



APPRENTICESHIP LEVY

Video training course notes

In spring 2017 major changes to the way in which the government funds apprenticeships in England are to be introduced. These changes will mean that some employers will be required to contribute to a new apprenticeship levy. There will also be changes to the funding for apprenticeship training that will affect all employers.

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Overview

In spring 2017 major changes to the way in which the government funds apprenticeships in England are to be introduced. These changes will mean that some employers will be required to contribute to a new apprenticeship levy. There will also be changes to the funding for apprenticeship training that will affect all employers.

The change has introduced a new employer charge called The Apprenticeship Levy. This levy will form the basis of the new funding regime. The regulations surrounding the apprenticeship levy requires all employers operating in the UK, who have a pay bill over £3 million each year, to make an investment in apprenticeships. Employers can also benefit from this investment by training apprentices.

The guidance provides information 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 will operate from 1 May 2017, whether employers pay the levy or not.

Employers can find out more about the benefits apprenticeships can bring to their organisation and about the ways apprenticeships are being reformed, in the Government's document entitled [vision for apprenticeships](#). The reforms include giving employers the opportunity to add to the new [apprenticeship standards already available](#) by [developing standards](#) that meet their precise needs.

Who is affected

Companies will need to pay the apprenticeship levy if they 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 their annual pay bill. Employers will have a levy allowance of £15,000 per year to offset against any levy they must pay. This means they will only pay the levy if their pay bill exceeds £3 million in a given year.

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

What is the 'Pay Bill'

Employer's pay bills 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 an employer needs to pay.

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

Calculating the levy due

Employers will pay the levy on their entire pay bill at a rate of 0.5%. However, there will be a levy allowance available to all employers 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 $0.5\% \times \text{£}3 \text{ million} = \text{£}15,000$).

The levy allowance will operate on a monthly basis and will accumulate throughout the year. This means employers will have an allowance of £1,250 a month. Any unused allowance will be carried from one month to the next. For example, if an employer's 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 an employer has some unused allowance in a month, but paid the levy previously in the tax year, they will receive a credit which can be used to offset against other PAYE liabilities. The credit will also reduce the amount of levy paid.

If an employer has multiple PAYE schemes and does not use the full £15,000 allowance, they will be able to offset the unused amount against another one of their schemes once the tax year has ended.

Examples of calculating the levy due

Example 1: an employer who would pay the levy

An employer with an annual pay bill of £5,000,000:

- levy sum: $0.5\% \times \text{£}5,000,000 = \text{£}25,000$
- subtracting levy allowance: $\text{£}25,000 - \text{£}15,000 = \text{£}10,000$ annual levy payment

Example 2: an employer who would not have to pay the levy

An employer with an annual pay bill of £2,000,000:

- levy sum: $0.5\% \times \text{£}2,000,000 = \text{£}10,000$
- subtracting levy allowance: $\text{£}10,000 - \text{£}15,000 = \text{£}0$ annual levy payment

Reporting and paying the levy

Employers will calculate, report and pay any levy due to HMRC, through the PAYE process alongside tax and NICs.

If employers have calculated that they will pay the apprenticeship levy, they will need to declare this and include it in their usual PAYE payment to HMRC by the 19th (or 22nd if you report electronically) of the following month. The first submission in which employers will declare that they will pay the levy will therefore be in May 2017.

Note: Any apprenticeship levy payment to HMRC will be allowable for Corporation Tax.

Connected companies or charities

Where a group of employers are connected they will only be able to use one £15,000 levy allowance. The definition of connected companies and charities is based on the [definition used with the Employment Allowance](#).

If employers are part of a group of connected employers, they must decide what proportion of the levy allowance each employer in the group will be entitled to. This decision must be taken at the beginning of the tax year and will be fixed for that tax year, unless a correction is necessary because the total amount of the levy allowance claimed across the group exceeds £15,000. Each employer in the group will then calculate what they have to pay through the same processes set out above, but using only their portion of the £15,000 levy allowance.

Existing Industry Levy Schemes

Some industries already operate levy systems, or other collective training arrangements. If an employer already contributes to one of these, there is no discount, they will still be required to pay the apprenticeship levy.

The Industry Training Boards for the construction, engineering construction and film industries will consult their members on potential changes to their existing levy arrangements.

