

Employers to pay Apprenticeship levy

March 2017



The [apprenticeship levy](#) will require all UK employers, in both the private and public sectors (with annual wage bills of more than £3m - including bonus and commission payments), to pay 0.5% of their annual wage bill towards the cost of apprenticeship training.

This cost cannot be passed onto the employee. However, because of the wage bill eligibility criteria, the vast majority of employers will not have to pay any levy and will continue to have [government support to pay for apprenticeship training](#).

The levy itself is designed to fund new apprenticeships and replaces the current system whereby employers choose and pay for the apprenticeship training they want.

It aims to increase economic productivity by investing in human capital, and giving individuals the chance to pursue a career they may not have done otherwise.

The government expects that the levy will lead to increased growth and profitability for businesses and increase wages in the long-term.

The levy is due to come into force in April 2017. Employers starting an apprentice before April 2017 will receive funding under the current system. That funding will continue for the duration of the apprenticeship.

The reforms are intended to simplify some of the current complex arrangements for apprenticeships, and make it easier for employers to select the apprenticeship training they want to purchase.

Each year employers will have a levy allowance of £15k. However, connected companies will only have £15k to share between them, for example, a parent company and its subsidiaries.

This is similar to the existing [Employment Allowance](#) connected persons' rule and paid through the PAYE system. Employers already contributing to an industry-wide training levy (such as the [Construction Industry Training Board Levy](#), the "CITB"), don't get off the hook and will still pay a levy.

Once employers have paid the levy, they will be able to access funding for apprenticeships through a new service account. Funds in the account will pay for apprenticeship training and assessment with an approved provider / assessment organisation and the government will top this amount up by 10%. Note: that if funds are not utilised within 24 months, they will expire.

Employers must retain all records relating to the calculation of the levy for at least three years.

Provisions have been put in place for assessments to be carried out by [HMRC](#). If HMRC become aware that the apprenticeship levy has been underpaid, or that an excessive amount has been repaid, they have the right to assess and collect the estimated amount due for one or more tax periods in a tax year. HMRC may assess the whole of the apprenticeship levy or one or more named employees.

The government has published useful guidance on how apprenticeship funding for employers will work, including details of funding bands and the apprenticeship levy at the [gov.uk website](#).

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Note: This is not legal advice; it is intended to provide information of general interest about current legal issues.