

## CATERHAM SCHOOL VAT IMPACT ON FEES FREQUENTLY ASKED QUESTIONS

- **What is the issue of VAT on school fees?**

In July, the newly elected Labour Government in the UK confirmed their intention to introduce VAT on independent school fees. On the 29 July 2024, the Chancellor confirmed that 20% VAT will be imposed on independent school fees. This VAT will be introduced from 1 January 2025, earlier than previously anticipated.

- **Will the full 20 per cent of VAT on independent school fees be payable to the Government?**

VAT is a tax payable to the Government/Treasury on goods and services. The level of VAT applicable to fees is set by the Government, not by schools. It is important to note that the entire VAT amount goes directly to the Government. Of the total invoice received by parents from January 2025, the School will only retain operational school fees, net of VAT amount.

- **What VAT rate will parents need to pay?**

The School will need to pay 20% VAT to the Government from January 2025. However, we do not expect parents to bear the full cost of the addition of VAT on school fees.

The school will fund 8% of the VAT. Parents will pay 12%, in two phases. In January 2025, parents will pay 7% and in September 2025, parents will pay a further 5% of VAT related increase, adding to a total of 12%.

Please see a below table detailing the fee increase as a result of the VAT policy:

	<b>Fee increases payable by parents</b>
<b>Autumn Term 2024 [September 2024]</b>	VAT not applicable
<b>Spring Term 2025 [January 2025]</b>	7% VAT
<b>Summer Term 2025 [April 2025]</b>	same as January 2025
<b>Autumn Term 2025 [September 2025]</b>	12 % VAT

- **What will my fee invoice, including VAT, look like in January 2025?**

The Government will apply VAT of 20% on fees. In order that parents pay an additional 7% instead of the full 20% on their total fees for the terms starting January and April 2025, the school will reduce our operational fees. With the addition of VAT at 20%, your total invoice will see an increase of 7% for spring and summer terms 2025 when compared to the autumn term 2024. Please note that charges for school lunches and transport will not attract VAT and will appear on invoices as non VAT items.

**For example:** The current Reception fee from September 2024 is £4,475.  
In January 2025 (and the summer term 2025) the Reception invoice would appear as:

Reduced Reception Fee	£ 3991.67
Plus VAT of	£ 798.33
Total Invoice of	£ 4790.00

**Increase of £315 for the term (7% increase overall).**

- **Will this affect the provision and quality of education provided?**

No – the implementation of VAT will not affect the excellent quality of academic education, wellbeing provision or sporting and co-curricular provision for which Caterham is known and recognised in the UK and beyond.

- **Will VAT apply to both day and boarding fees?**

VAT will apply to all fees, including the boarding element of the fee. This is because the boarding element is seen as ancillary to the main supply of education. Based on the guidance released by the current government on the VAT technical note, catering and transport are exempt, if this changes when the formal legislation is enacted in October 2024, we will inform you.

- **Will VAT be payable by those families who are based overseas?**

All families, whether located in the UK or overseas, will be required to pay VAT as the tax is due in the country where the education takes place. Families living overseas may wish to seek advice from their tax advisor.

- **What will the school fees be for the academic year 2025-26?**

The School has not yet decided the operational increase in fees for the academic year 2025-26. However, as mentioned in the letter, we will be working hard this year to ensure that any increase is kept to a minimum level.

The VAT level will go up by another 5%, taking the total VAT payable by parents to 12%. There will be no VAT related increase in fees after September 2025.

- **Is it possible to pay fees in advance?**

Fees in advance scheme will continue to be available to parents who wish to pay fees for longer than two terms in advance.

- **If I paid fees in advance now, will it still be subject to VAT?**

The school continues to offer parents the option to pay fees in advance. However, as per the Government's guidelines, all fees paid in advance - on or after 29 July 2024 (the date of the VAT announcement) - against school fees for Spring Term 2025 onwards will be subject to VAT.

- **My family have paid school fees in advance for next year before 29 July 2024. Do we have to pay VAT on fees already paid?**

Based on the current information provided by the Government, we understand that fees paid in advance before 29 July 2024 for Spring Term 2025 onwards will not attract VAT. Should the Government change this position we will, of course, let parents know.

- **How will VAT on fees impact Transformational Bursaries?**

Pupils who receive transformational bursaries do not pay fees. Therefore VAT does not apply.

- **What help can the school offer to my family with regard to VAT on fees?**

If you have specific concerns, as always, please contact the Bursar; all communications are treated in complete confidence.

From January 2025, the School will also use the existing Bursary Fund to implement the following additional measures for parents and families needing additional support:

- We will extend the means tested bursary programme to the whole school to support families whose finances are put under significant pressure by the addition of VAT, including Caterham Prep.
- We will raise the means tested bursary threshold to cover the increases related to VAT for the next three years.
- We will offer those parents who need additional support the ability to pay fee increases related to VAT in a greater number of instalments over a longer period.