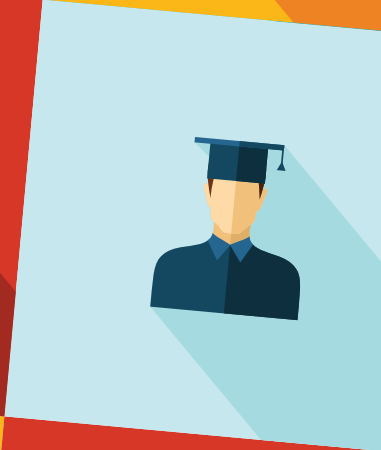


THE APPRENTICESHIP LEVY

A Guide for Employers



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**If you have any questions or queries
about The Apprenticeship Levy and how
it will affect your organisation**

Call us on 03331 123456

Introduction

In June 2015, the government announced it would create 3 million apprenticeships by 2020 to tackle the widening skills gaps in the labour market and poor employment opportunities for young people. A large proportion of the cost that will be needed to fund this will be generated by the new Apprenticeship Levy, which was announced in the Autumn 2015 Statement and Came into play on **6th April 2017**.

In a nutshell

The Apprenticeship Levy is a charge payable to the government at a fixed 0.5% of an employer's total UK wage bill. It is applicable to all employers across all sectors BUT, as each employer is given a £15,000 allowance, in effect it means **that only companies with a wage bill of over £3 million per year will have to pay**.

The levy will be paid monthly through your PAYE alongside your tax and NI. It is based on your total employee earnings and does not include other payments, such as benefits in kind.

The levy came into effect on 6th April 2017 with the first payment date included in the May 2017 pay run.

The levy will be paid in a Digital Account and can be used to pay for apprenticeship training from approved suppliers. Any unused levy will go into the national pot, where it will be distributed to smaller employers to use against apprenticeship training.

Previously, funding was offered for apprentices which employers could claim.

The Apprenticeship Levy is turning this on its head by taking the money first (by way of the levy tax) and then allowing employers to claim it back through apprenticeship training.

How much will you pay?

You can calculate the amount you will pay using this formula

$$\text{(total wage bill x 0.005) - £15,000 = Levy to pay}$$

For example: A company with 30 employees and a wage bill of £1.5 million

$$£1,500,000 \times 0.005 = £7,500$$

Deduct the £15,000 allowance

$$\text{Levy Rate to pay} = \text{£0}$$

A company with 170 employees and a wage bill of £4.5 million

$$£4,500,000 \times 0.005 = £22,500$$

Deduct the £15,000 allowance

$$\text{Levy Rate to pay} = \text{£7,500}$$

A company with 4000 employees and a wage bill of £95 million

$$£95,000,000 \times 0.005 = £475,000$$

Deduct the £15,000 allowance

$$\text{Levy Rate to pay} = \text{£460,000}$$

How will you pay the levy?

The levy is payable through Pay As You Earn (PAYE) and will be payable alongside income tax and National Insurance.

Payment will be taken monthly, in real time, so as your wage bill changes each month, so will the levy amount taken. Although the levy is talked about in terms of applying to companies with an annual wage bill of over £3 million, it is calculated on your monthly wage bill and any under or over payment of the levy in the year will be adjusted in the same way all tax calculations are.

What does your business get in return for paying the levy?

Employers who pay the levy will see corresponding funds, plus a 10% top up, go into their new digital account Apprenticeship Service Account. These funds can then be used to spend with registered training providers, who can provide approved apprenticeship training.

Employers will have 24 months to use their levy amount on a rolling basis, and then any unused voucher credit will be put back into the national pot for other employers to use, including smaller employers, who do not pay the levy. The levy cannot be used to pay apprentice wages or to fund non-apprentice training.

Common Questions

As with any new legislation, once companies start to look at how it impacts on their business and employees, questions are raised.

Can employers opt out of the levy?

No, this is a mandatory tax for all employers that came into effect from 6th April 2017. The £15,000 rebate, however, means that only companies with an annual wage bill of over £3 million will actually pay anything.

Is the 0.5% payable on the gross or net payroll bill?

It is applied to the gross UK wage bill.

How is the gross pay bill calculated?

An employer's pay bill is all of the employee earnings liable to Class 1 Secondary National Insurance. This also includes all earnings below the Secondary Threshold (ST)

Are Salary Sacrifice Pension Contributions included in the gross pay bill?

Salary Sacrifice pension contributions reduce the gross pay bill that is subject to National Insurance and are not included in the calculation.

