

International Student Levy (ISL) Technical Consultation

Introduction

This response summarises feedback from London Higher members discussed at a technical consultation meeting on the Government's proposed International Student Levy (ISL). Members recognise the Government's stated intent that levy income will be reinvested into higher education and skills. However, there is concern that aspects of the proposed design and implementation could give rise to unintended consequences for providers, students and the wider higher education system.

Theme 1: Scope and Levy Calculation

Question 6: Do you foresee any challenges with the definition of international students included in the technical consultation document?

While the consultation defines international students by home-fee status and proposes excluding those on a short-term study visa, members anticipate ambiguity in several common scenarios that would benefit from explicit clarification.

First, members highlighted UK nationals who are classified as overseas fee-payers, for example British citizens who have not been ordinarily resident in the UK for the three years preceding course commencement. It is unclear whether such students are intended to fall within scope of the levy and members recommend that this be explicitly addressed to avoid inconsistent application.

Second, members noted that the term 'registered' can include students who are temporarily dormant, on interruption, or undertaking a placement or year abroad, where teaching intensity and fee liability may be substantially reduced. Clear rules are required to determine whether the levy applies where students are formally registered but not actively studying in England and/or are paying reduced fees.

Ambiguity around the definition of 'registered' students creates particular risk where students remain formally enrolled but have limited or no fee liability. For example, at one London institution, international postgraduate students who interrupt studies part-way through the academic year may pay a reduced continuation fee of approximately £1,500 to £2,000. Applying a flat levy of £925 in such circumstances could be 50% or more of the fee charged.

The consultation is also not explicit about the treatment of inbound exchange and study-abroad students participating in reciprocal mobility schemes, including Erasmus-style

arrangements. While students on short-term study visas are excluded, it remains unclear whether exchange students who are registered for credit-bearing study, pay no or minimal UK tuition fees and are not enrolled for a full UK award would fall within scope of the levy. This lack of clarity creates a risk that fee-neutral inbound exchange students could be captured by a flat per-student levy despite generating little or no associated tuition income. Members would support explicit clarification or exemption for such students to ensure consistent interpretation and to avoid unintended impacts on established exchange provision.

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?

Members expressed concern that the levy could adversely affect UK research capacity, particularly where international doctoral and research postgraduate students are central to departmental viability and long-term research pipelines, especially in high-cost disciplines. Members also cautioned that the levy risks discouraging innovative and flexible provision, including blended learning, modular or credit-rated executive education and other non-traditional delivery models. The additional per-student cost reduces economic viability and may create perverse incentives for providers to avoid experimentation or withdraw from lower-margin provision.

As an overarching consideration, the cumulative impact of higher costs associated with studying in the UK may influence international student decision-making in a highly competitive global market. Where fees or charges increase, there is a risk that some prospective applicants may choose alternative destinations. This is particularly relevant in the context of the Government's International Education Strategy, which emphasises maintaining the UK's global competitiveness and attractiveness as a study destination. Careful consideration of how the levy interacts with wider cost pressures will therefore be important in mitigating unintended impacts on recruitment.

Question 9: Do you foresee any difficulties with the method for calculating the levy, which is outlined in the technical consultation document?

Once any initial student allowance has been exceeded, a flat, headcount-based levy of £925 per student would incentivise providers to withdraw, shrink, or redesign programmes where the levy is disproportionate to fee income. This is particularly relevant for part-time international cohorts, including doctoral students, programmes with reduced-fee years such as placements or years abroad, and provision operating on non-standard academic calendars. It is suggested that an FTE-based approach would better reflect intensity of study and fee liability.

For example, at one London institution, international undergraduate fees for courses starting in 2025 are £29,990 per year, while the fee for a compulsory work placement year is reduced to £5,275, equivalent to 20% of the standard rate. Applying the full levy in a placement year would therefore absorb a materially higher proportion of fee income despite significantly reduced teaching intensity.

The same disproportionate effect arises for doctoral provision. At another London institution, international doctoral fees for 2025 entry are approximately £6,700 per annum. Applying a £925 levy would absorb around 14% of annual fee income, compared with approximately 3% for a full-time taught postgraduate student paying fees of £29,990. This disparity risks disincentivising recruitment to international research postgraduate provision, despite its central importance to sustaining UK research capacity and long-term skills pipelines.

While the consultation document indicates that students should not be counted twice, concern was expressed that providers operating non-standard academic years, including January starts or postgraduate-only provision, would benefit from greater clarity on how this will be implemented in practice, to avoid the risk of duplicate levy charges for a single student whose enrolment spans two academic years under a headcount-based approach.

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?

