

Education, Children and Young People Committee  
Wednesday 18 February 2026  
7th Meeting, 2026 (Session 6)

## VAT and independent schools

### Introduction

1. At its meeting on 19 November 2025, the Committee agreed to hold a one-off session on VAT and independent schools.

### Committee meeting

2. At its meeting today, the Committee will take evidence from the following representatives of the Scottish Council of Independent Schools (SCIS):
  - Lorraine Davidson, Chief Executive
  - Catherine Dyer, Chair
  - John O'Neill, Chair of the SCIS Education and Partnership Committee.

### Supporting information

3. A SPICe briefing has been prepared for this meeting. This is included at **Annexe A**.
4. SCIS has provided a written submission ahead of the session. This is included at **Annexe B**.
5. Ahead of this session, the Committee wrote to the Exchequer Secretary to the Treasury. The Exchequer Secretary provided a response. This correspondence is included at **Annexe C**.

**Clerks to the Committee**  
**February 2026**

## Annexe A

SPICe

The Information Centre  
An t-Ionad Fiosrachaidh

Education, Children and Young People Committee  
Wednesday 18 February 2026

### VAT on school fees

The Committee is taking evidence on the impact of the UK Government's decision to apply VAT to the fees of independent schools. Policy on VAT is reserved. However, addressing any impacts on the state education system in Scotland would be a devolved issue.

#### What is the policy?

[Labour's manifesto for the 2024 UK general election stated](#), "Labour will end the VAT exemption and business rates relief for private schools to invest in our state schools."

After the election, the UK government announced in its Autumn budget that it would go ahead with plans to apply VAT on the fees of independent schools. [The UK Government's 2024-25 Budget said](#)—

"The government is committed to ensuring that every child has access to high-quality education. To secure additional funding to help deliver commitments relating to education and young people, the government will introduce 20% VAT on education and boarding services provided for a charge by private schools from 1 January 2025. The government will also remove business rates charitable rate relief from private schools in England from April 2025. Together, these policies are expected to raise £1.8 billion per year by 2029/30. The impact on the state education system as a whole is expected to be very small."-30. The impact on the state education system as a whole is expected to be very small."

While the policy on VAT relief is reserved, local authorities in Scotland may be required to find additional places should parents/carers decide to remove their children from the independent sector and take a place in a local authority school as a result of the changes to the tax regime. The number of pupils that may be affected in this way would depend on how many families are able to, and choose to, absorb any additional costs and the extent to which independent schools mitigate the rising costs to parents. The [UK Government stated](#)—

"The government recognises, however, that some parents may not be able or willing to pay higher fees. The government predicts that, in the long-run steady state, there will be 37,000 fewer pupils in the private sector in the UK as a result of this measure. This represents around 6% of the current private school population.

"Of the 37,000 pupil reduction in the private sector, the government estimates an increase of 35,000 pupils in the state sector in the steady state following

the VAT policy taking effect, with the other 2,000 consisting of international pupils who do not move into the UK state system, and domestic pupils moving into homeschooling. This state sector increase represents less than 0.5% of total UK state school pupils, of which there are over 9 million.”

The UK government’s model sees number of additional pupils in the state sector as a result of this change increasing year by year with the estimate of 35,000 to be from 2030 onward.

The VAT on fees also applies to special schools. The [UK Government noted that](#), “Local Authorities will be able to reclaim the VAT they are charged on these pupils’ fees.” [VAT on fees does not apply](#) to nurseries or pre-school.

The UK Government has linked these tax changes to additional funds towards state education. However, the revenue raised from this measure is not hypothecated. It is a matter for the UK Government what the departmental spending of the Department for Education will be. Changes to the overall departmental spending at the DfE will have Barnett consequentials. It is a matter for the Scottish Government and the Scottish Parliament how to distribute the devolved budget in Scotland.

On the potential consequentials of the VAT on independent schools, [the Treasury estimated](#) in the 2025-26 budget that the VAT measure will raise £460m in 2024-25, £1,505m in 2025-26 and rising to £1,725m in 2029-30. [In the most recent budget](#), the UK Government frames the introduction of VAT on private school fees as part of a package of “fair decisions on tax” (see para 2.30). The [OBR forecast accompanying the recent budget](#) upgraded the expected yield from this measure by around £40m per year. The OBR stated—

“The largest source of uncertainty in this costing is the change in the number of students attending private schools. We have not changed the estimate made in October 2024 of a long-term decrease in total pupil numbers of 6 per cent (around 35,000 pupils), most of which we project will have been realised by 2029-30. A May 2025 Independent Schools Council (ISC) census finds a 5 per cent decline in pupil numbers at key entry points (Reception, Year 3, and Year 7) for the 2024-25 school year, which provides initial support for this assumption. We will continue to monitor these trends as new information becomes available.” (para 3.61)

Dan Tomlinson MP, Exchequer Secretary to the Treasury, wrote to the Committee on 14 January 2026. This stated:

“The Government expects the revenue costs of pupils entering the state sector as a result of the VAT policy across the UK and business rates policy in England to steadily increase to a peak of around £0.3 billion per annum after several years. This is in the context of a policy that raises around £1.8 billion per annum by 2029-30, and thus has a significant positive net impact on the Exchequer.”