How to access and spend the apprenticeship funding

Once an employer has declared the levy to HMRC they will be able to access funding for apprenticeships through a new digital apprenticeship service account.

Employers will be able to use this to pay for training and assessment for apprentices in England. The service will also help employers find training providers to help them develop and deliver their apprenticeship programme.

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

Online tools for employers will be available via the digital apprenticeship service over the next year. Employers will be able to register to create their account from January 2017 and they will be able to familiarise themselves with this service ready for April 2017.

When an employer has registered, they will need to verify their PAYE schemes and link them to their digital account. Employers will be able to use more than one account if they would like to keep their schemes separate.

The apprenticeship levy will be introduced on 6 April 2017. The first time eligible employers will have to declare their liability to HMRC will be in May 2017 for levy due on their April

payroll. Levy-paying employers will be able to see corresponding funds in their digital accounts shortly after their final declaration to HMRC, so after 22 May.

To simplify the employer experience of the new apprenticeship funding system the Government are proposing that the new system for funding apprenticeships comes into effect from 1 May 2017. Any apprenticeships started from this date will be funded according to the new rules. Until this date, the funding system in place for frameworks and standards will continue to operate.

Employers who operate across the UK

The levy will apply to employers across the UK.

The amount entering an employer's digital apprenticeship service account will be how much they will 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 an employer will have to spend through the English system, the Government plan to use data that they already hold about the home address of their employees. The Government 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.

Employers can update their employees' address as part of their Real Time Information returns.

Currently the Government is testing the accuracy and suitability of this approach and will provide more details in October 2016.

Top Up Funding

The Government will apply a 10% top-up to the funds employers have for spending on apprenticeship training in England. They will apply the top-up monthly, at the same time the funds enter an employer's digital account.

That means for every £1 that enters an employer's digital account to spend in England on apprenticeship training, an employer will actually get £1.10.

How long are the funds available to employers

Funds will expire 18 months after they enter an employer's digital account unless an employer spend them on apprenticeship training. This will also apply to any top-ups in the digital account. For example, funds entering your account in September 2017 will expire in

March 2019, unless an employer has spent them. Money is spent when it leaves an employer's 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 the digital account it will automatically use the funds that entered the employer's account first. This will minimise the amount of expired funds.

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

The Digital Apprenticeship Service (DAS)

Whether an employer pays the levy or not, the digital apprenticeship service will help employers to:

- select an apprenticeship framework or standard
- choose the training provider or providers they want to deliver the training
- choose an assessment organisation
- post apprenticeship vacancies

From May 2017, if an employer pays the levy they will also be able to:

- see the funds they have available to spend in England
- set the price they have agreed with their training provider
- pay for apprenticeship training and assessment through the digital apprenticeship service

By 2020, all employers will be able to use the digital apprenticeship service to pay for training and assessment for apprenticeships.

Employers that don't pay the levy

If an employer does not pay the levy, they won't need to use the digital apprenticeship service to pay for apprenticeship training and assessment until at least 2018. When the Government is ready to ask an employer to start using the digital apprenticeship service to pay for apprenticeship training, they will help employers to prepare.

When the new funding system begins in May 2017, employers can choose the training they would like their apprentices to receive, an approved training provider and an assessment organisation using the registers available on the digital apprenticeship service. Help with this is available from the [National Apprenticeship Service](#).

The Government will ask employers to make a contribution to the cost of this training and the Government will pay the rest, up to the maximum amount of government funding available for that apprenticeship. They will ask employers to pay this directly to the provider and employers will be able to spread it over the life time of the apprenticeship. As both the employer and the government make a payment, it will be called a 'co-investment'.

Every individual apprenticeship framework and standard will be allocated to a funding band. The upper limit of the funding band will cap the maximum price that government will 'co-invest' towards. The Government are seeking views on proposals for these funding bands. Employers can [learn more about these proposals and feed in your views](#).

Employers can use an [indicative tool](#) that the Government have created to help them estimate how much the government will contribute towards the cost of training.

Employer involvement in consultation

The Government are seeking views on proposals that they will pay 90% towards the cost of training and assessment, and employers pay the remaining 10%. The Government intends to confirm the co-investment rate in October 2016.

