

Apprenticeship Levy **FAQs**

Apprenticeship Levy

Why is the levy being introduced?

The levy will fund a step change in apprenticeship numbers and quality - delivering on the Government's commitment of 3 million apprenticeship starts by 2020. Putting apprenticeship funding on a sustainable footing, the levy will improve the technical and professional skills of your workforce.

Can employers opt out of paying the levy?

No - this will be a mandatory tax from April 2017.

Does the levy apply to bonus payments?

Yes - the levy payment is 0.5% of your total PAYE.

Is the 0.5% payable on a company's UK payroll bill gross or net?

Gross.

Is the levy per registered company or per PAYE reference?

PAYE reference.

If an organisation's payroll bill is exactly £3 million or less, do they still pay 0.5% levy?

Each employer will receive one annual allowance of £15,000 to offset against their levy payment. The net effect of this is that the levy is applicable on pay bills over the first £3million.

Does the 0.5% increase or change each financial year fiscally?

We don't know this currently.

As the levy is taken monthly, is the levy based on £3 million annual or monthly pay bill?

It will be based on your monthly pay bill and any under- or overpayment of the levy would be adjusted in the same way all tax calculations are.

Does the pay bill include contract and temporary staff who work through employment agencies?

Any person who is on your payroll and paid through PAYE would be included in your pay bill. You will have to work with finance to find out who is in and out. If the employment agencies that supply you with staff have to pay in to the levy based on the staff they have contracted to you then they may look to pass these costs onto you (much in the same way they do with NI) so this is something you should discuss with any employment agencies that you currently work with.

If the levy is taken monthly, if any employers' pay bill varies will it be taken only in those months where it exceeds £250k a month?

Yes. The Finance Bill will contain a number of clauses related to the payment of the levy. These will define and

determine the relevant tax period, time of payment, amounts payable, and provision for managing overpayments. The returns will be made as part of HMRC's Real Time Information System. HMRC will be given the power to assess the levy amounts payable, and to make a provision for a process of assessing those amounts, and there will be a mechanism relation to repayments of the levy made in error, and related repayment interest.

How will the pay bill align to syndicate companies, which are part of a group structure but run separately?

Every company that pays PAYE in your group will be subject to the levy.

Would Partners in 'Partnerships' be included as their drawings vary and there aren't technically employees?

You will need to work with your Finance team to see if any Partners are subject to Class 1 secondary NICs.

How do employers who pay the levy access the levy pot?

Levy revenue will be collected monthly by HMRC. Individual employers' funding will then be made available to them via a new digital account, through which employers will be able to pay for training for apprentices. In England, employers will be able to direct funding towards the apprenticeship training they want through a new Digital Apprenticeship Service (DAS). The Service will also support employers to identify and pay a provider, choose an apprenticeship training course, find a candidate and choose a training provider.

When do you get the levy back?

You will receive an amount in your levy pot each month which you can then spend on English apprenticeship training and assessment.

How do small employers access levy funding?

Former Skills Minister Nick Boles told Parliament in March 2016 that he expected SMEs to "carry on spending money on apprenticeships, receiving Government money for [them]" in the same way that they do now, funded by levy proceeds not used by larger organisations. He said: "We do not anticipate that all companies who pay the levy will use up all of the money in their digital accounts and there will be a great deal more money to go around so we are absolutely determined that the level of apprenticeships by small- and medium-sized enterprises will continue as now."

Nadhim Zahawi, co-chair of the Government's Apprenticeship Delivery Board, later confirmed that only companies paying the apprenticeship levy will have access to the new Digital Apprenticeship Service funding system. Sue Husband, the director of apprenticeships at the Skills Funding Agency, also confirmed that "non-levy paying companies will still have access to Government funding for apprenticeships" once the levy has been launched.

If there is a levy surplus at the end of the financial year, what happens to this?

