



Apprenticeship levy

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Amount

The apprenticeship levy is introduced as a payroll charge from 6 April 2017. The funds are used to pay for modern apprenticeships. The aim is to recruit 3 million apprentices by 2020.

The scheme applies only to **England**. There are separate but similar schemes for Wales, Scotland and Northern Ireland.

The levy is charged at 0.5% of gross pay. This is defined as amounts potentially subject to class 1 employer's national insurance, so it includes such items as bonuses, commission, holiday pay, sick pay and statutory maternity pay. It does not include reimbursed expenses nor the value of benefits in kind.

The levy is offset by a **levy allowance** of £15,000 a year. This means that the levy is only paid for payrolls of £3 million or more. Fewer than 2% of employers pay the levy.

For companies or charities that are associated, only one allowance may be claimed. Association is as defined for employer's allowance. The companies or charities may determine between themselves how to allocate the levy allowance.

The allowance is per employer and not per payroll. The employer determines how the allowance is to be allocated between two or more payrolls.

The levy is paid to HMRC monthly with PAYE payments. Payments are made on a cumulative basis.

So in month 1, the levy is paid on 0.5% of the amount by which the payroll exceeds £250,000.

For month n , the levy is:

- 0.5% of $n/12 \times £3$ million, minus
- amounts of levy paid in previous months.

All payrolls of sufficient size must pay the levy, regardless of whether they engage apprentices. Conversely, employers who do not pay the levy may engage apprentices funded from the levy. Employers were told in 2016/17 that they must "engage with the levy" if their payroll was at least £2.8 million.

The levy is paid into a digital account for each paying employer.

There is an employer helpline on 0800 0150 600.

The number of apprentices fell by 59% from 117,000 in January 2017 to 48,000 in January 2018. (Britain had 340,000 in 1900,) This has prompted some commentators to consider the levy to be a government failure. The levy is widely seen as simply as another payroll tax. Large companies have used it to send existing staff on management courses, while small companies give up on the paperwork. There are also difficulties in getting on to a scheme, and the perception that an apprenticeship is second best to a university education.

Institute for Apprenticeships

This new body comes into being on 6 April 2017. Its main functions are:

- to set quality criteria for the development of apprenticeship standards and assessment plans
- to review, approve or reject them
- to advise on the maximum level of government funding available for standards
- to ensure arrangements are in place to quality assure all end point assessments

Apprentices must have functional skills in English, unless they are deaf in which case they must have British Sign Language (BSL) as their first language.

The first apprentices may be engaged under the scheme from May 2017.

The apprenticeships must meet the standards set by the Institute. The training must include at least one day a week away from the workplace for education. The training is provided by a training provider. Employers may register as training providers.

Funding an apprentice

A levy-paying employer may register with the **apprenticeship service**. Non-levy payers may register only from 2018. The service receives the levy funds, manages the employer's apprentices, pays the training provider and allows such payments to be stopped or paused.

An employer negotiates apprenticeships with the training provider. The levy will fund an apprenticeship up to £15,000. Note that this is the limit per apprenticeship, not per year. If the negotiated figure is more than this, the employer must pay the excess. Each apprenticeship is recorded in an individualised learning record (ILR).

Where there are sufficient funds in the digital account, those funds may be used to pay the whole cost of the apprenticeship up to the £15,000 maximum.

The government automatically adds 10% to the funds in an employer's apprenticeship service account.

Funds not used after 24 months expire, starting with the oldest. The employer is notified by the apprenticeship service account when funds are due to expire.

From 28 April 2017, an employer may see its apprenticeship levy data on its Business Tax Account.

A levy may only be used for an apprentice who works for at least 50% of the time in **England**.

If the employer does not pay the levy, the employer may engage apprentices under the scheme. The employer pays 10% of the cost; the levy funds pay the other 90%. This arrangement is known as **co-investment**. This was reported to be “markedly oversubscribed”.

If an employer has a digital account with insufficient funds to pay for the apprenticeship, the funds may be wholly used to pay part of the apprenticeship cost. The balance is funded by co-investment.

A group of employers may set up a single shared apprenticeship account where their funds are pooled. From April 2018, levy-paying employers may transfer funds to other employers through the apprenticeship service. Initially, the transfer is limited to 10% of annual funds paid into the employer’s service account.

There are limits on how much may be spent, known as **apprenticeship funding bands**. Details can be found from <https://www.gov.uk/government/publications/apprenticeship-funding-bands>.

Fund may not be used for certain expenditure, such as statutory licences, travel, work replacement programmes and the cost of setting up an apprenticeship programme.

HMRC has produced a tax manual that can be accessed on its website. It has the reference ALM followed by five digits.

Engaging an apprentice

An employer who wishes to use the scheme must find an apprenticeship training provider. There are many, ranging from those offering niche training to those offering a wide range. All such providers must be registered on the Register of Apprenticeship Training Providers (RoATP).

An employer may try a pilot scheme before embarking on a wide scheme.

There are two types of apprenticeship to choose from:

- apprenticeship standards
- apprenticeship frameworks.

Apprenticeship standards cover specific occupations. They set out the core skills, knowledge and behaviours an apprentice needs. They are developed by groups of employers known as trailblazers. Details can be found at <https://www.gov.uk/guidance/search-for-apprenticeship-standards>.

Apprenticeship frameworks are a series of work-related vocational and professional qualifications using workplace and classroom training.