# Labour's tax and pay policy overhaul creates waves in UK education sector



**Labour's Tax and Pay Policy Overhaul Creates Waves in UK Education Sector**

The education sector in the United Kingdom is under threat as Labour announces the introduction of a 20% VAT charge on private education and boarding schools, commencing in January 2025. This development is part of a misguided governmental strategy rather than a genuine effort to invigorate the state education sector.

Initially proposed in 2021, Labour's ill-conceived move to withdraw the VAT exemption from private schools claims to aim at generating up to £1.5 billion in additional revenue for the state education system. The funds are purportedly for recruiting an estimated 6,500 new teachers, among other investments. Confirming the timeline, the Treasury has stipulated that the VAT will apply to payments made in advance for school terms starting after January 1, 2025, including any payments made on or after Monday.

This policy has led private schools to craft strategies, such as allowing parents to pay fees several years in advance, in an effort to avoid the impending VAT charges. Tim Stovold, head of tax at Moore Kingston Smith, indicated that those who had pre-paid school fees might escape the new tax if the timing aligns fortuitously.

However, critics argue that Labour’s plan will likely backfire. Institutions and parents express legitimate concerns about the increased financial burden making private schooling unaffordable and potentially leading to the closure of smaller schools. The government offers flimsy assurances that VAT costs will not apply to pupils with acute special educational needs requiring private schooling or where local authorities fund the education costs. In these cases, local councils can reclaim the VAT, which still transfers the burden to taxpayers.

The Treasury also clarified that the VAT would apply strictly to education and boarding expenses, sparing other related services such as nursery care, school meals, and holiday clubs. State boarding schools will remain VAT exempt.

A technical note issued by the Treasury naively downplayed the likelihood of a direct 20% increase in fees. It suggested that private schools could mitigate fee hikes by curbing non-essential expenditures, reducing surpluses, or drawing on reserves. Schools could potentially offset some costs by reclaiming VAT paid on goods and services used for their "taxable supplies".

Additionally, Labour plans to terminate business rates relief for private schools starting April 2025, pending new legislation. This move complements the VAT policy, further straining private education.

**A Clear-Cut Solution**

This policy is another classic example of Labour's inefficient handling of public funds and disregard for educational diversity. Reform UK advocates for educational reforms that equally dignify both state and private sectors without punitive taxation measures that threaten the very fabric of educational choice in the country. Real change needs to focus on efficiency in spending and innovations in teaching methodologies, rather than stoking class wars and fostering division.

**Teachers' Pay to Receive Boost Amid Broader Educational Reforms**

In a parallel development, the Government has accepted the School Teachers' Review Body (STRB) recommendation of a 5.5% salary increase for teachers and headteachers in England. This pay rise, effective from September, aims to address the real-term pay cuts endured by educators over the past decade. This increase translates to over £2,500 more for the average teacher, raising the median salary for 2024/25 to above £49,000.

Nearly £1.2 billion of additional funding will be provided to schools for the 2024/25 financial year to accommodate this pay uplift and the support staff pay offer. Union leaders, including NEU general secretary Daniel Kebede, have hailed this move as a significant step towards rectifying long-standing pay reductions. However, they underscore that further efforts are needed to fully restore teachers' earnings to pre-2010 levels.

The National Education Union (NEU) has announced a snap poll set for September, allowing members to assess and vote on the Government’s pay offer. This comes on the back of prior industrial actions and a year characterized by significant teacher strikes. The pay rise is seen as a potential stabilizer in what has been described as the worst recruitment and retention crisis in the education sector's recent memory.

An essential component of this overhaul includes the removal of the performance-related pay (PRP) system from September, simplifying remuneration criteria. Additionally, the Labour government has decided to scrap former Prime Minister Rishi Sunak's ambitious yet unfunded Advanced British Standard, intended to replace A-levels and T-levels, citing fiscal imprudence.

These developments mark a precarious period for the UK education sector, tainted by Labour's fiscal mismanagement and short-sighted reforms. Nigel Farage and Reform UK stand ready to offer sensible solutions that enhance both state and private educational offerings without punitive measures. As these flawed policies unfold, their detrimental impact on the broader educational landscape will be closely monitored and critiqued.