



ARE YOU READY FOR THE APPRENTICESHIP LEVY?

Find out more about how it impacts your business

1. WHAT IS THE APPRENTICESHIP LEVY?

In a bid to deliver three million apprenticeship starts by 2020, the government has announced the introduction of an Apprenticeship Levy on employers with an annual wage bill of more than £3 million to increase their contribution towards staff training. By allocating a specific amount of funds that can only be spent on apprentices, the government is encouraging businesses to make use of the money they essentially contributed as part of the levy. In order to make some of that money back, they'll have to make use of it by training apprentices.

2. WHO WILL NEED TO PAY THE APPRENTICESHIP LEVY?

Employers in the UK that have a wage bill of over £3 million will need to pay the levy from April 2017. The levy applies to all industries in the private and public sectors.

3. HOW IS THE 'PAYBILL' CALCULATED?

The levy will be at a rate of 0.5% of the wage bill. The wage bill is defined as 'total employee earnings' of every employee.

Every employer is given a £15,000 allowance. This allowance is easiest explained with an example:

Example One: An employer with an annual paybill of £2,000,000

Levy sum: $0.5\% \times £2,000,000 = £10,000$ = No levy to pay (the total amount of the levy sum is less than the £15,000 allowance)

Example Two: An employer with a paybill of £5,000,000

Levy sum: $0.5\% \times £5,000,000 = £25,000$ (Minus levy allowance of £15,000) = £10,000 levy to pay annually

NB: There will be a connected persons rule so employers who operate multiple payrolls will only be able to claim their £15,000 allowance once.

4. HOW WILL THE GOVERNMENT COLLECT THE LEVY?

The levy will be collected through the employers Pay as You Earn (PAYE) Scheme and will be payable alongside income tax and national insurance.

5. HOW WILL EMPLOYERS RECLAIM THE FUNDS?

Employers will be able to access the funds they have paid through the apprenticeship levy to fund apprenticeship training for their business.



6. WHAT WILL EMPLOYERS GET BACK FROM THE LEVY?

Employers in England, who pay the apprenticeship levy and provide apprenticeships, will be able to reclaim their levy contributions as digital vouchers to use to pay for training apprentices. They will be able to access these funds as digital vouchers through their chosen training providers to fund apprenticeship training. Employers will be free to choose their training provider (e.g. their local college or other training provider) from those on the Register of Providers and discuss their needs and delivery. The funding is then paid directly to the provider from the government. This voucher system will not apply in Scotland, Wales and Northern Ireland.

If an employer wants to take on more apprentices than the value that their levy contribution will cover, they will be able to apply for 'top-up' payments. The government will outline how this will work, and the value of the top-ups.

7. HOW DO THE TOP-UPS WORK?

The government will apply a **10% top-up** to the funds you have to spend on apprenticeship training in England. It will be given monthly, at the same time the funds enter your digital account. That means for every **£1** that enters your digital account to spend in England on apprenticeship training, you get **£1.10**.

Funding caps will be set on different qualifications. For each apprentice an employer takes on, the employer can obtain a voucher up to the value of the cap for that particular apprenticeship standard. The government is due to announce funding caps soon.

8. COMPANIES THAT DON'T PAY THE APPRENTICESHIP LEVY FUND APPRENTICESHIPS?

If you don't pay the levy, you won't need to use the digital apprenticeship service to pay for apprenticeship training and assessment until at least 2018.

However, when the new funding system begins in April 2017, you can access the digital apprenticeship service to choose the training provider, and assessment organisation for your apprenticeship programme using the registers available.

Employers that don't pay the levy will be expected to contribute towards the cost of apprenticeship training, and Government will pay the rest (up to the maximum amount of funding available in the band for that apprenticeship). More details on the proposed rate of government support is due soon.

9. HOW DO I ACCESS MY LEVY FUND?

Funds will be accessed through a new **digital apprenticeship service account**. Employers will need to register to create an account, and link it to their **PAYE schemes**. They will be able to see funds appear in their digital account monthly and 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 and assessment organisations.