The scenarios outlined above collectively demonstrate circumstances where learner status, fee liability, and location of study do not align neatly with a headcount-based definition. Inbound exchange and study-abroad students, in particular, illustrate this challenge. Within this group of students currently it is assumed that exchange/study abroad students studying here for a year would be included in the levy which is not consistent with the outlined policy of visiting students not being charged. Without clearer guidance, there is a risk of inconsistent interpretation across providers, increased administrative burden, and exposure to compliance risk.

Theme 2: Payment Schedule and Cash-Flow Concerns

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?

Members proposed several alternative payment mechanisms to reduce cash-flow risk and administrative burden. Quarterly payments, as outlined in the consultation document, were recognised as helping to spread costs more evenly across the year. A number of members suggested that monthly payments could provide additional benefits for cash-flow management and budgeting, while others proposed exploring collection through an offset or deduction mechanism, for example via grant-related payments where applicable, to reduce administrative complexity.

Aligning levy collections with Student Loans Company payment cycles was also recommended, as this would better reflect how many providers receive fee income and manage working capital. Members further emphasised the importance of invoice timing that provides earlier certainty for financial planning, as set out below.

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?

The proposed approach raised significant concerns about invoicing in January for the prior academic year. This timing cuts across key financial processes and creates avoidable cash-flow and reporting pressures. The invoice would fall mid-financial year, after year-end planning assumptions have been set, and may require providers to meet a material liability in a different financial year from when the associated fee income was received. For providers with tight cash positions or pronounced seasonal cash-flow patterns, this misalignment could create acute short-term liquidity pressures.

Members also highlighted that a lagged invoicing model would rely on student data that may not be final at the point of calculation, increasing the need for later corrections and adjustments. Managing these changes would create additional administrative burden and make it harder for providers to manage levy payments consistently, so there was general consensus that invoicing later in the cycle would be more feasible.

Theme 3: Strategic Framing and Unintended Consequences

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?

Members' overarching concern is that, in practice, the levy functions as an unfunded cost on providers rather than a charge that can be reliably passed on to international students in a highly competitive global market. As a result, the levy is likely to be absorbed within institutional budgets, placing direct pressure on resources that support home students. This is expected to generate knock-on impacts on the domestic student experience, including reduced capacity to sustain bursaries, scholarships, hardship funds, and student services.

In addition, the administrative requirements associated with implementing the levy represent a further cost for providers, alongside a series of recent policy and regulatory changes affecting international education. Consideration of the cumulative and interacting effects of these changes would help support stability, predictability, and effective implementation across the sector.

More broadly, if inbound exchange and study-abroad students were unintentionally brought within scope of the levy, this could have wider implications for outward mobility opportunities for UK-domiciled students, given the reciprocal nature of most exchange arrangements. Such effects would be particularly significant in disciplines such as modern languages and area studies, where study abroad is integral to the curriculum, and would cut across wider public-policy objectives relating to global engagement, skills development, employability, and social mobility.

To mitigate such risks, targeted exemptions should be considered where the levy may undermine wider public-policy objectives. This is especially relevant at doctoral level, given the central role of international doctoral recruitment in sustaining research capacity and skills pipelines.

Clarity will be particularly important given the Government's stated intention to prioritise maintenance grants funded in part through revenue from the International Student Levy. While the reintroduction of maintenance grants for low-income students is welcomed, there is concern that this prioritisation may be defined narrowly and focused primarily on STEM disciplines. Previous subject-based approaches have tended to exclude arts-related skills.

This is of particular concern in London, where the creative industries are identified as a priority sector in both the Industrial Strategy and the London Growth Plan, and where higher education providers play a central role in sustaining the associated skills pipeline. Eligibility criteria should therefore not exclude the performing arts and the arts more broadly, in order to ensure alignment with stated growth objectives and to support equitable access for talented applicants from all backgrounds. Without such recognition, there is a risk that low-income students will be deterred from pursuing arts degrees in favour of courses attracting enhanced financial support. This could also create a

structural inequity, whereby specialist arts providers contribute to the levy while levy revenues are used to support students in other subject areas and institutions.

Greater transparency would also be helpful in relation to how levy income is allocated and the principles governing its use. Given the high concentration of international students in London, there is interest in understanding whether, and how, levy revenues will reflect regional patterns of contribution, and how this aligns with the Government's stated intention to reinvest proceeds into higher education and skills.

Finally, a phased implementation of the levy should be considered. International education operates in a highly competitive global market, and recent application and visa data suggest that demand can be volatile. Introducing the levy in phases would give providers and international markets time to adjust, reduce the risk of sudden changes in behaviour, and help ensure a more stable transition.