THE
APPRENTICESHIP LEVY
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Apprenticeship Levy

As you will have heard by now the Apprenticeship Levy is coming in spring this year, radically changing the way apprenticeships are funded in England.

As an employer, you'll have to pay Apprenticeship Levy each month from 6 April 2017 if you:

Have an annual pay bill of more than £3 million

Are connected to other companies or charities for Employment Allowance which in total have an annual pay bill of more than £3 million

Your annual pay bill is all payments to employees that are subject to employer Class 1 secondary National Insurance contributions (NICs) such as wages, bonuses and commissions.

You must include payments to:

All employees earning below the Lower Earnings Limit and the Secondary Threshold

Employees under the age of 21

Apprentices under the age of 25

Your pay bill doesn’t include:

Earnings of employees under the age of 16

Earnings of employees who aren’t subject to UK NICs legislation

Earnings on which Class 1A NICs are payable, such as benefits in kind

The new levy will be introduced alongside a new online Digital Apprenticeship Service (DAS). The DAS will require an employer to register their details online. When that employer wants to draw down from the levy fund, they will need to register the details of each apprentice (age, the standard they will be on, etc.) which will then tell the employer how much levy they can draw down, in the form of the voucher. These vouchers can then be used by the employer to spend on training with a registered training provider.

Vouchers from the DAS can only be spent with registered training providers. The new online system will list the registered providers where vouchers can be spent.
The vouchers will last 24 months from the time that they appear in the digital account, which will be monthly. If they are not spent by this time, they will expire and the employer will lose them.

When vouchers leave your digital account, the “oldest” vouchers will be taken first. There are extra employer incentive payments for taking on 16-18 year olds.

Report how much you owe

From 6 April 2017, you’ll need to tell HMRC how much Apprenticeship Levy you owe each month:

- from the start of the tax year if:
  - your annual pay bill (including any connected companies or charities) in the previous tax year was more than £3 million
  - you think your annual pay bill (including any connected companies or charities) for the tax year will be more than £3 million
  - if your annual pay bill (including any connected companies or charities) unexpectedly increases to more than £3 million - start reporting when this happens

If you’ve started paying the Apprenticeship Levy, you’ll need to continue reporting it until the end of the tax year even if your annual pay bill turns out to be less than £3 million.

Connected companies or charities will each need to tell HMRC how much Apprenticeship Levy they owe.

Report your Apprenticeship Levy each month using your Employer Payment Summary (EPS) and include the following:

- the amount of the annual Apprenticeship Levy allowance you’ve allocated to that PAYE scheme
- the amount of Apprenticeship Levy you owe to date in the current tax year

You don’t need to report any Apprenticeship Levy on your EPS if you haven’t had to pay it in the current tax year.

If you do not pay the levy (i.e. you have a payroll of less than £3m), the Government have introduced a new ruling from 1st April 2017.
The ruling will mean that your business will have to contribute 10% of the full value of Apprenticeship funding for each Apprentice you train. This could be as much as £2,700.

How will I pay my training provider(s)?

As a levy-payer, each month you will pay your levy liability. The English “fraction” of this levy liability (the levy paid on the portion of your pay bill for employees with an English postcode) will then appear in your new online account. Added to this figure will be a 10% top up.

If you are not a levy payer please see the next section.

The amount that you spend will depend on the apprenticeship standard or framework that you choose, with each apprenticeship and standard being allocated into a funding band with an upper limit to be determined by the government.

As an employer, 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. As an employer, you will not have control of these payments.

The amount taken from your account will be calculated by dividing the agreed price between the months required to undertake the apprenticeship. A completion payment (20% of the cost) will be held back. This means that you cannot frontload payments, even if the majority of the cost of the apprenticeship is within the first 6 months for example.

How will apprenticeships be funded for businesses with a pay bill of less than £3m?

Companies that are out of scope of the levy will be required to co-invest in apprenticeship training.
The current proposal for co-investment is such that non levy-payers will have 90% of their apprenticeship training and assessment funded, with the employer paying 10%. This must be cash and not “in-kind”.

Unlike levy-payers, those companies not paying into the levy, will be able to agree a payment schedule with their provider and choose to spread the payments they make over the life time of their apprenticeship.

For at least the first year, non-levy payers will need to make their co-investment payment direct to their training provider, and upon receiving this payment the provider will then be able to receive a payment from the levy fund. Government will require verification from the provider to ensure the co-investment has been paid, to prevent “free” apprenticeships being provided which has been seen in the past.

These two payments together may, or may not, cover the entire cost of the apprenticeship training. Where they do not, then the employer will need to pay the excess to the provider. Providers will be required to define the fee they will charge for an apprenticeship and employers are at liberty to choose their provider based on their own criteria.

