EXPLANATORY MEMORANDUM TO

THE IMMIGRATION SKILLS CHARGE (AMENDMENT) REGULATIONS 2025

2025 No. [XXXX]

1. Introduction

1.1 This Explanatory Memorandum has been prepared by the Home Office and is laid before Parliament by Command of His Majesty.

2. Declaration

2.1 Mike Tapp, Minister for Migration and Citizenship at the Home Office, confirms that this Explanatory Memorandum meets the required standard.

2.2 Claire Smith, Deputy Director for Economic Migration Unit at the Home Office, confirms that this Explanatory Memorandum meets the required standard.

3. Contact

3.1 Matthew Dine at the Home Office can be contacted by email at the following address with any queries regarding the instrument: StateofChanges@homeoffice.gov.uk.

Part One: Explanation, and context, of the Instrument

4. Overview of the Instrument

What does the legislation do?

4.1 This instrument increases the charges set out under the Immigration Skills Charge Regulations 2017 by 32%. The charges have not been increased since 2017 and so 32% is the amount it would have been had it kept in-line with inflation. It also amends the standard occupational classification (SOC) codes for exempt occupations.

Where does the legislation extend to, and apply?

4.2 The extent of this instrument is to the whole of the United Kingdom.

4.3 The territorial application of this instrument is to the whole of the United Kingdom.

5. Policy Context

What is being done and why?

5.1 The Regulations give effect to the commitment in the Immigration White Paper, "Restoring control over the immigration system", published in May 2025.[1] The Immigration Skills Charge was introduced in 2017 to encourage businesses to invest in domestic training rather than relying on recruitment of international workers. The Government is raising the level of the Immigration Skills Charge by 32% in line with inflation, in order to help deliver its objective of better linking skills and training with the Industrial Strategy and with migration policies. Money raised from the Immigration Skills Charge is transferred to the Consolidated Fund for use in funding skills training, and to the Devolved Governments. Increasing the skills of those already resident in the UK is designed to reduce the need for employers to recruit internationally. The 32% increase reflects the fact that the Immigration Skills Charge

[1] https://www.gov.uk/government/publications/restoring-control-over-the-immigration-system-white-paper

has not been increased since it was introduced in 2017 and this would bring it in line with inflation over that period. Whilst two sets of changes have been made since these regulations were introduced these were to address specific issues, namely the change of system in 2020 and the UK/EU Trade and Cooperations Agreement in 2022, neither set of changes considered the issue of cost.

5.2 It also makes a minor technical amendment to update the Standard Occupational Classification (SOC) codes for exempt occupations to reflect the move from SOC 2010 to SOC 2020, which the then Government adopted in April 2024. These are the codes used by the Office for National Statistics to provide common classification of occupational information in the UK.

What was the previous policy, how is this different?

5.3 The policy intent remains the same for the Immigration Skills Charge, which is to encourage employers to look at training resident workers, rather than recruiting them from the international market.

6. Legislative and Legal Context

How has the law changed?

6.1 These Regulations are made under section 70A of the Immigration Act 2014, which was inserted into that Act by section 85 of the Immigration Act 2016.[2] This section provides for the Secretary of State to, by regulation, impose a charge on sponsors of skilled migrant workers. They are subject to the affirmative resolution procedure. This is the third time that the Immigration Skills Charge Regulations 2017 have been amended since they were made. Previous changes were made in 2020 and 2022.

Why was this approach taken to change the law?

6.2 The proposal to increase the Immigration Skills Charge was set out in the Immigration White Paper. The Immigration Skills Charge Regulations set out the requirement for employers recruiting skilled workers to pay the Immigration Skills Charge and is therefore the most appropriate way to give effect to this policy.

7. Consultation

Summary of consultation outcome and methodology

7.1 The Government published the Immigration White Paper, Restoring control over the Immigration System on 12 May 2025, which set out this change. Prior to the publication of the White Paper, Devolved Governments were invited to submit their own proposals for inclusion to the Home Office and had the opportunity to discuss the paper. The Home Office continues to lead UK Government engagement with the Devolved Governments on the impacts of the reforms at ministerial and official level. No public consultation was deemed necessary at this time.

