

In place of fees – The case for a business education tax

UCU's Business Education Tax (BET), first launched in 2009, is the first coherent attempt at making business pay its way for the numerous benefits it gets from UK higher education.

Access to higher education is a central driver of social and economic fairness. Making it achievable and affordable for all who would benefit is a policy challenge any civilised society must meet. Yet the direction of policy in recent decades has been to make the cost of going to university more expensive, not less. Tuition fees in England now average around £8,500 a year and the devolved governments spend millions of pound in subsidising their students while at the same time ensuring that the income of home universities is protected.

UCU proposes instead that, as has happened in Germany in 2014, tuition fees should be abolished.

A business education tax

Rather than charge students for their education, we would charge large, profitable employers who benefit from the plentiful supply of graduates through a new Business Education Tax (BET). This innovative, practical and radical approach produces more money for higher education than the current tuition fee scheme, and costs less to administer.

Best of all, it removes one of the barriers to social and economic justice that stand in the way of our country. The right to an education is something we hold in trust for the next generation. All those who have the ability to benefit from university should have the right to attend, and no one should be excluded on the grounds of cost.

Tackling under investment by Britain's largest companies

Despite benefiting from more generous business tax arrangements than other countries, UK employers spend less on employee training and development and invest less than the global average in supporting university research and development.

How big business benefits from the plentiful supply of graduates

Graduates generally enjoy higher productivity than other workers which is beneficial to the company. UCU argues that large companies benefit substantially from the plentiful supply of graduates without paying towards them. Our plans would favour tax breaks on the BET for companies who fund their employees to learn new skills, thus creating a virtuous cycle of positive practice.

UCU believes that while employers benefit enormously from the plentiful supply of graduates, recent history shows that they will not willingly contribute to the infrastructure that creates this supply.

Have taxes on big business gone up or down in recent years?

Since 1997, the main rate corporation tax in the UK has fallen from 33% to 21%, with George Osborne promising further reductions after the next election.

Which companies would pay more under the BET?

UCU proposes an increase in main rate corporation tax. This would apply only to companies with annual profits greater than £1.5m p.a. Smaller companies would be unaffected.

How much could a BET raise?

Corporation tax in our main competitor countries is much higher than in the UK. The Inland Revenue estimate that a 1p increase in corporation tax would raise £1.565bn¹ in 2016/17, approximately the cost to government of reducing headline fees from £9,000 to £6,000.

However we believe the UK could go further given tax rates elsewhere in the G7. While main rate corporation tax in the UK is 21p in the pound, in Canada it is 26.5p, in France 33.33p, Germany 29.58p, Italy 31.4p, Japan 35.64p, and the USA 40p².

Even just bringing the UK up to the lowest rate in the G7 would create billions of pounds which could and should be used to invest in the next generation's education.

Is investing in education a better bet than reducing corporation tax?

The societal benefits of education are substantial, not least around social mobility, improved health outcomes and higher levels of citizenship. However, higher levels of education have also been proven over many years to contribute positively to GDP. A 2013 study funded by the coalition government indicated "that graduate skills accumulation contributed to roughly 20% of GDP growth in the UK from 1982-2005" and that "a 1% increase in the share of the workforce with a university degree raises the level of long run productivity by 0.2-0.5%."³

By contrast a study by the Treasury, also in 2013, found that the reduction in corporation tax from 28% in 2010 to 20% in 2016 would yield an increase in GDP of 0.64% after twenty years.

BET, a summary

UCU believes that a Business Education Tax would enable the UK to:

- make access to higher education free
- reduce student debt and re-incentivise participation
- reduce the cost to taxpayers of servicing student loans
- maximise the amount available for universities to invest
- promote 'return to learning' schemes in the private sector in return for tax breaks
- guarantee the plentiful supply of graduates our economy requires
- help bridge the gap between UK investment and that of our competitors
- leave the UK with a competitive corporate tax structure and protect small businesses from a tax increase
- provide a powerful incentive for government to collect all unpaid corporation tax.

¹https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/403375/20141203_Illustrativechangebulletinupdated.pdf

² <http://www.kpmg.com/Global/en/services/Tax/tax-tools-and-resources/Pages/corporate-tax-rates-table.aspx>

³https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/229492/bis-13-858-relationship-between-graduates-and-economic-growth-across-countries.pdf