





Apprenticeships

Levy & Non-Levy Employers

- everything you need to know







Apprenticeships: Levy & Non-Levy Payers

The Apprenticeship landscape has been changing for several years, with reforms that aim to give employers more control over designing, choosing and paying for Apprenticeship training. In April 2017 the Government introduced the Apprenticeship Levy and Co-investment, as part of the Apprenticeship reforms. This was a significant change to the way Apprenticeships are funded, and will help the Government to achieve its target of three million Apprenticeship starts by 2020.



Apprenticeship Levy Payers

Most significantly, only employers with an annual payroll in excess of £3 million will have to pay the Levy.

Key Facts you Need to Know

- For Apprenticeships starting from May 2017 onwards, employers with a pay bill in excess of £3 million will pay an Apprenticeship Levy, which will be set at 0.5% of their payroll (as reported to HMRC).
- You only pay a Levy on employees based in England.
- All employers receive an allowance of £15,000 to offset against their annual contribution.
- Deductions are taken monthly through Pay As You Earn by reference to employers' previous pay bills.
- Employers are able to draw down their Levy spend from a Digital Apprenticeship Account to fund the external costs of Apprenticeship training. If not used, funds expire within 24 months.
- Employers receive an automatic 10% top up. So, a £1,000 Levy contribution will become £1,100 in your Apprenticeship fund - see example on the next page.
- Where apprentices are aged 16-18 on enrolment, employers are entitled to an additional £1,000 incentive.
- In calculating UK payroll, groups of companies under common ownership are treated as one employer, such as schools operated by the Local Authority.
- Larger public sector employers have a statutory Apprenticeship target set at 2.3% of their workforce.
- Employers' NI contributions for apprentices aged under 25 have been abolished since April 2016.
- If Apprenticeship training costs more than you have in your Levy fund, the remaining costs will be split between the employer and the Government. This is called Co-Investment and the employer will pay 10% of the costs with the Government paying the remaining 90% share.

From April 2018, employers who pay the apprenticeship levy will be able to transfer up to 10% of their annual apprenticeship funds to any other organisation. The transfer is for apprenticeship standard training and assessment costs only and is paid on a monthly basis.

Examples of Different Cost Scenarios

1. An employer with an annual wage bill of £4 million:

Levy sum: $0.5\% \times £4,000,000 = £20,000$

English employees sum: 100% of £20,000 = £20,000

Deduct the allowance: $£20,000 - £15,000 = £5,000$ Levy liability (if the fund is not used)

The Government convert this to a fund for the employer to spend on Apprenticeship training and add an automatic top-up: $£5,000 + 10\% = £5,500$

Employer will receive a £5,500 Levy fund to spend on Apprenticeship training for that year.

2. An employer with an annual wage bill of £10 million:

Levy sum: $0.5\% \times £10,000,000 = £50,000$

English employees sum: 100% of £50,000 = £50,000

Deduct the allowance: $£50,000 - £15,000 = £35,000$ Levy liability (if the fund is not used)

The Government convert this to a fund for the employer to spend on Apprenticeship training and add an automatic top-up: $£35,000 + 10\% = £38,500$

Employer will receive a £38,500 Levy fund to spend on Apprenticeship training for that year.



Non-Levy Payers

Organisations that are not liable to pay for the Apprenticeship Levy contribute to the cost of training in different ways, depending on employee numbers and the age of apprentices, as indicated below:

1. Non-Levy payers need to co-invest in Apprenticeship training. This means the government will fund 90% of Apprenticeship training costs and the employer will need to pay the remaining 10%.
2. If however, you employ less than 50 staff and the apprentice is aged 16-18, then the Apprenticeship training costs will be fully funded and provided for free by the government.
3. If you take on an apprentice aged 16-18 you will receive a payment of £1,000 regardless of your employee numbers.

Example of Co-Investment

Employer has 60 employees.
Apprentice is aged 18 and is undertaking Business Administration Level 2.
Apprenticeship training cost is £2,000 for the year.
Government will fund £1,800 of the training cost.
Employer will fund £200 of the training cost.
Employer receives £1,000 because the apprentice is aged 16-18.

For Levy and Non-Levy payers, it's important to note that apprentices accepted before 1st May are funded for the full duration under the existing Apprenticeship funding rules.

Bolton College's Business Development Team is keen to meet with local employers to discuss the implications of the changes to apprenticeship funding, and to consider potential training opportunities going forward.

