

APPRENTICESHIP LEVY

This guide to the new apprenticeship levy should help to answer all the questions you might have, including:

- When the levy is coming in
- Who is eligible to pay the levy
- How much the levy will be
- What you need to do now

For help and advice on the levy or with setting up an apprenticeship programme, please contact:

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This guidance is based on the information currently available from the government, and is subject to change as further details becomes available.

When is the levy coming in?

The levy will be introduced from 6 April 2017.

Who will pay the levy?

You will be required to pay the apprenticeship levy if you are an employer, in any sector, with a pay bill of more than £3 million each year to employees who reside in England. HM Revenue and Customs (HMRC) will use individual's information which is already registered with them.

For the purposes of the levy, an 'employer' is someone who is a secondary contributor, with liability to pay Class 1 secondary National Insurance Contributions (NICs) for their employees.

How much will the levy be?

The levy will be charged at a rate of 0.5% of your annual pay bill. You will have a levy allowance of £15,000 per year to offset against the levy you must pay. This means you will only pay the levy if your pay bill exceeds £3 million in a given year.

What counts as your pay bill?

Your pay bill will be based on the total amount of earnings subject to Class 1 secondary NICs. Although earnings below the secondary threshold are not counted when calculating an employer's NICs, they will be included for the purposes of calculating the amount of levy the employer needs to pay.

Earnings include any remuneration or profit coming from employment, such as wages, bonuses, commissions, and pension contributions that you pay NICs on. The levy will not be charged on other payments such as benefits in kind, subject to Class 1A NICs.

How do you pay the levy?

You will calculate your report and pay your levy to HMRC, through the PAYE process alongside tax and NICs. If you have calculated that you will pay the apprenticeship levy, you will need to declare this and include it in your usual PAYE

payment to HMRC by 19th (or 22nd if you report electronically) of the following month.

How can employers spend it?

Once you have paid the levy to HMRC, you will be able to access funding for apprenticeships through a new Digital Apprenticeship Service (DAS) account.

Levy-paying employers will be able to use the service to pay for the training and assessment of apprentices from 1 May 2017.

When you've registered, you'll need to verify your PAYE schemes and link them to your account. You will be able to use more than one account if you'd like to keep your schemes separate.

Top-ups to the funds in your digital account

The government will apply a 10% top-up to the funds you have for spending on apprenticeship training in England. They will apply the top-up monthly, at the same time as the funds enter your digital account.

That means for every £1 that enters your digital account to spend in England on apprenticeship training, you get £1.10.

Expiry of funds in your digital account

Funds will expire 24 months after they enter your digital account unless you spend them on apprenticeship training. This will also apply to any top-ups in your digital account.

How much funding will apprenticeships receive?

The new apprenticeship funding system will be made up of funding bands, within which each apprenticeship framework or standard will sit. The upper limit of each band will cap the amount of digital funds an employer can use towards an individual apprenticeship.

The cap will depend upon the particular framework or standard. It will cover the costs of training such as assessment, certification and English and maths.

Where an employer wants to invest more in apprenticeship training than they hold in their digital account, the government will 'co-invest' 90% of the cost of the apprenticeship, whilst the employer will pay 10%.

Can employers use the levy to fund existing employees?

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

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

If employers do not spend their levy funds, after 24 months they will be lost and, in the Government's words, "will be made more widely available" to other companies engaged with apprenticeships.

What should employers do now?

For employers who are already engaged with apprenticeships, there is little you need to do now other than start to budget for the levy coming in and consider how to spend all of your contribution.

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 consider setting up a pilot apprenticeship scheme this year so you are in the best position to make use of your levy funds from April 2017.

What about employers who aren't required to pay the levy?

If you do not pay the levy, you won't need to use the digital apprenticeship service to pay for apprenticeship training and assessment until at least 2018.

When the new funding system begins in May 2017, you can choose the training you'd like your apprentices to receive, an approved training provider and an assessment organisation using the registers available on the digital apprenticeship service.

You will make a 10% contribution to the cost of this training and government will pay the rest (90%), up to the maximum amount of government funding available for that apprenticeship. You pay this directly to the provider and you will be able to spread it over the life time of the apprenticeship. As both you and the government make a payment, we call this 'co-investment'.

Calculating what you have to pay

You will pay the levy on your entire pay bill at a rate of 0.5%. However, you will have a levy allowance to offset against this. The levy allowance is worth £15,000 for each tax year. This means the levy is only payable on pay bills over £3 million (because $0.5\% \times \text{£}3 \text{ million} = \text{£}15,000$).

Your contribution will be multiplied by the proportion of your workforce living in England.

The levy allowance will operate on a monthly basis and will accumulate throughout the year. This means you will have an allowance of £1,250 a month. Any unused allowance will be carried from one month to the next. For example, if your levy liability in month one is £1,000 you will not pay the levy and your allowance in month two will be £1,500.

If you have some unused allowance in a month, but paid the levy previously in the tax year, you can receive a credit which you can use to offset against your other PAYE liabilities. The credit will also reduce the amount of levy paid.

If you have multiple PAYE schemes and do not use the full £15,000 allowance, you will be able to offset the unused amount against another one of your schemes once the tax year has ended.

To calculate your organisation's levy contribution, please visit:

<https://estimate-my-apprenticeship-funding.sfa.bis.gov.uk/>

If you're still unsure about anything to do with the apprenticeship levy, you can call Dawn Haymonds on 01432 261652 or email dawn.haymonds@hoopleltd.co.uk.