Barnett consequentials are determined on expenditure at a departmental level. The Scottish Government provides SPICe with details of the Barnett consequentials that result from each “fiscal event” and this is [published and updated on a blog](#). This shows that as a result of the Autumn 2024 Budget and additional funding for DfE there were £195m of consequentials in the 2024-25 Scottish Government’s resource

budget and a further £360m of resource in 2025-26. In terms of capital, the changes to the DfE funding in the Autumn 2024 Budget led to an additional £14m in 2024-25 and £51m in 2025-26.

The consequentials arising from the DfE allocations set out in the Spring statement, 2025 Spending review and the 2025 Budget should impact positively on Scottish Government's budgets in the current financial year by a further £14m resource and £4m capital. The spending plans set out in the 2025 Budget are also expected to create some modest positive consequentials in 2026-27 (£4m) and 2027-28 (£8m). In 2028-29 the UK Government expects to make a range of efficiencies and savings and the net consequentials arising from DfE expenditure is expected to be -£45m. Consequentials are cumulative, i.e. a consequential identified for 2025-26 is baselined into the funding for 2026-27.

Consequentials arising from any additional spend on the DfE are not necessarily going to be spent on education in Scotland. Such decisions are subject to the budget processes in Scotland, both at a national and local level.

## **Impacts on public education in Scotland**

There are proportionately fewer pupils in independent schools in Scotland (around 4%) than in England, although there are some local authorities with higher concentrations of residents who choose to send their pupils to independent schools. There are also proportionately more pupils in independent secondary education than in primary education. There may therefore be some impacts on the provision of school education as a result of the tax changes – although the magnitude and the timing of any impacts and how these would play out in different areas remains unclear.

The extent to which the change in fees will impact on state education will depend on two factors:

- the elasticity of demand for places at independent schools (ie how much demand changes as a result of price changes)
- the local capacity of state education to take on any additional pupils

The [IFS undertook analysis of the, then, policy proposal in 2023](#). This concluded:

“Most of the evidence suggests that the level of private schooling is quite inelastic and often shaped by other factors, such as values, culture and desires for a different type of education. Based on this evidence, our view is that it would be reasonable to assume a range of somewhere between a 3% and 7% fall in private school attendance (or about 20,000–40,000 pupils [UK-wide]) as a result of a 15% effective VAT rate<sup>1</sup>.”

The IFS also argued that the marginal cost of educating any additional pupils in the public sector is likely to be lower than the average cost per pupil because pupils with very high needs are unlikely to be privately funded at independent schools and “the mix of pupils in private schools is highly skewed towards the top of the income and wealth distributions” and therefore would attract less specific funding. The IFS also

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<sup>1</sup> The reference to the “15% effective VAT rate” takes account of the input deductions.

noted that pupil numbers in the state sector are likely to fall in the short and medium term and that the marginal cost of an individual pupil moving to the state sector is highly dependent on the local context, it said—

“Falling pupil numbers [in the state sector] might not release funding in the short run, however, as costs might not fall in proportion to pupil numbers and policymakers might find it difficult to cut total spending. Rather, to a great extent, these falls might leave the state sector with significant spare capacity. For example, when a primary school class drops from 30 to 25 children, the number of staff needed in the short run is unlikely to change. As a result, any additional pupils – who would otherwise have gone to the private sector – might be able to be accommodated at relatively little cost. However, this picture is further complicated by the fact that forecast drops in state school population will not be even across the country. And they will not necessarily be occurring in precisely the areas where parents decide not to send their children to private schools.”

While the potential marginal costs of additional pupils are not known, we do have recent data on the average cost per pupil both at local authority and the national levels. The [Local Government Benchmarking Framework](#) reports that the average costs per pupil in 2024-25 in Scotland were:

- Primary: £7,615
- Secondary: £9,345
- Pre-school: £12,083

Average spend per pupil varies in different local authorities. Members will note that the submission from SCIS quotes an average of £10,100 which is a figure calculated by the [IFS for 2024-25](#). This is an average of the spending on all school and preschool places. The average would be lower if one considered only primary and secondary pupils.

