



# What is the apprenticeship levy?

The apprenticeship levy is a government initiative to fund apprenticeships. It was introduced in April 2017 and is only payable by employers with a total wage bill in excess of £3 million.

The government has committed to 3 million apprenticeship starts in England by 2020. The levy has been created to fund this commitment, and to encourage employers to hire more apprentices to help address skills gaps in the UK.

## **Apprenticeship explained.....**

The Apprenticeship Levy is part of the government's plan to increase the quantity and quality of Apprenticeships. The Levy is a new tax which aims to fund three million new Apprenticeships in England by 2020.

When did the Levy come into effect?

The Levy came into effect in April 2017. Employers included in the Levy should have had their first Levy payment taken then.

Do all organisations need to pay the Levy?

All UK employers who have a total employee pay bill above £3m a year will pay the Levy. This includes public and private sector, charities and educational providers such as academy groups and universities. The Levy rate was set at 0.5% of your pay bill in the November 2015 Comprehensive Spending Review.

Your 'pay bill' is your total employee earnings subject to Class 1 secondary NICs.

Employers get a £15,000 fixed annual allowance to offset against the Levy payment. Employers who operate multiple payrolls are able to claim one allowance for the Levy.

An example: if you have a £3m pay bill, you have a Levy bill of £15,000 (at 0.5% of employer pay bill). The allowance is offset against this so your Levy payment is £0.00.

How much of the Apprenticeship Levy do I pay?

Here are some examples of how much employers may pay for the Levy;

Employer A: 1,000 employees, each with a gross salary of £20,000

Annual payroll:  $1,000 \times £20,000 = £20,000,000$

Apprenticeship Levy applied:  $0.5\% \times £20,000,000 = £100,000$

After Tax allowance applied:  $£100,000 - £15,000$  means £85,000 Levy payment

Employer B: 500 employees, each with a gross salary of £20,000

Annual payroll:  $500 \times £20,000 = £10,000,000$

Apprenticeship Levy applied:  $0.5\% \times £10,000,000 = £50,000$

After Tax allowance applied:  $£50,000 - £15,000$  means £35,000 Levy payment

Employer C: 100 employees, each with a gross salary of £20,000

Annual pay bill:  $100 \times £20,000 = £2,000,000$

Levy applied:  $0.5\% \times £2,000,000 = £10,000$

After allowance applied:  $£10,000 - £15,000$  means £0 Levy payment

How does the government collect the Apprenticeship Levy?

Payments are collected monthly by HM Revenue and Customs (HMRC) through Pay as You Earn (PAYE), alongside tax and National Insurance.

What happens to the money once it's paid?

The money is collected by HMRC and for apprenticeship training in England can be accessed via a new Digital Apprenticeship Service (DAS) account. You can use this to pay for apprentice training. On your DAS account you can see all the training providers you want to deliver the training, choose appropriate Apprenticeship training courses and find candidates for your programmes.

How do I draw down from the Levy fund?

In England, you need to register your details online with the apprenticeship service, along with the details of your apprentice. You can see how much can be drawn down for each apprentice in your account. You can then use these funds to spend on training with registered apprenticeship training organisations.

What are the funding bands and funding caps?

You are not able to spend an unlimited amount of money on a single apprenticeship. There are currently 15 funding bands with caps which limit the amount of Apprenticeship Levy funds you can spend on training for an individual apprentice. The cap varies according to the level and type of apprenticeship. For example, higher level training over a longer duration has a higher cap

You can find out more information and how much employers will be able to spend on different apprenticeships in the Government's latest funding pages.

What can the Levy be spent on?

You can spend your Levy funds on apprenticeship training for either existing staff or new recruits as long as the training meets an approved standard or framework and the individual meets the apprentice eligibility criteria.

What types of programmes can be funded by the Levy?

A range of apprenticeship training programmes can be funded. They must be provided to an approved apprenticeship standard. Read the government's full list of Apprenticeship standards.

What can apprenticeship funding be spent on?

Funds can only be used towards the costs of apprenticeship training. They cannot be used on other associated costs such as apprentice wages, travel and subsidiary costs or the costs of setting up an apprenticeship programme. You can find out further detail by reading the Government's February 2017 update on apprenticeship funding rules.

How do I use funds from my digital account to buy training?

When an apprenticeship has started, monthly payments will be automatically taken from your digital account and sent to the training provider. This spreads the cost over the lifetime of the

apprenticeship. You will see funds entering your digital account each month as you pay the Levy, and funds leaving the account regularly each month as you pay for training.

Do I have to use an external training provider or can we deliver the apprenticeship programme ourselves?

You can buy-in from a provider or deliver the training yourselves, but the training must be delivered by an approved provider. If you want to “DIY”, your organisation needs to register as an approved provider and will be subject to Education Skills Funding Agency (ESFA) quality arrangements and Ofsted inspection.

Can I direct my Levy funds to someone else?

Yes, you can now direct your funds to your own supply chain.

How long will my funds last?

Funds will expire 24 months after they enter your (DAS) account unless you spend them on apprenticeship training. Money is spent when it leaves your digital account as a payment to a training provider.

Under what circumstances will I have to pay more?

There are two circumstances where Levy-paying employers are likely to have to contribute more:

where the cost of the training you wish to buy is greater than the funding cap for a particular standard or framework

where your organisation has spent all your Levy contribution and top-up and wants to spend more on apprenticeship training.