

What is the apprenticeship levy?

The levy is a government tax of 0.5% for every employer with a pay-bill of over £3 million. It will be based on 'gross pay' which is basic salary and bonuses and will not include NI and pension contributions.

- It will be collected by HMRC, directly via PAYE process
- There is a £15,000 allowance, similar to PAYE tax allowance
- No employer is exempt (including charities, colleges etc)

The levy will be collected from employers **monthly** starting 6 April 2017 and will be held in a 'virtual' account.

Employers will also benefit from a 10% top up to monthly funds entering the account.

Is there a minimum or maximum age limit?

The levy can be spent on apprenticeships at all levels and all ages.

What if an apprentice has prior qualifications?

Employers will be able to use funds in their digital account or access government co-investment support to train any eligible individual to undertake an apprenticeship at a higher level than a qualification they already hold, including a previous apprenticeship.

Employers will also be able to train individuals on an apprenticeship at the same or lower level than a qualification they already hold, if this allows the individual to acquire substantive new skills and the content of the training is materially different from any prior training or apprenticeship.

Will the government continue to fund apprenticeships for non-levy paying small employers?

Employers who do not pay the levy, and those who want to invest more in training than they have available in their digital accounts, will have to make a financial contribution – this is called co-investment. Employers will pay 10%; the remaining 90% will be funded by government. Initially, employers will pay their co-investment directly to training providers; over time the employer will be able to pay this through a digital account.

Employers with less than 50 employees will be able to train 16-18 year old apprentices or those aged 19-24 who have previously been in care or have a Local Authority Education Health and Care plan without making any contribution towards the cost of training and assessment. The government will pay 100% of the training costs for these individuals.

What about employers that are not based in England?

Apprenticeship training can only be funded if the apprentice's workplace is in England. The definition of workplace is the physical place of work, designated by the employer, where the apprentice is expected to spend the majority of their time during their apprenticeship (50% or more).

If businesses are part of a group, does their apprenticeship levy count as one for all parts of the group?

If the group has separate payroll accounts (HMRC VAT numbers), then each organisation in the group will be treated as a separate payroll by HMRC. If the group has an overarching payroll then that would be treated as the one payroll for all companies in the group.

What happens if I do nothing or am unable to spend my full levy?

Funds in digital accounts will expire after 24 months; the government will redistribute the funds elsewhere for apprenticeship delivery.

Will businesses need to pay NI contributions for apprentices?

Employers will not have to pay NI contributions for apprentices under 25 years of age from April 2016.

How do I access my levy?

A Digital Apprenticeship System (DAS) account will allow employers to see the amount they have available to spend on apprenticeships.

What other incentives are available for an employer taking on an apprentice?

£1000 will be paid to an employer taking on a 16-18 year old apprentice, as well as 19-24 year olds who were formerly in care or who have an Education and Health Care plan.

Levy examples:

Employer of 250 employees, each with a gross salary of £20,000:

Pay-bill: $250 \times £20,000 = £5,000,000$

Levy sum: $0.5\% \times £5,000,000 = £25,000$

Allowance: **£25,000 - £15,000 = £10,000 annual levy payment**

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

Pay-bill: $100 \times £20,000 = £2,000,000$

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

Allowance: **£10,000 - £15,000 = £0 annual levy payment (total amount of the levy sum is less than the £15,000 allowance).**