

# British Academy response to the Department for Education's technical consultation on the International Student Levy

18 February 2026

## Background

The Department for Education is consulting on the proposed levy on international student income, due to be introduced in England in August 2028.

Although many questions in this technical consultation relate specifically to the design and delivery of the levy by higher education providers, the British Academy – as the UK's national academy for humanities and social sciences – is responding on the wider systemic implications of the policy. The Academy continues to oppose the introduction of the proposed levy. Recognising that its introduction is not the focus of the consultation, we have in this submission focussed on how best to mitigate any potential negative impacts the levy may have on the UK's higher education and research system.

We recognise the Government's intention to improve support for disadvantaged students through the reintroduction of targeted, means-tested maintenance grants. However, we remain deeply concerned that the mechanism chosen will undermine the very goals it seeks to achieve.

### **1. The British Academy continues to call for the Government to withdraw the proposed International Student Levy.**

The Academy remains strongly concerned about the potential impact of the proposed levy on fee income from international students. We have repeatedly set out our objections in [our response to the Immigration White Paper](#), [submission to the Autumn Budget 2025](#) and our reaction to the [Post-16 education and skills White Paper](#).

The UK's international connectedness, including our ability to attract and retain students and future research talent, underpins our research excellence, global reputation, soft power, and economic competitiveness. We are therefore disappointed in the message this levy sends about the value placed on international students and researchers in the UK system. The Academy continues to believe that the International Student Levy is the wrong policy to be introducing, and that doing so raises serious questions about the Government's understanding of the contribution that international students bring to the UK.

Our primary concern remains the addition of significant additional financial pressure to a system already under severe strain. [Data from the Office for Students](#) (OfS) suggests that before the international student levy is taken into account, the sector will see a total net reduction in annual tuition fee income of £437.8 million in 2025/26. Without mitigating interventions, this means that 124 providers (45% of the sector) are expected to report a deficit in 2025/26. Providers continue to reduce course offerings, particularly in the SHAPE

disciplines, due to unsustainable finances. This is [creating growing subject 'cold spots' in multiple UK regions](#), areas with no undergraduate provision within a commutable distance, disadvantaging students and regions.

According to the [government's own Impact Analysis](#), the projected cost of the levy to universities given current recruitment forecasts is at least £300 million annually. This means, at a minimum, a loss of £0.9 billion in income by 2030/31. This reduction in income will significantly diminish cross-subsidy for domestic teaching and research. It is the Academy's view that loss of this cross-subsidy due to the levy will have severe short-term financial implications for the sector. We also do not believe that these losses will be offset in the long term by the proposed reinvestment of the levy's proceeds, combined with reforms to research funding and inflationary uplifts to domestic tuition fees, for the following reasons:

- **Cost of maintenance support.** The proposed levy on international student income is intended to fund the reintroduction of targeted, means-tested maintenance grants. While the total cost of new maintenance grants remains unclear (pending decisions regarding student and subject eligibility), it is likely to consume a substantial proportion of levy revenue. If the targeted courses achieve their aim of attracting more students, the associated costs of maintenance support will likely increase year-on-year, leaving little income remaining for reinvestment elsewhere.
- **Lack of clarity on reinvestment.** The consultation document suggests any remaining funds not disbursed as enhanced maintenance support will be reinvested into 'progression through the post-16 system [and] wider skills'. It is not clear how this reinvestment will directly address subject closures or growing regional cold spots, both of which are expected to escalate as a result of a reduction in cross-subsidy. Any reinvestment should be targeted at sustaining subject provision to ensure students retain a choice of education and protect the future economic, cultural and skills needs of the UK.
- **Uncertain research funding reforms.** The current proposals imagine that unspecified reforms to research funding will help to offset the loss of cross-subsidy. It is unlikely that even radical reforms intended to increase cost recovery of research would deliver sufficient meaningful increases quickly enough to offset loss of cross subsidy and subsequent impact on staff and students.
- **Limited impact of inflationary uplifts.** Even after recent adjustments which come into effect in 2026/27, the value of domestic tuition fees remains a third below 2016 levels in real terms. Providers will continue to make losses on domestic undergraduate teaching, though this loss will not be equally felt; some parts of the sector – particularly lower tariff providers more likely to serve disadvantaged students – will be worse affected as competition for students increases.
- **Demographic pressures.** The decline in 18-year-olds after 2030/31 will further reduce domestic tuition fee income, even if the participation rate remains stable or increases. If institutions are unable to fill this shortfall with international students (see below), tuition fee income will not be sufficient to ensure financial sustainability.
- **Impact on international student recruitment.** As the Impact Analysis notes, future international student in-flow is inherently uncertain. Modelling from [Public First](#) and [London Economics](#) indicates large potential falls in international enrolments if fee increases are passed on to students, with forecasts of over 77,000 fewer students within five years. This would result in a sector-wide loss of £2.2 billion, before accounting for any other external factors, such as currency fluctuations or rising international competition, all of which may compound loss of demand. Again, the financial impacts of this loss will vary widely by provider and region.

We remain deeply concerned that universities will be unable to absorb the cost of the levy's introduction. The loss of cross-subsidy for domestic teaching and research will harm universities' ability to deliver their core functions: it will exacerbate regional inequalities, create more SHAPE cold spots, limit universities' ability to serve local economies, and undermine contributions to research and innovation central to the Government's ambitions for economic growth, as set out in the Modern Industrial Strategy.

We therefore urge the Department for Education to address the broader financial sustainability challenges facing the sector and undertake an urgent review of higher education funding to develop a model that supports a wide breadth of subjects across all regions.