In [a letter to parents in January 2024](#), SCIS highlighted a number of other cost pressures on the sector (more on this below) and suggested that “Scotland has fewer parents in the higher income tax bracket than south of the border”, implying that the VAT changes would have a greater impact on Scottish families sending their children to independent schools than the UK-wide analysis might suggest.

SCIS regularly commissions Biggar Economics to undertake economic impact assessments on the work of its members. The most recent was [published in 2024 and related to the academic year 2022-23](#). This included some analysis on possible impacts of VAT on fees being introduced. Biggar Economics suggested that the effective VAT rate would be around 14% (taking account of recovered VAT). This said—

“A 13% drop in SCIS pupil numbers (a decrease of 3,190 pupils) would more than wipe out the gains in revenue from VAT, by reducing the projected VAT collected (by £7 million, to £44 million), reducing the other taxes paid and collected by the sector (by £20 million) and due to the cost of education now borne by the public sector (£24 million).”

Biggar Economics did not set out its methodology. It is unclear whether or how it took account of how families might spend the money saved on school fees in the wider economy.

SCIS reports on its members' rolls annually. It is worth noting that, in its statistics, SCIS does not always differentiate between pupils at school and those in pre-school.

[The 2025 census found:](#)

"In the annual census 2023, before the UK Labour Government imposed the education tax, the number was 28,876. This fell to 27,781 in 2024 and fell again at the start of this school year to 25,919.

"This represents a fall of 2,957 pupils, equivalent to a reduction of 10% in SCIS school rolls since the UK Government decided to tax education.

...

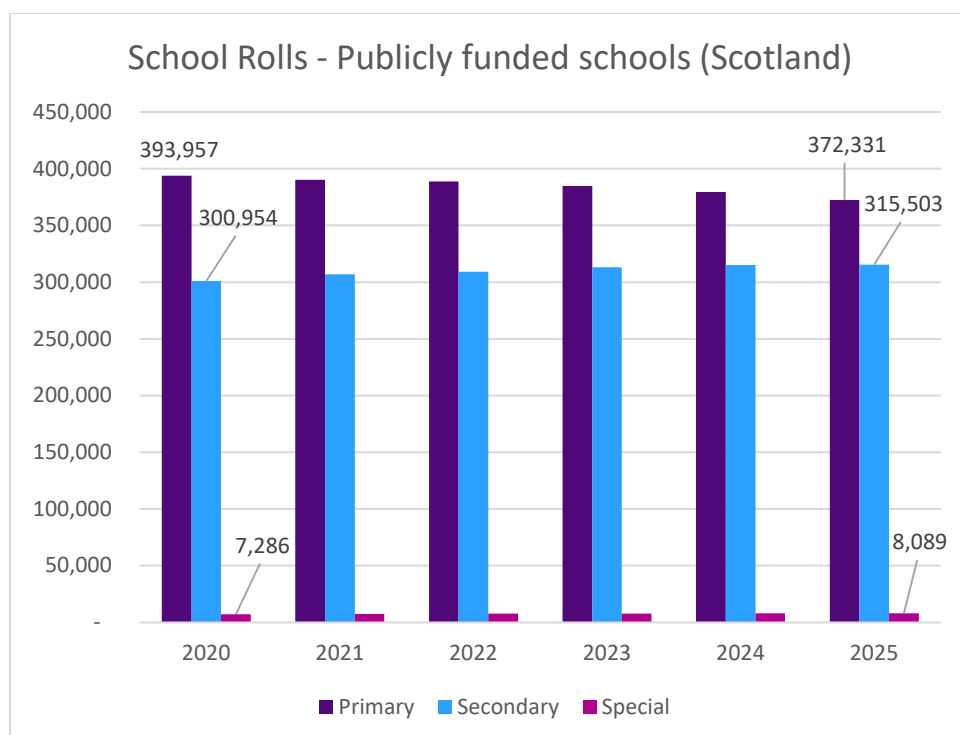
"The reductions in pupil numbers have been most pronounced in the key school entry points. The number of pupils joining independent schools at age 5 has dropped by 13.3% and the percentage drop at S1 is 14.6% compared to 2023.

...

"The biggest percentage drop has been seen in Edinburgh with a reduction of 10.3% in school pupil numbers since 2023. This is closely followed by schools in Glasgow and the west which saw a 10.2% drop in pupil numbers. Aberdeen has seen a 6.7% reduction and there has been a reduction of 8.7% in Perthshire."

