

# Apprenticeship Levy



## Frequently asked questions

### Key points

- From 05 April 2017, employers with a paybill over £3m will be charged a levy of 0.5% of their paybill.
- "Paybill" will be based on total employee earnings subject to Class 1 secondary NICs.
- The 0.5% levy is on your full UK payroll bill, not just the amount over £3m.
- The levy will be payable through Pay As You Earn (PAYE) and will be payable alongside income tax and National Insurance.
- Payment will be taken monthly, in real time, meaning as your paybill changes each month, the levy amount taken will be reflected.
- Although the levy is calculated based on your full UK paybill, employers will only be able to only spend their English proportion on English apprenticeship training.
- Based on current funding rules, the levy can be claimed back and spent on apprenticeship training for all employees at all levels and ages, including graduates who may be eligible for Level 6 or 7 apprenticeship programmes.
- Based on current funding rules, the levy can be used to fund existing employee development as long as they meet the criteria set out.
- It is estimated 3-5% of an employers workforce will need to be an apprentice to utilise the levy.
- The non-English proportion of your total UK payments (which is estimated to be £500m in total) will be distributed to the devolved governments (i.e. Scotland, Wales and Northern Ireland) who will decide how the levy is spent. There is no guarantee it will be spent on apprenticeship training, however it is the government's hope that this is the case.

## Apprenticeship Levy

### Q. Why is the levy being introduced?

The levy will fund a step change in apprenticeship numbers and quality – delivering on the government's commitment that there will be 3 million apprenticeship starts by 2020. The levy will put apprenticeship funding on a sustainable footing and improve the technical and professional skills of the workforce (an important component of productivity).

### Q. Can employers opt out of paying the levy?

No - this is a mandatory tax that will come into effect from April 2017.

### Q. Does the levy apply to bonus payments?

Yes - the levy payment is 0.5% of your total PAYE.

### Q. Is the 0.5% payable on a company's UK payroll bill gross or net?

Gross.

### Q. Is the levy per registered company or per PAYE reference?

PAYE reference.

### Q. If an organisation's payroll bill is exactly £3m or less, do they still pay 0.5% levy?

Each employer will receive one annual allowance of £15,000 to offset against their levy payment. The net effect of this is that the levy is applicable on paybills over the first £3,000,000.

### Q. Does the 0.5% increase/change each financial year fiscally?

We don't know this currently.

### Q. As the levy is taken monthly, is the levy based on £3m annual or monthly paybill?

It will be based on your monthly paybill and any under or over payment of levy would be adjusted in the same way all tax calculations are.

### Q. Does the paybill include contract and temporary staff who work through employment agencies?

Any person who is on your payroll and paid through PAYE would be included in your paybill. You will have to work with finance to find out who is in and out. If the employment agencies that supply you with staff have to pay into the levy based on the staff they have contracted to you then they may look to pass these costs onto you (much in the same way they do with NI) so this is something you should discuss with any employment agencies that you currently work with.

### Q. If the levy is taken monthly, if an employer's paybill varies, will it be taken only in those months where it exceeds £250k a month?

Yes. The Finance Bill will contain a number of clauses related to the payment of the levy. These will define and determine the relevant tax period, times of payments, amounts payable, and provision for managing overpayments. The returns will be made as part of HMRC's Real Time Information system. HMRC will be given the power to assess the Levy amounts payable, and to make provision for a process of assessing those amounts, and there will be a mechanism relation to repayments of the Levy made in error, and related repayment interest.

**Q. How will the paybill align to syndicate companies, which are part of a group structure but run separately?**

Every company that pays PAYE in your group will be subject to the levy.

**Q. Would Partners in 'Partnerships' be included as their drawings vary and they aren't technically 'employees'?**

You will need to work with your finance team to see if any Partners are subject to Class 1 secondary NICs.

