



THE APPRENTICESHIP LEVY
EXPLAINED

To help fund new Apprenticeships, the government has announced a new initiative called the Apprenticeship Levy. This will replace all taxpayer funding of Apprenticeships and from April 2017, all employers with a payroll of more than £3 million will be required to pay into the Apprenticeship Levy.

This guide explains how the Apprenticeship levy will affect your business and how you can turn a mandatory payroll tax into a business advantage for your staff and management development.

The levy raises many questions that employers need answers to; Who pays? How much? How is it collected? What can it be used for? How do I claim it back? These are just some of the questions being asked.

This guide aims to answer your questions and point you in the right direction for further information. We've set out the facts and highlighted the genuine benefits of the levy as we see them. It doesn't have to be complex; it's your levy, and we're here to help you make the most of it.

At WBTC we have placed and trained over 12000 Apprentices since 1983, so our expertise and insight into the future of levy funding, as well as changes to the Apprenticeship programme, will ensure you are kept informed.



Matt Garvey
Managing Director
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WHO WILL PAY THE APPRENTICESHIP LEVY?

All employers with an annual payroll of more than £3 million will be required to pay it. The levy is set at 0.5% of your payroll. However, the levy will be a monthly deduction, so in reality these costs will be taken in any month where your pay bill is over £250,000. If your pay bill in that tax year is below £3 million, any levy deductions will be reimbursed.

All employers will receive an allowance of £15,000 to offset against payment of the levy.

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

For the purposes of the levy, payroll will include all wages, bonuses, commissions and pension contributions on which NICs are due. In technical terms, payroll means the total earnings upon which Class 1 secondary NICs are paid. It will not include other payments such as benefits in kind and reimbursed expenses. The levy is an allowable expense for corporation tax purposes.



0.5% →



❌ AN EMPLOYER WHO WOULD NOT PAY THE LEVY	
Employer with an annual wage bill of £2 million	
Levy sum (0.5% x £2,000,000)	£10,000
Minus offset allowance:	£15,000
Annual levy payment	£0.00

HOW MUCH WILL THE LEVY COST?

Not everyone will pay the levy. Only those with a payroll of more than £3 million will be obliged to contribute.

Those who do not pay the levy will still have to access to Apprenticeships under the current system of government funding via training providers, although in some cases the government will also require you to pay a contribution to your training provider.

✅ AN EMPLOYER WHO WOULD PAY THE LEVY	
Employer with an annual wage bill of £5 million	
Levy sum (0.5% x £5,000,000)	£25,000
Minus offset Allowance:	£15,000
Annual levy payment:	£10,000



HOW WILL THE LEVY BE COLLECTED?

Your payroll department will calculate, report and pay your levy to HMRC, through the Pay as You Earn (PAYE) process alongside Income Tax and National Insurance from April 2017.

Single employers with multiple PAYE schemes will be added together in levy calculations and will only have one allowance.

There will be a 'connected persons' rule, so if you operate multiple companies or payrolls, you will only be able to claim one allowance. You will be able to choose how to divide the allowance between the different connected companies.

GETTING OUT MORE THAN YOU PUT IN

The government will apply a 10% top-up to monthly funds entering levy paying employers' digital accounts, so for every £1 an employer pays in, they can draw down £1.10 to spend on Apprenticeship training.



Employer with £12,000 entering their levy account annually:

<i>Monthly account funding:</i>	£1,000
<i>Top up: 10% x £1,000:</i>	£100
<i>Levy monthly account increase:</i>	£1,100
<i>Annual amount available to spend on Apprenticeships:</i>	£13,200

WHAT CAN YOU USE YOUR LEVY FUND FOR?

Your levy fund can be used for Apprenticeship training and assessment with an approved training and assessment provider for both new and existing staff.

Funds cannot be used for:

- Wages
- Statutory licences to practise
- Travel and subsidiary costs
- Managerial costs
- Traineeships
- Work placement programmes
- The costs of setting up an Apprenticeship programme

Apprentices who have been accepted onto an Apprenticeship before 6th April 2017 will be funded for the full duration of the Apprenticeship under the conditions that were in place at the time their Apprenticeship started. If you pay the levy you will not be able to use the funds in your levy account to pay for these Apprenticeships.

