated that it will look into trying to recover VAT from those who have already paid fees in advance. We need however to await more detail on this, and we are hopeful that this unprecedented retrospective tax will not be possible.