**Q. How do employers who pay the levy access the levy pot?**

Levy revenue will be collected monthly by HMRC. Individual employers' funding will then be made available to them via a new digital account, through which employers will be able to pay for training for apprentices. In England, employers will be able to direct funding towards the apprenticeship training they want through a new Digital Apprenticeship Service (DAS). The Service will also support employers to identify and pay a provider, choose an apprenticeship training course, find a candidate and choose a training provider.

**Q. When do you get the levy back?**

You will receive an amount in your levy pot each month which you can then spend on English apprenticeship training and assessment.

**Q. How do small employers access levy funding?**

Skills Minister Nick Boles told Parliament on 10.03.16 that he expected SMEs to "carry on spending money on apprenticeships, receiving government money for apprenticeships" in the same way that they do now, funded by levy proceeds not used by larger organisations. He said: "We do not anticipate that all companies who pay the levy will use up all of their money in their digital accounts and there will be a great deal more money to go around so we are absolutely determined that the level of apprenticeships provided by small and medium sized enterprises will continue as now."

Nadhim Zahawi, co-chair of the government's Apprenticeship Delivery Board, confirmed on 17.03.16 that only companies that are paying the apprenticeship levy will have access to the new digital apprenticeship service funding system when it is launched in April 2017. Sue Husband, the director of apprenticeships at the Skills Funding Agency, also confirmed that "non-levy paying companies will still have access to government funding for apprenticeships" once the levy has been launched. She also confirmed that more information about the levy implementation will be available from April.

**Q. And if there is a levy surplus at the end of the financial year what happens to this?**

Levy funds that are unspent at year end will not expire. However, if an employer does not spend their entire levy on training then the unspent portion will be made available to other employers who are investing in apprenticeship training. The amount of time that an employer will have before levy funds are "sunsetting" has not been decided. The government will provide more details on these timelines later this year.

**Q. Can you claim your full levy bill in year one?**

You can if you enrol a sufficient number of apprentices to utilise the levy.

**Q. Will the levy automatically be put aside for all those employers impacted or do you need to inform the government you want to use the levy in some way?**

This will be part of the Digital Voucher project design that is currently being worked on by government.

**Q. Is the government gambling on x% of employers under-claiming their levy allocation, in order to fund exempted employers?**

As Nick Boles commented on 10.03.16 "We do not expect all companies that pay the levy to use up all the money in their digital accounts, and there will be a great deal more money to go around, so we are absolutely determined that the level of apprenticeships provided by SMEs will continue as now."

**Q. If the levy is spent by payers will the % increase?**

The government will have the ability to change the % of the levy in the future, however we have been given no indication that there are any short term plans to do so. There are two more fiscal opportunities during this term for the government to revise these.

**Q. Can you overspend your levy or is that your maximum apprentice budget?**

Employers in England who pay the levy and are committed to apprenticeship training will be able to get out more than they pay in to the levy through a top up to their digital accounts. The value and mechanism for these top ups is still being considered and the government will continue to engage with employers on this before the implementation of the levy in 2017.

**Q. Is the levy ongoing or will it run past 2020? Will it be reviewed?**

It will be ongoing until it is removed from the Finance Bill.

**Q. When and how will the £15,000 allowance be paid?**

We know that employers will receive one annual allowance of £15,000, paid into their digital account to offset against their levy payments. We don't yet know when this allowance will be paid.

**Q. Regarding the proportion of the levy that will be used by the employers, are we likely to see 40% of our levy siphoned off to go to smaller employers?**

This is not the case. Employers will have full control over their levy pot. However, if an employer does not spend their entire levy on apprenticeship training then the unspent portion will be made available to other employers who can then use these funds to invest in apprenticeship training themselves. As also mentioned opposite the amount of time that an employer will have before levy funds are "sunsetting" has not been decided. The government will provide more details on these timelines later this year.

**Q. Can employers spend their funding on training in their supply chain?**

The government acknowledges that some employers will want to direct their levy funds to other employers, for instance their suppliers. The government are working through how to facilitate this in a way that is not bureaucratic and compatible with State Aid rules.

