



Llywodraeth Cymru  
Welsh Government

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# Consultation on charitable non-domestic rates relief for private schools

We want your views on the withdrawal of charitable rates relief from private schools.

**First published:** 23 September 2024

**Last updated:** 23 September 2024

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# Introduction

Non-domestic rates, sometimes referred to as 'business rates' are a local tax which help to pay for local services. Rates are charged on most non-domestic properties, including property owned or operated by the public sector and not-for-profit organisations, not just property used for commercial purposes.

Non-domestic rates contributes over £1.1 billion annually towards the funding of essential public services provided by local government in Wales. The Welsh Government provides over £250 million in permanent non-domestic rates reliefs on an annual basis. Reliefs are targeted to support certain sectors of the tax-base and to contribute to wider Welsh Government goals.

Charitable non-domestic rates relief is provided for occupied (80% reduction) and unoccupied (100% reduction) properties, where the ratepayer is a charity or trustee for a charity and other eligibility criteria are met. The relief is funded by the Welsh Government, at a total cost of over £75 million annually. Private schools which are registered charities currently receive around £1.3 million annually in charitable rates relief.

The eligibility of schools for charitable rates relief in Wales was **consulted** (<https://www.gov.wales/charitable-rates-relief-schools-and-hospitals-wales>) upon in 2020. The consultation received 51 responses, with respondents representing individuals, independent schools, maintained and public sector schools, local government, and representative bodies. A range of views, some in favour of maintaining current arrangements and others in favour of change, were received. The only majority view arising from the consultation was that public sector institutions should continue to be eligible for relief. Following the consultation, it was confirmed that any proposed policy change in this area would be subject to further consultation on a specific proposal.

In Scotland, charitable rates relief was withdrawn from private schools from 1

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April 2022. In England, the UK Government has **announced** (<https://www.gov.uk/government/publications/vat-on-private-school-fees-removing-the-charitable-rates-relief-for-private-schools>) plans to withdraw charitable rates relief from private schools from 1 April 2025. The UK Government also plans to withdraw the existing exemption from VAT (which is not devolved) from private schools across the United Kingdom.

## Proposal

The Welsh Government proposes to withdraw charitable rates relief from private schools, seeking to bring them in line with those which do not have charitable status for the purposes of non-domestic rates. The aim of this proposal is to make additional funding available for local services in Wales, by withdrawing a tax reduction for private education which is paid for from public funds. In Wales, private schools are registered as independent schools (that is to say, not maintained by a local authority). For the purposes of this consultation, these terms are interchangeable, but the legal term applicable in Wales is independent school.

Not all independent schools receive charitable rates relief, as most are not charities. There are currently 83 independent schools registered in Wales. Of these 17 receive charitable rates relief. There is some variation in the characteristics of the independent schools receiving charitable rates relief, but all are fee-charging and most select their pupils based on academic ability or religious beliefs. Whilst some have pupils with additional learning needs within their cohort, the proportion of such pupils is much lower than in the rest of the independent schools sector and in the maintained sector.

The Welsh Government has not identified any independent schools in receipt of charitable rates relief which are specially organised to make additional learning provision. As such, it has not been necessary to consider an exception from the

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withdrawal of charitable rates relief for schools of this type. Unlike in England and Scotland, there is no legal definition of ‘independent special school’ which applies to Wales. It is not known whether or how the composition of the independent schools sector in Wales may change in future. Rather than attempting to devise a speculative exception, which may or may not apply as intended to any future changes, it would be appropriate to consider how to respond with full knowledge of the position at that time.

The majority of independent schools specially organised to make additional learning provision are not charities. This means they will generally already be liable for non-domestic rates and not receive charitable rates relief. The non-domestic rates system also includes a full exemption for a property, or parts of a property to the extent that it consists of property used wholly for the provision of facilities for training, or keeping suitably occupied, persons who are disabled or who are or have been suffering from illness. As such, some independent schools with very specialised provision of this type may be exempt from non-domestic rates completely (and will not be affected by a change to charitable rates relief).

