

KPMG

GMS Flash Alert

Immigration

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United Kingdom – Budget 2026 Announces Significant Immigration Changes

The UK government's 2026 Budget[1] introduces a series of immigration measures intended to support economic growth by improving access to global talent and increasing labour market flexibility for employers. The changes support the government's ambition to develop a pro-business migration system for highly skilled workers in Europe.

The announcements include reforms to Skilled Worker salary requirements, longer visa curtailment periods for certain highly skilled workers, an important tax clarification regarding sponsorship costs, as well as the expansion of the High Potential Individual (HPI) route and changes to the Graduate visa.

WHY THIS MATTERS

The changes are intended to support the UK's attractiveness to highly skilled international talent while providing employers with greater flexibility in certain areas of workforce planning and talent acquisition.

For employers, these changes may broaden access to highly qualified international talent without sponsorship, increase talent pipelines from eligible international universities, reduce tax uncertainty associated with sponsorship costs, and provide greater flexibility where highly skilled sponsored employees lose their employment and need time to secure new sponsorship.

At the same time, employers may need to consider the potential impact of forthcoming Skilled Worker salary threshold changes on workforce planning and future immigration budgets.

Key Highlights

Salary Threshold Reforms

The government announced that from spring 2027, occupation-specific salary thresholds will be reviewed and reduced from the median to the 25th percentile in line with recommendations made by the Migration Advisory Committee (MAC). However, the general salary threshold is expected to increase in line with 2026 wage data. Other changes include simplifying the new entrant salary discount framework and removing the salary concession currently available to PhD holders.

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While some sectors facing recruitment challenges may benefit from lower occupation-specific thresholds, sponsors may wish to avoid assuming that the measures would result in an overall reduction in sponsorship costs given anticipated increases to the general salary floor.

Extended Curtailment Period for Highly Skilled Workers

The government plans to introduce an extended visa curtailment period of up to six months for highly skilled sponsored workers following the loss of their employment or sponsorship. This would replace the current 60-day period for eligible individuals.

The change is intended to provide greater flexibility for both employers and workers by allowing more time to secure alternative sponsorship arrangements within the UK.

Immigration Skills Charge and Certificate of Sponsorship Fee Tax Clarification

The government has announced that legislation is expected to be introduced through the Finance Bill 2026-27 to confirm that Immigration Skills Charge (ISC) and Certificate of Sponsorship (CoS) fees will not be treated as taxable benefits in kind.

This clarification could address uncertainty for employers regarding the tax treatment of sponsorship-related costs and will be welcomed by organisations sponsoring overseas workers.

Graduate Visa Changes

The government has partially reversed its previously announced reduction to the Graduate route. Graduates from universities classified as “high compliance universities,” for which strong labour market outcomes can be demonstrated will remain eligible for a two-year Graduate visa.

This concession could provide additional flexibility for employers recruiting international graduates already present in the UK and could benefit universities with strong compliance records. The change may be welcomed by both universities and international students, given that the availability of a two-year post-study work visa has been an important consideration for students when choosing where to pursue their studies.

Expansion of the High Potential Individual Route

The government plans to expand the High Potential Individual (HPI) visa route by increasing the number of eligible institutions from 80 to 150 of the world's recognised universities. A proportional increase to the route's cap is also expected.

This expansion could enable a broader pool of recent graduates from internationally recognised institutions to live and work in the UK without requiring employer sponsorship, potentially increasing access to highly skilled global talent for UK employers.

KPMG LLP (U.K.) INSIGHTS

While targeted in scope, the changes announced in Budget 2026 may create new opportunities for employers to attract, recruit, and retain international talent, while providing greater clarity and flexibility in certain areas of the UK's immigration framework. Organisations may wish to consider:

- Monitoring forthcoming details of the Skilled Worker salary threshold review and preparing for potential changes from spring 2027
- Considering how the proposed six-month curtailment period could affect workforce planning

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- Updating payroll and benefits processes to reflect the clarification that ISC and CoS fees paid by employers will not be taxable benefits in kind for payments made on or after 28 October 2026
- Assessing how the revised Graduate route may support future graduate hiring programmes
- Reviewing recruitment strategies to identify opportunities arising from the expanded HPI route
- Monitoring further government announcements and implementation guidance as additional details become available

While several measures have been announced at a policy level, further details will be required regarding implementation dates, eligibility criteria, and operational guidance. Employers may wish to continue monitoring developments closely and evaluate any impact on their workforce planning and global mobility programmes.

If assignees and/or their programme managers have any questions or concerns about the scope of the update, its application and potential impacts, and appropriate next steps, they should consult with their qualified immigration professional or a member of the Immigration team with KPMG in the United Kingdom (see the Contacts section).

ENDNOTE:

1 GOV.UK, "Budget 2026 - GOV.UK."

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Contacts

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The information contained in this newsletter was submitted by the KPMG International member firm in the United Kingdom.

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