

# INDEPENDENT HIGHER EDUCATION

IHE response to the DfE consultation on the  
technical detail of the International Student Levy

February 2026

## Introduction

IHE welcomes the opportunity to respond to the consultation, and we recognise the government's intention to ensure that the economic benefits of international education are shared across the system. However, we have significant concerns about the design, scope and potential consequences of the levy as proposed. In our response, we highlight several areas within the consultation that are inconsistent with the stated policy intent.

A central theme in our response is the lack of clarity around which providers and students fall within scope. The proposals risk capturing those who fall outside of the stated definition of international students, creating unintended financial and operational consequences for providers. The consultation relies heavily on 'non-home fee status' as a proxy for international student status, despite this being an unreliable indicator of immigration status or international mobility. As a result, students who are not sponsored under the Student route - including UK nationals who do not meet residency requirements, online learners based overseas, and short-course or exchange students who do not 'come to the UK to study' - may be incorrectly included.

We also highlights concern about the proposed headcount-based calculation method, which may lead to double counting and distortions for providers with non-standard academic years or rolling enrolment models. The threshold of 220 students is similarly unlikely to protect small specialist providers whose international recruitment is essential to their sustainability.

IHE submits that the design of the levy, as currently proposed, risks weakening one of the UK's strongest global sectors, creating behavioural distortions within provision, and placing indirect pressure on the affordability of domestic provision. Reconsideration of scope, methodology and threshold design is therefore essential. Without these adjustments, the levy risks generating

unintended consequences for students, providers, and the wider higher education ecosystem. This also represents a significant threat to the UK's competitiveness as framing the levy as a charge on international students risks undermining the country's reputation as an open and welcoming study destination.

We urge the government to consider:

- whether the projected revenue gain outweighs potential reductions in recruitment and associated export earnings;
- whether the levy aligns with the International Education Strategy's growth ambitions;
- whether alternative mechanisms (for example, a proportionate percentage-based model or time-limited measure) would better balance fiscal objectives with sector sustainability.

## **Question 5**

***Are there any circumstances not specifically mentioned in the technical consultation document, for which it is unclear whether a provider is or is not in scope?***

Yes.

There are several circumstances where the consultation does not provide sufficient clarity regarding scope.

### **Providers on the OfS Register without a Student Sponsor Licence**

The stated policy objective is to place a levy on international students coming to the UK. However, the proposed mechanism appears to capture all students who do not have home fee status, rather than only those sponsored under the Student route.

Providers on the OfS Register that do not hold a Student Sponsor Licence are not permitted to sponsor international students under the Student route and therefore cannot bring international students to the UK for study. However, such providers may enrol students who do not qualify for home fee status. These students are not visa-sponsored international entrants; they may include, for example, UK nationals who are ineligible for home fee status due to residency requirements or course eligibility.

If the levy is calculated by reference to 'non-home fee status' rather than visa sponsorship under the Student route, providers without a Student Sponsor Licence would be captured despite not sponsoring international students into the UK. This would be inconsistent with the stated policy intent. Clarification is required as to whether scope is determined by:

- holding a Student Sponsor Licence;
- sponsoring students under the Student route; or
- enrolment of students without home fee status.

## **Providers delivering wholly online or predominantly blended provision**

The consultation does not clarify whether providers delivering wholly online or predominantly remote provision are in scope.

Students studying online courses delivered from the UK are not eligible for a Student visa and, where they enter the UK temporarily, do so under a Visitor route. These students are recorded in HESA data where they are registered to a UK provider and may not have home fee status. However, they are not “coming to the UK to study” under the Student route and do not engage in the immigration system in the way envisaged in the Immigration White Paper.

If the levy is intended to apply to students sponsored under the Student route, providers whose provision does not qualify for Student visa sponsorship should not fall within scope. Explicit confirmation is required as to whether:

- online-only provision is excluded;
- students studying remotely from overseas are excluded; and
- short-term visitors undertaking elements of blended programmes are included or excluded.