SPICe contacted the Registrar of Independent schools who was able to provide rough figures from the annual census of independent schools. This indicated that the total rolls of independent schools fell by around 2,500 pupils between September 2024 and September 2025.

The latest data from the state schools' pupils census was published in December 2025. Members will be aware that recent years have seen record low birthrates in Scotland and this has translated to smaller P1 intakes in recent years. Nationally the P1 intake in 2025 was the lowest in at least 25 years (48,153 pupils) and was 3.8% lower than 2023. The chart below shows the school rolls in Scotland over the past six academic years.



Just looking at the differences between 2025 and 2023, the primary roll fell by 3.2% while the rolls in secondary schools and special schools rose by 0.8% and 4.5% respectively. Overall the school rolls fell by 1.4% over those two years.

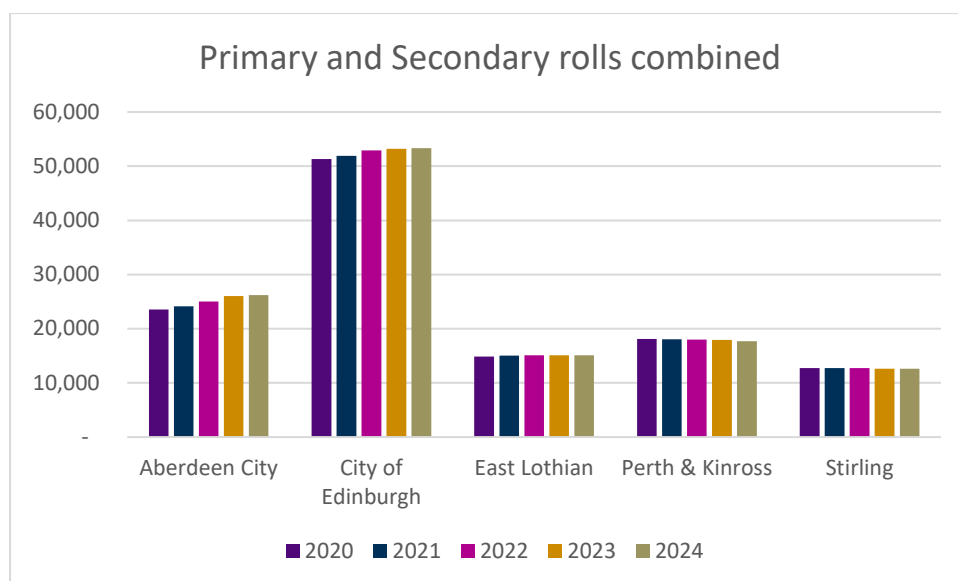
However, the fall in the number of pupils in primary schools and overall over the past two years is not reflected in [NRS' population level estimates](#); using 5-17 year-olds as a proxy for school age<sup>2</sup>, NRS' data suggests that the population is likely to have grown by around 1% between 2023 and 2025.

Independent mainstream schools are not distributed across Scotland evenly or in line with the population distribution. The economic impact assessment commissioned by SCIS said that in 2022/23 the pupils at SCIS schools were around 4% of school pupils in Scotland. Biggar Economics also provided analysis of the local authorities where pupils at SCIS schools live (as opposed to the local authority in which their school is situated). It said:

“Notably, in Edinburgh 13% of pupils are educated in SCIS member schools. In Perth & Kinross 10% of pupils are educated in the independent sector, while in Aberdeen City this figure is 8%. In Stirling and East Lothian it is 5%.”

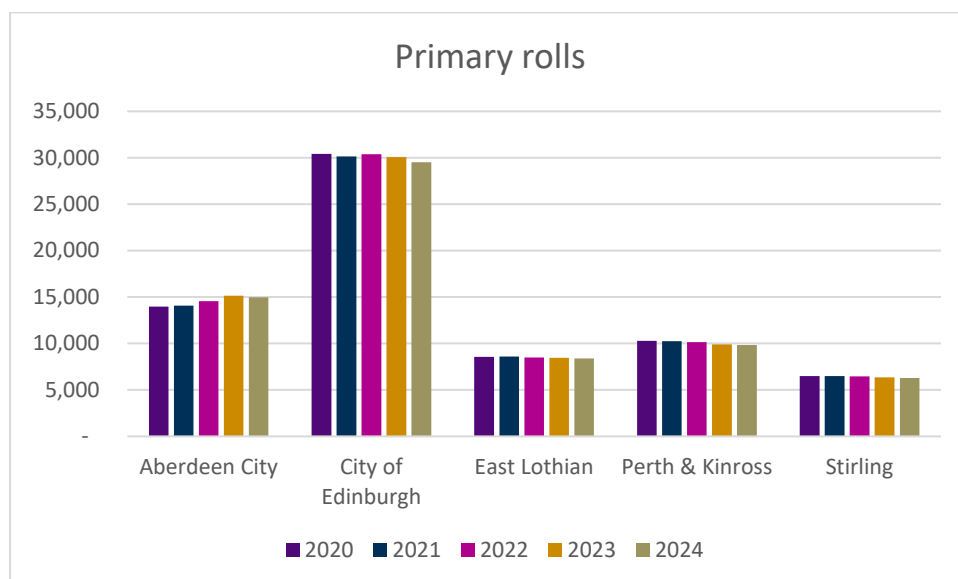
Data from the 2025 pupil census at local authority levels will be published in March 2026. The latest such data is from 2024. The next chart shows changes in the Primary and Secondary rolls combined for the five local authorities mentioned in the quote above from 2020-2024.

