

Justice and Utility in Education: Evaluating the Socio-Economic Impact of adding VAT on UK private School Fees

Zhenyu Sheng

Harrow School, 5 High Street, Harrow on the Hill, Middlesex HA1, 3HP, UK;

Abstract

This study examines the impact of a value-added tax (VAT) on private school fees in the United Kingdom, with a focus on its implications for socio-economic mobility. The findings showed that the policy operates as a redistributive mechanism, reallocating resources from higher-income families to strengthen state education and promote fairer opportunities. From an economic perspective, the policy reflects trade-off theory, as it compels households to reconsider educational spending, which may influence both short-term access and long-term mobility outcomes. From a philosophical perception the measure aligns with Rawls' theory of justice as fairness by reducing structural inequalities and supports a utilitarian rationale through its potential to maximize collective welfare. Nonetheless, the analysis also reveals short-term challenges, particularly for middle-income families who may face restricted access to private education. Overall, the study finds that while adding VAT on private school fees can enhance fairness and social efficiency, its contribution to upward mobility is incremental and shaped by broader economic and policy contexts.

Keywords

VAT, trade-off, redistributive, justice, utility.

1. Introduction and Background

This essay advances an analysis of the socio-economic impact of imposing VAT on UK private school fees through the application of two economic theories and two philosophical frameworks.

1.1. Two economic theories and the VAT system in the UK.

These two economic theories — trade-off and redistributive policies — supplemented by various cases, demonstrate the necessity of Value Added Tax (VAT) in promoting upward socioeconomic mobility. Socioeconomic mobility refers to the ability of individuals or families to move between social or economic classes across generations or throughout their lifetime. It is a key indicator in determining the effectiveness of public policies. VAT in the UK is a consumption tax charged on most goods and services sold by VAT-registered businesses, including private school fees. The standard rate is 20% [14]. Education quality, government policy, and welfare systems determine how easily individuals or families can move up (or down) the economic and social ladder across generation[9]. In order to affect socio-economic mobility, a tax system between the rich and the poor, such as the imposition of VAT on school fees [10]can be utilized [11]. However, it must be recognized that there are no policies that can completely eliminate the inequalities between state schools and private schools in the UK. Firstly, this essay will suggest that there is upward socio-economic mobility based on government redistribution rules, which include adding VAT to school fees [12]. Redistribution rules are policy interventions that can shape the distribution of market incomes in order to promote fairness and equal opportunities in society[13]. Secondly, the added tax on school

fees helps contribute to a socially efficient level of educational outcomes, maximizing overall utility [14].

1.2. Two philosophical theories of VAT

In the chapter that follows, I present two philosophical theories that can explain the value of adding VAT in private schools: John Rawls' Theory of Justice (also known as Justice as Fairness) and Utilitarianism. Rawls' Theory of Justice is built on two main principles: one is that everyone should have equal rights and freedoms[5]. Another concept is that inequalities in wealth, income, or status are only justifiable if they benefit the least advantaged members of society. John believes that individuals should not be disadvantaged in life chances due to their social background[4]. Therefore, adding the VAT on private school fees can be justified as a means to reduce inequality and promote upward social and economic mobility. Additionally, Posner's viewpoint suggests that if a policy leads to better outcomes for the majority, it can also improve educational equality and achieve socially efficient outcomes[2]. As explained in the introduction, it is clear that educational equality has commonly been assumed to be key to breaking class stratification in modern UK societies.

2. Economic perspective of VAT

Families do not need to pay school fees to attend state schools in the UK. Private (independent) schools charge tuition fees and are not funded by the state. The UK government's plan to impose VAT on school fees aims to improve the quality of education in state schools by increasing funding levels for them [15][16]. This could be achieved by enhancing the quality of the educational infrastructure and reducing the student-teacher ratio.

Educational inequality in the UK has worsened, driven by an increasing wealth gap. While wealthy families can afford to spend tens of thousands of pounds annually on private education and enrichment activities, children from low-income households often struggle to meet even basic needs, such as adequate nutrition, which further limits their educational opportunities [17]. This growing disparity is a significant barrier to socioeconomic mobility in the UK, restricting equal access to education and opportunities across various income groups [18]. However, as high-income families spend increasingly more on education, the government attempts to treat this spending similarly to other consumption goods [19]. The goal is to increase funding for state schools. The case in Figure 1 shows how VAT changes school fees in UK private schools.

VAT on Boarding Fees and Additional Costs

Boarding fees will also be subject to VAT at the standard rate of 20%, adding further financial pressure on families. The following table outlines the projected impact of VAT on boarding fees:

Year	Average Annual Boarding Fee Ex Vat	Average Annual Boarding Fee Ex Vat	VAT Impact
2024	£12,000	n/a	n/a
2025	£12,500	£15,000	£2,500

Figure1. effect of VAT on school fees [20].

