

## **Apprenticeship Levy**

The government announced in the 2015 Summer Budget, in April 2017 the way the government funds apprenticeships in England will change. Employers operating in the UK, with a pay bill of over £3 million per year will be required to contribute to a new apprenticeship levy. The apprenticeship levy will be introduced to assist with the pledge to create 3 million new apprenticeships by 2020. The levy will apply to all employers in the UK with a wage bill over £3 million across every industry, even public sector bodies. The levy is a tax of 0.5% of the employers' total wage bill and it will be paid through PAYE. Every single employer will receive an allowance of £15,000 to offset against their levy payments.

### **Levy payers (wage bills over £3 million)**

- The levy will take effect from April 2017.
- The levy will be 0.5% tax of wage bill, paid through PAYE.
- Levy paying employers will benefit from a 10% top up of their levy funds each month.
- Public sector bodies will also have the levy applied, and an additional target to ensure that 2.3% of its workforce is comprised of apprenticeships.
- The levy payments will be managed by the Digital Apprenticeship Service.
- An allowance of £15,000 will be granted to offset against employers' levy payments.

### **Spending your levy funds**

- Employers who pay the levy and provide apprenticeships will be able to allocate their levy contributions through the Digital Apprenticeship Service to use to train their apprentices.
- Employers will have 18 months to spend their levy funding (contributions and any government top-ups, if eligible).
- Digital Apprenticeship Service funds will cover apprenticeship training, assessment and certification with registered providers only.
- It will not cover wages or other costs.
- You will not be able to use the levy to fund other professional training courses or programmes.
- From 2018 levy payers will be allowed to transfer up to 10% of their annual levy fund value to other employers on the digital apprenticeship system e.g. supply chain.

### **Non-levy payers (wage bills under £3 million)**

- Firms with pay bills under £3 million, and therefore not contributing to the levy, will not have access to the levy fund.
- However those firms not paying the levy will be able to access government support for apprenticeships.
- The government propose a co-investment rate for apprenticeship funding.
- Non-levy paying employers will be required to pay 10% of the training costs with the government paying the remaining 90%.

- Small employers (less than 50 employees) may be exempt from paying for apprenticeship training and non-levy payers may also receive a further incentive of £1,000 for training apprentices:
  - aged 16-18 or 19-24 year old care leaver
  - 19-24 years of age and has a Local Authority Education, Health and Care plan