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The Apprenticeship Levy

The way apprenticeships are funded in the UK is changing as of Spring 2017. With this change, some employers will be required to contribute to a new apprenticeship levy and there will also be changes to the funding for apprenticeship training for all employers. The Apprenticeship Levy (the Levy) will come into effect 6 April 2017 and a new apprentice funding system is set to be in place as of May 2017.

The purpose of the Levy is to provide funding for apprenticeships and a new “digital service account”. Essentially, companies in England will have an opportunity to reclaim the Levy through the digital service account (an online tool allowing an employer to create apprenticeship schemes) if they are prepared to run their own apprenticeship training, either for new recruits or to allow existing staff to develop new skills. Scotland, Wales and Northern Ireland will have their own arrangements for supporting employers to access apprenticeships. Companies should therefore decide whether to accept the Levy as a standalone tax or view it as an opportunity to operate Government-funded apprenticeships allowing them to develop their own workforce.

The digital service account will enable any employer to select an apprenticeship framework, choose a training provider, choose an organisation to assess apprentices and post apprenticeship vacancies. Employers that qualify to pay the Levy can also use the digital service account to set an agreed price with a training provider and pay for apprenticeship training and assessment. Funds in the digital service account must only be used to pay for apprenticeships and they will expire after 24 months unless they are spent on apprenticeship training or assessment.

Key points:

- > All employers operating in the UK with an annual pay bill of £3 million or more will qualify to pay the Levy, irrespective of whether they currently engage (or ever have engaged) apprentices.
- > The Levy will amount to 0.5 percent of each qualifying employer's total pay bill (see below), minus a 'levy allowance' of £15,000.
- > Group companies will qualify for only one Levy allowance between them.
- > An employer's "total pay bill" comprises all earnings subject to Class 1 National Insurance contributions, *i.e.*, any remuneration which an employee earns from employment (including wages, bonuses, commissions, and pension contributions) but will not include other payments to employees such as benefits in kind.
- > The Levy will be allowable for Corporation Tax.

As an example, for an employer with an annual total pay bill of £5,000,000, the Levy would be £10,000, calculated as follows:

- > Levy sum: $0.5\% \times £5,000,000 = £25,000$
- > Minus levy allowance: $£25,000 - £15,000 = £10,000$

The Government has made available an [online tool for employers to estimate their Apprenticeship Levy](#).

A qualifying employer must notify HMRC whether or not it is required to pay the Levy each month, and then, if applicable, include the Levy sum in its usual PAYE payment by the 19th of the month (or by the 22nd of the month if the employer reports electronically).

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