The government hopes to reallocate all funding towards state school funding from the VAT increase. The introduction of VAT is likely to increase annual private school fees by approximately £3300 per student. This significant increase would reduce private school affordability for some families. Parents who plan to keep their children in private education

may need to explore new financial strategies to manage the increased costs. With advance payments now subject to VAT, families may need to reconsider their budgeting and seek support from relatives, potentially integrating this into a broader tax-efficient succession plan [20] Students affected by this shift—namely those from middle-income families unable to bear the increased fees—may experience educational disruption or reduced access to perceived quality advantages. This creates a potential equity issue, as the financial strain disproportionately impacts the middle class, who may not qualify for targeted public support. Consequently, rather than promoting upward mobility, the VAT increase may contribute to downward socio-economic mobility among middle-income groups, thereby undermining the policy's intended redistributive objectives [21] Additionally, more private school students move to state schools, which could also place pressure on their already limited resources (increasing the class size, etc). Even though this will cause a negative impact for some students, it is important to bear in mind that it will only affect a small percentage of the students in private schools, who already only make up a small percentage of all school students in the UK. It is very likely that parents can still invest in their children's education, using the extra money saved from switching to state education, through other means, such as private tutoring.

The additional revenue from VAT levied on private schools can be incorporated into secondary redistribution policies, providing greater welfare support to low-income families or funding resources for public schools. This approach can help reduce the inequality between public and private schools in the UK. Poverty is not just individual failure, but often the result of systemic inequality, lack of opportunity, and underfunded public services [22]. Research by Corak also underscores the pressing need for equitable, effective welfare policies that promote social mobility and dignity, rather than stigmatizing the poor [23]. So, the UK government's plan to impose VAT on school fees will be likely to have an effect on socio-economic mobility in the long term. Hence, an improved welfare system can provide benefits to the low-income groups [24].

Fiscal reforms will have a positive influence on socio-economic mobility in the UK over the long term [25]. Therefore, achieving meaningful socio-economic mobility in the UK depends not on isolated reforms, but on an integrated policy framework that equalizes opportunity, removes structural barriers, and invests in human potential, ensuring that merit, not circumstance, shapes the future of every citizen [26].

Based on the present situation in the UK, the impact of the VAT increase on private school fees is unlikely to affect the socio-economic mobility of either high-income or low-income groups. Specifically, high-income families possess sufficient financial resources to absorb the additional cost without altering their educational choices. Conversely, low-income households were already excluded from access to private education due to financial constraints, and the VAT increase does not significantly alter their situation [27]. As a result, the policy's effects are most pronounced among middle-income families, who face new barriers to accessing private education, potentially limiting their upward mobility. However, this only accounts for a small percentage of middle-income families (0.3%). The increased educational quality in state schools would result in upward mobility (30-40%), outweighing the downward mobility experienced by middle-income households.

Additionally, another trade-off theory [28][29] can explain that planning between state and private education involves balancing cost, quality, equity, and freedom of choice, both for individuals and society. For example, educational equality vs. Parental Choice, which promotes equal opportunity through strong state schools, enhances social mobility. However, private schools gives families the freedom to choose "better" education, reinforcing class divides [30]. Most middle-class families will be influenced by the trade-off value [31]

Families would choose private schools when their present value of future advantages of private education (higher earnings, better opportunities, elite networks) outweighs the additional costs, including the present cost of private education (tuition fees, uniforms, etc.), which suggests that the benefit to private schools is higher than their costs. This scenario would demonstrate the positive value of private schools, incentivizing parents to invest in them. Here, the application of VAT would not increase the present value of private education, but would significantly increase its costs.

In contrast, some could say that improving socio-economic mobility is not only based on additional VAT from school fees. The effectiveness of redistributive policies depends on how they are implemented in tax sources and rules. A key issue lies in how individuals perceive changes in their 'earned' versus 'unearned' income. According to traditional economic theory, redistribution can create disincentives on both ends of the income spectrum.

Rethinking redistributive policies—particularly in areas like educational equality—requires a careful balance. Policies must promote fairness and social mobility while preserving incentives for effort and self-improvement, supporting social cohesion, and reducing class-based inequality [32]. Another study also showed that political variables would have a more substantial influence on policy outcomes than socioeconomic variables [33]. Hence, how the additional tax revenue is managed will be a critical factor influencing socio-economic mobility in the UK. Redistributive policies that involve applying VAT to private school fees aim to generate extra public revenue. The government has stated that they will reallocate 100% of the revenue from the VAT to state schools. Therefore, the intended goal is to reallocate these funds toward state education, specifically targeting support for low-income families and reducing educational inequality.

