Apprenticeship Reform
Levy Guide for Employers
The Apprenticeship Levy

Announced in the 2015 Summer Budget, in April 2017 the way the government funds apprenticeships in England will change.

Employers operating in the UK, with a pay bill of over £3 million per year will be required to contribute to a new apprenticeship levy. The apprenticeship levy will be introduced to assist with the pledge to create 3 million new apprenticeships by 2020.

The levy will apply to all employers in the UK with a wage bill over £3 million across every industry, even public sector bodies. The levy is a tax of 0.5% of the employers’ total wage bill and it will be paid through PAYE. Every single employer will receive an allowance of £15,000 to offset against their levy payments.
The Facts

For levy payers (wage bills over £3 million)

- The levy will take effect from April 2017.
- The levy will be 0.5% tax of wage bill, paid through PAYE.
- Levy paying employers will benefit from a 10% top up of their levy funds each month.
- Public sector bodies will also have the levy applied, and an additional target to ensure that 2.3% of its workforce is comprised of apprenticeships.
- The levy payments will be managed by the Digital Apprenticeship Service.
- An allowance of £15,000 will be granted to offset against employers’ levy payments.

### Employer example

Employer with 250 employees, each with a gross salary of £20,000.

<table>
<thead>
<tr>
<th>Description</th>
<th>Calculation</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pay bill</td>
<td>250 x £20,000</td>
<td>£5,000,000</td>
</tr>
<tr>
<td>Levy sum</td>
<td>0.5% x £5,000,000</td>
<td>£25,000</td>
</tr>
<tr>
<td>Allowance</td>
<td>£25,000 - £15,000</td>
<td>£10,000 annual levy payment</td>
</tr>
<tr>
<td>Government top up</td>
<td>£25,000 + 10%</td>
<td>£27,500 total available to spend on training</td>
</tr>
</tbody>
</table>
For non-levy payers (wage bills under £3 million)

• Firms with pay bills under £3 million, and therefore not contributing to the levy, will not have access to the levy fund.
• However those firms not paying the levy will be able to access government support for apprenticeships.
• The government propose a co-investment rate for apprenticeship funding. Non-levy paying employers will be required to pay 10% of the training costs with the government paying the remaining 90%.
• Small employers (less than 50 employees) may be exempt from paying for apprenticeship training and non-levy payers may also receive a further incentive of £1,000 for training apprentices:
  o aged 16-18
  o 19-24 year old care leaver
  o 19-24 years of age and has a Local Authority Education, Health and Care plan.
Spending the levy funds

- Employers who pay the levy and provide apprenticeships will be able to allocate their levy contributions through the Digital Apprenticeship Service to use to train their apprentices.
- Employers will have 18 months to spend their levy funding (contributions and any government top-ups, if eligible).
- Digital Apprenticeship Service funds will cover apprenticeship training, assessment and certification with registered providers only. It will not cover wages or other costs.
- You will not be able to use the levy to fund other professional training courses or programmes.
- From 2018 levy payers will be allowed to transfer up to 10% of their annual levy fund value to other employers on the digital apprenticeship system e.g. supply chain.

Talk to us today

Newcastle College offer a wide range of apprenticeships that can support your recruitment or training needs. Our team are perfectly placed to talk you through the changes to apprenticeships and answer any questions you have about the reform and how it impacts your business. Our aim is to ensure that you and your business make the most of these changes.

Contact the Newcastle College Apprenticeship Team today:

Call: 0191 200 4781
Email: apprenticeships@ncl-coll.ac.uk
Visit: newcastlecollege.co.uk/ levy