

The Apprenticeship Levy Employer Guide



For more information on the Apprenticeship Levy and how it will affect your business, contact us:

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Introduction

In November 2015 the then Chancellor, George Osborne, announced that Government would be introducing a new way of funding apprenticeships in the UK, with a target of having 3 million apprentices in learning by 2020.

He announced that from 6th April 2017 the government would be introducing a new tax or levy which would affect all employers with a payroll of £3 million or above. In this guide we explain what the levy is, how it works, who is affected and how the Skills People Group can help you utilise the levy to support the development of your business.

What is the Apprenticeship Levy?

The Apprenticeship Levy is a new tax coming into place on 6th April 2017. The government will implement the tax as a way of generating funding to provide training for 3 million apprentices by 2020.

The levy works out as 0.5% of your company's overall payroll, minus the £15,000 'levy allowance'. For example, if your annual wage bill comes in at £5,000,000 the levy will cost you £10,000. This amount will be calculated monthly and added to your company's PAYE contributions from May 2017.

The Government will also 'top-up' the total you pay in levy by 10%.

The levy can be used to train new staff and upskill and develop existing staff in the workplace across a range of apprenticeships from entry level 2 to level 5 management programmes.

The levy cannot be used for any other purpose other than apprenticeship training, however, with careful planning and our guidance, it is possible to recoup the full costs of the levy and we can help you in this respect.

The money is deducted by HMRC and paid into your company's own Digital Apprenticeship Account, which employers use to manage payments made for apprenticeship training.

Who does it affect?

The Apprenticeship Levy will affect any organisation whose annual wage bill is £3 million or more. This is applicable to all employees' earnings that are subject to Class 1 secondary National Insurance contributions (including bonuses and commissions) however as stated above the government will pay the first £15,000 of any levy due.

Companies with an annual wage bill of less than £3 million are not in scope to make levy payments, they will however have to contribute 10% towards the cost of any apprenticeship training they undertake as from 6th April 2017.

Construction companies who pay levy to the CITB are not exempt from the Apprenticeship Levy and will fall under the Apprenticeship Levy if their wage bill is in excess of £3 million.

We want to make sure you get the best advice possible. For example, are you aware that employers with apprentices aged under 25 are not required to pay secondary class 1 National Insurance contributions on earnings of less than £43,000 per annum?

On a salary of £20,000 per annum this would save the employer £1,656 in National Insurance contributions.



Example: Employer with a £8 million annual wage bill.

- The government will apply a levy of 0.5% of £8,000,000, totalling £40,000
- The employer receives the government rebate of £15,000
- The total amount payable under the levy is £25,000
- The government adds a 10% top-up of £2,500
- The employer has £27,500 available in their Digital Apprenticeship Account to utilise on apprenticeship training

Any employer with an annual wage bill of less than £3 million does not pay the Apprenticeship Levy, but must pay 10% of the delivery cost of any apprenticeship programme.

Support for small employers

If you employ less than 50 staff the Government will fully fund the apprenticeship of anyone aged 16 to 18 years of age. They will also fully fund anyone aged 19 to 24 if they are under an educational healthcare plan or have been in the care of the local authority.

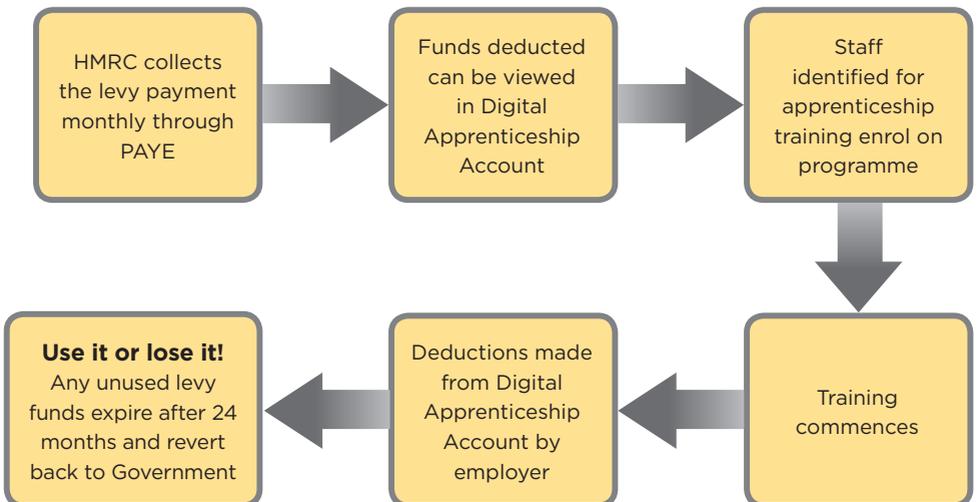


How it works – the key points

As with any new scheme, it can be quite confusing trying to figure out how it will work and what it means for your company in practice. Here's how the Apprenticeship Levy works:

- HMRC collect 0.5% of your PAYE wage bill monthly
- Collected funds are added to your Digital Apprenticeship Account
- The government apply a 10% top-up to your levy funds – that's an extra 10p for every £1 you put in
- You 'spend' your levy contributions on training apprentices by transferring the funds from your online account to a recognised training provider
- The credits in your online account will expire after 24 months if you have not used them

Essentially, you recover the cost of the levy by using it to reinvest in your workforce and train new apprentices – and if you utilise this in an effective way, you can actually make more than you initially contribute. This will require careful planning to make sure that you train the correct number of staff and complete the relevant apprenticeship standards. Our expert team of advisors are just a phone call away to help you with this.



How we can help

Here at Skills People Group we have been providing exceptional apprenticeship training programmes for many years prior to the introduction of the Apprenticeship Levy.

Our experienced, dedicated team can offer you a bespoke approach, catered to the needs of your company and each individual learner. We have the expertise to provide you with a full range of apprenticeship services, from free advice to delivering comprehensive apprenticeship training.

Contact us

Call us on 01246 589477 and speak to one of our advisors today or email levy@skillspeoplegroup.com

You can also find us on Facebook and Twitter where we'll keep you up to date with all the latest Apprenticeship Levy news as it comes through.





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