British private schools have traditionally operated within an elite education framework, with admissions often based on selective criteria. The government's newly proposed increase in VAT on private school fees may lead to the withdrawal of high-achieving students from middle-income families who can no longer afford the rising costs. To compensate for this potential decline in domestic enrollment, private schools may increasingly recruit students from overseas [34]. While this may help maintain financial stability, it could undermine the development of a domestically cultivated elite, potentially weakening long-term social cohesion and national talent retention. This would lead to downward socio-economic mobility for the elite in the UK, consequently reducing inequality [35]. Nevertheless, these effects are very small, and the overall benefits to the socio-economic mobility from VAT would outweigh such minor disadvantages.

3. Philosophical inquiry into the VAT on school fees

These analytical procedures and the results obtained from them are described in the next chapter.

7% of families can afford to send their children to private school in the UK [7]. But these pupils are disproportionately represented at top universities and in high-income professions. The private school has taken advantage of its charitable status (no VAT, tax breaks) for hundreds of years [8]. Which Rawls might see as an unjustified privilege for already advantaged families? A recently published article by Macey-Dare et al. (2024) argues that adding VAT to private school fees increases the cost for wealthy families, and the revenue raised by the UK government can be redistributed to state schools, where 93% of children have an equal chance to receive an education. This benefits the least advantaged students [10]. The UK government's VAT policy for public education helps level the playing field, reducing the unfair advantage private school pupils currently enjoy. The findings of this study suggest

that the VAT policy makes inequality more justifiable because it benefits those at the bottom of the socio-economic ladder.

Meanwhile, with stronger state schools funded partly by VAT revenue, children from less privileged backgrounds gain better chances of academic success and career advancement. This reduces the intergenerational cycle of privilege linked to private schooling, creating more upward mobility. The VAT policy can promote socio-economic mobility. Adding VAT to private school fees in the UK is a fair intervention because it redistributes advantages from the wealthy to the less advantaged, promotes equal opportunity, and enhances socio-economic mobility — exactly what justice as fairness demands. Justice and utilitarianism may be defined as the branch of philosophy concerned with measuring, promoting welfare, and evaluating the consequences of social problems. Justice as Fairness and Utilitarianism into adding VAT on private school fees highlights the tension between equity and efficiency, situating the policy within broader debates on fairness, opportunity, and collective well-being[36][6]. As discussed above, it is a positive Impact of adding VAT on UK private School Fees in the UK society.

Conclusion

Thus far, the thesis has argued that the Impact of adding VAT on UK private School Fee from economic and philosophical insight: the imposition of VAT on private school fees represents a redistributive policy aimed at enhancing socio-economic mobility by reallocating resources through government intervention. According to trade-off theory, this policy requires families to reconsider educational costs, which may shape long-term outcomes. From a Rawlsian perspective, it is justified under the principles of justice as fairness[3], as it reduces structural inequalities and expands opportunities for the least advantaged by strengthening state education. From a utilitarian standpoint, the policy also supports a more socially efficient distribution of resources, seeking to maximize overall welfare through improved outcomes for the majority[1]. Nevertheless, adding VAT may harm middle-income families in the short term by limiting their access to private education. Ultimately, while the policy holds significant potential for promoting fairness and collective benefits, upward socio-economic mobility remains a gradual and multifaceted process shaped by the interaction of equity, efficiency, and wider social factors.

References

- [1] Hare, R. M. (2014). Ethical theory and utilitarianism. In *Contemporary British Philosophy* (pp. 113-131). Routledge.
- [2] Blackorby, C., Bossert, W., & Donaldson, D. (2002). Utilitarianism and the theory of justice. *Handbook of social choice and welfare*, 1, 543-596.
- [3] Rawls, J. (2017). *A theory of justice*. In *Applied ethics* (pp. 21-29). Routledge.
- [4] Follesdal, A. (2014). John Rawls' theory of justice as fairness. In *Philosophy of justice* (pp. 311-328). Dordrecht: Springer Netherlands.
- [5] Gališanka, A. (2019). *John Rawls: The path to a theory of justice*. Harvard University Press.
- [6] Blackorby, C., Bossert, W., & Donaldson, D. (2002). Utilitarianism and the theory of justice. *Handbook of social choice and welfare*, 1, 543-596.
- [7] Henseke, G., Anders, J., Green, F., & Henderson, M. (2021). Income, housing wealth, and private school access in Britain. *Education economics*, 29(3), 252-268.
- [8] Wilde, R. J., Green, F., Taylor-Gooby, P., & Wiborg, S. (2016). Private schools and the provision of 'public benefit'. *Journal of Social Policy*, 45(2), 305-323. Taxkriya, (2025). File Vat Application In UK. <https://taxkriya.com/services/uk/vatapplication>