## **2. It is important to minimise negative incentives and unintended consequences in implementation.**

If the Government proceeds with the levy, it must ensure that its implementation avoids harmful incentives and disproportionate negative impact on the sector. This requires active engagement with providers and mission groups to understand how decisions around student and provider eligibility will affect the wider system.

More detailed modelling and data collection is essential. In particular, there is insufficient data to model the levy's impact on elasticity of demand for international postgraduate research students (PGRs). The [modelling from Public First](#) groups together PGT, PGR and PhD students due to data limitations. Yet these groups have different demand elasticity and price sensitivity characteristics. As such, demand is likely to vary widely by level of study.

International students are vital to the UK's research talent pipeline: 42% of all PGR students, and 38% of SHAPE PGR students, are international. The introduction of the levy must not damage recruitment to PGR routes in particular, given their direct importance for future research capacity.

## **3. Providers should not be required to pay the levy on fee-exempt international students, including inbound Erasmus+ participants.**

The technical consultation suggests the levy would apply to all international students who do not qualify for home fee status, including those who pay no or nominal fees, such as exchange students and participants in integrated work placements. This includes students coming to universities in England to participate in Erasmus+, following the UK's reassociation starting in January 2027.

The Academy believes that the levy should only apply to income-generating international students, particularly in the case of Erasmus+ participants studying at universities in England. The Academy has strongly welcomed the UK's return to Erasmus+. We believe participation [provides major benefits](#) for students, staff, higher education institutions and businesses by enhancing language skills, cultural awareness and employment opportunities as well as by supporting international partnerships and contributing to the UK economy. Applying the levy to inbound exchange students risks disincentivising providers to participate, at a huge loss to the sector. Requiring providers to pay the £925 levy for students who generate no fee income, including Erasmus exchange participants in the UK, would have a disproportionately negative financial impact and runs counter to the government's messaging that the levy is intended to ['share the benefits'](#) of the £20.65 billion generated by international students.

A levy on inbound Erasmus+ participants on exchange at English universities acts as a barrier to mobility by increasing the cost of Erasmus+ participation for providers, and by creating specific maintenance grants reserved for UK students yet funded by students from other EU countries. There is therefore a risk that the proposed levy will be viewed negatively by partners in the EU, casting doubt on the strength of UK's commitment to core principles of mobility and level playing-field in research and education. Given the UK has only recently associated to Erasmus+ and Horizon Europe, it is important that the UK strengthens its efforts to be a successful and trusted partner in EU research and higher education and not require providers to pay a levy for Erasmus+ participants studying at universities in England.

#### **4. Eligibility for maintenance grants must include SHAPE disciplines.**

While not directly in the scope of this technical consultation, the Academy urges the Government to reconsider restricting enhanced maintenance support to students studying only a narrow set of courses, in theory to align to government missions or the Industrial Strategy.

Restricting subject eligibility risks sending the message that disadvantaged students 'deserve' fewer choices than their wealthier peers. It also fails to address the urgent cost-of-living challenges faced by students across all disciplines.

The Government has indicated that the list of subjects eligible for maintenance grants should be 'informed by the best and most up-to-date evidence on skills needs'. We urge the Government to accept the [well-evidenced](#) broad range of skills required for labour market resilience and growth in the UK's fast-changing economy. If eligibility for enhanced maintenance support must be restricted based on course, it is essential that courses in the SHAPE disciplines are included to reflect their wide economic, social, cultural and strategic contributions to government missions and to the Modern Industrial Strategy growth sectors.

All IS8 sectors have a technological, scientific, human and social dimension. Economic growth in these sectors will rely on understanding these complex dimensions and their interactions. As [recent remarks from leaders of the world's biggest AI companies show](#), the UK economy of the future - particularly one which succeeds in harnessing AI's enormous potential - will require more graduates in the SHAPE disciplines, not fewer. Examples of direct relevance of SHAPE disciplines to IS-8 sectors include:

- **Digital and technologies:** Translating technological advances into widespread adoption and successful impact are human problems. The Government's ambition to make the UK the fastest-adopting AI country in the G7 with workforce upskilling will rely on SHAPE skills. [Recent research from NFER and Nuffield Foundation](#) has identified core Essential Employment Skills (EES) vital for AI adoption and unlocking the potential of technological workplace augmentation: communication; creative thinking; information literacy; organising, planning and prioritising; and problem solving and decision making. These skills have been identified as those developed by studying SHAPE, in [British Academy research](#).
- **Creative industries:** [A major new UKRI report](#) highlights the underrated potential of start-ups and spin-outs emerging from SHAPE disciplines housed in UK universities. This research calls for government and investors to understand and champion successful SHAPE spin-out companies vital for the success of UK creative industries, including in gaming, immersive technologies, AI media, haptics and smart fabrics.
- **Life sciences:** The effectiveness of vaccines to protect public health [requires deep cultural understanding to overcome vaccine hesitancy](#), particularly linguistic capabilities in many minority communities.

- **Defence:** [The defence sector](#) needs both IR expertise, [linguistic and cultural competency](#), and complex understandings of the roots of conflict to enable front-line readiness and resilience to future threats, especially cyber warfare and misinformation.

## **Conclusion**

The International Student Levy, as currently proposed, risks deepening sector financial instability, reducing international competitiveness, harming regional and subject provision, and weakening the UK's research and innovation base. We urge the Department for Education to reconsider the levy's design, engage closely with the sector, and pursue a sustainable long-term funding model that safeguards the full breadth of UK higher education and research.