The Welsh Government intends to make regulations to withdraw charitable rates relief from independent schools in Wales, from 1 April 2025. We propose to define an independent school in accordance with the existing definition **in section 463 of the Education Act 1996. In summary, an independent school is any school at which full-time education is provided for pupils of compulsory school age and which is not maintained by a local authority. The full definition as it applies to Wales is as follows:**

(<https://www.gov.walesnull>)

“ (1) In this Act “independent school” means any school at which full-time education is provided for:

- “ (a) 5 or more pupils of compulsory school age  
(b) at least 1 pupil of that age for whom an EHC plan is maintained or for

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whom a statement or an individual development plan is maintained, or who is looked after by a local authority (within the meaning of section 74 of the Social Services and Well-being (Wales) Act 2014) and which is not a school maintained by a local authority

“ (2) For the purposes of subsection (1)(a) and (b) it is immaterial if full-time education is also provided at the school for pupils under or over compulsory school age. ”

## Impacts

In developing this proposal, the Welsh Government has appraised the potential impacts by undertaking an Integrated Impact Assessment (IIA). A [summary](https://www.gov.wales/charitable-non-domestic-rates-relief-private-schools-integrated-impact-assessment-html) (https://www.gov.wales/charitable-non-domestic-rates-relief-private-schools-integrated-impact-assessment-html) of the IIA and a separate [Children’s Rights Impact Assessment](https://www.gov.wales/charitable-non-domestic-rates-relief-private-schools-childrens-rights-impact-assessment-html) (https://www.gov.wales/charitable-non-domestic-rates-relief-private-schools-childrens-rights-impact-assessment-html) have been published alongside this consultation.

The primary impact of this proposal will be an increase in the non-domestic rates liabilities of the affected independent schools, seeking to bring them in line with other independent schools (which do not have charitable status). The increase in liability will vary and it would be for each school to choose how to adapt their business models to meet that cost, as other independent schools already do. The Welsh Government anticipates that there is very limited potential for a material impact on average fees, due to the modest scale of the financial implications.

The total value of charitable rates relief provided to independent schools is approximately £1.3 million, with an average relief per school of around £75,000.

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For illustrative purposes, this is broadly equivalent to the average fee income from seven non-boarding pupils (based on fee levels advertised on the websites of affected schools). There are, however, significant variations in the size and fees of each school. Based on total pupil numbers and the average fee for non-boarders, the additional liability is estimated to be less than 2% of overall fee income.

Some respondents to the consultation undertaken in 2020 stated there would be a risk of displacement of pupils to the public sector, if an increase in fees resulted in parents making decisions to remove their children from independent schools. Over the previous two decades, independent schools have generally increased their fees year-on-year above inflation (**Independent Schools Council Census 2023** ([https://www.isc.co.uk/media/9316/isc\\_census\\_2023\\_final.pdf](https://www.isc.co.uk/media/9316/isc_census_2023_final.pdf))), without reductions in pupil numbers compromising their viability. Schools are also likely to find ways of fully or partially absorbing their increased liabilities (e.g. reducing surpluses, reserves or non-essential expenditure), rather than increasing fees. As such, identifiable indirect impacts on pupils, as a result of the proposal, are not considered likely to occur.

The Welsh Government does, however, recognise the potential for small increases in costs for some parents. It is possible that a small number of pupils may move to maintained schools as a consequence. In that respect, it will not be possible to disentangle the impact of this proposal from that of the UK Government's plans in relation to VAT (which represents a greater financial impact). The number of pupils who may move schools, as a result of proposed changes to tax exemptions, has been estimated by the **Institute for Fiscal Studies** (<https://ifs.org.uk/sites/default/files/2023-07/IFS-Report-R263-Tax-private-school-fees-and-state-school-spending.pdf>) at 3 to 7% over the medium to longer term. This represents a very small proportion (less than 0.1%) of overall pupil numbers in maintained schools.

All children of compulsory school age are entitled to a state-funded school place. The Welsh Government is, therefore, confident that the maintained sector will be

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able to accommodate any additional pupils. It is recognised that moving schools can be challenging. Local authorities and schools already have processes in place to support pupils who move schools for any reason.

## Next steps

Subject to consideration of the views submitted in response to this consultation exercise, the Welsh Government intends to bring forward the regulations required to give effect to the proposal early in the new year and bring them into force on 1 April 2025.