## **Providers operating through group or multi-entity structures**

A number of IHE Members operate through group structures in which a single legal entity is registered with the OfS, while delivery is undertaken through multiple branded institutions or operational entities. This structure often reflects OfS governance requirements rather than operational or budgeting practice.

The consultation refers to a numerical threshold (e.g. 220 international students), but does not specify whether this threshold is assessed:

- at the level of the registered legal entity;
- at the level of each operational provider; or
- on a consolidated group basis.

This creates material uncertainty. Individual delivery entities may enrol fewer than the proposed threshold number of international students, while the registered entity, when aggregated, exceeds it. It is unclear whether such providers would be treated as a single provider or disaggregated for levy purposes. Clear guidance is required on the unit of assessment for threshold calculations and liability, particularly where governance registration structures do not align with operational delivery models.

## **Question 6**

***Do you foresee any challenges with the definition of international students included in the technical consultation document?***

Yes.

The proposed definition of international students as *“those higher education students who do not qualify for home fee status”* is materially overinclusive and does not align with the stated policy intent, which is to levy students who come to the UK under the Student route and generate economic benefit through in-country study.

Using fee status as a proxy for immigration status creates significant definitional and data integrity challenges.

### **Students studying under visitor routes or on short programmes**

Visa status is not a core field within the HESA Student record. As a result, it is not possible to distinguish, within the population coded as not eligible for home fees, between:

- students sponsored under the Student route; and
- students studying under Visitor or Short-term Study routes.

Many students undertaking credit-bearing programmes of less than six months are not eligible for sponsorship under the Student route. These students:

- may be coded as not eligible for home fees;
- enter the UK under visitor arrangements;
- have no access to the work rights, graduate route, or other immigration-related benefits associated with Student visas; and
- exhibit economic patterns closer to short-term visitors than full-course international students.

They do not fall within the stated policy objective of sharing the economic benefit generated by long-term international students studying in the UK.

We strongly recommend excluding students with a total study period of less than six months in an academic year from the levy calculation. This would better align the definition with Student route eligibility and remove short-course credit-bearing students who are not part of the intended policy population.

### **UK citizens who do not meet residence requirements for home fees**

UK nationals who do not satisfy the three-year ordinary residence requirement for home fee status are typically recorded as not eligible for home fees.

These students are:

- British citizens;
- not sponsored under the Student route; and
- not *“overseas students who want to come to the UK”* within the meaning articulated in the consultation and Immigration White Paper.

Including them in the levy base would be inconsistent with the stated policy intent and would create a perverse outcome whereby providers are charged in respect of UK citizens.

### **Students coded as FEEELIG=02 due to course ineligibility**

In the HESA Student record, FEEELIG=02 is used to denote students not eligible for home fees. However, this code may also be applied in circumstances where a course itself is not eligible for student support funding. For example, some providers deliver Level 4 qualifications regulated under the Regulated Qualifications Framework (RQF) but not aligned to the Framework for Higher Education Qualifications (FHEQ). Where such courses are not eligible for student support funding, HESA guidance has required providers to return all students as FEEELIG=02, regardless of nationality.

This means UK-domiciled students on certain courses are indistinguishable in the data from international students. Using fee eligibility coding as the sole determinant of levy liability would therefore capture domestic students incorrectly.

This demonstrates that FEEELIG status is not a reliable proxy for immigration status or international mobility.

### **Online students studying outside the UK**

The consultation and Immigration White Paper clearly reference students who “*come to the UK*” and the export earnings generated through tuition fees and in-country living expenditure.

Students studying wholly online from outside the UK:

- do not enter the UK;
- do not generate living expenditure exports; and
- are not sponsored under the Student route.

While such students may be coded as not eligible for home fees in HESA data, they do not fall within the economic or immigration rationale articulated for the levy. They should be explicitly excluded from scope.