HOW WILL I BE ABLE MANAGE MY LEVY?

You will be able to manage your levy through an account with the new Digital Apprenticeship Service. The Digital Apprenticeship Service will enable you to:

- See the levy funds you have available to spend.
- Select Apprenticeship frameworks and / or standards you want to use.
- Confirm the training provider(s) you want to use to deliver your Apprentices' training.
- Confirm the price you've agreed with your training provider.
- Pay for Apprenticeship training and assessment.
- Choose an assessment organisation.
- Post Apprenticeship vacancies.

You'll be able to register for your Digital Apprenticeship Service account from January 2017, giving you a few months to familiarise yourself with the system before you start using it to manage your levy.



TAKE ADVANTAGE OF CURRENT FUNDING FOR APPRENTICESHIPS BEFORE IT ENDS

From 6th April 2017 all employers will have to pay for Apprenticeships either through the levy pay bill tax or through a co-investment cash contribution. Until the 5th April 2017 you can still enjoy the current funding for Apprenticeships, so if Apprentices are enrolled before 5th April 2017 you'll enjoy the government funded contribution providing access to facilities and materials to support your staff's Apprenticeship.

It makes sense to sign up your new staff and existing staff (if working or progressing into new roles) onto the appropriate Apprenticeship training programme now. Call WBTC today to arrange it - it's that simple!

DIRECTING LEVY FUNDS TO OTHER EMPLOYERS

In the first year of the levy, you will be able to use the funds in your levy account to pay your registered training and assessment provider for the Apprenticeship training and assessment of your own employees.

The government is aware that some employers might wish to direct their funding to other employers in their supply chain and is looking at ways to introduce this that do not fall foul of taxation legislation or EU regulations, are not bureaucratic, maintain the aims of the system and are compatible with state aid rules.

POOLING FUNDS IN A LEVY ACCOUNT WITH OTHER EMPLOYERS

If you are in a group of companies connected for the purposes of paying the levy, your group will be able to collect their funds together into one account.

As things currently stand employers that are not connected will not be able to pool funds in a digital Apprenticeship service levy account.

The government says 'you will be free to co-ordinate your spending at local or sector level outside the digital service' - this simply means that you can spend your own non-levy cash as you wish.



USING YOUR LEVY PAYMENTS

Levy payments can be used to fund Apprenticeships right across your organisation, not just for new entrants. So staff seeking promotion could be eligible for a supervisory or management Apprenticeship (level 3), senior management for a higher or degree Apprenticeship (levels 4, 5, 6) even a Masters degree equivalent (level 7).

Full details of all our programmes are available on our website at wbtc-uk.com or get in touch with us directly via phone or email.

THE ENGLISH APPRENTICESHIP SYSTEM

The levy applies to employers across the UK, but only employers in England will receive funding through their digital accounts. However, £0.5 billion from the levy will be allocated to governments in Scotland, Wales and Northern Ireland, who will decide how the funds are spent.

Where a company works across different nations, the amount of levy available for them to spend through the digital account in England will reflect the proportion of the pay bill paid to employees living there. This assessment will be made in early 2017, based on the data HMRC already holds on the home address of employees.

For example:

If 100% of pay bill is in England, 100% of your levy payment goes into your digital account.

If 80% of pay bill is in England, 80% of your levy payment goes into your digital account.

In England your levy payments are recorded on the Digital Apprenticeship Service website where you can access your account at any time. If you need help setting this up just let us know.

FOR LEVY INFORMATION OUTSIDE OF ENGLAND CONTACT:



Scotland: www.apprenticeships.scot

Wales: www.businesswales.gov.wales/skillsgateway/apprenticeships

Northern Ireland: www.nidirect.gov.uk/campaigns/apprenticeships

EXTRA SUPPORT

16-18 YEAR OLDS

The Government is considering making payments to help meet the additional costs associated with employing young Apprentices. If this happens, it will be paid to you via the training provider.

FUNDING FOR ADDITIONAL NEEDS

The Government is considering a similar payment (as for a 16-18 year old Apprentice) if you recruit young people who are aged 19-24 who have an Education and Healthcare Plan provided by the local authority or if you employ a 19-24 year old who has been in the care of the Local Authority.