- [9] Feinstein, L., Duckworth, K., & Sabates, R. (2008). *Education and the family: Passing success across the generations*. Routledge.
- [10] Macey-Dare, R. (2024). *Ramsey, Ramsay, Schelling and Starmer+ VAT and the Optimal Provision, Taxation, Subsidization and Suppression of UK Private and State School Education*.
- [11] Narayan, A., Van der Weide, R., Cojocaru, A., Lakner, C., Redaelli, S., Mahler, D. G., ... & Thewissen, S. (2018). *Fair progress?: Economic mobility across generations around the world*. World Bank Publications.
- [12] Crossley, T., Phillips, D., & Wakefield, M. (2009). *Value Added Tax in IFS Green Budget 2009*. London, The Institute for Fiscal Studies.
- [13] Anderson, J. E., & Wright, J. D. (2015). International encyclopedia of the social & behavioral sciences. In *International Encyclopedia of the Social and Behavioral Sciences* (pp. 769-778). Elsevier.
- [14] Policy Center. (2020). *How do taxes affect the economy in the short run?* In *The Tax Policy Briefing Book*. Retrieved July 1, 2025, from <https://www.taxpolicycenter.org/briefing-book/how-do-taxes-affect-economy-short-run>.
- [15] Sibieta, L. (2023). *Tax, private school fees and state school spending* (No. R263). IFS Report.
- [16] Boden, R., KENWAY, J., & James, M. (2022). *Private Schools and Tax Advantage in England—the longue durée*.
- [17] Brian, K. (2015). *OECD insights income inequality the gap between rich and poor: The gap between rich and poor*. oecd Publishing.
- [18] Poverty, C. (2014). *State of the nation 2014: Social mobility and child poverty in Great Britain*.
- [19] Prasad, M., & Deng, Y. (2009). *Taxation and the Worlds of Welfare*. *Socio-economic review*, 7(3), 431-457.
- [20] Franks accounts.(2025). *Understanding the Impact of VAT on Private School Fees in the UK*, [franksaccountants.co.uk, https://www.franksaccountants.co.uk/school-fees-vat/](https://www.franksaccountants.co.uk/school-fees-vat/)
- [21] Grimshaw, D., & Rafferty, A. (2016). *How have middle-income households fared in unequal Britain? A focus on work and employment trends*. In *Europe's Disappearing Middle Class?* (pp. 586-632). Edward Elgar Publishing.
- [22] McDougall, J. (2016). *7 (Negatively) Benefits Street*. *Popular Culture and the Austerity Myth: Hard Times Today*, 102.
- [23] Corak, M. (2006). *Do poor children become poor adults? Lessons from a cross-country comparison of generational earnings mobility*. In *Dynamics of inequality and poverty* (pp. 143-188). Emerald Group Publishing Limited.
- [24] Guentner, S., Lukes, S., Stanton, R., Vollmer, B. A., & Wilding, J. (2016). *Bordering practices in the UK welfare system*. *Critical Social Policy*, 36(3), 391-411.
- [25] Nunn, A., Johnson, S., Monro, S., Bickerstaffe, T., & Kelsey, S. (2007). *Factors influencing social mobility*.
- [26] Nunn, A., 2012. *The political economy of competitiveness and social mobility*. *British Politics*, 7(2), pp.86-110.
- [27] Heckman, J. J., & Mosso, S. (2014). *The economics of human development and social mobility*. *Annu. Rev. Econ.*, 6(1), 689-733.
- [28] Ju, N., Parrino, R., Poteshman, A. M., & Weisbach, M. S. (2005). *Horses and rabbits? Trade-off theory and optimal capital structure*. *Journal of Financial and Quantitative analysis*, 40(2), 259-281.
- [29] Chen, Y., & Sönmez, T. (2006). *School choice: an experimental study*. *Journal of Economic theory*, 127(1), 202-231.
- [30] Ball, S. J. (1993). *Education markets, choice and social class: The market as a class strategy in the UK and the USA*. *British journal of sociology of education*, 14(1), 3-19.
- [31] Wilson, J. R. (2009). *Higher education and economic development: do we face an intertemporal trade-off?*. In *Knowledge in the Development of Economies*. Edward Elgar Publishing.

- [32] Conte, R. (2020). 2020 first prize essay - Economics. John Locke Institute. <https://www.johnlockeinstitute.com/2020-first-prize-economics>.
- [33] B. R., & Winters, R. F. (1970). The politics of redistribution. *American Political Science Review*, 64(2), 508-522.
- [34] Högberg, B. (2023). Is there a trade-off between achievement and wellbeing in education systems? New cross-country evidence. *Child Indicators Research*, 16(5), 2165-2186.
- [35] Shearing, H., & Clarke, R. (2025). Why was VAT added to private school fees? BBC News. <https://www.bbc.co.uk/news/articles/c033dp0z1edo>
- [36][32] Bradley, S., & Taylor, J. (2002). The Effect of the Quasi-market on the Efficiency-equity Trade-off in the Secondary School Sector. *Bulletin of economic research*, 54(3), 295-314.