When you agree to buy apprenticeship training from a particular training provider and the apprenticeship has started, monthly payments will automatically be taken from your digital account and sent to the provider.

The **digital apprenticeship service** will support the English apprenticeship system. Scotland, Wales and Northern Ireland will have their own arrangements for supporting employers to access apprenticeships – but there are no further details on this yet.



10. WHAT CAN I SPEND LEVY FUNDS ON?

Funds in your digital account can only be used towards the **costs of apprenticeship training** and end point assessment. This must be with an approved training provider and assessment organisation.

Funds can't be used on other costs associated with apprentices or wider training effort, e.g. wages, statutory licences to practise, travel and subsidiary costs, managerial costs, traineeships, work placement programmes or the cost of setting up an apprenticeship programme.

11. CAN I USE THE ALLOWANCE TO OFFER APPRENTICESHIPS TO BOTH NEW AND EXISTING STAFF?

Yes, you can recruit new staff or train existing staff for an Apprenticeship, as long as it is relevant to their role and is the most appropriate way of developing their skills.

12. WILL MY FUNDS EXPIRE IF I DON'T USE THEM?

Funds will **expire 18 months** after they enter your digital account if you don't spend them on apprenticeship training – this will also apply to any top-ups. Your digital account will let you know in good time when any funds are due to expire so that you can arrange to spend them.

13. WHAT WILL HAPPEN TO APPRENTICES THAT STARTED BEFORE APRIL 2017 BUT ARE STILL ON-PROGRAMME?

All apprentices who started their apprenticeship programme before April 2017 will be funded for the full duration of the apprenticeship under the terms and conditions that were in place at the time the apprenticeship started. If you pay the apprenticeship levy, you will not be able to use the funds in your digital account to pay for these apprenticeships.

14. HOW WILL THE LEVY WORK FOR CONNECTED COMPANIES OR CHARITIES?

Where a group of employers are connected they will only be able to use **one £15,000 allowance**. If you are part of a group of connected employers, you 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.

15. HOW WILL I BE AFFECTED IF I DON'T NEED TO PAY THE LEVY?

If you don't pay the levy, you won't need to use the digital apprenticeship service to pay for apprenticeship training and assessment until at least 2018.

But, when the new funding system begins in April 2017, you can access the digital apprenticeship service to choose the training provider, and assessment organisation for your apprenticeship programme using the registers available.

Employers that don't pay the levy will be expected to contribute towards the cost of apprenticeship training, and government will pay the rest (up to the maximum amount of funding available in the band for that apprenticeship). You will pay this directly to the provider and you will be able to spread it over the life time of the apprenticeship, to a schedule you agree. As both you and the government make a payment, it will be called 'co-investment'.

More details on the proposed rate of government support is due soon.



16. HOW CAN I USE THE DIGITAL APPRENTICESHIP SERVICE?

Employers can use the digital apprenticeship service whether they **pay the levy or not**. They will help employers to:

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

From **April 2017**, employers that pay the levy will also be able to:

- see the funds available to spend in England
- set the price agreed with your 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.

WHAT CAN UXBRIDGE COLLEGE DO FOR YOUR BUSINESS?

We can help you get ready for the new levy and help you to maximise the apprenticeship programme. With over 50 years of experience, College can help you develop an apprenticeship scheme that will fit into your recruitment strategy, drive your company forward, increase productivity and address your future skills gaps.

We will help you make the most out of the **apprenticeship levy**, by recruiting apprentices to provide the great talent your future business requires.

FIND OUT MORE ON:



01895 853780



employerservices@uxbridgecollege.ac.uk



www.uxbridgecollege.ac.uk/employers



[UC Employers](#)

TO READ THE GOVERNMENT GUIDANCE IN FULL, VISIT:

<https://www.gov.uk/government/publications/apprenticeship-levy-how-it-will-work/apprenticeship-levy-how-it-will-work>

