



Apprenticeship Levy: Key Facts

When is the levy coming in?

The levy will be introduced on April 6th 2017. Legislation will be introduced in the Finance Bill 2016 and will provide for a levy to be charged on employers' paybills.

Who will pay the levy?

The levy will apply to both public and private employers across all sectors with a payroll bill in excess of £3m a year. The levy will be paid by all UK employers although how it will be spent in Wales, Scotland and Northern Ireland is not yet clear.

How will the levy be paid?

The levy will be payable through Pay As You Earn (PAYE) and will be payable alongside income tax and National Insurance. To keep the process as simple as possible "paybill" will be based on total employee earnings subject to Class 1 secondary NICs. The policy intention is that employers will calculate and pay the levy on a monthly basis. HM Revenue and Customs (HMRC) will engage with employers to discuss and assess the impact on them.

How much will the levy be?

The apprenticeship levy will be set at 0.5% of an employer's wage bill. However, each employer will receive one annual allowance of £15,000 to offset against their levy payment. There will be a connected persons rule, similar to Employment Allowance connected persons rule, so employers who operate multiple payrolls will only be able to claim one allowance.

What happens to companies that do not need to pay the levy?

The government will continue to fund Apprenticeship training. The government has not yet announced the amounts, but it is possible that for every £1 paid by the employer, it will contribute £2 through the Core Government Contribution (CGC).

How much funding will Apprenticeships receive?

Funding caps will be set which limit the amount of levy funds an employer can spend on training for an individual apprentice. The cap will vary according to the level and type of apprenticeship (for example, more expensive, higher quality training is likely to have a higher cap).

How can employers spend levy funds?

Based on current funding rules, the levy can only be used for approved apprenticeship training. (The levy cannot be used for overheads, supervision costs of apprentices' wages.)

Can employers use the levy to fund existing employees?

Yes as long as training meets an approved Apprenticeship standard or framework and the candidate meets the eligibility criteria for apprentices.

If you would like to ask any questions about the levy or would like suitable training providers recommended then we are here to help and advise you.



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How do employers get back more than they put in?

The government will apply a 10% top-up to monthly funds entering levy paying employers digital accounts, for Apprenticeship training in England, from April 2017.

What happens if employers don't spend their levy funds?

If employers do not spend their funds, they will be lost. The time limit for spending funds is due to be confirmed in June 2016.

What happens if an employer's levy funds don't cover the cost of training?

If the employer has spent all of their funding, or the cost of training is greater than the funds, the employer will likely have to contribute additional funds.

Who can provide Apprenticeship training?

Employers can only spend their levy funds on Apprenticeship training delivered by an approved provider. To deliver training themselves, the employer would need to register as an approved provider and be subject to Skills Funding Agency (SFA) quality arrangements and Ofsted inspections.

What should employers do now?

For employers who are already involved with Apprenticeships, there is little need to do anything yet other than keep an eye on upcoming updates, and start to budget for the levy and how many apprentices you would need to re coup the levy.

If you are an employer who doesn't currently take on Apprentices and you will be affected by the levy, we would advise you to look in to what Apprenticeship possibilities you could set up to make the most of your levy funds in 2017.

Example 1:

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

- Pay bill: $250 \times £20,000 = £5,000,000$
- Levy sum: $0.5\% \times £5,000,000 = £25,000$
- Allowance: $£25,000 - £15,000 = £10,000$ annual levy payment

Example 2:

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

- Pay bill: $100 \times £20,000 = £2,000,000$
- Levy sum: $0.5\% \times £2,000,000 = £10,000$
- Allowance: $£10,000 - £15,000 = £0$ annual levy payment

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