



information sheet

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Zoe Harper, ILPA Legal Officer zoe.harper@ilpa.org.uk

Immigration Law Practitioners' Association www.ilpa.org.uk 020-7251 8383 (t) 020-7251 8384 (f)

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IMMIGRATION ACT 2016: IMMIGRATION SKILLS CHARGE

The Immigration Act 2016 makes provision for an Immigration Skills Charge to be levied on employers when recruiting workers from outside the European Economic Area. This briefing explains the charge, how and when it will be applied and the reasons given for its introduction.

What is the Immigration Skills Charge?

A business or organisation may sponsor an individual from outside the European Economic Area to undertake skilled work in the UK under Tier 2 of the UK Visas and Immigration Points-Based System. It may only do this if it is licensed with the Home Office and able to demonstrate that, for the relevant post, it cannot secure a person with the necessary skills among workers from the European Economic Area (including the UK).

The Immigration Skills Charge is an additional charge that employers will be required to pay when sponsoring a skilled worker from outside the European Economic Area to work for them in the UK.

How will the Immigration Skills Charge be applied?

When an employer sponsors a worker from outside the European Economic Area under Tier 2 of the Points Based System, it issues a certificate of sponsorship to the employee and pays a fee to the Home Office. The certificate of sponsorship enables the individual to apply to the Home Office for entry to the UK to work for the employer. The Immigration Skills Charge will be an additional payment that the employer will need to make at the same time as the fee for the certificate of sponsorship.

When will the Immigration Skills Charge be introduced?

The provision in the Immigration Act 2016 allowing the Government to introduce an Immigration Skills Charge came into force on 12 July 2016. The Government has announced, however, that the Immigration Skills Charge itself will be introduced in April 2017. It will be applied to certificates of sponsorship issued by employers after that date.

How much will the Immigration Skills Charge be?

The Immigration Skills Charge will be set at £1000 per sponsored employee and will be paid up front. Therefore, an employer issuing a certificate of sponsorship for an individual to enter the UK for three years employment as a skilled worker will pay £3000 to the Home Office in addition to the fee for the certificate of sponsorship.

A reduced rate of £364 per employee per year will apply for universities, registered charities and small businesses or organisations. For the purpose of the charge, a small business or organisation is one meeting two of three requirements: having a turnover of less than £6.5million, a balance sheet of less than £3.26million and employing fewer than 50 employees. Other businesses or organisations employing fewer than 50 employees also qualify as small businesses or organisations.

The Immigration Skills Charge will not be applied to PhD level jobs or to international students who apply to vary their leave after completing their studies in the UK to undertake skilled work in the UK under the Tier 2 Points Based System. It will also not be applied to graduate trainees who come to the UK in the Intra Company Transfer Graduate Trainee category. This is the route that large international companies can use to send their graduate trainees to a branch of their company in the UK to work and train there for a short period.

Why is the Immigration Skills Charge being introduced?

The Government has stated that it wants to reduce the UK's reliance on migrant labour and invest in ensuring that its workforce has the skills to meet the needs of employers in the UK. The introduction of the Immigration Skills Charge is therefore aimed at discouraging employers from recruiting staff from outside the European Economic area and at promoting skills development within the European Economic Area (including the UK) through raising revenue to fund apprenticeships in the UK.

What are apprenticeships?

Apprenticeships are jobs offered by employers, under a Government scheme, which combine employment with study towards a recognised qualification ranging from the equivalent of 5 GCSE passes to a degree-level qualification. The Government supports these through a framework of national standards, contributions towards training costs, exemptions from employer contributions to National Insurance for certain apprentices and through grants to small employers to set up apprenticeships.

The Government will fund apprenticeships through an automatic levy on large employers with annual wage bills of over £3 million, applied through the Pay As You Earn (PAYE) scheme from April 2017. The Immigration Skills Charge is a separate means of raising revenue applied to employers when they sponsor a skilled worker from outside the European Economic Area under the Points Based Scheme. Some employers will therefore pay both levies. An employer who pays the levy does not receive the money for their own apprenticeship scheme.

Are there any concerns about the Immigration Skills Charge?

The Migration Advisory Committee, which provides independent evidence and advice to the government on labour, economic and migration issues, has supported the Immigration Skills Charge as a means of increasing the incentives for employers to invest in training domestically.

The leading business group, the London Chamber of Commerce and Industry has expressed concern that many firms will not be able to meet the additional charge and this may lead to skills gaps in the UK if businesses cannot recruit from overseas. A survey of businesses that it carried out in London has indicated that less than a quarter of businesses in London would be able to afford the charge (21%) and that only 36% business decision-makers would train or hire British workers instead of specialists from outside the Economic European Area. Many businesses said they would cut other costs in their business to pay the charge and continue to hire from overseas.