

# PROSKILLS' GUIDE TO THE APPRENTICESHIP LEVY

## What is the Apprenticeship levy?

The Government-led apprenticeship levy is a payment that will be collected from employers with a payroll bill greater than £3m at a rate of 0.5%.

It is aimed at encouraging employers to run apprenticeship programmes and will form the overall pot of money that can be used to fund post-16 apprenticeship training.

The Apprenticeship levy will come into effect from April 2017.

## Why has the Government introduced this levy?

Skills Minister, Nick Boles has said:

*“Skilled people are the lifeblood of a strong economy but for too long UK businesses have invested too little in developing their employees’ skills to meet the demands of a competitive, global market. The apprenticeship levy will ensure that businesses invest in skills and training, and will act as a much needed shot in the arm for the country’s productivity.”*



### The Government's objective

The Government's overall objective is to raise £3bn a year to fund three million new 'high quality' Apprenticeships by 2020.

## How is the contribution calculated?

The rate for the levy will be set at 0.5% of an employer's pay bill and will be collected via PAYE.

Employers will receive an allowance of £15,000. The effect of this allowance is that the Levy will only be payable on a pay bill in excess of £3,000,000 – employers with a pay bill less than £3,000,000 will not pay anything.

## Here are some example levy calculations:

Employer no.1

Paybill of:

= **£5,000,000**

Levy sum:

0.5% x £5m

= **£25,000**

Amount to pay:

£25,000 - £15,000

= **£10,000**

**annual levy payment**

Employer no.2

Paybill of:

= **£11,250,000**

Levy sum:

0.5% x £11.25m

= **£562,500**

Amount to pay:

£562,500 - £15,000

= **£547,500**

**annual levy payment**

Employer no.3

Paybill of:

= **£2,000,000**

Levy sum:

0.5% x £2m

= **£10,000**

Amount to pay:

£10,000 - £15,000

= **£0 annual**

**levy payment**

## How will the money be collected?

We know that the money will be drawn from PAYE and collected by HMRC, but details have not been set out.

## How will employers spend the money?

The Government is creating an online portal, the **Digital Apprenticeship Service (DAS)**, which all organisations will have access to, regardless of whether they have contributed to the levy.

The proposal is that employers in scope will be able to reclaim their levy contribution via a digital voucher. This voucher is then used to “pay” for Apprenticeship training and assessment.



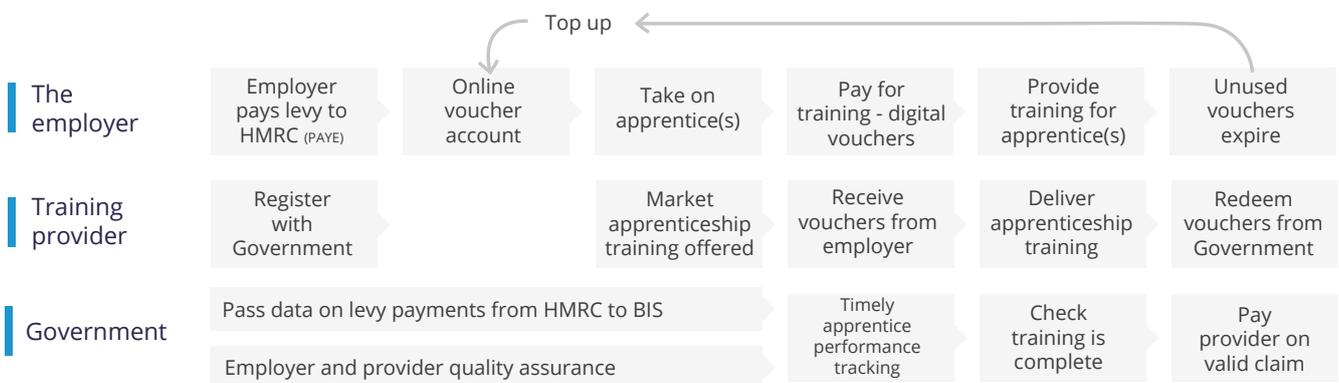
### The digital voucher

The Government has said that digital vouchers can be used for **Apprenticeships for all ages, types and sectors**, including SASE frameworks, and should be used to purchase training and assessment. *The definition of what is eligible under “training and assessment” is not yet published.*

### Employers ‘get out more than they pay in’

It has been stated that “employers in England that pay the levy and are **committed to training** will be able to get out more than they pay in”. *Further details are expected in the Spring.*

## How the Levy will work:



## Top 5 things you need to know about the apprenticeship Levy:

### 1. *Employers with a payroll in excess of £3 million will pay the levy.*

The Government-led Apprenticeship levy is a payment that will be collected from employers with a payroll bill greater than £3m at a rate of 0.5%

### 2. *The levy will be at a rate of 0.5% of the wage bill.*

The wage bill is defined as 'total employee earnings' of every employee.

### 3. *Employers paying the levy will need to hire apprentices to balance the books.*

To make the most out of the levy, employers may need to review their apprentice recruitment strategy.

### 4. *Employers with a payroll of less than £3 million will still need to pay their employer contributions.*

This is expected to be one-third of the cost towards apprenticeship training. The other two-thirds will be covered by unused apprenticeship levy funds or funding from the Education Funding Agency for apprentices under 18 years.

### 5. *Levy funding can only be spent on apprenticeship training and assessment with approved providers.*

For employers who wish to deliver some or all of their apprenticeship training internally, they will need to be approved as a provider. This is expected to be similar to the process for all providers, and government will publish more detail on the new approach later in the year.