



International student levy technical consultation

Vanessa O'Donnell, Head of Public Affairs

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OVERVIEW

1. MillionPlus, the Association for Modern Universities, welcomes the opportunity to contribute a written representation to the technical consultation on the international student levy. Modern universities make up 52% of all UK undergraduates and 37% of all postgraduates, with over one million students studying at modern institutions across the UK. They make a huge contribution to their regional economies as anchor institutions, generating £17bn in expenditure-related gross value add as a result of their economic activity.
2. International students make an enormous contribution to the UK economy, with studies showing that the gross export value of higher education from international students is £20.1bn a year.¹ This reinforces the importance of getting the implementation of the international student levy right and underscores the need for the Government to engage with MillionPlus on our recommendations in the coming months as the finer details of this policy are finalised.

PRICE ELASTICITY OF DEMAND

3. It is worth reiterating that the international student market is highly competitive, and prospective applicants are sensitive to fluctuations in price, as they endeavour to achieve the best value for their investment in their education. Various studies have explored the potential impact of a levy, with Public First projecting that a 6.38% rise in international student fees would lead to 16,100 fewer international students in the first year of its introduction.² This research predicts that these changes to international student flows would cost the sector approximately £240m in the first year and £2.2bn across five years through lost fee income.
4. Given that price elasticity of demand is much greater than current Government modelling has so far predicted, it is clear that many universities will not simply be able to pass on the cost of the levy to their international student cohort without it leading to a reduction in the numbers of these students they can recruit. Given the extent to which international students cross subsidise domestic student provision, there is a significant risk that the levy would have a negative impact on the sustainability of subject provision for domestic students. It is possible that for universities unable to pass on the cost of the levy, the levy will reduce the net surplus on an international student below the level of a home student. This impact must be carefully considered and addressed as the approach to the international student levy is further developed.

STUDENTS AND COURSES WITHIN SCOPE OF THE LEVY

Health and social care courses

5. It is vital that any future levy is part of a coherent joined-up approach to both higher education funding and skills policy, and which recognises the important cross-subsidy role international fees play.

¹ <https://www.publicfirst.co.uk/global-talent-local-growth-the-export-and-jobs-benefit-of-international-students-in-the-uk.html>

² <https://www.publicfirst.co.uk/couting-the-cost.html>

MillionPlus is particularly concerned about the impact this could have on the provision of strategically important subjects for domestic students, including health and social care courses.

6. For example, in 2023-24 7% of students on undergraduate adult nursing courses were international students. Given the high costs associated with delivering this provision, the sizeable number of international students on these courses and the element of cross-subsidy, domestic student provision is particularly vulnerable to shifts in the flows of international student recruitment.
7. Modern universities play a crucial role in delivering the future workforce necessary to fulfil the NHS 10-year plan and in 2022-23, 76% of nursing students were at modern universities. There are concerns about the unintended consequences of the international student levy on the domestic pipeline of talent into the NHS. MillionPlus therefore urges the Government to exclude health and social care courses from the scope of the international student levy to ensure that this policy does not frustrate the Government's stated priority to tackle waiting lists and build an NHS fit for the future.

Shorter courses

8. It is important to note that a number of foreign nationals who are domiciled in the UK on skilled worker visas undertake a range of Continuing Professional Development courses at MillionPlus member institutions. These courses vary in length but are much shorter than a year of undergraduate study. Given this, the cost of undertaking these courses is lower than the international student levy.
9. In order to protect the skills pipeline and avoid disincentivising business investment in these courses, MillionPlus urges the Government to set a minimum course length of six months before the levy applies.

Double counting

10. As many MillionPlus members have multiple enrolment points throughout the academic year, the Government's commitment to ensuring double counting is avoided is welcome. The government should also ensure that students are not double counted when a leave of absence leads to their studies extending into the next academic year.

UK nationals

11. In some cases UK nationals are not eligible for home fee status and we encourage the Government to ensure these students are excluded from the scope of the levy.

PhD students

12. There are some instances where international PhD students undertake their course in their home country and we seek clarity on whether these students would be within scope of the levy. We also seek clarity on whether PhD students who are awarded studentships are within scope of the levy.

ANALYSIS OF IMPACT

13. Given the significant impact that the international student levy will have on university finances and provision for domestic students, MillionPlus urges the Government to undertake a thorough analysis of the impact of this policy after implementation. This will ensure that unintended negative consequences on course provision across the regions are fully understood. Following this analysis, the Government should consider if any further subjects should be excluded from the scope of the levy.

14. It is important to note that the additional costs associated with the levy will disproportionately impact smaller universities and we urge the Government to give further consideration to these challenges as this policy develops, including whether the 220 threshold should be increased to lessen burden on institutions which are not able to pass on the levy.

ADMIN REVIEW PROCESS

15. MillionPlus welcomes confirmation of an administrative review process, which will play a vital role in addressing concerns and inaccuracies. Further clarity is required on the areas in which institutions will be able to request a review, how the process will operate in practice and how any outstanding issues will affect the commencement of levy payments.

STUDENTS THAT LEAVE IN THE FIRST TWO WEEKS

16. MillionPlus seeks clarity on how the Government define the first two weeks of a course commencing and invite DfE to confirm if this relates to the course start date featured within HESA records. It is important to note that in light of recent visa delays, some international students have enrolled onto courses later than scheduled. Confirmation from the Government that these institutions will not be penalised if these students leave within their first fortnight is welcome

PAYMENT PROCESS

17. The timing and process surrounding the payment of the international student levy requires careful management. The government should offer the option of a 12-month payment plan to support university cashflow, particularly for those with higher cohorts of international students.