The Government is currently seeking views on levels of funding, government support, additional support for 16- to 18-year-olds, and English and maths payments for apprentices starting from May 2017.

Employers can [learn more about these proposal and feed in their views](#).

When further information will be available

October 2016

In October 2016 there will be information about apprentices starting from May 2017, including:

- final levels of:
- funding
- government support
- additional support for 16- to 18-year-olds
- English and maths payments
- final detailed funding and eligibility rules

December 2016

In December 2016 there will be information about further employer guidance from HMRC on how to calculate and pay the apprenticeship levy.

Get in touch

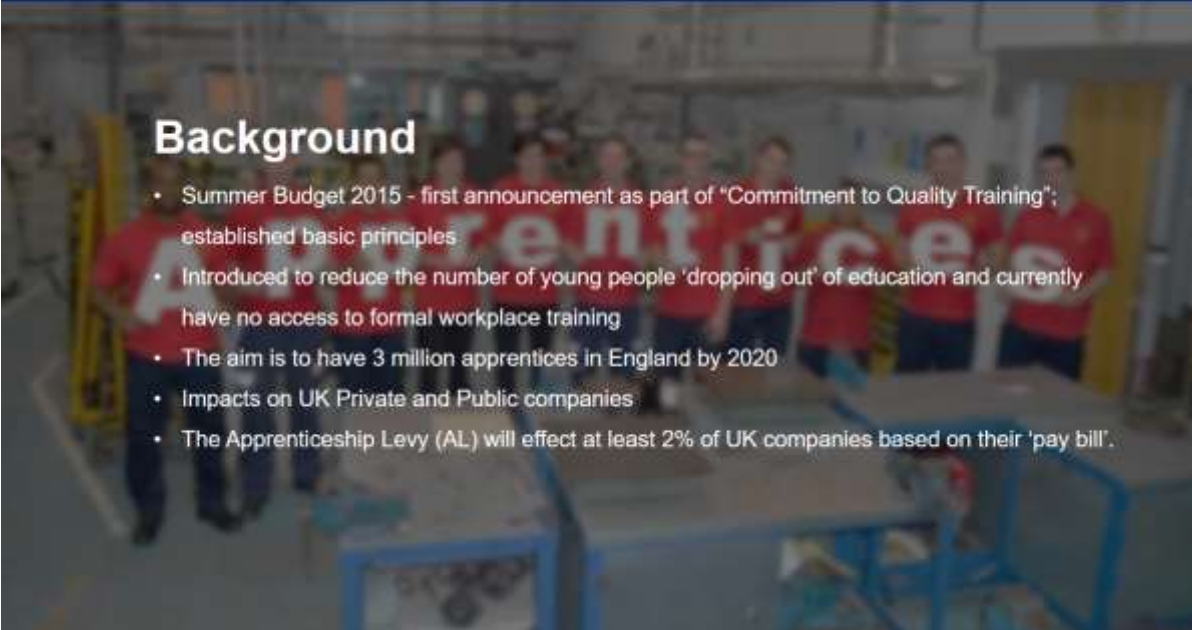
If you'd like to know more about what this will mean for your company, contact the employer helpline.

