



Is your business levy ready?



Your Guide to the  
Apprenticeship Levy

# The Apprenticeship Levy

The Government is committed to developing vocational skills and to increasing the quantity and quality of apprenticeships. It has committed to an additional 3 million apprenticeship starts in England by 2020.

The introduction of the Apprenticeship Levy will help to deliver new apprenticeships and it will support quality training by putting you - employers - at the centre of the system.

Whilst there are still some unknowns about how the Levy will work, here is what we know so far.....

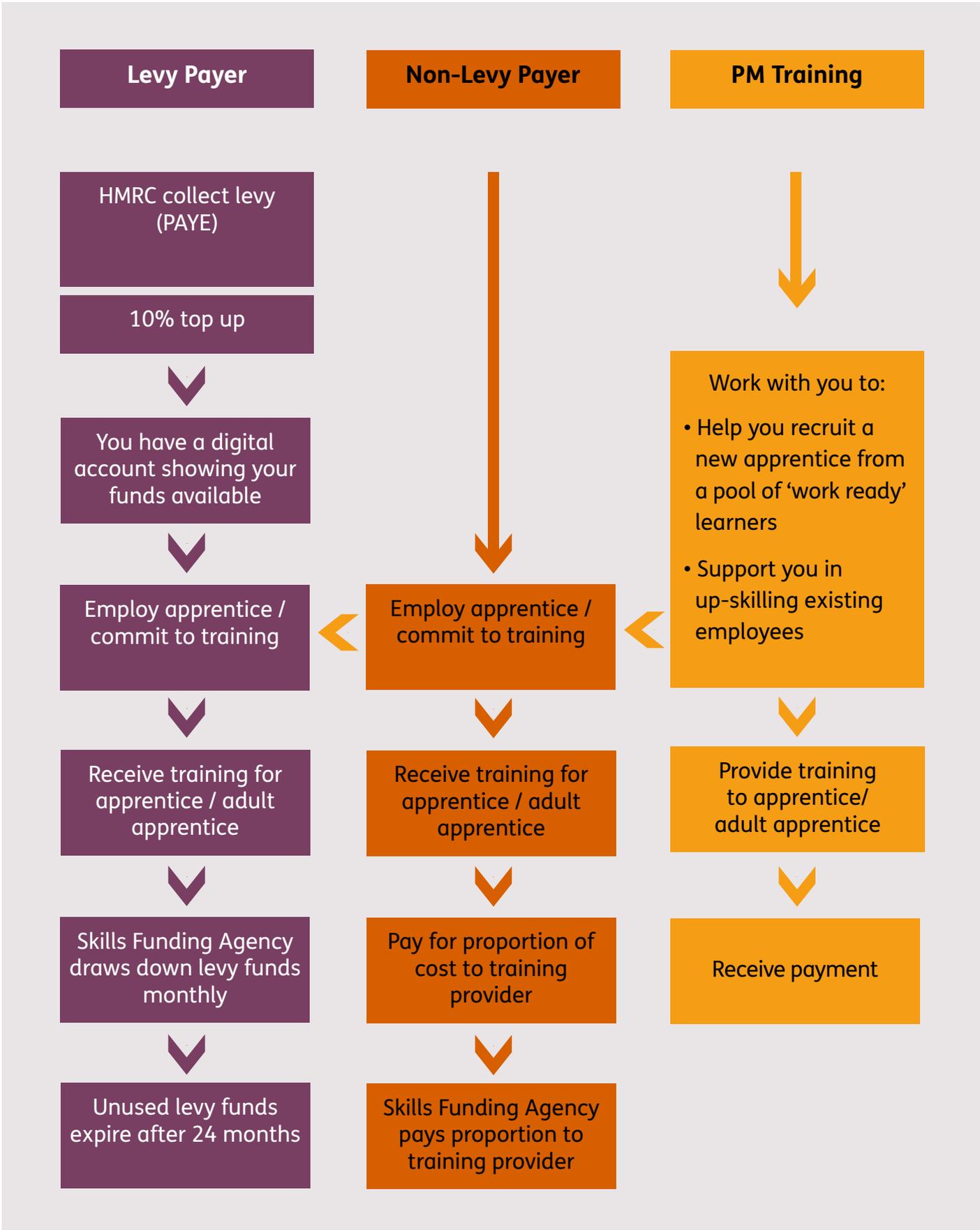
# The Facts:

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- The Levy will be introduced from **April 2017**
- Any employer, in any sector with a **payroll bill of more than £3 million per year** is liable to pay the Levy
- **It will be set at a rate of 0.5% of your total payroll**
- Employers will **not pay the first £15,000** of the Levy
- Employers will receive a **10% top-up** to your Levy payers digital account i.e. every £1 will be increased to £1.10 in value
- It will be **collected on a monthly basis** based on ‘live’ HMRC payroll data



# How will the Levy work?



# Is my business affected by the Levy?

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## Examples of Apprenticeship Levy Payments:

### A: Employer of 1,000 employees, each with a gross salary of £20,000:

Annual pay bill:  $1,000 \times £20,000 = £20,000,000$

Levy payment:  $0.5\% \times £20,000,000 = £100,000$

After allowance applied:  $£100,000 - £15,000$  means  $£85,000$  annual levy payment

**A 10% top-up from the Government will also be applied to your digital account meaning your Levy pot would be £93,500**

### B: Employer of 500 employees, each with a gross salary of £20,000:

Annual pay bill:  $500 \times £20,000 = £10,000,000$

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

After allowance applied:  $£50,000 - £15,000$  means  $£35,000$  annual levy payment

**A 10% top-up from the Government will be applied to your digital account meaning your Levy pot would be £38,500**

### C: Employer of 100 employees, each with a gross salary of £20,000:

Annual pay bill:  $100 \times £20,000 = £2,000,000$

Levy payment:  $0.5\% \times £2,000,000 = £10,000$

After allowance applied:  $£10,000 - £15,000$  means  $£0$  annual levy payment

## Want to work out your annual levy payment?



use our Levy calculator at  
[business.pmtraining.org.uk/levy](https://business.pmtraining.org.uk/levy)

# The key questions

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## **Q** What happens if my payroll is less than £3m?

**A** This means you do not have to pay the Levy but you will be required to co-invest a small proportion of funding towards the cost of your apprenticeship training. This will be 10% with the Government contributing 90% of the costs.

If you employ fewer than 50 staff and recruit a 16-18 year old apprentice, the Government will pay 100% of the apprenticeship training costs. You will also receive an additional payment of £1000 which will be paid in two installments – 3 and 12 months – and will be paid to you by your training provider.

If you do not pay the Levy you will not need to set up a digital apprenticeship service account to pay your training provider in April 2017. You will agree a price and pay your contribution towards the costs of the training and assessment to the training provider directly. This will give you more time to prepare for the new system.

## **Q** What happens if I already employ apprentices?

**A** Apprentices who have been accepted on to an apprenticeship before May 2017 will be funded for the full duration of the apprenticeship under the conditions that were in place at the time their apprenticeship started i.e. the current funding system.

If you are liable to pay the Levy you will not be able to use the funds in your levy account to pay for these apprenticeships.

## **Q** If my business is liable to pay the Levy, how will it be paid?

**A** You will calculate, report and pay your Levy to HMRC through the Pay as You Earn (PAYE) process alongside income tax and National Insurance.

For single employers with multiple PAYE schemes you will only have one allowance.

For employers that are connected in ownership or control you will share one allowance between employers.

You will be able to see funds appear in your digital account monthly, a few working days after you have confirmed your pay bill and levy contribution to HMRC for the previous month. This means that the first time you will see any funds in your digital account will be after 22 May 2017.

You will be able to purchase training through the new digital system from the very start of May as the earliest payments for training will leave your account in the following month. This is because the new system will pay providers 1 month in arrears for training they report has been delivered.

