

Think Ahead

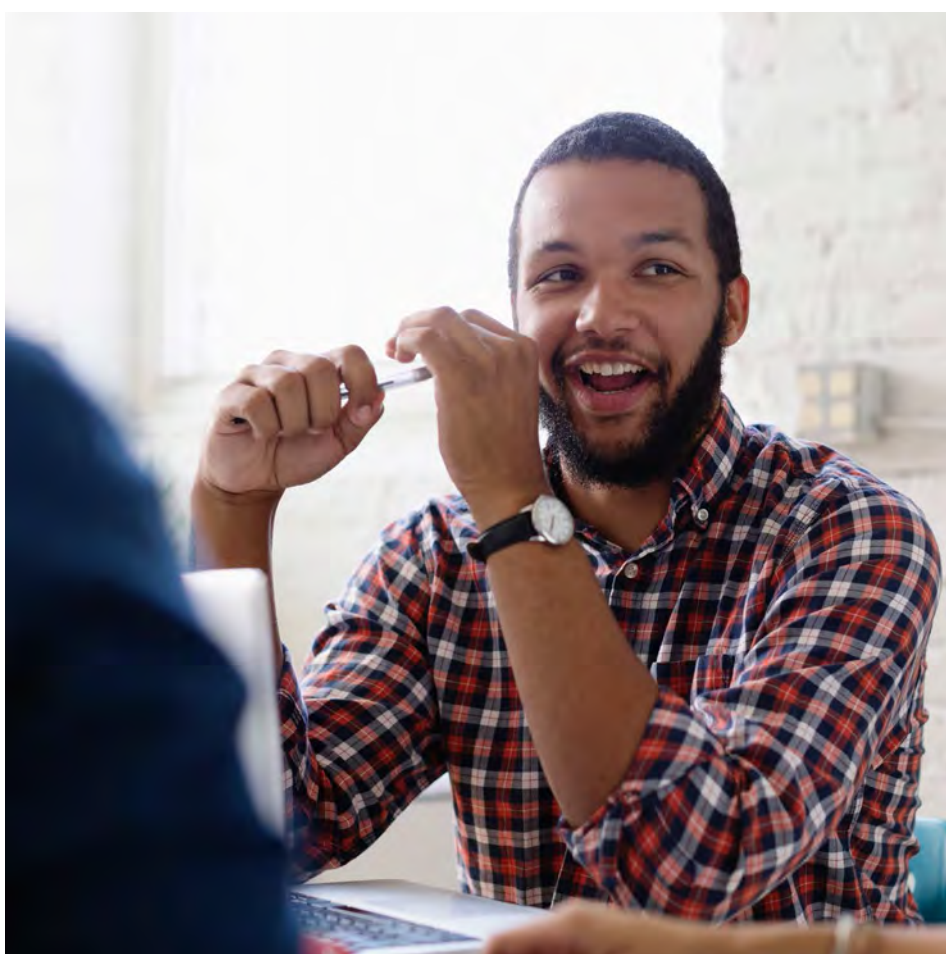
ACCA

**The UK  
Apprenticeship Levy:  
a guide for employers**

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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.

## What is it?

**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.**

- ▶ 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.



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.

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.



# The details so far

## Paying in and withdrawing from the levy

### Examples of what employers will pay

#### Example 1

##### An employer who would pay the levy

An employer with an annual pay bill of £5,000,000:

- ▶ **Levy sum:**  
 $0.5\% \times £5,000,000 = £25,000$
- ▶ **Subtracting levy allowance:**  
 $£25,000 - £15,000 = £10,000$   
annual levy payment

#### Example 2

##### An employer who would not have to pay the levy

An employer with an annual pay bill of £2,000,000:

- ▶ **Levy sum:**  
 $0.5\% \times £2,000,000 = £10,000$
- ▶ **Subtracting levy allowance:**  
 $£10,000 - £15,000 = £0$   
annual levy payment

#### What counts as a 'pay bill'?

The pay bill will be based on the total amount of earnings subject to Class 1 secondary NICs. Although earnings below the secondary threshold will be included for the purposes of calculating the amount of levy that an employer needs to pay.

Earnings include any employment remuneration or profit coming that an employer pays NICs on such as:

- ▶ wages,
- ▶ bonuses,
- ▶ commissions,
- ▶ and pension contributions.

#### How will employers work out what they have to pay?

The pay bill will be based on the total amount of earnings subject to Class 1 secondary NICs. Although earnings below the secondary threshold will be included for the purposes of calculating the amount of levy that an employer needs to pay.

Employers will pay the levy on their entire pay bill at a rate of 0.5%. However, there will be a levy allowance to offset against this. The levy allowance is worth £15,000 for each tax year. This means the levy is only payable on pay bills over £3 million (because  $0.5\% \times £3 \text{ million} = £15,000$ ).

The levy allowance will operate on a monthly basis and will accumulate throughout the year. This means employers will have an allowance of £1,250 a month to offset the amount an employer will need to pay into the levy. Any unused allowance will be carried from one month to the next. For example, if an employer's levy liability in month 1 is £1,000 they will not pay the levy and their allowance in month 2 will be £1,500.

If an employer has some unused allowance in a month, but paid the levy previously in the tax year, they can receive a credit to offset against any other PAYE liabilities. The credit will also reduce the amount of levy paid.

If employers have multiple PAYE schemes and do not use the full £15,000 allowance, they will be able to offset the unused amount against another scheme once the tax year has ended.

#### How will employers pay the levy?

Employers will calculate, report and pay the levy to HMRC, through the PAYE process alongside tax and NICs.

Once an employer has calculated that they need to pay the levy they will need to declare this and include it in their usual PAYE payment to HMRC by the 19th (or 22nd if they report electronically) of the following month. Any apprenticeship levy payment to HMRC will be eligible for Corporation Tax.

#### How will money paid into the levy be accessed?

Funds will be available to an employer to use for apprenticeship training in England through a new digital apprenticeship service account. This funding can be used to pay for training and assessment for apprentices in England. The digital apprenticeship service will also help employers find training providers to develop and deliver relevant apprenticeship programmes.

Levy-paying employers will be able to use the service to pay for the training and assessment of apprentices from April 2017. Separate arrangements will be in place in Scotland, Wales and Northern Ireland.

#### How long will funds be available for?

Funds will expire 18 months after they enter a digital account unless they are spent on apprenticeship training. This will also apply to any top-ups in your digital account.

#### Employers that don't pay the levy

Employers that don't pay the levy will be expected to negotiate and agree a price with the training provider. This price will cover the delivery of apprenticeship training towards a specific standard or framework, and the cost of assessing the apprentice at the end of their apprenticeship. Non-levy paying employers will pay for this through co-investment with the government (as outlined above).

The non-levy paying employer's payment plus the government contribution cannot total more than the maximum allowed by the funding band for the standard or framework chosen. If an employer negotiates a price with a provider that is more than the maximum allowed by the funding band, they must pay the difference between the band maximum and the agreed price, in full. They won't get government support towards these costs.

# The details so far

## Using the new digital account

When an employer buys apprenticeship training through the digital apprenticeship service, they don't need to have enough funds in their digital account to cover the entire cost of the training at the start.

### How do employers use funds in their digital accounts to buy training?

When an employer agrees to buy apprenticeship training from a particular training provider and once the apprenticeship has started, monthly payments will be automatically taken from an employer's digital account and sent to the provider. This spreads the cost over the lifetime of the apprenticeship.

When an employer buys apprenticeship training through the digital apprenticeship service, they don't need to have enough funds in their digital account to cover the entire cost of the training at the start. As payments are taken from the digital account monthly, employers just need to have enough funds in their account to cover the monthly cost of each apprenticeship training scheme they have chosen.

Employers will see funds entering their digital account each month as they pay the levy, and funds leaving the account regularly each month as they pay for training.

The government will be responsible for making sure that payments from digital accounts reach the training providers. From April 2017, these payments will be made monthly.

If employers choose not to use their digital account to buy apprenticeship training they will need to buy it directly from a training provider, following the same process as employers who do not pay 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/](http://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.

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](http://members.accaglobal.com/find-an-accountant)

## For more information

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The government has said that it will publish the next set of guidance for employers in June 2016.

Further information and guidance can be found on the government's apprenticeship webpages:

[www.gov.uk/government/publications/apprenticeship-levy-how-it-will-work](http://www.gov.uk/government/publications/apprenticeship-levy-how-it-will-work)

## End of June 2016

- ▶ Draft guidance on funding available
- ▶ Draft test and flow chart available to calculate paybill



## End of October 2016

- ▶ Final guidance on funding available



## End of December 2016

- ▶ Employers can register under new scheme
- ▶ Further employer guidance from HMRC on specifics for determining the paybill



## May 2017

- ▶ Funds appear in digital account

## April 2017

- ▶ Institute for Apprenticeships established
- ▶ Digital Apprenticeship Service (DAS) operational
- ▶ New funding rules come into effect



## January 2017

- ▶ Employers can register for online account with the Digital Apprenticeship Service





Our business development team can help you navigate the choices available to you as an employer whether you have experience of managing apprenticeship programmes, or are thinking of taking on an apprentice on for the first time.

### Updates on developments

ACCA has been closely monitoring the development of Government policy on the levy since the idea was introduced. We responded to the consultation process that took place last year and through our engagement with Government we will continue to feedback our member's views and stay ahead of any latest developments.

### Advice on training an ACCA apprentice

If you are looking to take on an apprentice to train in the area of Accountancy and Finance, ACCA offers an apprenticeship at Level 4 under the government's new Trailblazer standards. Our business development team can help you navigate the choices available to you as an employer whether you have experience of managing apprenticeship programmes, or are thinking of taking on an apprentice on for the first time.

### Finding talent to join your apprenticeship scheme

If you are looking to hire an accounting and finance apprentice you can advertise your scheme through ACCA's online job portal. To find out more talk to our business development team on **0207 059 5812** or **[employerrelationsadvisers@accaglobal.com](mailto:employerrelationsadvisers@accaglobal.com)**