<sup>2</sup> The latest NRS midyear estimates are for 2024, 5-17 in 2025 is extrapolated from the 2024 data (4-16 year olds). NRS estimates show each cohort growing year on year due to net migration to Scotland. To minimise the effect of this, comparisons are to 4-16 year olds in the year before stated in the text. This is imperfect, however, and the data is presented only to show that NRS population estimates provide a contrasting picture, rather than setting out precise data.



Aberdeen, Edinburgh and, to a lesser extent, East Lothian show increasing rolls over the period. The rolls in Perth and Kinross and Stirling have reduced slightly over the period.

Just looking at primary rolls there is a different picture, with only Aberdeen's primary school rolls growing between 2020-2024.



While one may expect that falling rolls in primary schools should translate to falling rolls in secondary schools over time, this depends on the extent to which families move into the local area, and, of course, the extent to which families choose to move their children from an independent school into the state sector.

There have been reports that the City of Edinburgh Council has seen relatively low numbers of pupils moving from independent schools into local authority provision.<sup>3</sup>

<sup>3</sup> See: The Scotsman (2025) Pupils switching from private schools to state secondaries in Edinburgh revealed, as VAT concerns continue.



In [April 2025, the Cabinet Secretary said in a written Parliamentary Question](#):

“The local authorities that could see impacts from the ending of the VAT exemption for independent schools are all projected to have declining school rolls, which will mitigate any increase in admissions from the independent sector.”

The distribution of any additional pupils within a local authority area may affect how local authorities can accommodate any additional pupils. Schools, in the main, serve pupils living in their local catchment area. Local authorities can adjust catchment areas, but this would require a statutory consultation and can be controversial.

Should there be change in the number of pupils attending publicly funded schools in a local authority, this will affect how the Scottish Government’s general revenue grant to local authorities is distributed among the 32 local authorities, all other things being equal.

## Other financial pressures on independent schools

Like many businesses, the independent school sector has had to manage other increases in their costs in recent years. These include rising fuel costs and the rises in employer national insurance contributions. There are also specific cost pressures that the sector faces.

The salaries of teaching staff in independent schools are not directly set through the national bargaining for teachers in the state sector through the SNCT. Independent schools must employ teachers registered with the GTCS and therefore operate in a labour market where most of the salaries offered are governed by national bargaining arrangements. Independent schools are therefore likely to consider the national teacher pay scales when setting salaries of their teaching staff. There has been a considerable real terms increase in teachers’ salaries over the past ten years. The top of the main scale for teachers from 1 April 2016 was £35,763; the top of the main scale from 1 August 2025 is £52,614.

In addition, from [April 2024, the employer pension contributions](#) for teachers in Scotland increased from 23% to 26%. Some [independent schools have made changes to their pension schemes](#) and there have been incidents of industrial disputes<sup>4</sup>.

Following the commencement of the Non-Domestic Rates (Scotland) Act 2020, mainstream independent schools are no longer eligible for charitable relief of non-domestic rates.

## Debates around equity issues and individual effects

Discourse on private mainstream school education can focus on the benefits of private education on the outcomes of the children who attend independent schools. The IFS’s 2023 report touched upon this. It said—

“In the very long run, it might be argued that changes in the demand for private schooling could also affect children’s long-term earnings potential.

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<sup>4</sup> See for example [Hutchesons Grammar in 2023](#) and more recently [Craigclowan School](#).