The levy allowance will operate on a monthly basis and will accumulate throughout the year. Any unused allowance will be carried from one month to the next.

Levy funds will expire 24 months after they enter your account unless you spend them on apprenticeship training. This will also apply to any top-ups in your account. Levy funds which have expired will be reallocated to committed employers through the top-up to their accounts.

## **Q** Will I still be affected by the Levy if I already pay into a Levy and Grant Scheme?

**A** The relevant Industry Training Boards are working with the Government on how existing arrangements will be affected by the introduction of the Levy and whether any changes are required.

**Q**

## What if I don't currently employ any apprentices but I will pay the Levy?

**A**

**Our advice is to make sure you get a return on your Levy payment!!**

If your payroll bill exceeds £3m you have to pay the Levy so why pay something then miss out on the benefits?

Whilst the Levy doesn't come into effect until April 2017 you need to factor this into your business and start forward planning. We can work with you every step of the way to ensure you maximise your return – from recruiting the right apprentice, re-skilling existing employees through apprenticeships choosing the right training and helping grow your business.

The funds can be used for apprenticeship training and assessment for new apprentices to your business or with existing staff through re-skilling. The funds cannot be used for items such as wages, travel, managerial costs, the costs of setting up an apprenticeship programme.

**Q**

## How much will apprenticeship training cost?

**A**

**The cost of the training will cover the cost of the apprentice training, assessment and certification against an approved apprenticeship standard or framework.**

Funding bands will be set by the Government which limit the amount of levy funds you can spend on training for an individual apprentice. The band will vary according to the level and type of apprenticeships.

If you have not contributed to the levy or if you have used all of your funds in your digital apprenticeship account you will be required to co-invest a small proportion of funding towards the cost of your apprenticeship training. This will be 10% with the Government contributing 90% of the costs.

If you recruit a 16-18 year old apprentice, you will receive an additional payment of £1000 which will be paid in two installments – 3 and 12 months – and will be paid to you by your training provider.

**Q**

## What are the benefits of employing apprentices?

**A**

**Recruiting an apprentice is an opportunity to discover fresh new talent, with 96% of employers reporting benefits to their business including increased productivity and output.**

We are highly experienced in preparing young people for the workplace and by partnering with us to recruit your apprentice, we can take away the headache and cost associated with the recruitment process to find the right young person for your business.

Our learners are prepared for work through extensive pre-apprenticeship programmes focusing on maths and English functional skills, health and safety and employability skills such as timekeeping, attitude and teamwork.

With experience in a variety of construction trades or office experience, we ensure that learners are work-ready prior to starting an apprenticeship to ensure a smooth fit with your business meaning they can start making a difference from day one.

**Q**

## What do I need to do next?

**A**

**To keep up to date on how the changes to Apprenticeships will affect your business visit our website [pmtraining.org.uk/business](http://pmtraining.org.uk/business) or speak to a member of our Partnership Team on (01782) 279121.**

We are highly experienced in preparing young people for the workplace and by partnering with us to recruit your apprentice, we can take away the headache and cost associated with the recruitment process to find the right young person for your business.



## Did you know? . . .

Before you take on an apprentice we arrange a free 4 to 6 week work trial where we pay the apprentice's wages and travel costs. Recruit an apprentice and you could also receive up to £1500 towards their wages (subject to eligibility criteria and approval).

We will also work with you to up-skill your existing employees by providing adult apprenticeship training. Our range of qualifications cover a variety of sectors and can lead to further learning and career progression for employees resulting in a boost to your business through improved productivity and motivation.

**Contact the Partnerships team for more information on the Apprenticeship Levy and to see how we can grow your business with apprentices and staff training.**

**pm**  
training

**Telephone**  
01782 279121

**Head Office**  
PM Training, Atlas Works, College Road,  
Hanley, Stoke-on-Trent, Staffordshire, ST1 4DQ

**Online**  
[business.pmtraining.org.uk](http://business.pmtraining.org.uk)

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