Do expenses payments add to the pay bill?

If the expenses are taxable then they are correctly processed through Gross pay. However, if the company policy is to reimburse employees for expenses that they have incurred for business purposes, these are non-taxable but can be paid as part of the payroll process. In such circumstances the expenses are non-taxable and therefore do not qualify as a Gross Pay item for the purposes of the Apprenticeship Levy.

Is it per registered company or per PAYE reference?

It is per company, or connected group of companies. If a company has a more than one PAYE scheme any unused levy amount can be applied to the other scheme after the year end.

Does the levy apply to bonus payments?

Yes, the levy is calculated as 0.5% of your total PAYE including bonuses, overtime, commissions and pension contributions that employers pay NIC on.

Does the levy include temporary or contract staff who work through employment agencies?

Any person who is on your payroll and paid through PAYE would be included in your wage bill. It is up to you to determine who is or isn't included.

If you use an employment agency, they may look to pass these costs onto you (as they do with NI), so you should discuss this with them.

How do I access the levy pot?

In England, employers who pay the levy will have 110% of the levy amount deposited as credits in their Apprenticeship Service Account. These credits can be used against the cost of external apprenticeship training with 'registered' training providers, providing the individual is on an approved apprenticeship standard.

You will receive an amount in your levy pot each month.

How do I know how much levy I will receive each month?

HMRC will calculate the amount of levy credit that will be put into your Apprenticeship Service Account each month.

This will be calculated as:

Monthly levy paid to HMRC

Multiplied by the fraction of the employer's bill paid to their workforce living in England

Plus a 10% government top up on this amount

How does it work for companies on a group or trust?

Where a group of employers are connected, they will only be able to use one £15,000 allowance. The definition of 'connected' is the one used for the [Employment Allowance](#).

Employers that are part of a group of connected companies must determine what proportion of the levy allowance each employer will be entitled to. This decision must be made at the beginning of the tax year and will be fixed for the year.

What if we don't spend our levy amount?

The government is expecting a proportion of the levy funds to not be spent by the employers who have paid them and those unused funds will go into the national pot to support smaller employers who are investing in apprenticeship training.

Employers will have 24 months to use their credit balance before it is put into the national pot.

I am a small employer that isn't eligible to pay the levy, can we still access funding for apprentices?

The government is covering 90% of training costs for all non-levy companies and in some instances 100% funded.

The residual amount in the levy pot, not spent by the large companies who contributed it, will go towards this funding for smaller businesses.

How do I register for my Apprenticeship Service Account?

To access your funds you will need to register online through Gov.uk using your Government Gateway log in details for your PAYE scheme/s.

Registration is now open for all levy-paying employers. You will also need your organisations Companies House Number or Charity number (if you have one).

I do not have a Government Gateway account, can my Agent or Payroll Bureau use theirs?

No, agents cannot set up your Apprenticeship Service Account using their login details. If your organisation does not have its own Gateway Account you will need to register for this on Gov.uk.

How can I get further help?

There is an Apprenticeship employer helpline – 08000 150 600 and email apprenticeships.levy@bis.gsi.gov.uk

Is there a limit on the amount I can spend on apprenticeship training per apprentice?

The amount of the levy fund you can spend on apprenticeship training will be capped based on the relative cost of training. The upper cap limit is £27,000, depending on training requirements. If the cost of training exceeds this cap, the employer will have to pay the difference.

What if the cost of training exceeds our levy fund?

If you pay levy funds, but these are insufficient to pay for the training required, additional government support will be provided to help you meet the additional costs up to the maximum capped amount for that type of training.

The proposed contribution by the government will be 90%, with the employer contributing 10%.

Example:

A company with a levy pot of £35,000 takes on 5 apprentices at the agreed funding cap of £9,000 each

Total apprenticeship spend	5 x £9,000	= £45,000
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Shortfall in levy pot		= £10,000
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Government pays 90%		= £9,000
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Employer pays	10%	= £1,000
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Total spend by employer	£35,000 + £1,000	= £36,000
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Can the levy be used for CPD training?

The levy can only be used for government published apprenticeship standards and the training included within these.

Can I use the funds to offer apprenticeships to existing staff?

Yes, as long as an apprenticeship is relevant to their role and the most appropriate way of developing the learner's career, i.e. it is teaching them new skills that will lead to a more senior role at the end of the apprenticeship.

What about apprentices who started before April 2017?

Apprentices who started who started prior to April 2017 will remain on the same funding rules they started on for the duration of their programme.