### **Study abroad and reciprocal exchange students**

Many study abroad students:

- attend for less than one academic year;
- participate under reciprocal exchange agreements;
- pay no tuition fee to the host institution (e.g. under Erasmus-style or bilateral agreements); and
- are not enrolled on a full programme leading to a UK qualification.

These arrangements directly benefit UK students, including disadvantaged students, by facilitating outward mobility and partnership exchange. Including inbound exchange students within the levy would undermine reciprocal arrangements and conflict with broader internationalisation objectives. They should be excluded from scope.

### **Students without a conventional academic year (YEARPRG=99 and related issues)**

The consultation appears to rely on the concept of an academic year in determining levy liability. However, there are several categories of students for whom this does not align cleanly with HESA reporting structures:

- Students returned with YEARPRG=99  
Certain programmes do not meet the standard academic year definitions. Some IHE Members deliver programmes with non-standard calendars or modular rolling starts, resulting in students being returned with YEARPRG=99. A definition based purely on academic year risks inconsistent or duplicated counting.
- 15-month programmes  
Students completing a single programme over approximately 15 months may span two reporting years but pay a single tuition fee covering the full programme. It would not be proportionate or consistent with policy intent to levy twice in respect of a single course of study.
- Module repeaters and resit students  
Students who extend their registration to repeat modules or resit assessments may be returned in subsequent reporting years but typically pay only marginal additional fees. It is unlikely to be the policy intent that providers incur a full levy charge twice for a single programme year because of reassessment activity.

### **Question 7**

***Are you aware of any additional student, course or provider types, which are not already included in the technical consultation document, that you think we should consider before the introduction of the levy?***

No.

### **Question 8**

***Do you think the proposed restrictions to the scope of the levy would have any unintended consequences on the behaviour of students or providers?***

Yes.

The proposed structure of the levy, particularly where liability appears linked to academic year counting rather than total programme enrolment, creates incentives for providers to restructure programmes in ways that may reduce educational value.

Several IHE Members deliver programmes of approximately 15–18 months' duration, for which students pay a single inclusive tuition fee. These may comprise, for example:

- a 12-month taught element; and
- an additional three-month work placement or applied professional component.

Under a model where levy liability is triggered per academic year of registration, providers may incur two levy charges in respect of a single programme attracting only one tuition fee. This would materially distort the cost base of shorter, professionally-focused programmes.

In response, providers have indicated they would need to consider:

- reducing programme duration to 12 months;
- removing integrated work placements or professional components that extend study beyond one academic year; or
- restructuring delivery to avoid crossing an academic year boundary.

This would represent a clear unintended consequence of the levy design:

- reducing access to work-based learning opportunities;
- weakening professional readiness and employability outcomes;
- disproportionately affecting students on specialist and applied programmes; and
- undermining alignment with government objectives around skills, employability, and industry engagement.

Furthermore, under consumer protection law and CMA guidance, providers cannot ordinarily offer materially different versions of the same programme to different fee-status groups without clear justification. As a result, providers would be unlikely to remove placements only for international students. Instead, they would be compelled to redesign programmes for all students, including domestic students.

The result would be a system-wide reduction in course quality or opportunity in order to mitigate levy exposure.

To avoid these distortions, levy liability should be aligned to:

- a single charge per programme of study, rather than per academic year; or
- a proportional model based on total tuition fee income for the programme.

Without such clarification, the proposed restrictions risk driving behaviour that reduces educational quality and limits student opportunity, contrary to wider higher education and skills policy objectives.

## Question 9

***Do you foresee any difficulties with the method for calculating the levy, which is outlined in the technical consultation document?***

Yes.

### Headcount versus FTE methodology

The consultation proposes calculating the levy by reference to student headcount within an academic year model. This approach creates material risk of double counting and structural distortion.

