

Levy Guidance overview for Employers

Are you a UK based employer?

Do you have a pay bill of over £3million a year?

If you have answered yes to both these questions you are required to contribute 0.5% of your pay bill into the apprenticeship levy.

The following guide provides advice on:

- Calculating your levy spend
- Paying your levy
- Accessing training via your levy funds
- What can the levy be spent on?
- Making best use of your levy funds
- What is an apprenticeship?
- Expiry of levy funds



SREducation

The government introduced the apprenticeship levy (mandatory tax) on 6th April 2017. The levy required all employers operating in the UK, with a pay bill over £3 million each year to invest in apprenticeships.

The government have committed to 3 million new apprenticeships by 2020 spending £2.5bn to transform the country's investment in skills and people. The apprenticeship levy will put the funding of apprenticeships on a sustainable long-term footing.

It has long been recognised that apprenticeships boost the skills of the workforce and help to increase economic productivity, providing young people with their first step on the employment ladder as well as giving those already in work the opportunity to progress further.

What is my company's levy cost?

To calculate your company's levy cost just follow these simple steps:

1. What is your total pay bill? (gross)
 - a. Your pay bill is made up from the total amount of your employee's earnings that are subject to Class 1 National Insurance contributions (i.e. wages, bonuses, commissions, pension contributions). Benefits such as; company cars, health insurance, travel/entertainment expenses and childcare are not included.
2. What is 0.5% of your total pay bill?
3. Subtract the £15,000 allowance (the levy allowance offsets the 0.5% of the first £3 million)
4. Add 10% top up (the government will apply a 10% top up to the funds you have for spending on apprenticeship training in England on a monthly basis at the same time your funds enter the digital account)

The Digital Apprenticeship Service will only support the English apprenticeship system. Devolved nations (Scotland, Wales and Northern Ireland) have their own arrangements for supporting employers to access apprentices and will decide how they use their levy.

Paying the Apprenticeship Levy

You will report and pay your levy to HMRC through the PAYE process on a monthly basis. As the payment is taken monthly, in real time, the levy amount taken will be reflected as your pay bill changes each month.

The HMRC will work closely with employers and providers of payroll services to minimise the implementation burden. Any apprenticeship levy payment to HMRC will be allowable for corporation tax.

Accessing the Apprenticeship Levy and buying Apprenticeship training

Once you have declared the levy to HMRC, you will be able to access funding for apprenticeship through a new digital apprenticeship service account.

Through the digital apprenticeship service all employers will be able to:

- Select an apprenticeship framework or standard
- Choose the training provider or providers
- Choose the organisation that will assess your apprentices
- Post apprenticeship vacancies

If you are an employer who pays the levy, you can also use the Digital Apprenticeship Service to:

- Set the price you've agreed with your training provider
- Pay for the apprenticeship training and assessment
- Tell us to stop or pause payments
 - for example; if your apprentice stops their training, your apprentice takes a break from training or you haven't received the service you agreed with your training provider)

By 2020, all employers will be able to use the Digital Apprentice Service to pay for the training and assessments or apprenticeships.

Once you decide to buy apprenticeship training through the Digital Apprenticeship Service, the funds will be taken from your digital account each month to pay the training provider.

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

Who/what can my levy be used towards?

Although the levy is calculated on your full UK pay bill, employers are only able to spend the English portion on the English apprenticeships. Should you have staff in a devolved country it will be for HMRC to decide if/how you are able to utilise this.

The levy is for the apprenticeship training cost only but does cover all staff levels and ages, including graduates. It can only be used towards the costs of apprenticeship training and end point assessments. This must be with an approved training provider and assessment organisation.

The levy cannot be used on other costs associated with your apprentices or wider training efforts. This includes wages, statutory licences to practise, travel/subsidiary costs, managerial costs, traineeships, work placement programmes or the costs of setting up an apprenticeship programme.

How can my company utilise the levy?

With the assistance of a consultation by SR Education, we can support you in assessing your business needs and opportunities from early career apprentices or upskilling existing employees within relevant apprenticeship frameworks.

Apprenticeships are available in 1500 occupations across 170 industries to businesses of all sizes, lasting between 12 months to 5 years. The apprenticeships range from level 2 (equivalent to 5 GCSEs grade C+) to level 7 (equivalent to a Master's degree), ensuring that not only can you create an entry level pipeline of apprentices but provide opportunities for existing staff, career progression and even alignment of graduate schemes to higher apprenticeship programmes.

What is an Apprenticeship?

The main rules governing what an apprenticeship is are as follows:

- The apprentice must be employed in a real job; they may be an existing employee or a new hire
- The apprentice must work towards achieving an approved apprenticeship standard or apprenticeship framework
- The apprenticeship training must last at least 12 months
- The apprentice must spend at least 20% of their time on off-the-job training

Expiry of funds

Funds will expire 24 months after they enter your Digital account unless you spend them on apprenticeship training with a training provider. Whenever a payment is taken from your Digital account, the service automatically uses the funds that entered your account first. This will minimise the amount of expired funds.

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