



# The Apprenticeship Levy in Summary

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 **Bishop Fleming**

## What is the Apprenticeship Levy?

The government introduced the apprenticeship levy on 6 April 2017. This is a compulsory tax on employers to help fund the development and delivery of apprenticeships, with the aim of improving the quality and quantity of those available.

Employers fall into one of two groups: levy payers and non-levy payers. Employers with an annual paybill of more than £3 million are required to pay the levy - whether they employ an apprentice or not. Your paybill includes all payments to employees that are subject to Class 1 secondary National Insurance Contributions, such as wages, bonuses, and commission.

To help you forecast month by month what your contributions will need to be to support apprentices, whether you pay the levy or not, you can use the Funding Apprenticeships Systems (FAS). Details can be viewed online here:

<http://www.fas.report/>

The new apprenticeship funding system will be made up of 15 funding bands, with the upper limit of those bands ranging from £1,500 to £27,000. Employers are expected to negotiate a price for their apprentice's training and assessment, in the knowledge that there is a maximum that Government is prepared to commit from its funds for the off the job training and assessment for each apprenticeship.

Further details on the funding band maximum can be found here:

<https://www.gov.uk/government/publications/apprenticeship-funding-bands>

## Who are Apprentices?

[Apprentices](#) are aged 16 or over and combine working with studying to gain skills and knowledge in a specific job.

Apprentices can be new or current employees. You can [get government funding](#) to cover some of the cost of training and assessing an apprentice if you're in England and you must pay the apprentice at least [the minimum wage](#).

### Your apprentice must:

- work with experienced staff
- learn job-specific skills
- study during their working week (for example, at a college or training organisation)

## Who are the Training Providers?

There are 3 types of provider status, '*main providers*', '*employer providers*' and '*supporting providers*'.

### Main providers are able to:

- deliver apprenticeship training to employers that will use the apprenticeship service to pay for apprenticeship training
- deliver apprenticeship training to their own apprentices, or apprentices of their connected companies, if they will use the apprenticeship service to pay for apprenticeship training
- deliver apprenticeship training as a subcontractor

### Employer providers are able to:

- deliver apprenticeship training to their own apprentices, or apprentices of their connected companies, if they will use the apprenticeship service to pay for apprenticeship training

This includes delivering apprenticeship training as a subcontractor to their own apprentices or apprentices of their connected companies.

### Supporting providers are able to:

- deliver as a subcontractor for contract values between £100,000 and £500,000 per year in total. This is the aggregation of all contracts they will hold with providers or employer providers for apprenticeship delivery
- they do not need to register if delivering under £100K.
- the supporting route is for providers who only want to act as a subcontractor for providers on the main route.

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The following government website will direct you towards a suitable training provider:

<https://findapprenticeshiptraining.sfa.bis.gov.uk/>

You can work with training providers to agree on an apprenticeship programme suitable for your business.

### **How do you access apprenticeship funding?**

The levy payments will go into the new online Apprenticeship Service. Details can be viewed online here:

<https://www.gov.uk/guidance/manage-apprenticeship-funds>

This will enable you to manage your apprenticeship funding and delivery through a virtual account. You'll be able to see how much is in your account and allocate payments to providers of government approved apprenticeships. Details can be viewed online here:

<https://www.gov.uk/guidance/register-of-apprenticeship-training-providers>

You need to use an approved apprentice training provider and work with them to agree on an apprenticeship programme suitable for your business. The levy can be used to pay for the End Point Assessments (EPA), but not the registration or certification of non-mandatory qualifications. What is the EPA? Instead of being assessed continually throughout their course, all apprentices will now have to complete an EPA to complete their qualification. The EPA is designed to test whether each apprentice has gained the skills, knowledge, and behaviours outlined in the standard, and grade each learner according to their performance.

### **The Difference between levy paying and non levy paying employers**

#### **Levy paying employers**

The levy amount payable is calculated at 0.5% of your paybill. All employers receive a £15,000 allowance to offset against the amount they have to pay. Therefore only if your paybill is > £3m pa you will have to pay a levy.

You will report and pay your levy to HMRC through the PAYE process.. The government will add 10% for approved training.

How you get your funds and pay for training depends on whether you're in England, Scotland, Wales or Northern Ireland. See above.

Once the apprenticeship training you've bought has started, monthly payments will be taken from your service account and sent to the provider.

You will see funds entering your account each month after you have declared the levy to HMRC, and funds leaving the account each month as you pay for training.

If you don't have enough funds in your account to pay for training in a particular month, the government will ask you to share the remaining cost of training and assessing your apprentices for that month with them. This is called 'co-investment'.

With 'co-investment', you will pay 10% of the outstanding balance for that month, and the government will pay the remaining 90% up to the funding band maximum. If your costs go over the maximum, then you must pay the difference out of your own budget.

#### **If you pay the levy - The funding process**

The process can be viewed here in this helpful map:

<https://www.aat.org.uk/apprenticeships/employers/apprenticeship-levy>

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### **Non-levy-paying employers**

If your annual paybill is < £3m pa, you do not have to pay the levy due to the £15,000 allowance.

You can work with training providers to agree on an apprenticeship programme suitable for your business. Non levy payers will share the cost of training and assessing their apprentices with government. You will contribute 10% towards the cost of the required apprenticeship and the government will pay the remaining 90%, up to the funding band maximum.

You won't be able to use the online Apprenticeship Service to pay for apprenticeship training and assessment until at least 2018. Instead you'll need to agree a payment schedule with the training provider and pay them directly for the training. The provider must prove that you have paid your contributions as a condition of the government paying its contribution.

### **How Bishop Fleming are helping our payroll clients**

We will assess eligibility for this based on whether your salary bill exceeds £3 million per annum. If the annual salary bill exceeds £3 million we will calculate and process the levy due, which will be paid on a monthly basis. This means that for each month of the tax year we will undertake the following calculations:

- Calculate your total salary bill for the year so far
  - Calculate the total of your monthly levy allowances for the year so far
  - Subtract the total of these levy allowances from 0.5% of your total pay bill for the year so far
  - Subtract the amount you've paid as levy payments for the year so far
- If your levy payment changes from month to month, we will declare on your behalf to HMRC on the next EPS following the change. If amendments are required to be made regarding payment of the levy, this will need to be declared on an additional EPS at the end of the tax year and the payment shortfall will need to be made good.
  - We will retain records used to calculate your levy payment for at least three years following the end of the income tax year to which they relate.
  - The rules regarding the apprenticeship levy and companies and organisation within a group are the same as they are for the Employment Allowance. We will help ensure this is processed correctly in this scenario although ultimately responsibility where this applies rests with the employer.

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## Q&As

### **What can the funds be used for?**

Funds in your digital account can only be used to pay for apprenticeship training and the end point assessments. They cannot be used for other associated costs, for example, wages or travel costs.

### **Will the new funding arrangements affect apprentices that start before April 2017?**

No, apprenticeships that started before April 2017 will be funded for their duration under existing arrangements. You will not be able to use the funds in your digital account to pay for these.

### **Do the funds in my account need to cover the entire cost of the training at the start of an apprenticeship?**

No, as training providers will be paid monthly you just need to cover the monthly cost of each apprenticeship you have chosen.

### **Can I use my funds to pay for apprentices employed by apprenticeship training agencies (ATAs) or direct funds to another employer?**

From May 2017, you will pay 10% towards to the cost of apprenticeship training and government will pay the rest (90%), up to the [funding band](#) maximum.

The government intends to allow employers to transfer up to 10 per cent of the levy fund to an approved training agency (ATA), or other employer, from 2018.

### **What if the funds in my account aren't enough to cover the full cost of the training and assessment I would like to buy?**

The government will co-invest 90 per cent of the full cost of the training with the employer funding the remaining 10 per cent, paid over the lifetime of the apprenticeship.

### **Will there be any additional funding for employing 16 to 18 year old apprentices, or young people with additional needs?**

Potentially yes. Payments to help meet these additional costs will be paid to you through the training provider.

### **What if the apprentice stops, or takes a break from their training?**

You can use the digital apprenticeship service to stop or pause payments.

### **Can employers become a training provider and use funds in their digital account to pay for this?**

The government recognises that employers can be extremely successful training providers and want to encourage this.

The above essentially is a summary of the legislation and further details can be found on the following government website:

<https://www.gov.uk/government/publications/apprenticeship-levy-how-it-will-work/apprenticeship-levy-how-it-will-work>

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