There is significant evidence showing that attending private schools is associated with higher earnings, even after accounting for educational qualifications achieved ([Green et al., 2011](#); [Green, Henseke and Vignoles, 2017](#)). Evidence from new linked administrative further suggests higher returns to higher education for those who attended private schooling ([Britton, Dearden and Waltmann, 2021](#)). If these effects were driven by higher skills (in its broadest sense) generated by private schooling, then effectively encouraging more pupils to move from the private to the state sector could generate significant negative economic returns over the long run. However, most of the current evidence suggests that higher returns to private schooling are likely to be driven by network and sorting effects ([Macmillan, Tyler and Vignoles, 2015](#); [Green, Henseke and Vignoles, 2017](#)). In this case, reducing private school attendance could lead to lower lifetime inequalities between pupils attending different types of school. This is strongly connected to the extent to which private schooling generates positive or negative spillovers.”

However, the IFS concluded that given the expected impact on private school attendance levels is small, any impact on equality will also be small. It said:

“If the main aim of removing tax exemptions from private schools is to raise revenue, then this is likely to be achievable. If the aim is to encourage more pupils into the state sector and reduce inequalities by school attended, then this policy package is likely to have only minor impacts.”

Up to now this paper has been exploring the effects and uncertainties associated with this policy at a high-level (e.g. effect on a local authority’s provision). The individual effect on families and pupils may be significant. For those families that choose to keep their children in the independent sector, there is the additional cost of higher fees. Conversely, the families that choose to send their pupils to state schools as a result of the increased cost will see a significant annual saving, compared to paying fees with or without VAT. The submission from SCIS highlighted the disruption faced by pupils who may have to move mid-way through their education. It said—

“Any child who is forced to move schools because of the imposition of VAT on fees will be harmed by having their education disrupted. Places will be found in the state sector but, in many cases, children have been unable to join their local state schools due to capacity issues. Instead they have faced being removed from a school where they were thriving and sent to a school outwith their local community and peer networks.”

**Ned Sharratt, Researcher (Education and Culture), SPICe**

**Date: 11/02/2026**

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## Annexe B

### Scottish Council of Independent Schools (SCIS) submission of 9 February 2026

The Scottish Council of Independent Schools welcomes the Scottish Parliament's Children and Young People Committee invitation to give evidence on the impact of the imposition by the Westminster Government of VAT on independent school fees since 1 January 2025 and the consequences for children, young people and their parents.

#### Response to letter from Exchequer Secretary to the Treasury.

It is very regrettable that the letter of 14 January to the Committee from Dan Tomlinson MP, Exchequer Secretary to the Treasury, did not contain any information specific to Scotland. Indeed, it did not contain reference to impact over the first year of imposition of VAT in England either but instead referred to additional funding for the Department of Education which applies only to England. He refers to figures from the policy paper published ahead of the change stating that 'the government estimates only 3,000 moves in 2024 to 2025' and that "in the long-term steady state" 37,000 pupils will either leave or never enter the sector as a result of the policy.

To produce a Scottish estimate, when a population share of ten per cent is applied to the 'steady state' figure for the UK, that would suggest 3,700 pupils leaving or not entering the independent sector in 'the long term'

However, the stark reality is that in the immediate period following the imposition of VAT almost 3,000 pupils have already left or not entered the sector in Scotland, and that figure will undoubtedly rise over the next few years. This demonstrates that the Scottish Council of Independent Schools (SCIS) was correct to warn that the negative consequences of VAT on fees would be greater in Scotland than in some other parts of the UK.

#### Impact of VAT on fees

According to an independent report from BiGGAR economics, in the 2022/2023 academic year, there were **28,870** pupils educated at independent schools in Scotland. That was before the UK Labour Government imposed the additional tax on independent education.

The annual census carried out by the SCIS and published in October 2025 showed:

- the number of pupils fell to **27,781** in the 2024/25 academic year
- pupil numbers fell further to **25,919** at the start of the 2025/2026 school year.
- That reduction of **2,951** pupils is equivalent to an average fall of 10 per cent in SCIS school rolls.
- A number of independent schools in Scotland have reported drops of more than 20 per cent in their pupil numbers since VAT was imposed.
- The biggest percentage drop in pupil numbers has been experienced in Edinburgh with a reduction of 10.3 per cent in school pupil numbers there since 2023.

- This is closely followed by schools in Glasgow and the west which saw a 10.2 per cent drop in pupil numbers.
- Aberdeen has seen a 6.7 per cent reduction
- and there has been a reduction of 8.7 per cent in Perthshire.
- The reductions in pupil numbers have been most pronounced in the key school entry points.
- The percentage of pupils joining independent schools at age 5 has dropped by **13.3** per cent
- and the percentage drop at S1 is **14.6** per cent, compared to 2023.

Two of our member schools have already closed citing falling pupil numbers because of the VAT imposition as a significant factor in the decision to close.

