Business Immigration Update

August 2026

Business Immigration update

In our April 2026 update, we considered the Government's significant Statement of Changes to the Immigration Rules and the emerging position on earned settlement. Since then, the pace of reform has continued, albeit with fewer headline announcements than many expected.

These reforms expand compliance obligations beyond traditional employment relationships and may require organisations to revisit their workforce engagement models, contractual arrangements and onboarding procedures. A further Statement of Changes has also been published by the Government, but ongoing uncertainty around the implementation of earned settlement reforms remains.

Right to work checks

The most significant business immigration development since our last update is the expansion of the UK's right to work framework, which is due to take effect on 1 October 2026.

Historically, right to work obligations have only affected direct employment relationships. Section 48 of the Border Security, Asylum and Immigration Act 2025 will expand the definition of an "employer" for the purposes of the illegal working regime. These changes will mean the scope of the regime will be widened to encompass a broader range of working arrangements in addition to employment, such as a worker, a subcontractor or online matching service models.

The potential consequences remain significant. The draft guidance indicates that civil penalties can reach up to £60,000 per worker and may be accompanied by wider enforcement action, including sponsor licence consequences.

Employers will need to plan ahead to be able to put in place any additional checking processes from this date.

The October reforms also make changes to digital right to work checking processes. The existing Identity Document Validation Technology ("**IDVT**") framework will be replaced by a new system based on registered Right to Work Digital Verification Service Providers, alongside an expanded range of documents that can be checked digitally. The Regulations also introduce a framework for the use of facial recognition technology through registered providers as a means of verifying identity during right to work checks. Employers who rely on digital verification services may therefore wish to review their existing arrangements ahead of implementation.

A further significant change is the introduction of the "extended liability" regime. Under the new rules, an organisation that does not have the direct contractual relationship with the worker may be liable for illegal working. To obtain a statutory excuse against liability within the contractual chain, employers must comply with "prescribed requirements" in their contractual arrangements. Details of the new right to work requirements and the extended liability rules are set out in the DRAFT Employers Guide to Right to Work checks published on 16 July 2026.

Statement of Changes to Immigration Rules

The Government published a further Statement of Changes to Immigration Rules ("**HC 259**") on 9 July 2026. The majority of these changes took effect on 3 August 2026, with certain EU Settlement Scheme amendments having taken effect from 30 July 2026.

Although the July Statement does not introduce reforms on the same scale as those seen earlier this year, it continues the Government's approach of tightening and aligning immigration provisions across different routes.

For employers, some notable changes include:

— **30 July 2026**: Amendments to the EU Settlement Scheme came into force. Family members of qualifying British citizens who previously held pre-settled status can apply for settled status after their leave has been varied into another form of immigration permission, as long as they apply before that permission expires or there are reasonable grounds for any delay.

— **3 August 2026**: UK-born children to parents holding Graduate visa permission are able to apply as dependants under the Graduate route. Previously, the Rules did not contain a clear route for these children to regularise their immigration status in line with their parents.

Earned Settlement

The Government has not yet published its formal response to the earned settlement consultation. This consultation closed in February 2026 and proposed replacing the standard five-year route to Indefinite Leave to Remain ("**ILR**") with a system based on length of residence (from five to ten years), earnings, contribution and integration.

On 23 June 2026, The House of Lords Justice and Home Affairs Committee published a report criticising the Government's proposed earned settlement reforms, arguing that extending the standard route to settlement from five to ten years (and potentially longer for some migrants) would be overly restrictive and would damage integration. The Committee also warned that applying any changes retrospectively to people already on settlement routes would be unfair and could be unlawful. More broadly, it called for better migration data and the publication of a national integration strategy to ensure policy decisions are evidence-based and operationally workable. The Committee has urged the Government to reconsider key elements of its proposals and must receive a formal response within two months which we expect at the end of August 2026.

In spite of this, the Government has continued to signal its intention to proceed with earned settlement reforms. In a June 2026 interview, Immigration Minister Mike Tapp referred to implementation taking place in Autumn 2026, reinforcing earlier indications from the Home Secretary that the final policy will be enacted later this year.

Timeline

The following developments are anticipated over the remainder of 2026 and into 2027:

— **1 October 2026** – Expanded right to work regime and new digital verification framework take effect.

— **Autumn 2026** – Expected publication/implementation of earned settlement reforms.

— **Autumn 2026** – Further detail expected on transitional arrangements for existing visa holders and sponsored workers.

— **1 January 2027** – Graduate route expected to reduce from two years to eighteen months (three years for PhD graduates).

— **26 March 2027** – English language requirement for settlement expected to increase from B1 to B2.

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