

FOCUS ON

Apprenticeship Levy

The Apprenticeship Levy requires all employers operating in the UK, with an annual pay bill of over £3m, to pay a 0.5% levy on their pay bill each month. It comes into effect from 6 April 2017 and will apply to both public and private UK employers across all sectors.

The levy was announced by the Government in July 2015, and was reformed to encourage employers to offer apprenticeships to meet their skills and workforce requirements via funded training.

Who needs to report the Apprenticeship Levy?

Employers only need to report the Apprenticeship Levy to HMRC if they are likely to have a liability to pay it. This will be where their annual pay bill exceeds £3m.

There are special rules for connected companies and charities who in total have an annual pay bill of more than £3m.

How is the levy determined and paid?

The levy is an annual charge, although it is reported on and paid monthly at the same time as the employer pays income tax and NICs. The levy is based on the employer's pay bill which is the total amount of earnings subject to Class 1 secondary NICs, including all earnings below the secondary threshold. It does not include employer's NIC and most employer pension contributions will not count as earnings for these purposes.

If the pay bill exceeds £3m, the 0.5% levy is applied. The employer then deducts the £15,000 annual allowance against the levy liability. So, for example, an employer with an annual pay bill of £20m will be required to make an annual levy contribution of £85,000. Any Apprenticeship Levy payment to HMRC will be allowable for Corporation Tax.

Accessing the funding

The levy is designed purely to encourage employers to support apprenticeships. Thereafter, a decision needs to be made by employers as to whether they would like to access funding. Funding is available to:

1. All employers who have contributed to the levy.
2. Employers who have not contributed (as their pay bill is below £3m) or employers who would like to invest more in training than they have available in their digital accounts – 'Co-investment'.
3. Employers with fewer than 50 employees, who will be able to access funding for 16-18 year olds without making a contribution towards the funding – 'Small employer co-investment waiver'.

Employers who are contributors to the levy

Employers in England will be able to claim back their levy contribution in the form of digital vouchers, which they can then use to pay for training apprentices from 1 May 2017. Any apprenticeships started from this date will be funded according to the new rules. Employers in England will also qualify for a 10% topup to their levy contribution.



STEP 01

Financial planning

- Determine cost to business and consider if there are ways to reduce it
- Consider impact on budgets
- Look at existing training spend

STEP 02

Strategic evaluation

- Consider workforce development strategy
- Skills gap analysis
- Workforce development opportunities

STEP 03

Apprenticeship planning

- Identify apprenticeship training opportunities suitable for the business

STEP 04

Implementation

- Consider how training within business is structured and how that structure can be adapted to:
 1. Satisfy the requirements to utilise the levy;
 2. Meet long term business development plans

When is it all coming in?

Pay bill	Net payment	Top up	Training amount
5,000,000	10,000	1,000	11,000
7,500,000	22,500	2,250	24,750
10,000,000	35,000	3,500	38,500
12,500,000	47,500	4,750	52,250
15,000,000	60,000	6,000	66,000
20,000,000	85,000	8,500	93,500
25,000,000	110,000	11,000	121,000

Employers who pay the levy will see unused funds expire 24 months after they appear in their digital account. This will also apply to the 10% top-up they receive. The oldest funds in the account will be used first.

Co-investment

Employers who do not pay the levy (or those that would like to invest more in training than they have available in their digital accounts) will still be able to access funding, however, they will be required to 'co-invest'.

Co-investment requires the employer to fund 10% of the cost of the apprenticeship (up to the funding band limit) with the Government paying the remaining 90%. Any cost in excess of the funding band limit will need to be met in full by the employer.

Small employer co-investment waiver

Employers with fewer than 50 people working for them will be able to train 16-18 year old apprentices without making any contribution towards the cost of training and assessment, up to the funding band maximum. Therefore this will be 100% funded by the Government.

What can MHA MacIntyre Hudson do for you?

There are apprenticeships covering many sectors including Healthcare (adult care, dental, plus others), Motor, Construction and Real Estate, Technology, Financial services, Hospitality, Legal, and Travel sectors.

We offer a range of services in relation to the payment and utilisation of the Apprenticeship Levy and can create a bespoke service in accordance with your business needs.

Contact us

We are in a strong position to help you develop the best possible response to the levy. Whether you have concerns over the cost, are thinking about taking apprentices on and would like to know more about how you can access your funds or co-invest, please contact your local office or speak to our Apprenticeship Levy specialist.



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