Apprenticeship employer helpline

Email nationalhelpdesk@apprenticeships.gov.uk

Telephone 08000 150 600

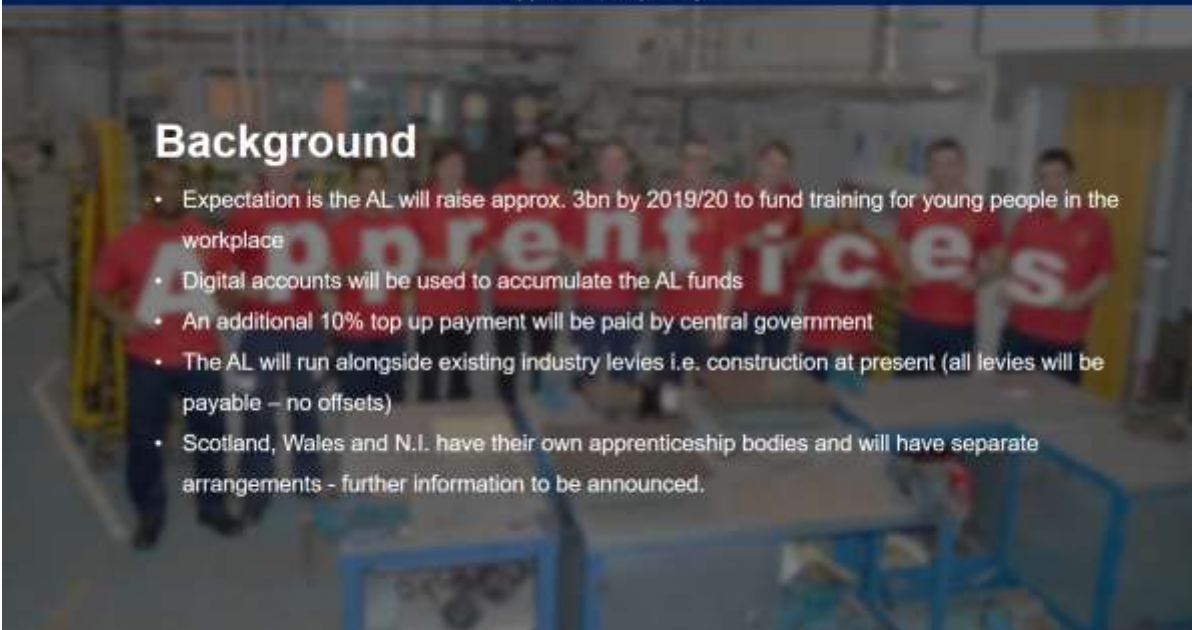
Apprenticeship Levy



Background

- Summer Budget 2015 - first announcement as part of "Commitment to Quality Training"; established basic principles
- Introduced to reduce the number of young people 'dropping out' of education and currently have no access to formal workplace training
- The aim is to have 3 million apprentices in England by 2020
- Impacts on UK Private and Public companies
- The Apprenticeship Levy (AL) will effect at least 2% of UK companies based on their 'pay bill'.

Apprenticeship Levy



Background

- Expectation is the AL will raise approx. 3bn by 2019/20 to fund training for young people in the workplace
- Digital accounts will be used to accumulate the AL funds
- An additional 10% top up payment will be paid by central government
- The AL will run alongside existing industry levies i.e. construction at present (all levies will be payable – no offsets)
- Scotland, Wales and N.I. have their own apprenticeship bodies and will have separate arrangements - further information to be announced.

The Levy, who is affected?

- Affects all companies but payment becomes due only from those who exceed the following threshold:
 - The Charge is set at 0.5% of a company's 'pay bill'
 - Minimum £3m 'Pay Bill'
 - Based on Secondary (employer) Class 1 NICable pay but excludes:
 - Payrolled BIKs subject to Class 1A
 - PSAs (Class 1B)
- All companies will be entitled to £15,000 Levy allowance per annum to offset against the Levy payable
- AL is allowable as a deduction for Corporation Tax.

When does the scheme go live?

- Commencement date April 2017
- First payment will be due May 2017
- AL is calculated each payday; the AL allowance is set as an annual figure divided in equal amounts across the tax year
- Any unused allowance will roll/carry over on to the next pay period
- Part year companies – still receive the full allowance
- Employers can use the gov.uk [levy-calculator tool](https://www.gov.uk/levy-calculator) to estimate their AL contribution
- **Note: further guidance to be published end of October and during December 2016.**

Example 1

- An employer who would pay the levy
 - An employer with an annual pay bill of £5,000,000:
 - AL sum: $0.5\% \times £5,000,000 = £25,000$
 - subtracting AL allowance: $£25,000 - £15,000 = £10,000$ annual AL payment

Example 2

- An employer who would not have to pay the levy
 - An employer with an annual pay bill of £2,000,000:
 - AL sum: $0.5\% \times £2,000,000 = £10,000$
 - subtracting AL allowance: $£10,000 - £15,000 = £0$ annual AL payment

What is the Paybill?

- The total annual amount of Class 1 (secondary) NICable earnings
- Self-Certification required if pay bill is expected to remain less than £3m for a whole tax year.
- Be aware - fluctuating Earnings could mean employers become subject to AL payments i.e. bonuses, overtime, pay increases etc.

What is NICable Pay?