The Office for Students' teaching funding model is calculated on a Full-Time Equivalent (FTE) basis precisely to avoid these issues. An FTE-based approach:

- ensures students studying across non-standard academic calendars are proportionately counted;
- prevents double counting where study spans reporting years; and
- reflects intensity of study rather than simple registration status.

A headcount model applied within academic year boundaries will inevitably:

- count students twice where programmes span two reporting years (e.g. 15-month programmes);
- capture repeaters and reassessment students as new counts; and
- distort levy liability for providers delivering modular or rolling-start provision.

If the levy is calculated using headcount rather than FTE (or an equivalent proportional measure), it will not align with established higher education funding architecture and will produce inconsistent outcomes across provider types.

To ensure coherence with existing regulatory data systems, the levy should be calculated using an FTE-based methodology, or another proportional measure tied to substantive enrolment rather than registration status at a census point.

### Threshold allowance (220 students)

The proposed allowance of 220 international students is intended, according to the consultation, *"to account for some inevitable attrition and to protect the smallest providers."* However, this threshold is unlikely to achieve that objective in practice.

A number of specialist independent providers recruit more than 220 international students but remain small in overall scale. Many are globally recognised in niche disciplines — particularly in the creative, cultural and professional sectors — and their international reputation is intrinsically linked to international recruitment.

A threshold set at 220 students risks:

- disproportionately affecting specialist providers with concentrated international cohorts;
- discouraging international recruitment once the threshold is reached;
- distorting growth decisions; and
- undermining institutions whose global profile depends on openness to international students.

If attrition is the policy concern, it should be addressed directly through methodology (for example, excluding students who study for less than six months in an academic year), rather than through a low numerical cap that creates structural cliff-edge effects.

We therefore urge government to increase the allowance to at least 500 students. This would:

- better protect small and specialist providers;
- reduce behavioural distortion at the margin; and
- avoid penalising institutions whose scale is modest but whose international recruitment is proportionally high.

Without adjustment, the current threshold risks creating arbitrary financial discontinuities that do not reflect institutional size, turnover, or financial capacity.

## **Question 10**

***Are there any circumstances, not specifically mentioned in the technical consultation document, in which it is unclear whether a learner should or should not be counted in the calculation of the levy?***

Yes.

There are several scenarios where it is unclear whether learners would be included in levy calculations, particularly where reliance is placed on headcount and 'student instance' methodology.

### **Risk of double counting through 'instance'-based counting**

The consultation states that, in establishing the headcount for the academic year, the OfS will ensure students are not double counted where their academic year spans two reporting periods. However, it is not clear what technical method will be used to achieve this.

If the OfS relies on the standard HESA 'instance' approach, there is significant risk of double counting in the following circumstances:

- Students changing course within the same provider  
Students who change course partway through the academic year may generate two student instances. For example:

a) a student initially enrolled on an integrated MEng who elects to transfer to a BEng during the academic year; or

b) a student transferring between subjects within the same provider (even within the same top-level CAH grouping).

Depending on the timing and reporting treatment, this may result in two recorded instances within a single levy year, despite the student remaining continuously enrolled at the same provider.

- Students transferring between providers  
Where a student transfers from one provider to another within the same academic year, they may be returned in the HESA data by both providers. This creates a clear risk that the same individual is counted twice across the sector.

If headcount is used as the levy base, clear rules are required to determine whether liability sits with the originating provider, the receiving provider, or is apportioned, and how duplicate counting across providers will be technically prevented.

In the absence of such clarity, the methodology risks systemic double counting.

### **Incoming study abroad and exchange students**

The consultation does not clearly state whether incoming study abroad exchange students will be excluded.

Many incoming exchange students:

- are enrolled on credit-bearing provision;
- are returned in HESA data as active students;
- study for less than one academic year; and
- pay no tuition fees to the host institution under reciprocal agreements (including Erasmus-style or bilateral arrangements).

These arrangements are typically governed by reciprocal fee-waiver agreements. Any additional levy charge cannot be passed on to the student and may constitute a breach of existing agreements or a barrier to participation.

