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Rt Hon Yvette Cooper MP
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17th January 2019

Deo Yvette

IMMIGRATION SKILLS CHARGE 2017-18

In the Explanatory Memorandum to the Immigration Skills Charge Regulations 2017, we said that Parliament would receive an assessment of income generated by the charge after the first year of operation.

Since 6 April 2017, UK employers who sponsor skilled workers from outside the European Economic Area (EEA) through the Tier 2 visa route have been required to pay the Immigration Skills Charge. The charge is currently set at £1,000 per Tier 2 worker sponsored per year and a reduced rate of £364 per Tier 2 worker per year for small or charitable sponsors. Employers pay the charge as part of the existing sponsorship process, on assigning a Certificate of Sponsorship to an individual.

There are a number of exemptions. An employer is not required to pay the charge for specified occupations skilled to PhD level, the Tier 2 (Intra-Company Transfer) Graduate Trainee category, and individuals switching from a Tier 4 student visa to a Tier 2 (General) visa. The charge is also not payable for individuals in the UK on a Tier 2 visa before 6 April 2017 and who subsequently extend their stay or change job or employer.

Information on income received from Immigration Skills Charge payments for 2017-18 is stated in the Home Office Trust Statement published on 8 January 2019, available at <https://www.gov.uk/government/publications/home-office-trust-statement-2017-to-2018>. In cash terms, between 6 April 2017 and 31 March 2018, the Home Office collected £98.8 million in ISC income. This is a net figure after £7.1 million of refunds were made over the same period.

The Home Office 2017-18 Trust Statement reported £7.5 million as deferred income, where ISC had been received but decisions had yet to be made regarding the outcome of the visa application. The charge is paid when a

certificate of sponsorship is assigned, which is valid for three months. If an individual has not made a successful visa application in that time, the sponsor is eligible for a full refund of the ISC paid. The ISC income is classed as deferred during this period.

The charge was paid on a total of 48,898 certificates of sponsorship assigned during the year. The charge was refunded in 3,715 cases as the associated visa applications were rejected, refused, or withdrawn after the certificate of sponsorship had been assigned, or because the ISC had been paid in error by the sponsor.

The Home Office transferred a total of £89.3 million to the Consolidated Fund, of which, during the year, HM Treasury provided 84.2% to the Department for Education, 8.2% to Scotland, 4.7% to Wales and 2.8% to Northern Ireland. This split is based on the population percentages underlying the Barnett formula. This amount is lower than the value of the actual ISC cash income amount stated above as the Home Office retained £2 million of ISC income in 2017-18 to fund operational and other transaction costs associated with collecting the charge and, where applicable, refunding the charge.

In summary,

2017-18	£ million
ISC collected	105.9
Less: ICS refunded	7.1
Net ISC collected	98.8
Less: ISC deferred	7.5
Less: Home Office operational and transaction costs	2.0
Total transferred to the Consolidated Fund for 2017-18	89.3

While the income raised is not additional funding for skills, the Immigration Skills Charge is helping to maintain the Department for Education's existing skills budget and existing level of investment in skills in England. This ensures that we can continue to invest in developing the skills the country needs and in addressing skills gaps in the workforce. Similarly, it is helping to maintain funding levels for each of the devolved administrations.

I am also writing to the Chair of the Education Committee. I am copying this letter to the Immigration Minister and the Chief Secretary to the Treasury. A copy of this letter will be placed in the Libraries of the House.

Yours sincerely

Best ever.
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Rt Hon Anne Milton MP
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