	Income tax?	Class 1 Employer (secondary) NICs?
Pay/salary/wages	Yes	Yes
Bonus/commission	Yes	Yes
Employer pension contributions	No	No
Employee pension contributions	Tax relief can be claimed subject to limits	Yes (because they are paid on gross pay, before deductions)
Benefits in kind (e.g. provision of a car, private healthcare etc.)	Yes, unless one of the limited exemptions applies	No (they attract class 1A NICs instead)
Apprentices under 25	Yes	No
Termination payments	Yes over £30,000	No

The Levy Allowance

- The full AL allowance per year is £15,000.00
- All companies are entitled to the full AL allowance which can only be offset against the AL
- The AL Allowance is claimable on a monthly basis and offset against any AL due for that tax period
- Any unused allowance will roll/carry over on to the next tax period - For example:
 - AL liability for month 1 = £1000 – no payment due, unused AL allowance is £250
 - AL allowance available in month 2 = £1500 (£1250 month 2 + £250 from month1)
- After the end of the tax year any unused AL allowance will be available to offset against other PAYE liabilities on either single or multiple PAYE schemes but only if AL payments were made during the previous tax year i.e. offset against the final HMRC remittance for the year.

The Levy Allowance

- There is one AL allowance per company/linked companies
- Linked companies can apportion the AL allowance across the group
- Any decision about apportionment must be made prior to the beginning of the tax year and will remain in place for that year
- Linked company rules are the same as the employment allowance
- Rules updated in the 2016 Finance Bill.

Reporting Requirements

- AL and AL allowance offset to be reported on the Employment Payment Summary (EPS)
- HMRC to update EPS with new fields
- Will be reported monthly on a year to date cumulative basis
- Payroll software providers will need to update functionality to enable calculation, reporting and recording.

The Payment

- Payments are made to HMRC with PAYE remittance
- Payments due 19th/22nd of month
- First calculation April 2017
- First payment due May 2017
- Late penalties and fines are the same as PAYE.

The Digital Apprenticeship Service (DAS)

- Under development currently
- Will be rolled out at first to companies registered in England who pay the AL
- Available for all companies in England from April 2018 – whether they pay the AL or not
- Apprenticeships starting from 1st May 2017 will be funded under the new scheme
- Current apprenticeship funding will continue as is for those employers who do not pay the AL

The Digital Apprenticeship Service (DAS)

- From January 2017 companies can register to create a digital bank account to hold:
 - All AL funds paid over
 - Plus the 10% AL top up funding
 - Funds will be credited after each monthly remittance (22nd monthly)
 - Funds can only be used to pay for apprenticeship training and assessments and not for the payment of wages or salary
 - Funds in the account must be 'spent' within 18 months
 - Unspent funds will expire after this time and will not be available for funding future apprenticeship training.

The Digital Apprenticeship Service (DAS)

- The funds for apprentice training can be used in three ways:
 - In-house training
 - College training
 - Outsourced training
- Support framework which offers:
 - Training provider details
 - Assessment provider details
 - Advertising of apprentice vacancies

The Checklist

- Identify your true company pay bill
- Does self-certification apply to your company?
- Is your company part of a group (a connected/linked organisation)
- Decide how to allocate the allowance
- Decide who is the responsible person for completion/filing of the EPS.
- Check payroll software capability and deadline for implementing the changes

Further information


- October 2016 update to include:
 - Final levels of funding
 - Eligibility
 - Government support
 - Additional support for 16-18 year olds
 - English and maths support
- December 2016 update to include:
 - Employer guidance on calculation and payment of the AL

Government contacts

- Apprenticeship employer helpline:
 - 0800 0150 600
 - nationalhelpdesk@apprenticeships.gov.uk
- Apprenticeship Levy Team
 - apprenticeships.levy@bis.gsi.gov.uk
- Digital Apprenticeship Service Team:
 - DAS@bis.gsi.gov.uk

The Learn Centre

- Developing a detailed public course on Apprenticeships commencing early next year once the final guidance from the government is in place
- Details to be announced later in the year



A few questions

Please log on to <http://www.thelearncentre.co.uk/constant-compliance-2016/> to access all the webinars and training notes.

Subscribe to our payroll newsletter [here](#).