

APPRENTICESHIP LEVY EMPLOYER GUIDE

How the Levy impacts your business

To increase Apprenticeships, the Government has introduced a new Apprenticeship Levy, which will be payable by all businesses with an annual payroll bill in excess of £3m.

With the new Levy coming into effect in April 2017, Northumberland College can help you understand the key facts and how your business can prepare in advance to maximise this opportunity.



If your annual payroll **exceeds £3m** your organisation will become a Levy Payee

Levy Rate charged at **0.5%** of your annual payroll

£15,000
Levy allowance

Under 25s
the age group where organisations don't pay NIC

The new Apprenticeship Levy is applicable to all employers with a UK PAYE in excess of £3million per year, regardless of whether they employ apprentices or not. These payments will be ring-fenced as employer contributions to supplement existing government funding for apprenticeship training.

HOW THE LEVY IMPACTS YOUR BUSINESS

The Levy will put control of apprenticeship funding in the hands of employers and will encourage employers to invest in their apprentices and to recruit more apprentices in the future. Here is what you and your organisation need to know:

- The Levy will be charged at a rate of 0.5% of your annual pay bill.
- For the purposes of the Levy, your payroll will be based on the total amount of earnings subject to Class 1 secondary NICs.
- The Levy will be payable through PAYE and will be payable alongside income tax and National Insurance.
- Once you have declared the Levy to HMRC you will be able to access funding through a new Digital Apprenticeship Service account (please see page 3).
- Payment will be taken monthly, in real-time, so as your payroll changes each month, so will the Levy amount.
- Employers in England who pay the Levy and are committed to apprenticeship training, will get more out than they pay into the Levy. The government will apply a 10% top-up to monthly funds.
- It is estimated 3 to 5% of an employers workforce will need to be an apprentice to utilise the Levy.

HOW TO PAY THE LEVY

You will calculate, report and pay your Levy to HMRC, through the PAYE process alongside tax and NICs.

If you have calculated that you will pay the Apprenticeship Levy, you will need to declare this and include it in your usual PAYE payment to HMRC by the 19th (or 22nd if you report electronically) of the following month.



CALCULATING YOUR PAYMENT

You will pay the Levy on your entire pay bill at a rate of 0.5%, however you will have a Levy allowance to offset against this. The Levy allowance will operate on a monthly basis and will accumulate through the year. This means you will have an allowance of £1,250 per month. Any unused allowance will be carried from one month to the next.

Visit the government's Skills Funding Agency's online Levy Calculator: estimate-my-apprenticeship-funding.sfa.bis.gov.uk

LEVY PAYMENT EXAMPLE	LEVY PAYING EMPLOYER	NON-LEVY PAYING EMPLOYER
Number of employees	250	100
Average gross salary	£20,000	£20,000
Payroll (no. of employees x ave. gross salary per employee)	250 x £20,000 = £5,000,000	100 x £20,000 = £2,000,000
Levy Sum (0.5% x payroll)	- £15,000	N/A
Levy Payment by employer	£10,000	£0

NON-LEVY PAYING EMPLOYERS

Employers falling under the Levy payment threshold (£3m) can still employ Apprentices and will be able to access government support and funding for their Apprentice (subject to eligibility).

There are two types of employers who will be required to contribute towards the cost of their apprenticeship training outside the Levy system:

- Employers who have not paid the Levy and want to purchase apprenticeship training from a training provider.
- Employers who pay the Levy, but have either used all their funds or have insufficient funds in their digital account to fund the number of apprentices they wish to train.

These employers will be asked to make a small contribution to the cost of training and government will pay the rest, up to a maximum amount.

DIGITAL APPRENTICESHIP SERVICE (DAS)

As part of the Apprenticeship Levy, the government will launch an online Digital Apprenticeship Service to help you properly implement your apprenticeship scheme. You may create an account whether you pay the levy or not and gain access to:

- Select an apprenticeship framework or standard
- Choose the training provider or providers you want to deliver the training
- Choose an assessment organisation
- Post apprenticeship vacancies

From May 2017 if you pay the Levy you will be able to:

- See the funds you have to spend
- Pay for training and assessment
- Set the price agreed with your training provider

BENEFITS TO BUSINESS

- The cost of apprenticeship training pays for itself within a couple of years.
- For every £1 of Government investment in Level 2 or 3 apprenticeships, there is typically a return of £26 to £28.
- Someone with a Higher Apprentice (Level 4) could earn £150,000 more on average over their lifetime.



HOW WILL THE DUAL SYSTEM WORK?

Levy Paying Employer



Non Levy Paying Employer



WHAT NORTHUMBERLAND COLLEGE CAN DO FOR YOU

Northumberland College is committed to working with employers to gain the maximum benefit from Apprenticeships. With more than 50 years' experience and an Apprenticeship offer of over 40 vocational areas we are ideally placed to support your organisation.

Our Business Training Solutions team will provide your organisation with expertise to guide you effortlessly through the new system.

We can:

- Provide support and advice on workforce planning and training needs analysis
- Identify Apprenticeship Frameworks and Standards which meet your organisations needs
- Offer flexible delivery options
- Manage the recruitment of new apprentices for your business
- Up-skill and re-train your existing staff through Apprenticeships

Our well-equipped campuses and our commitment to supporting the economic success of Northumberland and the North East make Northumberland College an obvious first choice for Apprenticeships.

For more information visit:

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

Talk to us about how we can help your business recruit the right people...

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