To prevent unintended inclusion, the OfS should explicitly exclude students coded under the relevant HESA 'incoming exchange' categories from levy calculations.

### **Students studying for 6–11 months on Student visas**

Students on courses lasting between six and 11 months (other than standalone English language provision) are required to obtain a Student visa.

These students:

- may study for a similar duration and fee level to short-term language students;
- may not complete a full 120-credit academic year; and
- may fall below the intensity typically associated with a full academic year of higher education.

If the policy intent is to exclude short-term study visa holders (as implied in earlier consultation sections), it is unclear whether students studying for less than 12 months under the Student route will be included or excluded.

Without clear duration-based rules, providers will face uncertainty in determining whether these students should be counted.

### **Intermitting students**

Students who intermit (temporarily suspend their studies), typically for health or personal reasons, are returned in HESA data during the year of interruption and again upon resumption.

In many cases:

- providers receive no additional tuition fee income during the intermission period;
- the student may already incur additional immigration-related costs if their visa is curtailed; and
- the student does not receive additional teaching provision during the break.

If headcount is taken at census points without adjustment, intermitting students may generate multiple counts across levy years for a single programme of study.

Including intermitting students during periods in which they are not actively studying and generating tuition fee income would not align with the financial rationale of the levy.

Clear guidance is required to confirm that:

- students in formal interruption status are excluded from levy calculations for the period of suspension; and
- levy liability is not triggered twice for a single programme due solely to interruption.

Without detailed technical rules governing:

- 'student instance' counting;
- cross-provider transfers;
- exchange coding;
- short-duration Student visa courses; and
- intermission periods

there is a substantial risk that learners will be double counted or included in circumstances that do not reflect substantive enrolment or fee generation.

A headcount-based model must therefore include explicit safeguards to prevent duplication and misclassification, or alternatively move to a proportional FTE or fee-income-based approach that more accurately reflects actual enrolment and financial benefit.

## Question 11

***Are there any alternative payment options, other than those outlined in the technical consultation document, which would be preferential to your organisation and that you think we should consider?***

Yes.

- **Levy invoice at end of fiscal year**

IHE Members operate different fiscal year end models, largely influenced by their own model of academic year. Issuing the levy invoice to align with the end of the fiscal year ensures that providers have collected student fees in each of their academic cohorts and are able to budget accurately for the levy invoice.

- **Payment plan model**

IHE Members, particularly the smaller providers who will be subject to the levy even after the 220 student allowance, suggest that a payment plan on a quarterly or monthly basis would ensure that the burden of the payment is spread across the year. This is particularly noted by providers with multiple cohorts of students, and with those who recruit students from countries who pay fees through their own student finance systems (for example the US or Canada). These finance systems only issue payments in specific months over the study year, similar to the UK model, which means that fees are not paid in full until near the end of the academic year of study. Payment plans would ensure that smaller providers are not burdened with a considerable levy invoice when they have not yet been paid the full fee amount.

## Question 12

***Does the timing of payment outlined in the technical consultation document coincide with any key financial processes that may impact a provider's ability to pay within the proposed timings?***

Yes.

- **January – December fiscal year**

Many IHE Members have a January-December fiscal year. Invoices received in January must then be charged to the new fiscal year, but they are for data submitted in the previous fiscal year. This creates an accounting anomaly which finance directors say will be difficult to reconcile. For those with a January-December fiscal year, January is especially burdensome

for finance teams, making it more difficult to ensure the levy invoice is correct and can be paid in a timely manner.

### **Question 13**

***Does the approach to payment outlined in the technical consultation document pose any challenges for providers with alternative academic years?***

Yes.

Providers with alternative academic years will pay the levy in January based on the entirety of the previous year's students. Fee income is collected across the year based on each cohort for study. For providers with January/February start dates, this cohort is unlikely to have enrolled and paid before the invoice is due. For many this is their largest cohort due to the way academic results are managed in the home countries of their largest group of students.

