

APPRENTICESHIP LEVY

Fact Sheet

JACKSON
STEPHEN
ACCOUNTANTS / ADVISERS

A REAL ASSET

APPRENTICESHIP LEVY

The Government has introduced an apprenticeship levy to increase apprenticeships to three million by 2020.

In Spring 2017 the way the Government funds apprenticeships is changing. Some employers will be required to contribute to a new apprenticeship levy, and there will be changes to the funding for apprenticeship training for all employers.

Employing an apprentice

There are rules governing what constitutes an apprenticeship, the main ones being:

- the apprentice must be employed in a real job (existing or new) with an accompanying skill development programme;
- the apprenticeship training must last at least 12 months; and
- the apprentice must spend at least 20 per cent of their time on 'off-the-job' training.

The National Apprenticeship Service provides more detail on how to employ an apprentice at <https://www.gov.uk/take-on-an-apprentice>.

The Levy

The levy is being introduced from April 2017 to fund the training of apprentices. Employers with an annual wages bill of more than £3million must open an online digital service account (DSA) and make the levy payments into it.

The levy is calculated as 0.5% of an employer's annual pay bill. Pay means all earnings subject to employer's class 1 national insurance contributions (NICs). Pay includes wages, bonuses and commissions made to employees over the age of 16, but excludes benefits in kind and earnings not subject to national insurance contributions.

The Government gives an allowance of £15,000 against the levy. This means that employers with an annual pay bill of less than £3million make no payment.

The employer pays a proportion of the levy each month through their pay as you earn (PAYE) process.

It is important to note that an employer with an annual pay bill of more than £3million is liable to pay the levy whether or not they choose to employ apprentices.

Example: an employer whose annual pay bill is more than £3million

A Limited expects to have an annual pay bill of £4.2million for the year ending 5 April 2018.

A Limited's levy payment will be:	£
Levy (£4,200,000 x 0.5%)	21,000
Less: allowance	(15,000)
Payment into employer's online digital service account	6,000

Example: an employer whose annual pay bill is less than £3million

B Limited expects to have an annual pay bill of £2.6million for the year ending 5 April 2018.

B Limited's annual pay bill is less than £3million, so it does not make any levy payments.

The Government's contribution

The Government applies a 10% top up to the funds paid by the employer into their DSA. This means that for every £1 entering the account, the employer gets £1.10 to spend on apprenticeship training.

Accessing the funds in an employer's Digital Service Account

The employer is able to access the funds in their DSA to pay for their apprentice training which they buy from a Government approved training provider. There is, however, a cap on the amount of DSA funds that can be used for each individual apprentice.

Unused funds

Unused funds in the DSA (including the Government's contributions) will expire within 2 years (allocated on a first-in first-out basis) unless they have been spent on training the employer's apprentices. Unused levy funds will be claimed by the Government and used to help fund apprenticeships for other businesses, including those which are not required to make levy payments.

Non-levy paying employers

Non-levy paying employers (those whose annual pay bill is less than £3million) can still obtain funding to train apprentices. These employers will 'co-invest' 10 per cent of the cost of apprenticeship training and the Government will contribute the remaining 90 per cent of the cost (subject to limits). In the first year of this new funding system, employers will need to pay their co-investment directly to the training provider.

Time for action

If you expect your pay bill for the year ending 5 April 2018 to be more than £3million, you need to set up an online Digital Service Account now. From April 2017, you will make monthly levy payments into the account through your PAYE process. You will also need to use the levy funds in your account to pay for apprentice training before they expire and are lost.

The information contained within this publication is intended as a guide only to highlight general issues of interest based on current legislation. It is not meant to be a substitute for full professional advice and specialist assistance should always be obtained in respect of any particular circumstances. Accordingly, Jackson Stephen LLP cannot accept any responsibility or liability for any losses incurred by any person acting or refraining from acting as a result of any material in this publication.



KEY CONTACT

CHRIS MOSS

AUDIT & GENERAL PRACTICE PARTNER

D 01942 292587
M 07973 129273
E chris.moss@jsllp.co.uk

ATTENTIVE
AVAILABLE
FRIENDLY
SUPPORTIVE
ON-SIDE
PROMPT
KNOWLEDGEABLE
PROACTIVE
CARING
VISIONARY
FOCUSED
RECOMMENDED
ENTERTAINING
REALISTIC
PREPARED
GUIDING
UNDERSTANDING
INQUISITIVE
PASSIONATE
HELPFUL
SIMPLE
USEFUL
DIRECT
CLEVER
TRANSPARENT
TRUSTWORTHY
THOUGHTFUL
COMMUNICATIVE
FLEXIBLE
HONEST
ENERGETIC
PRACTICAL
RESPONSIBLE

**JACKSON
STEPHEN**
ACCOUNTANTS / ADVISERS

A REAL ASSET

James House, Stonecross Business Park,
Yew Tree Way, Warrington, Cheshire WA3 3JD

T 01942 292500

F 01942 292501

E info@jsllp.co.uk

www.jacksonstephen.co.uk