

Home

Knowledge

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# The Welsh Government consults on plan to end tax break for independent schools

October 2024

In line with the other consultations being conducted<sup>[1]</sup> about VAT and Business Rates for Independent Schools, the Welsh Government has launched a consultation on their proposed changes<sup>[2]</sup>. The consultation will run until the 16 December 2024.

The proposal seeks to bring independent schools with charitable status in line with other independent schools in Wales, for the purposes of non-domestic rates (business rates). In Wales, private schools are registered as independent schools.

Of the 83 independent schools in Wales, 17 have charitable status and benefit from the relevant relief to business rates. This would result in a saving of around £1.3 million for the Welsh Government.

## **Preparing for change**

Such changes, if implemented, could have significant implications on Independent Schools in Wales with charitable status.

The consultation asserts that the average relief (under the current regime) is worth £75,000 – however, this is a rough estimate based on the total cost divided by the number of schools currently benefiting from the relief.

In practice there is likely to be a wide range of relief values depending on the size and nature of school sites. Independent schools which are charities would be wise to budget for a 100% rates bill. It is envisaged that many school sites may not know their current rateable value and it would be advantageous to seek the assistance of a Chartered Surveyor in determining this information. This will allow schools to challenge their assigned rateable value where appropriate.

Schools should consider the impact of business rates in light of other policy changes such as the introduction of VAT on school fees. These changes if implemented are likely to have a profound impact on independent schools especially smaller schools with small margins. This policy change is likely to result in the sector seeing more mergers and acquisitions as well as the closure of some schools.

### **Broader implications of the proposal**

Such changes may result in Independent schools being disincentivised from achieving charitable status and in turn see a reduction in the public benefit activity by such schools. It is admitted in the consultation that the Welsh Government do not know how this decision will change the composition of the Independent Schools sector in Wales (and especially for those which serve pupils with SEND). Whilst there are nine Independent Special Schools in Wales, the Welsh Government asserts that no schools which are specially organised to make additional learning provision are in receipt of the charitable rates relief. Therefore they are unprepared to create a "carve out" for such schools in the new policy proposals.

LBMW has a specialist Education team which can provide practical guidance and assistance for schools (both independent and state-sector) and dioceses. Please contact us for more information on how we can help.

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[1] VAT on Private School Fees & Removing the Charitable Rates Relief for Private Schools - GOV.UK ([www.gov.uk](http://www.gov.uk))

[2] Welsh Government consults on plan to end tax break for independent schools GOV.WALES

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