## Consultation questions

### Question 1

What are your views on the proposal to remove charitable non-domestic rates relief from private schools in Wales?

### Question 2

Does the proposed definition of an independent school achieve the aim of the proposal?

### Question 3

What are your views on the potential impacts of the proposal?

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## Question 4

Are you aware of any independent schools specially organised to make additional learning provision which are also charities and may be affected by the proposal? If so, please provide details.

## Question 5

The Welsh Government would like your views on the effects these proposals would have on the Welsh language, specifically on:

1. opportunities for people to use Welsh
2. on treating the Welsh language no less favourably than English

What effects do you think there would be? How could positive effects be increased, or negative effects be mitigated?

## Question 6

Please also explain how you believe the proposals could be formulated or changed so as to have:

1. positive effects or increased positive effects on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language
2. no adverse effects on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language

## How to respond

Submit your comments by 16 December 2024, in any of the following ways:

- complete our **online form** (<https://www.gov.wales/node/63475/respond-online>)
- download, complete our **response form** (<https://www.gov.wales/sites/default/files/consultations/2024-09/wg50564-consultation-response-form.docx>) and email **CTandNDR.Consultations@gov.wales** (<https://www.gov.walesmailto:CTandNDR.Consultations@gov.wales>)
- download, complete our **response form** (<https://www.gov.wales/sites/default/files/consultations/2024-09/wg50564-consultation-response-form.docx>) and post to:

Non-Domestic Rates Policy Branch  
Third Floor East  
Welsh Government  
Cardiff  
CF10 3NQ

## Your rights

Under the data protection legislation, you have the right:

- to be informed of the personal data held about you and to access it
- to require us to rectify inaccuracies in that data
- to (in certain circumstances) object to or restrict processing
- for (in certain circumstances) your data to be 'erased'
- to (in certain circumstances) data portability
- to lodge a complaint with the Information Commissioner's Office (ICO) who is our independent regulator for data protection

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Responses to consultations are likely to be made public, on the internet or in a report. If you would prefer your response to remain anonymous, please **tell us** (<https://www.gov.wales/charitable-non-domestic-rates-relief-private-schools>).

For further details about the information the Welsh Government holds and its use, or if you want to exercise your rights under the GDPR, please see contact details below:

## Data Protection Officer

Data Protection Officer  
Welsh Government  
Cathays Park  
Cardiff  
CF10 3NQ

E-mail: [data.protectionofficer@gov.wales](mailto:data.protectionofficer@gov.wales)  
(<https://www.gov.walesmailto:data.protectionofficer@gov.wales>)

## Information Commissioner's Office

Information Commissioner's Office  
Wycliffe House  
Water Lane  
Wilmslow  
Cheshire  
SK9 5AF

Telephone: 01625 545 745 or 0303 123 1113

Website: [ico.org.uk](https://ico.org.uk/) (<https://ico.org.uk/>)

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## UK General Data Protection Regulation (UK GDPR)

The Welsh Government will be data controller for any personal data you provide as part of your response to the consultation. Welsh Ministers have statutory powers they will rely on to process this personal data which will enable them to make informed decisions about how they exercise their public functions. Any response you send us will be seen in full by Welsh Government staff dealing with the issues which this consultation is about or planning future consultations. Where the Welsh Government undertakes further analysis of consultation responses then this work may be commissioned to be carried out by an accredited third party (e.g. a research organisation or a consultancy company). Any such work will only be undertaken under contract. Welsh Government's standard terms and conditions for such contracts set out strict requirements for the processing and safekeeping of personal data. In order to show that the consultation was carried out properly, the Welsh Government intends to publish a summary of the responses to this document. We may also publish responses in full. Normally, the name and address (or part of the address) of the person or organisation who sent the response are published with the response. If you do not want your name or address published, please tell us this in writing when you send your response. We will then redact them before publishing.

You should also be aware of our responsibilities under Freedom of Information legislation. If your details are published as part of the consultation response then these published reports will be retained indefinitely. Any of your data held otherwise by Welsh Government will be kept for no more than three years.

## Further information and related documents

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