

International student levy briefing

Summary of UUK position

Universities UK supports the reintroduction of targeted means-tested maintenance grants, however taxing international student fees is not the right way to fund this. The tax risks severe unintended consequences, including undermining their world-leading R&D activities, their significant local footprint, and the wider ambition of the sector set outlined in the post-16 Skills White Paper.

The reintroduction of maintenance grants is a policy too important to get wrong. The Autumn Budget is expected to confirm the international student tax rate and the parameters of maintenance grants. **We urge government not to score this in the Autumn Budget – they should take the necessary time to fully consider the implications of introducing a levy, and for the reasons outlined in this briefing, evaluate whether it is the most effective means of funding the grants.**

Price sensitivity of international student fees

Counter to the government's assumption in the Immigration White Paper, our evidence strongly suggests that **universities will not be able to pass on the costs of a tax to international students**. Overseas education demonstrates very high sensitivity to tuition fee levels (see appendix one) and the latest survey data from IDP's Emerging Futures 8 report (not yet published) shows affordability is now the single biggest barrier to studying in the UK. Moreover, UUK analysis indicates that UK universities are already reaching a price ceiling: between 2019/20 and 2023/24, two-thirds of universities saw postgraduate taught fee income grow by less than inflation.

UUK has significant concern that robust analysis has not been conducted on how destabilising an international student levy could be, with DfE research into international fee elasticity only just having been commissioned. This is worrying given our analysis shows that universities will be forced to either absorb the cost of the tax or put up fees and work with a far smaller recruitment pool, with both scenarios having a significant impact on their finances.

Impact on universities' activities

The removal of 6% of international student fee income, or the equivalent of over £600 million per year from the English higher education sector will have severe consequences for the finances of universities and their activities such as R&D, teaching domestic students and widening participation.

The tax is being proposed at a time when the higher education sector is already facing **strong financial headwinds with universities forced to grapple with real-terms reductions in the teaching unit of resource and a decline in cost-recovery for research**. The increased income as

a result of the domestic undergraduate tuition fee uplift announced in the Post-16 Skills White Paper will be more than consumed by the proposed tax.

Impact on the delivery of key priorities

Constrained resources, exacerbated by the introduction of this tax, limits the ability for universities to maintain their core functions as well as deliver on the ambitions set out in the post-16 Skills White Paper. Now more than ever, the UK needs its universities to thrive- this tax threatens that future which we all stand to lose from.

It will lead to a reduction in investment in research and innovation:

- Last year the university sector itself spent £5.4 billion more than it received in funding for research – money which comes largely from the income they receive from international students. To evidence this jeopardy, 19% of universities in UUK’s membership have cut back on academic R&D, with a further 79% saying that they may consider this in the next three years.
- The consequence of imposing this tax and thereby reducing the cross-subsidy in research, is a narrowing of the landscape: fewer projects, and directly reduced capacity in areas like health, humanities, and fundamental science, and a slower pace of innovation overall. [Public First](#) has estimated that if the reduction in revenue caused by the tax was paid for from the research budget, the amount of funding available for research and innovation could shrink by 1.5% **This tax will therefore hurt economic growth at a time when it is desperately needed.**

It will make it more difficult for universities to sustain high-cost courses critical to growth:

- [UUK’s analysis](#) indicates that universities are already struggling to provide sufficient places to meet student demand on many high-cost courses such as medicine and chemistry due to funding challenges. Shortfalls are particularly high for some subjects, such as £14,800 for clinical medicine, £7,700 for physics, and £6,500 for general engineering. The proportion of all university places allocated to high-cost courses fell from 52% in 2015/16 to 47% in 2023/24, while applications to high-cost courses grew by 14% between 2019 and 2024.
- These challenges, exacerbated by a tax on international student fee income, risk creating subject ‘cold spots’ and may undermine the UK’s skills pipeline including the Industrial Strategy.

It will lead to further job losses and local impact:

- The university sector plays an important role in local employment and economies. Estimates suggest that there has been a loss of 15,000 jobs in the last year which is a figure likely to grow as universities try to balance their budgets. [Public First modelling](#) indicates that if the international student tax is introduced, the ten most affected constituencies would lose almost £40m each annually in GVA contraction.

It will impact the wider opportunity mission:

- The financial consequences of this tax will restrict the level of ambition that universities can pursue in expanding access and supporting students. The introduction of maintenance grants funded by a tax on international student fee income therefore represents a case of *'one step forward, two steps back.'*
- UUK's survey of institutions shows that, while universities have sought to protect students, up to 77% could be forced to make cuts to student support services over the next three academic years due to financial pressures, while up to 60% could be compelled to reduce student bursaries under worsening financial conditions.

Next steps:

The reintroduction of maintenance grants is a policy too important to get wrong. Given the potential unintended consequences, Universities UK, and our members, see taxing international student fees as the wrong way to go about delivering this.

Universities UK is actively exploring alternative proposals that match the Secretary of State's ambition for maintenance grants while ensuring the policy does not undermine the sector's finances and its ability to deliver on opportunity and other key priorities.

We urge government not to score this in the Autumn Budget – they should take the necessary time to fully consider the implications of introducing a levy, and for the reasons outlined in this briefing, evaluate whether it is the most effective means of funding the grants. We would really value any efforts you could make to seek meetings or write letters to the Minister for Skills and Parliamentary Private Secretaries, as well as contacts at No.10, the Department for Business and Trade (DBT) and the Department for Science, Innovation and Technology (DSIT) to discuss this matter further.

Key questions you may wish to raise:

- What assessments have been made of the price elasticity of international student fees and the ability of universities to absorb the cost of the tax?
- What assessment has been made of the impact to the finances of universities as a result of the imposition of this tax?
- When is the tax on international student fee income and the introduction of maintenance grant expected to come into effect?
- What level will the tax on international student fee income be set?
- What mechanism will be used to collect the tax on international student fee income?

Appendix one – Studyportals data:

