

In the Know....



Apprenticeship Levy - More details issued

From 6th April 2017, employers in the UK with a pay bill over £3 million each year will be required to pay an apprenticeship levy in order to fund apprenticeships. New guidance on this has been issued, and we take a look at it here.

Who has to pay the levy?

Employers in any sector operating in the UK with an annual pay bill of more than £3 million, regardless of whether they already pay into an existing industry levy scheme. An employer is someone who is a secondary contributor, with liability to pay Class 1 secondary National Insurance contributions (NICs) for their employees. The pay bill will be on the total amount of earnings subject to Class 1 secondary NICs. Although earnings below the secondary threshold are not counted when calculating an employer's NICs, they will be included for the purposes of calculating the amount of levy the employer needs to pay. Earnings include any remuneration or profit coming from employment, such as wages, bonuses, commissions, and pension contributions that are paid on NICs. The levy will not be paid on other payments such as benefits in kind, subject to Class 1A NICs.

How will it be paid?

Employers will calculate, report and pay the levy to HMRC, through the PAYE process alongside tax and NICs. The levy will need to be declared and included in the usual PAYE payment to HMRC by the 19th (or 22nd if reporting electronically) of the following month. The first submission in which it will be declared that the levy will be paid is in May 2017.

How much is the levy?

The amount to pay per year is 0.5% of the pay bill. However, a £15,000 allowance is applied to this meaning that £15,000 should be deducted once the 0.5% calculation has been done. The levy allowance will operate on a monthly basis and will accumulate throughout the year. This means that an allowance of £1,250 is applied per month. Any unused allowance will be carried from one month to the next. For example, if the levy liability in month 1 is £1,000 you will not pay the levy and your allowance in month 2 will be £1,500.

Where a group of employers are connected they will only be able to use one £15,000 levy allowance. The Government will, each month, add a further 10% on to your levy contributions. The funds can be used to pay for apprenticeship training and assessment through the digital apprenticeship service.

Where will the money be held?

Employers will be able to create a digital apprenticeship service account where their apprenticeship levy payment will be kept. Employers will be able to register to create an account from January 2017. Funds will be visible from late May 2017. The amount entering your digital apprenticeship service account will be how much you have available to spend on apprenticeships in England. Scotland, Wales and Northern Ireland have their own arrangements for supporting access to apprenticeships. You will have 18 months to use the funds from the point they enter the account after which it will expire.

Directing funds to another employer

If you are in a group of companies connected for the purposes of paying the levy, your group will be able to collect their funds together into one digital account. Your group will do this by registering to have PAYE schemes attached to a single digital account.

In the first year of the levy, the funds in your digital account are to be used for apprenticeship training and assessment of your own employees only. The Government is considering allowing employers to transfer 10% of their funds to another employer's digital account from 2018 (for example, an employer within their supply chain or an Apprenticeship Training Agency (ATA)).

The content of this briefing is correct at the time of publishing.

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