



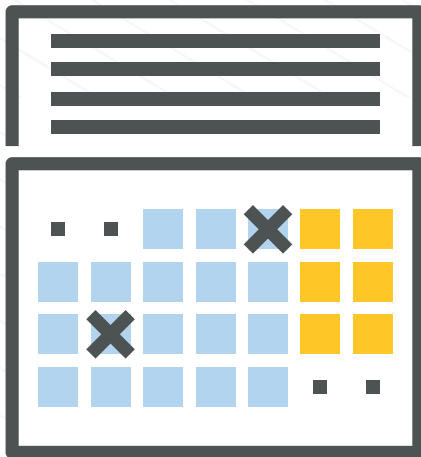
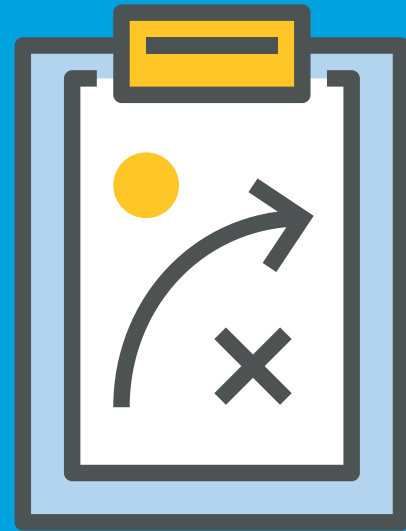
TAKE OWNERSHIP OF YOUR WORKFORCE DEVELOPMENT

AN EMPLOYER GUIDE TO THE
APPRENTICESHIP LEVY



 [LEARNING-EMPLOYMENT.COM/LEVY](https://learning-employment.com/levy)

IN APRIL 2017 THE WAY THE GOVERNMENT FUNDS APPRENTICESHIPS IN ENGLAND IS CHANGING.



Some employers will be required to contribute to a new apprenticeship levy, and there will be changes to the funding for apprenticeship training for all employers.

The apprenticeship levy requires all employers operating in the UK, with a pay bill over £3 million each year, to make an investment in apprenticeships. However, you can benefit from this investment by training current and new staff as an apprentice, making the levy really valuable for you.

The guidance that follows provides some of the information available on how the apprenticeship levy will work, from when it is introduced on 6 April 2017.

It also explains the principles on which apprenticeship funding and the levy will operate from April 2017, whether you pay the levy or not.

PAYING THE APPRENTICESHIP LEVY



You will need to pay the apprenticeship levy if you are an employer, in any sector, with a pay bill of more than £3 million each year. 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.

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.

You will pay the levy to HM Revenue and Customs (HMRC) through the Pay as You Earn (PAYE) process.

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 $0.5\% \times £3 \text{ million} = £15,000$).

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

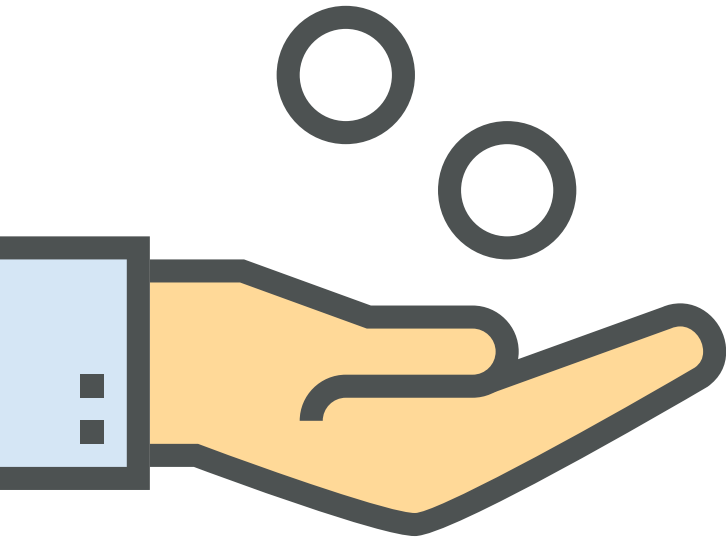
example, if your levy liability in month 1 is £1,000 you will not pay the levy and your allowance in month 2 will be £1,500.

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.

You will calculate, 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 the 19th (or 22nd if you report electronically) of the following month.



ACCESSING MONEY PAID UNDER THE APPRENTICESHIP LEVY

Once you have paid the levy to HM Revenue and Customs (HMRC) you will be able to access funding for apprenticeships through a new digital apprenticeship service account.

You will be able to use this to pay for training and assessment for apprentices in England. The service will also help you find training providers to help you develop and deliver your apprenticeship programme.

Separate arrangements will be in place in Scotland, Wales and Northern Ireland.

EMPLOYERS WHO OPERATE IN ENGLAND AND OTHER PARTS OF THE UK

The levy will apply to employers across the UK.

The amount entering your digital apprenticeship service account will be how much you have available to spend on apprenticeship training in England.

Apprenticeships are a devolved policy, which means that authorities in each of the UK nations manage their own apprenticeship programmes,

including how funding is spent on apprenticeship training.

The digital apprenticeship service will support the English apprenticeship system. Scotland, Wales and Northern Ireland have their own arrangements for supporting employers to access apprenticeships.

To calculate how much you will have to spend through the English system, the Government plan to use data that they already hold about the home address of your employees. They will use this data to work out what proportion of your pay bill is paid to employees living in England. They will make this assessment in early 2017 and will announce the exact date in advance.