FUNDING FOR ENGLISH AND MATHS TRAINING

If your Apprentice doesn't already have the required minimum standard in English and maths they will need to undertake an English and/or maths course.

The Government will pay providers directly for the English and maths courses they deliver.

NATIONAL INSURANCE BREAKS FOR EMPLOYERS OF APPRENTICES UNDER 25

Since April 2016 employers of Apprentices under the age of 25 are no longer required to pay secondary Class 1 (employer) National Insurance contributions (NIC) on earnings up to the Upper Earnings Limit (currently £40,000), for those employees.

This is somewhere between 10.4% and 13.8% saving on everything the Apprentice earns over £8,000 a year for the employers of Apprentices.



AN EXAMPLE OF THE SAVINGS FOR EMPLOYERS COULD BE:

An employer has a staff member who is under 25 and they encourage them on to an Apprenticeship. If the staff member is earning £18,000 per year, on employers national insurance rate of 13.8% (the first £8,000 earned is not subject to NIC anyway) the £10,000 that is subject to NIC gives the employer a saving of £1,380, that they no longer need to pay, for the entire time the staff member is on an Apprenticeship and under 25.

This also includes people already on an Apprenticeship as long as they are still under 25.

WHAT YOU NEED TO DO NOW!



If you have to pay the levy, examine your current staff training and development budget to ensure that most of your Apprenticeship training budget can be reclaimed through the levy. For example, induction training of health and safety, compliance, working practices and skills are covered in intermediate Apprenticeships for new employees, so it makes sense to recruit new employees onto an Apprenticeship.

Staff development and management training can also be covered by the appropriate Apprenticeship programme as long as people are being developed into new roles or require new skills.

CO-INVESTMENT: NON-LEVY PAYING EMPLOYERS

There are two types of employers who will be required to contribute towards the cost of their Apprenticeship training outside the levy system:

Employers who don't have to pay the levy - those employers whose pay bill is less than £3 million per tax year.

Employers who pay the levy but have either used all their funds or have an insufficient amount to fund the number of Apprentices they wish to train.

These employers will be required to co-invest a small proportion of funding towards the cost of their Apprenticeship training. The government will contribute a large proportion of funding to cover the majority of the costs of Apprenticeships training. The exact amount employers will have to pay will be announced by the government during the year and we will update this guide when the details are available.

If you do not pay the levy you will not need to set up a Digital Apprenticeship Service account to pay your training and assessment provider in April 2017. You will agree a price and pay your contribution towards the costs of the training and assessment to the training provider directly. This will give you more time to prepare for the new system.



WARNING

Unspent funds in an employer's digital account will 'expire' after 24 months. So for example, funds entering the account in May 2017 will expire in May 2018 unless the employer uses them. The digital account works on a 'first-in, first out' basis, so payments automatically draw from the funds which entered the account first.

CHOOSING A TRAINING PROVIDER AS YOUR PARTNER

Levy paying employers will need to partner with an approved training and assessment provider such as WBTC, who will receive your levy funding from the government to deliver the agreed training and assessment to your Apprentices.

There are three choices we offer:

Choose WBTC as your Apprenticeship partner

We will organise, deliver and arrange training and independent assessment for all your Apprentices. WBTC has an excellent reputation as the areas leading Apprenticeship provider.

White Label your own Apprenticeship programmes using WBTC

If you have sufficient Apprentices we will manage and deliver your programme with dedicated team of trainers and assessors seconded into organisation and branding the entire programme to encompass your organisation's culture.

Become a Training Provider yourself with WBTC Consultancy

You can become your own training provider. You need to register on the government's Register of Training Providers and meet the criteria and be prepared for National Audit Office and Ofsted inspections. WBTC can provide consultancy to enable you to meet the criteria and continued support to enable you to deliver your Apprenticeships within the rules.



Work with WBTC to look at how we can help you to offset the costs of your training.

By working closely together we can minimise your costs and maximise the benefits that Apprenticeships can bring to your business.



The regulations around the levy and Apprenticeship funding are complex. WBTC is ready and able to support you to manage your levy through the government's Digital Apprenticeship Service. We will help you to maximise the benefits you will recoup from your levy payments.

We are available to answer any of your questions about how the levy will affect your business.

Please feel free to get in touch:

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