



APPRENTICESHIP LEVY: KEY FACTS

FULLY REVISED AND UPDATED FOLLOWING THE LATEST GUIDANCE PUBLISHED BY THE DEPARTMENT FOR BUSINESS, INNOVATION AND SKILLS (BIS)

PAYMENT OF THE LEVY

When is the levy coming in?

The levy will be introduced from **April 2017**.

Who will pay the levy?

The levy will apply to both public and private UK employers across all sectors with a payroll bill in excess of **£3m** a year.

What counts as your payroll?

Your payroll will be based on the total amount of earnings subject to Class 1 secondary NICs. Earnings include any remuneration coming from employment, such as wages, bonuses, commissions, and pension contributions that you pay NICs on but not benefits in kind.

How much will the levy be?

It will be set at a rate of **0.5%** of the total payroll and will be collected monthly via PAYE.

There will be a **£15,000** fixed annual allowance for employers to offset against their levy payments.

The levy allowance will operate on a monthly basis and will accumulate throughout the year. This means you will have an allowance of **£1,250** a month. Any unused allowance will be carried from one month to the next.

What happens if you are in a group of companies?

Where a group of employers are connected you will only be able to use one **£15,000** allowance. The government is intending to make an amendment to the Finance Bill 2016 whereby if you are in a group, you must decide what proportion of the levy allowance each employer in the group will be entitled to.

How do employers get back more than they put in?

The government will apply a **10%** top-up to monthly funds entering levy paying employers digital accounts, for apprenticeship training in England, from April 2017. All funds entering a levy payer's account will be increased, so every **£1** will be increased to **£1.10** in value.

SPENDING THE LEVY

What can Levy funds be spent on?

Levy funds can only be used towards the cost of Apprenticeship training and end-point assessment with an approved training provider. It can't be used towards an Apprentice's wages or wider training programme. Further details of what can be included will be set out in October 2016 and finalised by December 2016.

For further information on the levy or on setting up an Apprenticeship programme please contact:

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How much can employers spend on each Apprentice?

Each Apprenticeship will be placed into a band, dependent upon the level and complexity of the Apprenticeship, which will determine the maximum amount that can be spent. Employers will be expected to negotiate with their provider to agree a price for the Apprenticeship training up to the maximum cap, which will then be deducted from your digital account on a monthly basis. Draft funding rates will be published in June 2016 with final funding rates published in October 2016.

The same principle will apply to non-Levy paying employers but the government will here provide additional investment to help towards the cost of training your Apprentice, again up to the maximum cap.

How can employers spend their Levy?

Levy funds once collected by HMRC will be held in your 'Digital Apprenticeship Service' (DAS) account. You will be able to register to create your account from January 2017.

Employers will be able to direct the funds held in these accounts to 'approved training providers' to pay for their Apprenticeship training.

How long will employers have to spend their Levy?

Levy funds will expire 18 months after they enter your digital account unless you spend them on apprenticeship training i.e if you don't use them, you will lose them. This will also apply to any top-ups in your digital account. For example, funds entering your account in September 2017 will expire in March 2019. Money is spent when it leaves your digital account as a payment to a training provider.

The account will work on a first-in, first-out basis. Whenever a payment is taken from your digital account it will automatically use the funds that entered your account first.

Can employers use the levy to fund existing employees?

Yes, so long as the training meets an approved Apprenticeship standard or framework and the individual meets the Apprentice eligibility criteria (details of which will be finalised in December 2016).

BIS is assessing the pros and cons of allowing employers to divert their funds to other employers in their supply chains and will provide further details in June 2016.

Can the Levy be used to cover Apprentices who signed up pre-April 2017?

No, the latest guidance states that for those Apprentices who started pre-April 2017, funding for the full duration of their apprenticeship will be under the terms and conditions that were in place at the time the apprenticeship started. Funds in your digital accounts cannot be used to cover these Apprentices whether they were signed up under existing frameworks or new Trailblazer standards.

What happens if an employer's levy funds don't cover the cost of the training?

If an employer pays levy but your funds don't cover the full cost of the apprenticeship training you would like to buy, additional government support will be provided to help you meet the additional costs up to the maximum amount of funding available for that apprenticeship. You will also be expected to make additional contributions for extra amount you would like to spend.

Will additional payments be made for employing a 16-18 year old?

Yes, a payment will be made to support employers who employ somebody aged 16-18 on the day they start the Apprenticeship. Further details will be provided in June 2016 and the payment will be made through your provider.

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How will payments be made to the provider?

When you agree to buy apprenticeship training from a provider, monthly payments will be automatically taken from your digital account and sent to the provider. This spreads the cost over the lifetime of the apprenticeship. You don't need to have enough funds in your digital account to cover the entire cost of the training at the start. As payments are taken from the digital account monthly, **you just need to have enough funds in your account to cover the monthly cost of each apprenticeship you have chosen.** BIS will make sure your payments reach the provider. In April 2017, these payments will be made monthly. In future, BIS aim to give you more flexibility over the way payments leave your digital account.

What happens to employers who don't have to pay the Levy?

If you do not pay the levy, you won't need to use the digital apprenticeship service to pay for apprenticeship training and assessment until at least 2018. The latest guidance suggests that you will be asked to make a contribution to the cost of your Apprenticeship training and the government will provide the rest. Further details of how this will work will be provided in June and October 2016.

What will happen in the devolved nations?

The Digital Apprenticeship Service will only be used to fund Apprenticeships delivered in England. How Levy funds can be spent in Wales, Scotland and Northern Ireland is up to the governments of these nations and details have not yet been released. To work out the proportion of your Levy funds that can be spent in England, BIS intend to use the home addresses of your employees. BIS are testing the accuracy and suitability of this approach and will provide more details in October 2016.

TRAINING PROVIDERS

Who can be an approved training provider?

Levy funds can only be spent with approved providers who are on the government's register of approved providers. Employers can deliver training themselves but in order to spend Levy funds on your own training you must register as an approved provider. Further details on this will be released in June 2016.

NEXT STEPS

What should I do now?

For employers who are already engaged with Apprenticeships, there is little you need to do now other than start to budget for the levy coming in and consider if you are likely to spend all of your contribution. This will be easier to determine when funding rates are published later on in the year.

If you are an employer who doesn't currently take on Apprentices and you will be affected by the levy, we would advise that you start to consider setting up a pilot Apprenticeship scheme this year so you are in the best position to make use of your levy funds from 2017. Take a moment to have a look at the different Apprenticeship options available in your sector to see if any could be relevant for you.

For further information

Kaplan is an expert in Accountancy and Financial Services Apprenticeships and has been heavily involved with the creation of the new Trailblazer standards in our respective sectors. For further information on the levy or on setting up an Apprenticeship programme please contact Cassandra Macdonald, Head of Accountancy Apprenticeships on cassandra.macdonald@kaplan.co.uk.

To read the full, detailed guidance provided by BIS please visit:

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

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