## Devolved nations

**Q. How will the devolved nations spend their proportion of the levy?**

On an annual basis approximately £500 million from the levy will be made available to the Scottish Government, the Welsh Government and the Northern Ireland Executive to fund, the Government hopes, their apprenticeship programmes, however the final decision as to how these funds will be allocated will be for each devolved nation to decide. The devolved nations are responsible for their own skills funding and they may or may not allocate the funds they receive from levy to the current pot of funding they use for apprenticeships.

**Q. If Trailblazer apprenticeships are seen to be successful, are large multi-nation employers likely to ignore devolved nation frameworks?**

The Devolved nations are encouraging employer groups to talk to them about the apprenticeships they want.

## Spending the levy

### Q. How can I spend/utilise the levy fund?

It must be spent on the external apprenticeship training provided to that individual on an approved apprenticeship.

**See the full lists here.** It cannot be spent on anything else such as internal training or apprentice salaries.

### Q. Can I use the fund for CPD training e.g. for an accountant wanting to update his/her tax knowledge?

No – it can only be used for Government published apprenticeship standards and the training included within that.

### Q. How much does apprenticeship training cost?

Funding caps will be set which limit the amount of levy funds an employer can spend on training for an individual apprentice. The cap will vary according to the level and type of apprenticeship (for example, more expensive, higher quality training is likely to have a higher cap).

The Institute for Apprenticeships will support the work of BIS and DfE in setting funding caps on the level of government funding available for each apprenticeship standard. Further detail on funding caps will be announced later this year in advance of the introduction of the levy.

### Q. Can I use the levy funds to offer apprenticeships to existing staff?

Under existing funding rules for Frameworks and Trailblazer Standards existing staff are eligible as long as the apprenticeship is relevant to their role and the most appropriate way of progressing/developing the learner's career as a result i.e. upon completing the apprenticeship the member of staff will be promoted, given more responsibility, or moved into a more senior role. Levy funding rules will be released in due course.

### Q. Does it need to be spent on recognised qualifications i.e. SMETA?

It needs to be spent on an approved apprenticeships – many of them include recognised professional qualifications already and we anticipate more 'higher level' professional apprenticeships being developed in the near future.

### Q. With regard to 'up skilling' apprenticeships, are there any published criteria e.g. the apprentice has to move to a new job?

The levy funding rules will be published later this year. However, if we take the existing rules, there is nothing to say a person must move to a new job, but they must be able to demonstrate that the apprenticeship is providing and developing new skills.

### Q. Do employers have to use the job title 'apprentice' for these new recruits?

Job titles are set by your organisation, however the apprentice must sign an apprenticeship contract of employment.

### Q. Will I be able to draw on apprenticeship funding for existing staff who are on a fixed-term contract of employment?

Yes, under current funding rules, however an apprenticeship is subject to a minimum length so you must make a commitment for that person to be with you for 12 months minimum or for the full duration of the apprenticeship.

### Q. Can we only offer advanced apprenticeships to existing staff if it is not part of their role?

Based on current funding rules you need to make sure that the apprentice is in a relevant job to the apprenticeship so they are given the opportunity to apply their knowledge and develop the required skills and behaviour.

### Q. Can the levy be used on a Level 6 university degree?

Based on current funding rules, yes, if the degree is incorporated within an apprenticeship standard.

### Q. If someone is already studying an accountancy qualification, can they start a new level as an apprentice from April 17? E.g. if someone is ACCA part qualified and has passed all the F papers, can they start an apprenticeship for their final level P papers?

There is a Level 7 Trailblazer Standard in Accounting that is currently in development and expected to be ready for delivery from September 2017 onwards. Based on current funding rules this would be possible. The training provider would accredit their prior knowledge and reduce the price to reflect the smaller amount of work required to complete the apprenticeship. As long as the programme lasts a minimum of 12 months this will be fine.

