



Education Committee

From the Chair
Helen Hayes MP

James Murray

Chief Secretary, HM Treasury
(*Sent via email*)

16 February 2026

Dear James,

VAT on Higher Education Shared Services

My Committee has been conducting an inquiry into Higher Education and Funding. As part of the inquiry, we have received evidence on the willingness of higher education providers to share more backroom services between institutions. This approach could increase efficiency and avoid duplication. The Competition and Markets Authority has stated that it likely to be permissible within competition law.

We also heard, both in written evidence and during our roundtable discussions with a wide range of university staff hosted by the University of Warwick, that the VAT levied on shared services is an obstacle to such cooperation. The Minister for Skills, Baroness Smith, understandably positioned VAT as a Treasury policy area ([Qq123-4](#)). We understand there are cost-sharing exemptions from VAT which higher education providers may or may not be able to benefit from, depending on the nature of the shared services.

As we prepare our report, we are keen to ensure we have the most accurate information to hand in developing our recommendations to the Government. Therefore, in your response can you please particularise the shared services the Government has received VAT receipts from for each of the last three financial years, and expects to receive during this financial year, specifically drawing out those relating to further and higher education.

The publicising of this information will help ensure a better-informed discussion on this important issue. I would welcome an answer by 26 February.

Yours sincerely,

A handwritten signature in blue ink, reading "Helen Hayes". The signature is written in a cursive style with a horizontal line under the name.

Helen Hayes MP
Chair, Education Committee



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Helen Hayes MP
Chair, Education Committee
House of Commons
London
SW1A 0AA

23 March 2026

Dear Helen

Thank you for your letter of 16 February to the Chief Secretary to the Treasury about the VAT treatment of shared services. I am replying as Minister responsible for the UK tax system. I am sorry for the delay in responding.

I welcome the Education Committee's interest in this area and I recognise the importance of higher education providers being able to increase their efficiency through sharing resources. The Government supports this through the VAT system. Higher education institutions that undertake activities that are 'non-business' and/or exempt from VAT (including the provision of education) may join together to form a Cost Sharing Group (CSG). A CSG is treated as a separate entity from that of its members. It can make supplies of services to its members, which will be exempt from VAT if certain conditions are met.

The Cost Sharing exemption enables the creation of the same economies of scale for smaller businesses and organisations that larger businesses and organisations benefit from. The more members of a Cost Sharing Group (CSG) there are, the greater the potential savings and lower the costs per member of operating the relevant CSG. Further details on the Cost Sharing exemption can be found here: <https://www.gov.uk/hmrc-internal-manuals/vat-cost-sharing-exemption-manual/cse1010>

You have requested information on the VAT receipts received by the Government with respect to shared services for each of the last three financial years, and the amount it expects to receive during this financial year, specifically drawing out those relating to further and higher education.

Unfortunately, it is not possible to provide a breakdown of VAT receipts specifically attributable to supplies of shared services. HMRC does not hold this information as businesses are not required to provide this level of breakdown in VAT returns. This is to avoid placing an excessive administrative burden on businesses.

I hope this response is helpful. Thank you for taking the time to make me aware of the ongoing work of the Education Committee's Enquiry into Higher Education and Funding.

Best wishes

A handwritten signature in black ink, appearing to read 'D Tomlinson', with a stylized, cursive script.

DAN TOMLINSON MP
EXCHEQUER SECRETARY TO THE TREASURY