While our schools and pupils have felt the negative impact, Councils and state schools across Scotland, which have to fund extra pupils who have entered their care as a result, will be affected by the per pupil funding arrangement which is higher than that in England.

VAT cannot be hypothecated and a direct line cannot be drawn between money raised and how it is eventually spent in Scotland. It remains very unclear how VAT raised from independent schools in Scotland will help the state school sector or children and young people generally in Scotland.

### **Impact on children and young people**

Any child who is forced to move schools because of the imposition of VAT on fees will be harmed by having their education disrupted. Places will be found in the state sector but, in many cases, children have been unable to join their local state schools due to capacity issues. Instead they have faced being removed from a school where they were thriving and sent to a school outwith their local community and peer networks.

When leaving the independent sector, some siblings have been unable to attend the same state school due to capacity issues, which impacts on both the children and the parents.

The numbers of pupils leaving or not entering the independent sector also affects parents and children in the state sector, particularly in areas where local state schools have reached capacity due to the absorption of additional pupils who would otherwise have been in independent schools.

Some independent schools offer the IB, A Level and GCSEs and pupils forced to leave these schools need to change curriculum when joining a state school, which could lead to a negative impact on their exam results.

There will inevitably be impacts on mental health for some children moving systems part way through their education and this could impact an already stretched CAMHS.

## **Children and young people with additional support needs**

Recent years have seen a sharp rise in the number of pupils joining the independent sector to access additional support needs provision. Most of our member schools have a significant percentage of pupils with ASN - similar to the national average. The disruption to education for children with ASN forced to move school is particularly difficult for them.

## **Economic damage of VAT on fees**

The economic impact report carried out by BiGGAR Economics prior to the introduction of VAT on fees found that the independent sector was then worth almost half a billion pounds a year to the Scottish economy. It also found that the imposition of VAT by the Westminster Government on school fees would cost the people of Scotland money, from the point at which the independent sector shrinks by 13 per cent or more.

This is because the projected amount of VAT that will then be collected will reduce by £7 million to £44 million, there will be reductions of £20 million in the other taxes currently paid by and collected from the independent sector, and the additional cost of education borne by the state schools sector will be £24 million.

This will wipe out any gains in revenue from VAT. If the downward trend in pupil numbers seen in the last two years continues, VAT on fees is expected to cost Scotland more than that VAT raises by next academic year (2026/27).

The cost to the state sector of educating the number of pupils who have left independent schools, or have been prevented from joining the sector, is already more than £24 million (£24,149,100) based on the Institute for Financial Studies (IFS) estimate of £10,100 being the average cost of educating a pupil in Scotland.

As well as causing independent schools to close, the impact of VAT on fees is forcing schools with smaller numbers to restructure and/or merge to ensure they can afford teaching and other staff, and to significantly change how they support the young people in their care.

These school restructures and mergers are leading to redundancies in the sector. Some teaching staff may be able to find similar employment outwith Scotland, and even overseas, but this creates upheaval for them and their families, along with loss of their contribution, and in many instances that of their spouse or partner, as taxpayers and spenders supporting Scotland's economy. Operations staff are less likely to have these options available and will therefore be seeking employment in a market where there are few vacancies.

SCIS has commissioned a new economic impact report which will assess the drop in the economic benefits which have resulted from the imposition of VAT on fees, and the added cost it has generated for the state because of pupils either leaving our sector or not joining it. We expect this report to be available by the end of March and will share it with the committee.

## Public benefit

All our schools provide benefits for the communities in which they are based and for children who do not attend their schools. We would welcome the committee's view on the potential to set up a mechanism to discuss how we can achieve the most impact for all school pupils from the public benefit work our schools deliver and which, as a group of charities, they remain strongly committed to delivering

Independent analysis shows there were 120,000 people across Scotland who benefited from our community partnerships before the introduction of VAT. The knock-on effect of reducing pupil numbers, as a result of that tax, has reduced the capacity of schools to further build on this impactful work at a pace that they would have wished.

SCIS schools use their capacity, autonomy, and agility to develop innovative approaches to education, including the development of educational initiatives that can be accessed by all for example [FIDA at Dollar Academy](#) and the [Thinkfour platform](#) developed by The Glasgow Academy. They support the Scottish education system to ensure viability of some key subject areas by supporting the delivery of education in less-in-demand subject areas where teacher recruitment is challenging.

VAT on fees has been extremely damaging to our sector and is likely to soon cost Scotland more than any revenue it raises. Instead of imposing a tax which has caused disruption, it would have been more beneficial if the Westminster Government had listened to our sector and attempted to understand the benefits the sector brings to Scotland.

