



Regulatory Update

The Employer Apprenticeship Levy

Provided by **Crendon Insurance Brokers Ltd**

Quick Facts

- The apprenticeship levy will provide funds for employers to finance apprenticeship programmes.
- The first levy reports are due in April 2017. Employers are expected to make their first payments by May 2017.
- Employers will be required to pay the levy if their pay bill is more than £3 million each year.
- Employers will be required to pay their levy through the PAYE system.

The apprenticeship levy will require employers to pay a tax that they can use to finance apprenticeship programmes.

The apprenticeship levy comes into force in the United Kingdom on **6th April 2017**. Employers will be able to use the funds collected from this levy to fund apprenticeship programmes for their employees.

However, the levy does not affect the way employers fund training for any apprentice who started an apprentice programme before 1st May 2017.

The Tax

The levy is essentially a tax that employers will need to pay on a monthly basis. The taxes paid by each employer will be deposited into an account set up for that employer.

Employers will be able to use any funds available in their own accounts as soon as the funds become available. The government will apply a **10 per cent top up** on the funds deposited by employers. This means that employers will get £1.10 to spend on apprenticeship programmes for every £1 they pay into their levies.

Unused funds in an employer's account will carry over from month to month within the same tax year. However, employers will not

be able to carry over any unused levy allowances into the next tax year.

Affected Employers

Every employer in the United Kingdom is affected by the apprenticeship levy. However, only employers or employer groups with an **annual pay bill** of more than **£3 million** will be required to pay this tax.

Employer groups are required to participate if:

- Employers or charities within the group are connected to each other for [Employment Allowance](#); and
- They have an aggregate annual pay bill of more than £3 million.

To determine its annual pay bill an employer (or group of employers) needs to include all employee payments that are subject to employer Class 1 secondary National Insurance contributions ([NICs](#)). These payments include wages, bonuses and commissions, but exclude the earnings:

- For employees that are under 16 years of age;
- For employees exempt from NICs; or



The content of this Regulatory Update is of general interest and is not intended to apply to specific circumstances. It does not purport to be a comprehensive analysis of all matters relevant to its subject matter. The content should not, therefore, be regarded as constituting legal advice and not be relied upon as such. In relation to any particular problem which they may have, readers are advised to seek specific advice. Further, the law may have changed since first publication and the reader is cautioned accordingly. Contains public sector information published by GOV.UK and licensed under the Open Government Licence 3.0.

Design © 2017 Zywave, Inc. All rights reserved.

- That are payable under Class 1A NICs, such as benefits in kind.

Paying the Levy

An employer's tax is equal to **0.5 per cent** of the employer's annual pay bill. Under the law, employers will be required to begin reporting how much they owe for their apprenticeship levy in April 2017, but the first payments won't be required until May 2017.

An employer's obligation to report is a continuous monthly responsibility. Employers that see a change in their pay bill must report the changes on the next employment payment summary (EPS). Any errors must be reported by the end of the tax year.

Employers will need to pay their apprenticeship levy through the PAYE process, in the same way they pay for income tax or NICs.

Using the Levy

Employers will be allowed to use their £15,000 allowance and the funds they have contributed to their levy through a digital apprenticeship service account.

As part of the process, employers will need to select and pay for government-approved training providers and post apprenticeship vacancies.

Initially, the service will be available exclusively to employers that are contributing to the levy. However, the service is expected to become available to all employers by 2020.

Record-keeping

Employers will also be required to store any records and information they use to calculate their levy payments for at least **three years**. The storage period begins on the tax year following the date year to which the records pertain.