Providers with multiple academic years may also see more fluctuation across their different cohorts making the approach to payment more difficult. IHE Members with significant cohorts between January-June suggest that an approach to payment based on financial years, which OfS also records with regulatory requirements for audited accounts, would ensure that funding is available to meet the invoice.

IHE Members have also suggested payment plan models across the academic year as another way to ease the financial burden, as this would allow for payment to be distributed across the year, fitting more of those with alternative academic years.

### **Question 14**

***Are there any other comments on the design of the International Student Levy, as outlined in the technical consultation document, which you wish to raise?***

Yes.

Independent Higher Education (IHE) remains concerned about the decision to introduce a levy on international students.

#### **Impact on international competitiveness and perception**

The UK's international education offer is built not only on quality but also on global reputation. The introduction of a levy framed explicitly as a charge on international students risks undermining the perception of the UK as a welcoming destination.

International education is one of the UK's most successful export sectors and a significant contributor to soft power, global influence and diplomatic relationships. The policy rationale recognises the export value generated by international students; however, the levy represents an additional cost imposed directly on that export activity.

As a general principle, the UK does not apply export taxes because they:

- reduce international competitiveness;
- raise the price of exported services;
- distort supply decisions; and
- risk retaliatory or substitution effects in global markets.

The impact assessment acknowledges that the levy may increase costs and influence provider behaviour. In a globally competitive higher education market, even marginal cost increases can affect recruitment decisions, particularly in price-sensitive segments.

The cumulative effect of visa cost increases, compliance requirements and now a levy risks materially weakening the UK's competitive position.

### **Principle of differential treatment**

IHE Members report concern among students that the levy creates the appearance of a targeted financial charge on students who are not eligible for home fee status. While the levy is formally imposed on providers, its design and framing make clear that it is directly linked to the enrolment of specific categories of students.

This raises questions of principle and perception, particularly where the definition of international student extends beyond those entering under the Student route. The design should avoid creating the impression that particular student groups are being singled out as revenue sources.

### **Cross-subsidy and domestic fee sustainability**

For many IHE Members, particularly small and specialist providers, international student fee income plays a critical role in sustaining provision for domestic students.

In 2018, a number of independent providers adjusted their fee structures downward to align with the regulatory expectations associated with fee caps and OfS registration.

International student fee income has since enabled providers to:

- maintain domestic fee levels at or near regulated caps;
- cross-subsidise high-cost specialist provision; and
- sustain small cohort subjects that would otherwise be financially unviable.

For providers in the Approved (fee cap) category, international fee income supports financial sustainability within the constraints of capped domestic fees. For providers in the Approved category without fee caps, international recruitment enables domestic fee levels to remain affordable for the student populations they serve.

Reducing net international fee income through the levy will place upward pressure on domestic fee levels or require contraction of provision. This risks unintended consequences for domestic student access, course diversity and regional specialist provision.

## Macroeconomic and policy coherence considerations

The government's own policy documents recognise that international students generate significant export earnings through tuition fees and living expenditure. Introducing a levy on that activity reduces the net export contribution of the sector.

IHE urges government to consider:

- whether the projected revenue gain outweighs potential reductions in recruitment and associated export earnings;
- whether the levy aligns with the International Education Strategy's growth ambitions; and
- whether alternative mechanisms (for example, a proportionate percentage-based model or time-limited measure) would better balance fiscal objectives with sector sustainability.

IHE submits that the design of the levy, as currently proposed, risks weakening one of the UK's strongest global sectors, creating behavioural distortions within provision, and placing indirect pressure on domestic student affordability. Careful reconsideration of scope, methodology and threshold design is therefore essential.

## Contact IHE

- For more information, or to speak to someone about this consultation response, please email [info@ihe.ac.uk](mailto:info@ihe.ac.uk)
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