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Private school - fee and business rates

From 1st January 2025, all private school fees 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%.

- Any fees paid in advance for the period relating to 1st January 2025 onwards will also be liable to VAT at 20% subject to it having been paid on or after 29th July 2024. The Government go on to say that they are aware of schemes put in place to pay school fees in advance of the change of legislation pre-29th July 2024 aimed at avoiding the VAT charge. Pre-payment schemes in operation and payments made under them before 29th July 2024 will be reviewed by HMRC as the government believe that in many cases the tax point has not yet been passed.

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) then VAT will be due.

- Nurseries (both standalone nurseries and those attached to a private school) will remain exempt from VAT. VAT will kick in from the first year of primary school.
- Sixth forms attached to private schools, or standalone private sixth form colleges will also be subject to VAT.
- However, any before/after school childcare, or childcare-based holiday clubs, that just consist of childcare will remain exempt from VAT by virtue of the fact that welfare services are exempt from VAT.
- Currently, in England, as regards business rates, schools are eligible for charitable rates relief of 80%. Local Authorities have the additional flexibility to offer further rate relief up to the remaining 20%. From April 2025, the government will legislate to remove the right for private schools to be eligible for charitable rates relief.
- Presently the business rates system includes a full exemption from business rates for a property or part of a property solely used for disabled persons/special educational needs. Therefore, the government will consider how to protect that exemption for those private schools where the disability criteria currently apply.

David Beckman

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