

The UK Apprenticeship Levy: Factsheet

Last year the UK Government announced that it will introduce a levy on businesses from which it expects to raise around £3bn a year from when it comes into effect from April 2017. The objective of the levy is to give employers more control over where, and how, money is spent on apprenticeships.

Key facts

- ▶ From 5 April 2017, employers in the UK with a wage bill of more than £3m p.a. will be charged a levy of 0.5% of their full UK payroll.
- ▶ For the purposes of the levy, an 'employer' is someone who is a secondary contributor, with liability to pay Class 1 secondary National Insurance Contributions (NICs) for their employees.
- ▶ Businesses will pay the levy to HM Revenue and Customs (HMRC) through the Pay as You Earn (PAYE) process.
- ▶ Any business paying into the levy will be given an allowance of £15,000 per tax year to offset against any levy payment made.
- ▶ Employers who are required to pay the levy and subsequently take on apprentices will receive further offsets in the form of top-ups. On a monthly basis, for every £1 paid into training an apprentice, the government will apply a further 10% top up taking it to £1.10 in value.
- ▶ All businesses with a wage bill above £3m p.a. will be required to pay the levy, regardless of whether they make use of the funding available for apprenticeships.
- ▶ Businesses with a wage bill under £3m p.a. will be able to draw from the levy fund to access subsidised apprenticeship training but new funding rules will apply – these are yet to be released. They can also choose to register for the levy scheme to benefit from the 10% top up payment.
- ▶ The levy is calculated on an employer's full UK wage bill, however, funds available via the levy scheme will only apply to English apprenticeships. Scotland, Wales and Northern Ireland operate their own apprenticeship programmes.
- ▶ The number of employees based in England will be calculated on a specific date using address data already held by HMRC. This date is due to be announced in late 2016.
- ▶ This is a big change from the current scheme where funding goes directly to the approved training provider. Employers can register for an online account from January 2017 and use it to pay for training for apprenticeships from April 2017.
- ▶ Un-used vouchers will expire after 18 months from issue.
- ▶ A new body, *The Institute for Apprenticeships* will oversee the levy and apprenticeship standards. Due to be operational from April 2017, the institute will lead the development of standards and provide guidance on the use of levy funding.

Why is the levy being introduced?

The Government launched an apprenticeship reform with **'The Trailblazer Initiative'**, the objective being to improve the quality of apprenticeships, and subsequent uptake from employers. The idea behind the levy is to incentivise employers to take on apprentices and help the Government deliver 3 million apprenticeships by 2020.

By structuring the levy so that employers who support apprenticeships can get more out than they put in, the levy is a way to fund the ambition for raising both the quantity and quality of apprenticeships in England. With additional incentives available to employers who take on apprentices aged 16-18, it is also expected to drive more opportunity for young people to access high quality training schemes.

Preparing for the introduction of the levy

Further information to help employers prepare for the introduction of the levy will be available from the Government in summer 2016. However, employers can start to prepare for the changes by following these steps:

1. Understand your levy payments

To see whether you are required to pay into the levy:

- ▶ Look at the previous year's pay expense, if it is over £2.8 million and likely to exceed £3 million in the current tax year then businesses should register for the levy scheme
- ▶ If the previous years' pay expense is less than £2.8 million then businesses only need to register if, and when, it exceeds £3 million in current year

HMRC expect to have the draft tests available together with a decision flowchart by the end of June 2016.

- ▶ Remember you will only receive funds back based on the number of employees registered as living at an address in England.

To estimate the net costs to your business remember to take into account:

- ▶ The levy allowance totalling £15,000 per tax year
- ▶ The 10% top-up payments applied monthly

- ▶ NI savings that came into effect from April 2016 related to apprentices under the age of 25
- ▶ Any additional employer incentives the government may offer such as incentives for apprentices aged 16-18
- ▶ And the funding caps applied to the apprenticeship standards you are seeking to use across your business to help you understand whether you will need to make an additional contribution to training and assessment costs

Understand where apprenticeships fit in your workforce development strategies. The government is committed to raising the standard of apprenticeship programmes to address the nation's skill shortages and to stimulate economic growth. The Trailblazer apprenticeships have been launched to enable employers to lead on the development of new standards which where possible, will lead to membership of a professional body. There are now over 350 Apprenticeship standards being developed and delivered. Employers need to understand how they can make apprenticeships an integral part of their talent attraction and development strategies.

ACCA is proud to be part of the new Trailblazer standards and from September 2016, employers can start training their apprentices using the Level 4 Professional Accounting Technician standard with ACCA. The level 7 standard is being developed in 2016/17.

If you are not looking to utilise funding available for apprenticeships in the area of accounting and finance, our business development team can help you understand the alternatives on offer from ACCA that will support the best return on your training budget.

2. Research your options and engage providers

Under the new levy funding rules, the employer will negotiate the price for the training and assessment element of the apprenticeship directly with the chosen provider. If there is a shortfall in the level of funding available, the employer will be responsible to find additional funds although it can be applied across the lifetime of the apprenticeship.

Training organisations must register with the Skills Funding Agency and employers can search for providers on the National Apprenticeship Service website at: findatrainingorganisation.nas.apprenticeships.org.uk/

Understanding the current and upcoming changes to funding and the availability of new Apprenticeship Standards will enable you to plan ahead and be ready to utilise your levy fund in 2017.

The ACCA L4 Professional Accounting Technician apprenticeship will be applicable for funding ahead of the introduction for the levy in 2017. If you want to start training an Apprenticeship with ACCA from September, the government will fund two thirds of the cost of any training. Other funding allowances can apply depending on the age of the apprentice. Please contact our business development team on 0207 059 5812 to discuss how the ACCA apprenticeship can boost your business.

Find an accountant

An ACCA Accountant will help you navigate the upcoming changes. To find an ACCA Accountant near you, please visit: members.accaglobal.com/find-an-accountant

For more information

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