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 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 18 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. For example, funds

entering your account in September 2017 will expire in March 2019, unless you have spent them. Money is spent when it leaves your digital account as a payment to a training provider.

The account will work on a first-in, first-out basis, through either payment or expiry. Whenever a payment is taken from your digital account it will automatically use the funds that entered your account first. This will minimise the amount of expired funds.

This will happen automatically. Your digital account will let you know in good time when any funds are due to expire so that you can arrange to spend them if you wish.

APPRENTICESHIP TRAINING STARTED BEFORE APRIL 2017

Apprentices who have been accepted on to an apprenticeship programme before April 2017 will be funded for the full duration of the apprenticeship under the terms and conditions that were in place at the time the apprenticeship started.

Where the apprenticeship requires you to make a payment to the provider or to the Skills Funding Agency, this will continue at the same rate.

If you pay the apprenticeship levy you will not be able to use the funds in your digital account to pay for these apprenticeships.



USING FUNDS IN YOUR DIGITAL ACCOUNT TO BUY TRAINING

When you agree to buy apprenticeship training from a particular training provider and the apprenticeship has started, monthly payments will be automatically taken from your digital account and sent to the provider. This spreads the cost over the lifetime of the apprenticeship.

When you buy apprenticeship training through the digital apprenticeship service you don't need to have enough funds in your digital account to cover the entire cost of the training at the start. As payments are taken from the digital account monthly, you just need to have enough funds in your account to cover the monthly cost of each apprenticeship you have chosen. You will

see funds entering your digital account each month as you pay the levy, and funds leaving the account regularly each month as you pay for training.

The Government will make sure your payments reach the provider. In April 2017, these payments will be made monthly. In future, we aim to give you more flexibility over the way payments leave your digital account.

WHAT YOU CAN SPEND APPRENTICESHIP FUNDING ON

Funds in your digital account, and funding provided by the Government through co-investment, can only be used towards the costs of apprenticeship training and end point assessment. This must be with an approved training provider and assessment organisation.

It can't be used on other costs associated with your apprentices or wider training effort. For example wages, statutory licences to practise, travel and subsidiary costs, managerial costs, traineeships, work placement programmes or the costs of setting up an apprenticeship programme.



EXTRA SUPPORT FOR EMPLOYING 16 TO 18 YEAR OLD

APPRENTICES - ALL EMPLOYERS

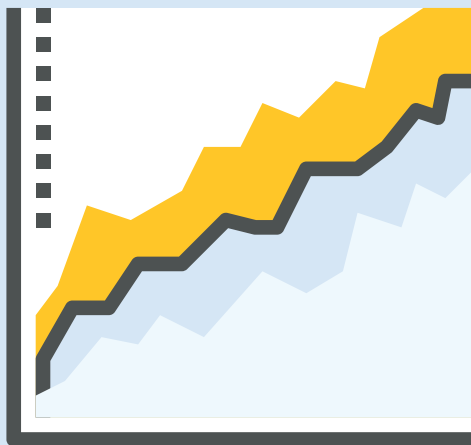
When you take on an apprentice who is between 16 and 18 years old at the start of their apprenticeship, you will receive a payment to help meet the extra costs of employing them. This will be paid to you through the training provider.

EXTRA SUPPORT FOR EMPLOYING APPRENTICES WITH ADDITIONAL NEEDS - ALL EMPLOYERS

To help meet extra costs, you will receive the same payment as you do when you recruit a 16 to 18 year old apprentice, if you recruit:

- ✓ an apprentice who is between 19 and 24 years old and who has an Education and Health and Care Plan provided by the local authority
- ✓ a 19 to 24 year old who has been in the care of the local authority

If you recruit an apprentice with additional learning needs such as dyslexia, other learning difficulties or disabilities, the Government will make a payment directly to the training provider to help them with the extra costs of supporting the apprentice's learning.



FUNDING FOR ENGLISH AND MATHS TRAINING

Apprentices have to meet a minimum standard in both English and maths up to Level 2. There are specific qualifications they must achieve. If your apprentices don't already have these, they may need to do an English or maths course.

You will need to work with your provider to identify which of your apprentices require this training. The Government will pay providers directly, for the Level 1 and 2 English and maths training they provide to your apprentices. You won't be asked to pay the training provider for it directly.

THE GOVERNMENT IS COMMITTED TO PROVIDING FURTHER INFORMATION THROUGH 2016 ON THE FOLLOWING:

- ✓ provisional funding bands, which will set the maximum amount of funding which is available for each apprenticeship from April 2017
- ✓ the provisional level of the extra payment you can get for hiring 16 to 18 year old apprentices, from April 2017
- ✓ eligibility rules that set out who you are able to spend apprenticeship funding on and where
- ✓ who can provide apprenticeship training and how you can set up your organisation to deliver apprenticeship training



OCTOBER 2016

Further information will be made available about:

- ✓ full, draft funding and eligibility rules

DECEMBER 2016

Further information will be made available about:

- ✓ final detailed funding and eligibility rules
- ✓ further employer guidance from HM Revenue and Customs (HMRC) on how to calculate and pay the apprenticeship levy

TO DISCUSS YOUR TRAINING NEEDS, GET IN TOUCH..

 **CALL 0333 444 0766**

 **EMAIL ILE.LEVY@INTERSERVE.COM**

 **LEARNING-EMPLOYMENT.COM/LEVY**



Information correct at time of publication
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