

# APPRENTICESHIP LEVY

## The Levy – impact on business

From May 1st all business with a payroll of more than £3m will have to pay HMRC a monthly levy contribution at 0.6% of their payroll bill.

There's been lots of talk about Levy but not so much about the Apprenticeship reform and we think the opportunities for businesses to reskill and develop their workforce at very low cost are being hugely overlooked.

Did you know that most new apprenticeships recently developed are Higher and Degree Apprenticeships, meaning that you could use your levy to fund an existing and valued member of your team through a degree. And if you're not a levy payer, you could do the same and pay no more than £900 a year for that; Apprenticeship funding will pick up the remaining £8,100 fees per year, how could you develop your workforce with opportunities like that?

Investing just a couple of hours in a detailed conversation with a well informed College could easily be worth £1,000's of pounds to any business but it's not just about the money. The research conducted over decades has proven that the return on investment from workforce training, particularly apprentices is tangible, delivering greater productivity, a culturally aligned workforce, greater loyalty and discretionary effort from staff and many more financially valuable benefits to the organisation.

Not all College's and providers have the same approach and I would encourage any business to invest time in a phone call or face to face meeting with a few Colleges or providers to see what their approach is and which fits best with their business. I know that Yeovil College and colleagues at other colleges have worked incredibly hard in the last year to understand and respond to the Governments changes. Yeovil College has thought about the changes from the perspective of our business partners and developed a collaborative way of working to maximise the benefit of the changes to our customers. If you're not 100% clear about what it means for your company, spend 30 minutes on the telephone and start making a plan; a good training partner will do most of the hard work for you.

## What is the Apprenticeship Levy?

The Chancellor of the Exchequer announced in the Summer Budget 2015 the introduction of a new tax charge called the Apprenticeship Levy which would apply to UK employers on or after 6 April 2017.

Government's aim is to persuade employers to take on more apprentices. Apprentices can be new to the organisation; you can also retrain current employees to take the next step on their career ladder or to change career direction.

The Apprenticeship Levy is an annual charge, but employers report and pay it each tax month, as they do other PAYE liabilities. The monthly calculation of levy liability is based on the employer's total pay bill for the tax month, which may include weekly as well as monthly pay runs.

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## Who will need to pay the Levy?

It will affect employers with an annual pay bill of £3m or more. This includes public and private sector, charities and educational providers such as academy groups and universities.

However, there are changes to employers with a pay bill with less than £3m, the employers will be required to pay 10% of the agreed cost of the Apprenticeship, the government will co-fund up to 90% of the Apprenticeship. This will also apply for levy employers once they have used all of their levy 'pot'.

## What will it cost?

If you have an annual pay bill of more than £3 million then the Apprenticeship Levy is charged at 0.5% of your annual pay bill above £3m.

## Why?

The aim of the Apprenticeship Levy is increase both the quality and quantity of apprenticeships. The levy is a new tax which aims to fund three million new Apprenticeships in England by 2020.

## Are any employers exempt from paying the Levy?

No, if you have a pay bill of £3 million or more you will pay in to the Levy.

## When does the levy come into effect?

The levy will start in April 2017. Employers should have their first payment taken on this date.

## How will the government collect the levy?

Payments will be collected monthly by HM Revenue and Customs (HMRC) through Pay as You Earn (PAYE), alongside tax and National Insurance.

## How can the levy be spent?

Levy funds can be spent on apprentice training for either existing staff or new recruits as long as the training meets an approved standard or framework and the individual meets the apprentice eligibility criteria.

## Key Dates

April 2017 Employers affected will begin making Levy payments on a monthly basis

May 2017 Employers are expected to draw down vouchers and use Levy payments by end of this month

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## Checklist of what businesses need to do etc.

Do you know if you will need to pay Levy?

Do you know how much you will need to pay?

Does the finance team have the mechanisms to pay the levy contribution to HMRC in May?

Do you have any plans to take on apprentices and do you know how much levy this training will use?

Do you have a provider partner to make this easy for you?

Have you registered for your Apprenticeship Service digital account?

What is the business going to do with Apprentices over the next 24 month?