



The Apprenticeship Levy – April 2017

Hygiene Sue is here to support and inform employers about the changes the Apprenticeship Levy will bring. **Please note this will not affect any Apprentices who sign up before the 31st March 2017.**

The government on the 12 August 2016 published [proposals for a new funding model for apprenticeships](#) and [further details on the apprenticeship levy](#). The funding will support people of all ages to gain high-quality skills and experience and help employers to offer more training opportunities and build a skilled workforce.

Everyone one will be effected by the Apprenticeship Levy

The Apprenticeship Levy is divided into two categories

- a. Employers with a pay bill under £3 million
 - b. Employers with a pay bill of over £3 million
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a. Employers with a pay bill under £3 million

Please note this is still being discussed by the government. The next update is due in October 2016.

Under the plans for the levy, the government has proposed that employers that are too small to pay the levy - around 98% of employers in England - will have [90% of the costs of training paid for by the government](#), reassuring millions of small businesses. Employers will pay for example £150 - £200 per Apprenticeship over 12 monthly instalments.

b. Employers with a pay bill of over £3 million

Paying the apprenticeship levy

Employers will need to pay the apprenticeship levy in any sector, if they have a pay bill of more than £3 million each year (This applies to all employers who operate in the UK).

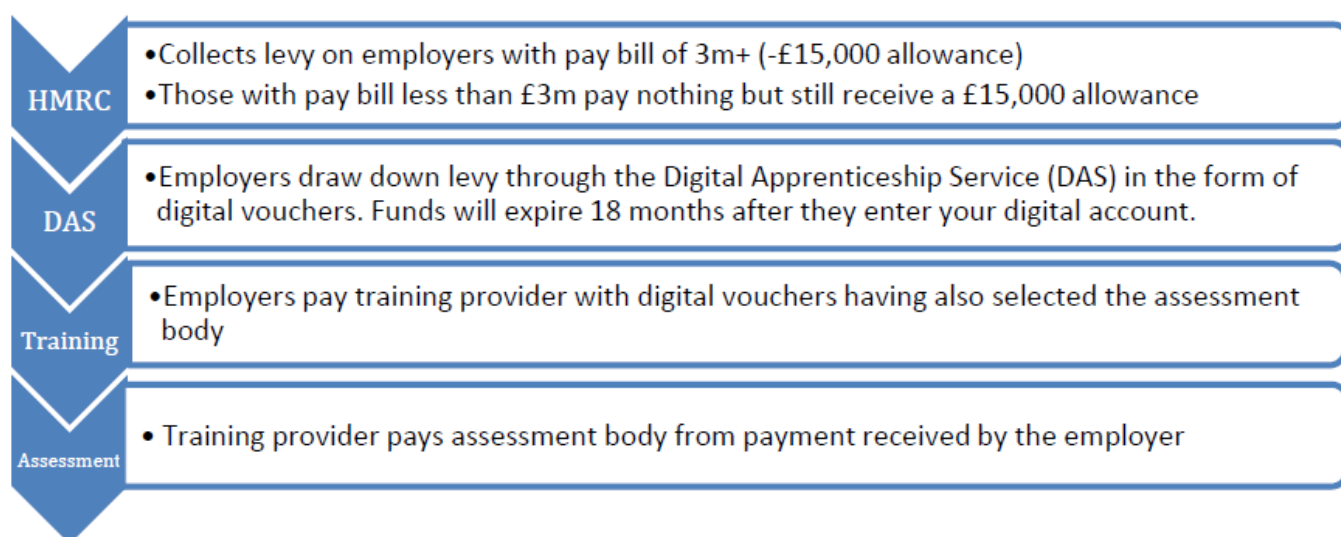
For the purposes of the levy, an 'employer' is someone who is a secondary contributor, with liability to pay Class 1 secondary National Insurance contributions (NICs) for their employees.



How Does it Work?

The levy will be charged at a rate of 0.5% of your annual pay bill. You will have a levy allowance of £15,000 per year to offset against the levy you must pay. This means you will only pay the levy if your pay bill exceeds £3 million in a given year. You will pay the levy to HM Revenue and Customs (HMRC) through the Pay as You Earn (PAYE) process.

Levy funding model



The levy allowance will operate on a monthly basis and will accumulate throughout the year. This means you will have an allowance of £1,250 a month. Any unused allowance will be carried from one month to the next. For example, if your levy liability in month 1 is £1,000 you will not pay the levy and your allowance in month 2 will be £1,500.

If you have some unused allowance in a month, but paid the levy previously in the tax year, you can receive a credit which you can use to offset against your other PAYE liabilities. The credit will also reduce the amount of levy paid.

If you have multiple PAYE schemes and do not use the full £15,000 allowance, you will be able to offset the unused amount against another one of your schemes once the tax year has ended.



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

Use [indicative online tool for employers](#) to estimate your levy contribution, begin to plan your training requirements, and estimate your financial spending.

Employers with a pay bill of over £3 million that want to spend more on training than is in their digital account - will benefit from government support with 90% of their additional apprenticeship training costs being funded, so they can continue to recruit and retrain highly-skilled employees.

How to pay the levy

You will calculate, report and pay your levy to HMRC, through the PAYE process alongside tax and NICs.

If you have calculated that you will pay the apprenticeship levy, you will need to declare this and include it in your usual PAYE payment to HMRC by the 19th (or 22nd if you report electronically) of the following month. The first submission in which you will declare that you will pay the levy will therefore be in May.