Future Apprenticeships.

Apprenticeship levy: how it will work

In order to assist with its plans to create 3 million apprenticeships by 2020, from spring 2017 the way the Government funds apprenticeships in England is changing. Some employers will be required at that point to contribute to a new apprenticeship levy, but there will also be changes to the funding of apprenticeship training for all employers.

The apprenticeship levy will require all UK employers with an annual pay bill over £3 million, to make an investment in apprenticeships. You as an employer can benefit from this investment by training apprentices.

Below is information on how the apprenticeship levy will work, with effect from its introduction on 6 April 2017.

We will also explain the principles by which apprenticeship funding will operate from 1 May 2017, whether you pay the levy or not.

Paying the apprenticeship levy

You will need to pay the levy if you are an employer (of any description) having a pay bill of more than £3 million per year.

(For the purposes of the levy, an ‘employer’ is someone who is a secondary contributor, with liability to pay Class 1 secondary National Insurance contributions (NIRCs) for their employees.)

The levy will be charged at a rate of 0.5% of your annual pay bill (there are definitions of what counts as your pay bill. See the full explanation at:-

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

You will have a levy allowance of £15,000 per year to offset against the levy you must pay.

You will pay the levy to HM Revenue and Customs (HMRC) through the Pay as You Earn (PAYE) process.

Examples of what you will pay

Example 1: An employer who would pay the levy

An employer with an annual pay bill of £5,000,000:

- levy sum: 0.5% x £5,000,000 = £25,000
- subtracting levy allowance: £25,000 - £15,000 = £10,000 annual levy payment
Example 2: An employer who would not have to pay the levy

An employer with an annual pay bill of £2,000,000:

- levy sum: 0.5% x £2,000,000 = £10,000
- subtracting levy allowance: £10,000 - £15,000 = £0 annual levy payment

Additional information

- Smaller employers with 50 or more employees having pay bills below £3 million will not pay the levy until 2018/19. They will still be able to take on apprentices under the existing funding arrangements.
- Employers with fewer than 50 employees will not have to pay towards the costs of training apprentices who are 16-18 years old, young care leavers or young people with an EHC plan.
- The Government will apply a 10% top-up to the funds you have created for spending on apprenticeship training in England. That means that for every £1 that you pay monthly to the levy, you get £1.10 to spend.

How much will my levy payment be?

Use the Skills Funding Agency tool to calculate your levy payment and available funding:

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

Accessing apprenticeship levy funding

Once you are paying the levy as required, you will be able to access funding for apprenticeships (including what the Government will be putting in) through a new Digital Apprenticeship Service Account. You will be able to use this to pay for the training and assessment of apprentices in England after 1 May 2017.

The funds will remain accessible for 24 months, but if you don’t use it for apprenticeship training- you will lose it!

The service will also help you find training providers to help you to develop and deliver your apprenticeship programme.

Creating a Digital Apprenticeship Service account

Online tools for employers will be available via the Digital Apprenticeship Service over the next year. You will be able to register to create your account from January 2017.

Employers who operate in England and other parts of the UK

The levy will apply to employers across the UK, but Scotland, Wales and Northern Ireland have their own arrangements for supporting employers to access apprenticeships. The Digital Apprenticeship Service only applies to England.