Across Scotland the cost of funding state education has increased significantly because of pupil movement out of the private sector here - almost reaching the UK Government's estimate for first year in the UK occurring in Scotland alone.

We assume that the increase in budget that has been allocated by the Westminster Government to the DFS for the first year of implementation of the policy in England was predicated on that UK wide estimate, and that the associated allocation in terms of the Barnett Formula has not recognised the significant in year increase of pupils joining state schools in Scotland.

We hope the SCIS census information is helpful to the committee and to local authorities in planning for future capacity. But the data is limited to what we know within our sector and does not include the destination of pupils. The committee may wish to consider asking the Scottish Government to start gathering centralised data on pupil movement from independent schools into state schools and closures of independent schools to allow better understanding of the economic damage and impacts on families in local communities.

SCIS very much value the opportunity to engage with the Committee, and our Chair, Chief Executive, and Chair of SCIS Education and Partnership Committee look forward to discussing these issues in more detail at the evidence session on behalf of our charity and the many other charities we represent.

## Annexe C

### **Correspondence from the Dan Tomlinson MP, Exchequer Secretary to the Treasury to the Convener, dated 14 January 2026**

Dear Douglas,

Thank you for your letter of 24 November about VAT on Private School Fees and education spending.

Firstly, I am sorry not to be able to attend the Committee hearing in person. However, I am happy to set out the impact the policy has had on education spending, both in terms of the impacts of pupil movements on education spending and the funding increases this tax change enables.

Taking pupil movements first, the UK Government has always recognised that following the imposition of VAT, some parents may not be willing or able to pay higher fees. We have estimated, and stand by those estimates, that in the long-term steady state 37,000 pupils will leave or never enter the UK private school sector, and 35,000 of those will move into state schools. Based on average 2024-25 per-pupil funding in England, the Government expects the revenue costs of pupils entering the state sector as a result of the VAT policy across the UK and business rates policy in England to steadily increase to a peak of around £0.3 billion per annum after several years. This is in the context of a policy that raises around £1.8 billion per annum by 2029-30, and thus has a significant positive net impact on the Exchequer.

More broadly, VAT on private school fees will help deliver the Government's commitments relating to education and young people. As set out above, VAT on private school fees is expected to raise around £1.8 billion a year. But VAT receipts are not hypothecated, so it is not possible to identify specific additional spending resulting from the policy. Nevertheless, funding for the Department for Education has increased.

At the most recent spending review, the Chancellor confirmed that the Department for Education will receive a real terms increase in day to day spending, with an overall Resource Departmental Expenditure Limit increase of £6.4 billion over the SR period (2023-24 to 2028-29), bringing DfE's total budget to £109 billion in 2028-29.

The Barnett formula applied in the normal way, as set out in the Statement of Funding Policy, to changes in the Department for Education's budgets at Spending Review 2025. Indeed, the Spending Review 2025 provided the Scottish Government with their largest spending review settlements in real terms since devolution in 1998. This includes an additional £2.9 billion per year on average through the operation of the Barnett formula, with £2.4 billion resource between 2026-27 and 2028-29 and

£510 million capital between 2026-27 and 2029-30. Budget 2025 confirmed a further

£510 million resource and £310 million capital through the Barnett formula on top of the record Spending Review settlements. This means the Scottish Government

continue to receive at least 20 per cent more per person than equivalent UK Government spending in the rest of the UK.

A full breakdown of changes to the Scottish Government's block grant at Spending Review 2025 can be found in the October 2025 publication of the Block Grant Transparency report.

Finally, I would like to thank you and the rest of the Committee for the work you do to support the education of children and young people in Scotland. I hope this response is helpful.

Yours sincerely,

**DAN TOMLINSON MP  
EXCHEQUER SECRETARY TO THE  
TREASURY**



## **Correspondence from the Convener to the Exchequer Secretary to the Treasury, dated 24 November 2025**

Dear Minister

I am writing, further to the Committee's correspondence with the Secretary of State for Education and Secretary of State for Scotland, on the issue of VAT and independent schools.

The Committee is disappointed that the UK Government has been unable to provide a Minister to give evidence, in person, on the impact of this policy in Scotland. However, the Committee will be taking evidence from other witnesses on this issue at our meeting on **Wednesday 28 January 2026**.

Ahead of that meeting, it would be helpful to understand the impact that this policy has had on education spending in England, at department level. To that end, the Committee is asking for you to confirm the identifiable additional spending at the Department for Education as a result of the removal of the VAT exemption on private school fees.

The Committee requests a response by **Wednesday 14 January 2026**.

Yours sincerely,

**DOUGLAS ROSS MSP  
CONVENER**