

Apprenticeship Levy FAQs

Here are the key facts and details you need to know about the Apprenticeship Levy. For more details, call us on 0161 200 1673.

What is the Apprenticeship Levy?

The Apprenticeship Levy is a 'payroll tax', which is set at 0.5% of an employer's total wage bill. It is payable irrespective of whether your business currently has an apprentice or not.

Why is the levy being introduced?

The levy is being introduced to fund an increase in the number and quality of Apprenticeships. It is expected to raise £3 billion a year and fund three million Apprenticeship starts by 2020. Ultimately, the levy will provide a more sustainable funding model and will put employers more in control of the funding for Apprenticeship training.

When will the levy come into effect?

The levy will come into effect from April 2017.

Who will pay the levy?

The levy will apply to public and private sector employers across all sectors with a wage bill exceeding £3 million per year.

How much will I need to pay?

The basic levy is 0.5% of an employer's wage bill, which will be collected by HMRC via PAYE. However, you will have a levy allowance of £15,000 each tax year to offset against this. Therefore, the levy is only payable on pay bills over £3 million (because $0.5\% \times £3 \text{ million} = £15,000$). Any apprenticeship levy payment to HMRC will be an allowable deduction for Corporation Tax purposes.

EXAMPLE ONE:

Employer of 250 employees, each with a gross salary of £20,000, would pay:

Paybill: $250 \times £20,000 = £5,000,000$

Levy sum: $0.5\% \times £5,000,000 = £25,000$

Allowance: $£25,000 - £15,000 = £10,000$ annual levy payment

EXAMPLE TWO:

Employer of 100 employees, each with a gross salary of £20,000 would pay:

Paybill: $100 \times £20,000 = £2,000,000$

Levy sum: $0.5\% \times £2,000,000 = £10,000$

Allowance: $£10,000 - £15,000 = £0$ annual levy payment

Why has the levy been set at 0.5%?

According to the government, the rate was set to deliver the increase in quality that business have been asking for while ensuring it does not place an unreasonable burden on employers. This, alongside the increase in numbers required to meet the target of three million Apprenticeships by 2020, is the right amount to sustain the funding of high-quality apprenticeship training. And unlike other taxes, employers can recuperate the funds that are levied simply by investing in Apprenticeship training.

What counts as a 'wage bill'?

Your wage bill is based on the total amount of earnings subject to Class 1 secondary NICs. Earnings include any remuneration coming from employment, such as wages, bonuses, commissions, and pension contributions that you pay NICs on but not benefits in kind.

When and how will the levy be paid?

The money will be collected monthly by HMRC. Funding for Apprenticeship training in England will be available via a new Digital Apprenticeship Service (DAS) account, from where employers can then pay for training apprentices.

What can I spend the levy on?

You must spend your levy fund on Apprenticeship training and assessment provided to an apprentice on an approved Apprenticeship standard or framework. It cannot be spent on things such as internal training or apprentice wages.

How do I access my levy funds?

Levy funds will be accessed through a new digital apprenticeship service (DAS) account. All employers will need to register to create an account, and link it to their PAYE schemes. You will then be able to reclaim your contributions as digital vouchers to use to pay for training apprentices. Note: This voucher system will not apply in Scotland, Wales and Northern Ireland.

Is there any additional funding available to those paying the levy?

Employers will receive a 10% 'top-up' to their monthly levy contribution for spending on Apprenticeship training and assessment. So for every £1 that enters your digital account, you will get £1.10 to spend. Employers will also receive additional funds for training any employees aged 16-18.



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What training will be covered?

The system of Apprenticeships is changing in England. The current 'framework' system is being transformed and will be replaced by a system of 'standards', which are being developed in conjunction with employers groups known as Trailblazers. The Trailblazer programme has already published 194 standards – for more details visit <https://www.gov.uk/government/publications/apprenticeship-standards-ready-for-delivery>.

Can we create our own Apprenticeship standards?

Yes, employers can create their own standards. At least 10 different employers would need to come together to justify the development of a new standard. Many groups of employers are already doing so. The 'Institute Of Apprenticeship' is currently being established to regulate the quality of apprenticeships. This is an employer led independent body put in place to approve Apprenticeship standards and assessment plans, and maintain clear quality criteria so that only standards that are valued by employers will be approved and funded

How much does Apprenticeship training cost?

The cost varies depending on the level and standard - we can advise you further with this.

Can I use the digital vouchers to pay for Traineeships?

No, digital vouchers cannot be used to pay for Traineeships – they will only fund the direct costs of delivery and assessment of Apprenticeships.

What if my monthly wage bill varies?

There will be cases where an employer's wage bill varies throughout the tax year; however, you are liable to pay the levy each month. The total calculation is based on the employer's annual pay bill.

How will the levy work if my company is part of a group of employers or is a 'connected' company?

Companies within a group can set up one shared digital account where the levy monies will be contained and accessed (applicable to employers based in England only). Only one allowance of £15,000 will be available under group circumstances.

Scotland, Wales and Northern Ireland

The government is working with other administrations to ensure that the new system works across the UK. Money contributed by companies in Scotland, Wales or Northern Ireland will be returned to those devolved administrations as skills policy and funding is the responsibility of the respective governments.

How long will I have to claim back levy funds for Apprenticeship training?

Funds will expire 18 months after they enter your digital account if you don't spend them on Apprenticeship training they will go into a general levy pot. Further details will be confirmed in summer 2016.

Is the Apprenticeship Grant for Employers (AGE) still available?

Yes, the AGE grant has been extended until the end of the 2016/2017 academic year to provide transitional support until the levy funding system for Apprenticeships is in place.

Can you transfer or direct funds to someone else?

Some employers want to direct their funding to other employers, for instance their suppliers. This will not be possible for the first 12 months. Further details will be confirmed in summer 2016.

Is it compulsory to pay the levy?

Yes, this is a mandatory tax.

What evidence is there that a levy can work in practice?

The government is seeing the positive experience of successful developed economies that have established levies to engage employers in durable, robust workplace training and development solutions, such as France and Denmark. It is also basing the reforms on evidence of the return on investment from Apprenticeships compared to further education (£26 and £28 for every £1 of government investment in Apprenticeships at level 2 and 3 compared to £20 for every £1 investment into further education qualifications).

What do I need to do now?

Contact us! The Apprentice Academy has a dedicated team focused on helping you understand how the Apprenticeship Levy and the new standards will work in your business. We will advise you all the options available to you, whether you are expanding your existing Apprenticeship programme or introducing a new programme for the first time. Please call us on **0161 200 1673**.

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