



# Employers: you need to know about this!





From April 2017, the Government is introducing a Levy that will be used to pay for Apprenticeships. Not all employers will have to pay the Levy but the majority of employers will have to contribute something to the cost of training any Apprentices they recruit. It is part of a major commitment to increasing both the quality and the quantity of Apprenticeships in England, by putting the control in the hands of employers.

The following information is designed to tell you a bit more about the Levy and the funding rule changes. It is based on the currently published Government information and we will update it if further guidance is published.

We are also happy to discuss the implications and options with you; please get in touch with:

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## What is the Apprenticeship Levy?

The apprenticeship levy will come into effect in April 2017, at a rate of 0.5% of an employer's pay bill (collected through the PAYE system). A £15,000 allowance for employers will mean that the levy will only be paid on employers' pay bills over £3 million.

It is anticipated that less than 2% of UK employers will pay the levy. These employers can benefit from this investment by training apprentices. There may be a contribution required for some Apprenticeship programmes and this varies depending on the industry sector.

## Think you will be required to pay the Levy?

Employers will pay HMRC 0.5% of their payroll costs as a Levy on a monthly basis. There will be a £15,000 allowance (where the employers will not pay the first £15,000 of Levy) and the Government will also top up the funds by 10%, so most employers will be able to invest more funds than they contribute in Levy.

These employers will be able to fund their Apprenticeship training using an approved provider like BCoT. They can fund new or existing employees and employees of any age can be eligible for an Apprenticeship as long as there is a significant training need. If these employers want to spend more than their fund then they will have to make a small contribution to the cost.

Once you have declared the levy to HMRC you will be able to access funding for apprenticeships through a new digital apprenticeship service account.

You will be able to use this to pay for training and assessment for apprentices in England. The service will also help you find training providers to help you develop and deliver your apprenticeship programme. (Separate arrangements will be in place in Scotland, Wales and Northern Ireland).

# Examples of what you will pay

**Example 1: an employer who would pay the levy**  
An employer with an annual pay bill of £5,000,000:

- Levy sum:  $0.5\% \times £5,000,000 = £25,000$
- Subtracting levy allowance:  $£25,000 - £15,000 = £10,000$  annual levy payment

**Example 2: an employer who would not have to pay the levy**  
An employer with an annual pay bill of £2,000,000:

- Levy sum:  $0.5\% \times £2,000,000 = £10,000$
- Subtracting levy allowance:  $£10,000 - £15,000 = £0$  annual levy payment

There is an indicative tool available on the Government website to help you estimate your levy contribution, begin to plan your training requirements, and estimate your financial spending.

[www.estimate-my-apprenticeship-funding.sfa.bis.gov.uk](http://www.estimate-my-apprenticeship-funding.sfa.bis.gov.uk)

# Don't think you will have to pay the Levy?

Most employers with a payroll of less than £3m will not pay any Levy and if they are a small employer with less than 50 employees they will not have to make any contribution to the cost for Apprentices up to the age of 18. For larger employers and for Apprentices over 18 then the contribution will be just 10% of the full cost of delivery. The Government will contribute 90% of the training costs up to a maximum level.

If you do not pay the levy, you won't need to use the digital apprenticeship service to pay for apprenticeship training and assessment until at least 2018. When you need to start using the digital apprenticeship service to pay for apprenticeship training, we will help you to prepare.

## Useful to note....

- Apprentices who have been accepted on to an apprenticeship programme before 1 May 2017 will be funded for the full duration of the apprenticeship under the terms and conditions that were in place at the time the apprenticeship started.
  - Employers who already pay into an existing industry levy scheme will still be required to pay the apprenticeship levy. The Industry Training Boards for the construction, engineering construction and film industries will consult their members on potential changes to their existing levy arrangements.
  - Funds in your digital account, and funding provided by the government through co-investment, can only be used towards the costs of apprenticeship training and end point assessment with an approved training provider and assessment organisation. (It can't be used on other costs associated with your apprentices or wider training effort. For example wages, statutory licences to practise, travel and subsidiary costs, managerial costs, traineeships, work placement programmes or the costs of setting up an apprenticeship programme).
  - Extra support will be available for all employers who:
    - Employ 16- to 18-year-old apprentices - £1000 will be paid to any employer who is training a 16-18 year old apprentice.
    - Employ apprentices with additional needs
    - Employ an Apprentice who requires English and maths training
- Consultations are currently under way to establish how much and how these will work; further details will be made available in due course. (Some more details about this proposal are available on the Government website – see link at the end of this document).
- We expect further information will be available in October 2016, including final levels of: funding, additional support and final detailed funding and eligibility rules.

# The Levy in Summary

- Levy will go ahead from April 2017
- Levy payers can pay for Apprenticeship training with approved providers and will not have to make further contributions
- Non Levy Small Businesses will not have to make any cash contributions
- Employers with over 50 employees will have to make a contribution of only 10% of the cost of training
- Each Apprenticeship framework will have a maximum funding amount

[www.gov.uk/government/publications/apprenticeship-levy-how-it-will-work/apprenticeship-levy-how-it-will-work](http://www.gov.uk/government/publications/apprenticeship-levy-how-it-will-work/apprenticeship-levy-how-it-will-work)

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