### Q. Can you use your levy to pay for additional training that would complement your apprenticeship?

Based on current funding rules, the levy can only be used for apprenticeship training.

### Q. Can I use multiple training providers or only one?

Yes – you can use different training providers. Our advice would be find one training provider that can manage your apprenticeship programmes which may include using multiple providers.

### Q. Can an organisation become their own training provider and draw down the training funds?

Yes - you will be subject to Ofsted inspections and the administration that goes along with being a training provider, but it is an option and there are plenty of examples of companies who have done this that you can learn from. To look into this further consult the **Department of Business Innovation and Skills (BIS)** and the **National Apprenticeships Service**.

### Q. How will eligibility work? Will the current rules apply?

Funding rules for the levy will be issued in the spring/summer of this year.

### Q. What happens to current apprentices on scheme with regards the current funding post the April 2017 introduction of the levy?

It is our understanding that apprentices who start before April 2017 will remain on the same funding rules they started on for the duration of their programme.

### Q. With respect to English operations by Scottish companies; what defines eligibility of employees in England? Postcode or Employer?

We expect it to be based on the employees work location.

**Q. If you're a company paying the levy, but are also a training provider; what will the tax implications be on any income realised via training and digital vouchers?**

It is not known yet. Currently training providers can draw down funds to train their own apprenticeships, we await more information from the government on how this will work from April 2017.

**Q. As a registered provider of apprenticeships to external organisations, can we also be a provider of apprenticeships to our own organisation?**

We would expect this to be the case as it is now.

## General questions

**Q. Is this a long term cross party strategy, what are the longevity plans if the government changes?**

The main political parties support the levy and the government's intention is for this to become a sustainable way of funding additional apprenticeships for years to come.

**Q. How do we ensure we get the best out of this? Do you think we should increase our annual intake of apprentices?**

First, calculate your levy 'pot' as based on 0.5% of your annual paybill. The number of apprentices you will be able to train using this 'pot' will vary depending on what programmes you choose to offer. Then consider your existing school leaver and graduate programmes and decide if any might be able to be converted into a Trailblazer apprenticeship. Additionally, consider whether there are any skills gap within your business to train existing staff via an apprenticeship, internal L&D training could also be converted into an apprenticeship.

**Q. We've read that Employers in England who pay the levy and are committed to apprenticeship training will be able to get out more than they pay in to the levy through a top up to their digital accounts. How will this work in practice?**

A budget report published by the Treasury on 16.03.16 confirmed that from April 2017, employers will receive a 10% top-up to their monthly levy contributions in England and this will be available for them to spend on apprenticeship training through their digital account. The report confirmed that government will set out further details on the operating model in April and that draft funding rates will be published in June.

**Q. Are employers required to give apprentices time off work to study?**

Yes - you must give apprentices time off to do off-the-job study during their working hours. The number of hours and study mode is dependent on the standards and qualifications included.

Do bear in mind that there will be no National Insurance payments for apprentices from April 2016 as the Government acknowledge employers must give study time.

**Q. How much do we pay apprentices?**

It differs - there is an apprentice minimum wage however often salaries are much higher than this in some sectors and roles. Employers may want to consider the Living Wage and also reflect the level of apprenticeship standard they are adopting. We recommend that you research current vacancies in your sector as a benchmark on the National Apprenticeship Service vacancy website.

We would also recommend networking with your peers within the sector and sharing best practice. The current minimum wage rate for an apprentice is £3.30 per hour. This rate applies to apprentices aged 16 to 18 and those aged 19 or over who are in their first year. Apprentices aged 19 or over who have completed your first year must be paid at least the National Minimum wage for their age.

**Q. Is there any criteria for apprentice recruitment or elimination from the programme?**

Employers can set their own criteria when selecting apprentices. Some professional bodies will set minimum education to start a qualification within an apprenticeship standard. In terms of elimination, apprentices should be subject to normal performance management as they are a paid employee.

