The government are introducing the apprenticeship levy (mandatory tax) on 6th April 2017, the levy requires all employers operating in the UK, with a pay bill over £3 million each year, to invest in apprenticeships.

The government have committed to 3 million new apprenticeships by 2020, spending £2.5bn to transform this country’s investment in skills, in our people. The apprenticeship levy will put the funding of apprenticeships on a sustainable long-term footing.

It has long been recognised that apprenticeships boost the skills of the workforce and help to increase economic productivity, providing young people with the/their first step on the employment ladder as well as giving those already in work the opportunity to progress further.

If you have answered yes to both the above you will be required to spend 0.5% of your total pay bill on the apprenticeship levy.
Now how are you best going to utilise the digital apprenticeship levy.

**Paying the apprenticeship levy**

You will report and pay your levy to HMRC through the PAYE process on a monthly basis. As the payment is taken monthly, in real time, the levy amount taken will be reflected as your pay bill changes each month.

The HMRC will work closely with employers and providers of payroll services to minimise the implementation burden.

Any apprenticeship levy payment to HMRC will be allowable for corporation tax.

**Accessing the apprenticeship levy and buying apprenticeship training**

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

Through the digital apprenticeship service all employers will be able to:

- Select an apprenticeship framework or standard
- Choose the training provider or providers you want to deliver the training
- Choose the organisation that will assess your apprentices
- Post apprenticeship vacancies

If you are an employer who pays the levy, you can also use the digital apprenticeship service to:

- Set the price you’ve agreed with your training provider
- Pay for apprenticeship training and assessment
- Tell us to stop or pause payments (for example, if your apprentice stops their training, your apprentice takes a break from training or you haven’t received the service you agreed with the provider)

What is my company’s levy cost?

To calculate follow these steps:

1. **What is your total pay bill?** (gross)
   
   Your pay bill is made up from the total amount of your employee’s earnings that are subject to Class 1 National Insurance Contributions (i.e. wages, bonuses, commissions, pension contributions). Benefits in kind will not be included (i.e. company cars, health insurance, travel and entertainment expenses, childcare).

2. **What is 0.5% of your total pay bill?**

3. **Subtract the £15,000 allowance (the levy allowance offsets the 0.5% of the first £3 million)**

4. **Add 10% top up (the government will apply a 10% top up to the funds, you have for spending on apprenticeship training in England, on a monthly basis at the same time your funds enter the digital account)**

Apprenticeships are available in 1500 occupations across 170 industries to businesses of all sizes, lasting between 12 months and five years.
By 2020, all employers will be able to use the digital apprenticeship service to pay for training and assessment for apprenticeships.

Separate arrangements will be in place in Scotland, Wales and Northern Ireland.

Once you decide to buy apprenticeship training through the digital apprenticeship service, the funds will be taken from your digital account each month to pay the training provider.

**What/who can my levy be used for?**

Although the levy is calculated on your full UK paybill, employers are only able to spend the English portion on English apprenticeships, should you have staff in a devolved country it will be for them to decide if/how you are able to utilise this.

The levy is for the apprenticeship training cost only but does cover all staff, levels and ages, including graduates.

It can only be used towards the costs of apprenticeship training and end point assessment. This must be 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.

**How can my company utilise the levy?**

Funds in your digital apprenticeship levy account can only be used towards the cost of apprenticeship training and end point assessment, via an approved training provider and assessment organisation.

With the assistance of a consultation by SR Education we can support you in assessing your business needs and opportunities for early career apprentices or the upskilling of existing employees within relevant apprenticeship frameworks.

Apprenticeships are available in 1500 occupations across 170 industries to businesses of all sizes, lasting between 12 months and five years. The apprenticeships range from Level 2 (equivalent to 5 GCSEs grade C+) to Level 7 (equivalent to Masters), ensuring that not only can you create an entry level pipeline of apprentices but provide opportunities for existing staff, career progression and even alignment of graduate schemes to higher apprenticeship programmes.
What is an apprenticeship?

The main rules governing what an apprenticeship is are as follows:

• The apprentice must be employed in a real job; they may be an existing employee or a new hire
• The apprentice must work towards achieving an approved apprenticeship standard or apprenticeship framework
• The apprenticeship training must last at least 12 months
• The apprentice must spend at least 20% of their time on off-the-job training

Expiry of funds

Funds will expire 24 months after they enter your digital account unless you spend them on apprenticeship training with a training provider.

Supply chain sharing

In the first year of the levy, you will be able to use the funds in your digital account to pay for apprenticeship training and assessment for your own employees. The main aim of the apprenticeship levy is to support employers in growing the number and quality of apprenticeships in their own workforce.

We know that some employers will want to use funds in their digital account to pay for apprenticeship training of other employer’s apprentices, for example, someone in their supply chain. We are committed to allow levy-paying employers to transfer up to 10% of the annual value of funds entering their digital accounts to other employers or apprenticeship training agencies.

Pooling funds in a digital account with other employers in a group structure - If you are in a group of companies connected for the purposes of paying the levy, your group will be able to collect their funds together into one digital account. Your group will do this by registering to have PAYE schemes attached to a single digital account. Since you can only use funds in your digital account to pay for apprenticeship training for your own employees, employers that are not connected will not be able to pool funds in a digital account.