Will non-levy payers be using the new Digital Apprenticeship Service?

Employers not in the scope of the levy will be able to use the functionalities of the new service that allows them to look for apprenticeship training and search for providers. They will not however be using the DAS to pay for apprenticeship training and assessment until at least 2018.

CROSS BORDER FUNDING RULES

How much of my levy liability will go to the devolved administrations?

The levy will be UK wide, therefore employers that operate across the devolved nations will pay their contribution based on all their UK employees, irrespective of where they live or where they work.
The location of the employer is equally irrelevant and every UK eligible employer will have a liability to pay the levy, (subject to the allowance of £15,000).

However the vouchers which levy paying employers will be allocated and which they can then spend on apprenticeship training will be based, only, on the portion of the levy which they pay on the pay bill for their English employees. If therefore an employer has a £3 million pay bill for their English workforce and a £1 million pay bill for their Scottish workforce, then they will receive vouchers on the £3 million. They can only use these vouchers to train their own employees on English apprenticeships.

A part of the total levy fund which all employers contribute to will be set aside and given to the home nations, other than England.

The government has inserted a clause in the Enterprise Bill that would enable the devolved administrations to use the levy/voucher system in the same way as in England should they wish to do so. It will ultimately be up to the devolved administrations to decide how the money is spent. There has to date been no announcement on this.

Government has indicated that the portion of the total levy fund which will be set aside and distributed to the home nations other than England will be based on the postcode for each worker held by HMRC.

Therefore, employers will only receive vouchers for the levy paid in respect of the pay bill of employees with a postcode that HMRC hold for them that is in England. Employers will not receive a voucher in respect of any portion of the levy paid on the pay bills of employees that have a postcode in Wales, Scotland or Northern Ireland.

For further details and funding for the Welsh Apprenticeship levy please use the following link:

https://businesswales.gov.wales/skillsgateway/apprenticeship-levy

For the full details of the Scotland Apprenticeship levy please use the following link:

https://www.apprenticeships.scot/take-on-an-apprentice/apprenticeship-levy/

Details of the Northern Ireland Apprenticeship levy:

https://www.economy-ni.gov.uk/consultations/apprenticeship-levy

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• Applies to all employers in England, Wales, Scotland and Northern Ireland
• A single company of a bill up to £3 million will pay no levy
• No exemptions – 0.5% of the bill where over £3m
• Follows the employer NIC’s contributions
• You don’t pay the first £15,000 of the tax
• ‘Connected companies’ only get one £15,000 deduction, they can share it across different companies in the group
• Employers will receive digital funds, to the value of their levy contributions. These funds can be used to buy apprenticeship training
• Levy paying employers will receive a 10% top up on their digital funds

Connected companies rule
• Only one £15,000 deduction – This can be split between the group
• Need to decide how the fund is going to be split before first payment
• Digital funds can be pooled together or kept separately
• Can have one or multiple DAS accounts
Employers that pay into the levy will receive digital funds to spend on Apprenticeship training.

To access, and spend digital funds, employers need to register for their own Digital Apprenticeship Service account.

By creating an account levy payers will be able to:
- Find training providers
- Pay for training and assessment in England
- Manage funds and apprentices
- Perform account maintenance

**Step 1**
Plan your Apprenticeship programme
Estimate how much levy funding you will have to spend on Apprenticeships. You will need to know your organisation’s annual UK payroll.

It would also help if you know:
- the percentage of your workforce that live in England
- the type of apprenticeship training you will need

By completing this step it will provide you with a monthly breakdown of your funding.

https://estimate-my-apprenticeship-funding.sfa.bis.gov.uk/

**Step 2**
Find Apprenticeship training
This service can be used to:

- search for apprenticeship training by job role or keyword
- find training providers who offer the apprenticeship training you choose

https://findapprenticeshiptraining.sfa.bis.gov.uk/

Step 3
Manage Apprenticeship funding

Register securely to set up an employer account and view your available funding.

Use this service to:

- create new accounts
- start, stop or amend your apprenticeship programmes
- spend your levy funds on apprentices (from May 2017)

Your levy funds are based on the levy amounts you declare to HMRC through your PAYE schemes.

To access your funds you will need:

The Government Gateway login details for your PAYE schemes (ask your payroll department if you don't have access to this).

Your organisation's Companies House Number or Charity number (only if your organisation has one).

The name of your public sector organisation if you are not a registered company or charity.

https://manage-apprenticeships.service.gov.uk/

Once registered for this service you can add team members to the account, Add PAYE schemes, add organisations, view your levy and start new apprenticeship contracts.

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Video Guide
You can use the following link to access a video guide to the Digital Apprenticeship Service:

https://www.youtube.com/watch?v=XDYEtj16E38

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