8. Applicable Guidance

8.1 As the guidance for the Immigration Skills Charge fees is also being updated to accommodate Immigration Rules changes laid on 14 October, we will publish updated

[2] https://www.legislation.gov.uk/ukpga/2014/22/section/70A and https://www.legislation.gov.uk/ukpga/2016/19/section/85

guidance when the Rules come into force.[3] This is to avoid producing multiple versions of guidance within a short period

Part Two: Impact and the Better Regulation Framework

9. Impact Assessment

9.1 An Impact Assessment is not required for these changes as they are considered a tax by the Office for National Statistics. Regardless, a full Impact Assessment has been published on 14 October alongside the Statement of Changes to the Immigration Rules which includes an assessment of the increase to the Immigration Skills Charge.

9.2 The Immigration Skills Charge raised £560m in Financial Year 2024/25. If the Immigration Skills Charge had been 32% higher, and assuming no behavioural change it would have raised an additional £180m for skills training. However, we do anticipate a relatively small behavioural change of less than 1% of volumes as a result of the increase and wider changes to Immigration policy which is set out in the Impact Assessment.

Impact on businesses, charities and voluntary bodies

9.3 The impact on business, charities or voluntary bodies is, as now, an additional cost for recruiting migrant workers. Employers will be required to pay the Immigration Skills Charge for skilled workers they wish to sponsor. The legislation applies to all employers that are sponsors under the Skilled Worker and Global Business Mobility Senior or Specialist Worker immigration routes, which includes small businesses. The exemption for certain sponsors using the Senior or Specialist Worker route, provided for by the Immigration Skills Charge (Amendment) Regulations 2022, as a result of the EU/ UK Trade and Cooperation Agreement, remains unchanged.

9.4 The legislation does impact small and micro businesses.

9.5 To minimise the impact of the requirements on small or micro businesses (employing up to 50 people), the approach taken is that they will pay a reduced rate of £480 per skilled worker per year, as opposed to £1,320 per worker per year for larger businesses. These charges are 32% higher than previously, as a result of the changes in this instrument. The definitions identifying small businesses are not being changed by this instrument. It would not be consistent with Government policy to exempt micro businesses as it is the intention that all employers recruiting international workers should be incentivised to consider upskilling of domestic workers instead.

9.6 The impact on the public sector is, as now, that public sector employers that sponsor skilled workers will be required to pay the charge in addition to the revenue generated for the Home Office. The cost for public sector employers is the same as those set out in paragraph 9.5.

10. Monitoring and review

What is the approach to monitoring and reviewing this legislation?

10.1 The approach to monitoring this legislation is the Home Office will keep the operation of the charge under review, with support from, amongst others, the Department for Education. Details relating to the money raised through the Immigration Skills Charge are set out annually in the Home Office Annual Report and Accounts.

[3] https://www.gov.uk/uk-visa-sponsorship-employers/immigration-skills-charge

10.2 This instrument does not include a statutory review clause because the legislation relates to tax, and so there is no obligation to include such a clause in accordance with The Minister for Migration and Citizenship has made the following statement:

"Whilst there is no requirement to include a statutory review clause, the Home Office will keep the Immigration Skills Charge under review as part of the wider review of all parts of the Immigration system".

Part Three: Statements and Matters of Particular Interest to Parliament

11. Matters of special interest to Parliament

11.1 None.

12. European Convention on Human Rights

12.1 The Minister for Migration and Citizenship has made the following statement regarding Human Rights:

"In my view the provisions of the Immigration Skills Charge (Amendment) Regulations 2025 are compatible with the Convention rights."

13. The Relevant European Union Acts

13.1 This instrument is not made under the European Union (Withdrawal) Act 2018, the European Union (Future Relationship) Act 2020 or the Retained EU Law (Revocation and Reform) Act 2023 ("relevant European Union Acts").