APPRENTICESHIP LEVY: KEY FACTS

MARCH 2016: FULLY REVISED AND UPDATED FOLLOWING THE BUDGET

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 employers across all sectors with a payroll bill in excess of £3m a year. The levy will be paid by all UK employers although how it will be spent in Wales, Scotland and Northern Ireland is not yet clear.

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. The pay bill will be based on total employee earnings subject to Class 1 secondary NICs.

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

What happens to companies who do not need to pay the levy?
The government will continue to provide funding for Apprenticeship training. More details on how this will work are due to be released in June 2016.

How much funding will Apprenticeships receive?
All approved Apprenticeship standards will be allocated a funding cap which will indicate how much levy funding can be used for each Apprenticeship. The cap will depend upon the framework or standard that is being trained against. It will cover the costs of training such as assessment, certification and English and Maths. Draft funding caps are expected in June 2016.

How can employers spend it?
Levy funds once collected by HMRC will be held in an employer’s ‘Digital Apprenticeship Service’ (DAS) account. Employers will be able to direct the funds held in these accounts to ‘approved training providers’ to pay for their Apprenticeship training.

Can employers use the levy to fund existing employees?
Yes, so long as the training meets an approved Apprenticeship standard or framework and the proposed candidate meets the eligibility criteria for apprentices.

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

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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.

What happens if employers don’t spend their levy funds?
If employers do not spend their levy funds, these will be lost and in the Government’s words “will be made more widely available” to other companies engaged with Apprenticeships. The time limit for spending levy funds is due to be confirmed in June 2016.

What happens if an employer’s levy funds don’t cover the cost of the training?
If an employer has spent all of their levy pot or the cost of the training is greater than the funds in the levy pot then employers are likely to have to contribute additional funds.

Who can provide the training?
Employers can only spend their levy funds on Apprenticeship training delivered by an approved provider. This could be through buying in training from an approved provider or delivering the training themselves. To deliver training the employer would need to register as an approved provider and be subject to Skills Funding Agency (SFA) quality arrangements and Ofsted inspection.

What should employers 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.

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.

Employers can still contribute to the development of the Levy by emailing ApprenticeshipsLevyConsultation@bis.gsi.gov.uk.

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 01908 540 064 or request a call back from one of our experts.

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