**Q. What is 'The Institute of Apprenticeships'?**

The Institute for Apprenticeships will be operational from April 2017. It will be employer-led; an independent chair will lead the work of a small board made up primarily of employers, business leaders and their representatives, to ensure employers continue to drive apprenticeship quality to the highest level. Rachel Sandby-Thomas has recently been appointed to the role of Shadow CEO.

A shadow Chair will be appointed later this Spring, and the Board members will be appointed through a public appointments process by the end of 2016.

## Apprenticeships for graduates under existing Trailblazer funding rules

Traditionally graduates have not been eligible for apprenticeship funding, but now with the new apprenticeship standards reaching Degree Level 6 and Masters Level 7, employers could place graduates onto Level 7 apprenticeships.

- Companies who invest in graduate training and development could also place graduates onto a Level 6 apprenticeship – as long as certain criteria is met.
- If the graduate has a Masters, as long as the Masters they hold is in a different subject to the Level 7 apprenticeship, they will be eligible for funding.

## Apprenticeships for graduates

### Q. Can graduates do a Level 6 apprenticeship?

Yes - as long as the degree or qualification attained is significantly different to the apprenticeship they are moving onto.

### Q. What about graduates who have done a Masters?

Yes - as long as the Masters level apprenticeship introduces new skills and is significantly different from the Masters already attained.

### Q. If we have graduates in the business, but not on a graduate programme, could we now progress them to do the Level 7? Yes.

### Q. If an employer offers a degree via university, can the levy be drawn upon to pay for the tuition fees for the degree?

Yes - but it has to be a degree within a Degree Apprenticeship and the university must be registered as an approved provider.

### Q. Can this be applied to trainee solicitors?

Yes - there is a Level 7 Solicitor apprenticeship available, therefore graduates could complete the apprenticeship at Level 7 to become a qualified solicitor. Law graduates would not need to complete the full six year apprenticeship and would be given an allowance of time for the learning already achieved via their law degree.

### Q. Will the cost to train an apprentice be affected by the age of the apprentice?

No - from April 2017 the age of the apprentice is irrelevant with regards to funding rules. We expect there will be some additional support and incentives for employers to recruit and train 16-18 year olds however the detail behind this has yet to be released.

### Q. Do exec. MBA degrees count?

An MBA is at Level 7 therefore there is no progression route and government expect all apprentices to progress from their highest level of study. The only exception to this is where the apprentice starts a new job role which is in a markedly different occupation requiring a significant amount of new learning to take place, delivered over the minimum duration for the standard. In this case the apprentice would be eligible for funding for an apprenticeship at the same level, but no lower than, their current highest qualification. In this instance the lead provider must record this information in the learning agreement.

### Q. Could we sponsor junior managers to do MBAs through this?

There isn't a Level 7 apprenticeship in management available yet so this isn't possible but if there was sufficient employer interest to create a Level 7 MBA apprenticeship then it would be allowed.

Note: Answers above are based on the current funding rules and levy funding rules have not been published yet.

## National Insurance savings

From 06 April 2016, if you employ an apprentice you may not need to pay employer Class 1 National Insurance contributions (NICs) on their earnings below £827 a week (£43,000 a year).

To qualify to make this NI saving, your apprentice must;

- o Be under 25 years old
- o Be following an approved UK government statutory apprenticeship framework (frameworks can differ depending on the UK country).

To apply for the relief, you'll need to supply some evidence re. your apprentice, training provider, this is all detailed on **Gov.uk**.

Employees will continue to pay the standard rate of Class 1 NICs through their salary. They won't see any reduction in their payments.

## National Insurance

### **Q. Is the NI saving for the life of the programme even if the apprentice starts at 24?**

No – as soon as the apprentice is 25, normal National Insurance payments resume.

**Q. Is the refund of NI just for apprentices on the new Trailblazers?** No, it is for apprentices on any programme as of April 2016.

### **Have another question?**

Ask our levy experts: [info@solveway.co.uk](mailto:info@solveway.co.uk)