Levy funds that are unspent at year end will not expire, however if an employer does not spend their entire levy on training then the unspent portion will be made available to other employers who are investing in apprenticeship training. The amount of time that an employer will have before levy funds are "sunsetting" has not been decided. The Government will provide more details on these timelines later this year.

Can you claim your full levy bill in year one?

You can if you enrol a sufficient number of apprentices to utilise the levy.

Will the levy automatically be put aside for those employers impacted or do you need to inform the Government you want to use the levy in some way?

This will be part of the Digital Voucher project design that is currently being worked on by the Government.

Is the Government gambling on X% of employers under-claiming their levy allocation, in order to fund exempted employers?

As Nick Boles commented in March 2016, "we do not expect all companies that pay the levy to use up all the money in their digital accounts, and there will be a great deal more money to go around, so we are absolutely determined that the level of apprenticeships provided by SMEs will continue as now."

If the levy is spent by payers, will the % increase?

The Government will have the ability to change the % of the levy in the future, however we have been given no indication that there are any short-term plans to do so.

Can you overspend your levy or is that your maximum apprentice budget?

Employers in England who pay the levy and are committed to apprenticeship training will be able to get out more than they pay in to the levy through a top-up to their digital accounts. The value and mechanism for these top-ups is still being considered and the Government will continue to engage with employers on this before the implementation of the levy in 2017.

Is the levy ongoing or will it run past 2020? Will it be reviewed?

It will be ongoing until it is removed from the Finance Bill.

When and how will the £15,000 allowance be paid?

We know that employers will receive one annual allowance of £15,000 paid into their digital account to offset against the levy payments. We don't know yet when this allowance will be paid.

Regarding the proportion of the levy that will

be used by the employers, are we likely to see 40% of our levy siphoned off to go to smaller employers?

This is not the case. Employers will have full control over their levy pot, however if an employer does not spend their entire levy on apprenticeship training then the unspent portion will be made available to other employers who can then use these funds to invest in apprenticeship training themselves. As also mentioned opposite the amount of time that an employer will have before levy funds are "sunsetting" has not been decided. The Government will provide more details on these timelines later this year.

Can employers spend their funding on training in their supply chain?

The Government acknowledges that some employers will want to direct their levy funds to other employers, for instance their suppliers. The Government are working through how to facilitate this in a way that is not bureaucratic and compatible with State Aid rules.

Devolved nations

How will the devolved nations spend the proportion of the levy?

On an annual basis approximately £500 million from the levy will be made available to the Scottish Government, the Welsh Government and the North Ireland Executive to fund, the Government hopes, their apprenticeship programmes, however the final decision as to how these funds will be allocated will be for each devolved nation to decide. The devolved nations are responsible for their own skills funding and they may or may not allocate the funds they receive from the levy to the current pot of funding they use for apprenticeships.

If Trailblazer apprenticeships are seen to be successful, are large multi-nation employers likely to ignore devolved nation frameworks?

The devolved nations are encouraging employer groups to talk to them about the apprenticeships they want.

Spending the levy

How can I spend/utilise the levy fund?

It must be spent on the external apprenticeship training provided to that individual on an approved apprenticeship. It cannot be spent on anything else such as internal training or apprentice salaries.

How much does apprenticeship training cost?

Funding caps will be set which limit the amount of levy funds an employer can spend on training for an individual apprentice. The cap will vary according to the level and type of apprenticeship (for example, more expensive, higher quality training is likely to have a higher cap).

The Institute for Apprenticeships will support the work of BIS and DfE in setting funding caps on the level of

Government funding available for each apprenticeship standard. Further detail on funding caps will be announced in advance of the introduction of the levy.

Can I use the levy funds to offer apprenticeships to existing staff?

Under existing funding rules for Frameworks and Trailblazer Standards existing staff are eligible as long as the apprenticeship is relevant to their role and the most appropriate way of progressing/developing the learner's career as a result, i.e. upon completing the apprenticeship the member of staff will be promoted, given more responsibility, or moved into a more senior role. Levy funding rules will be released in due course.

Does it need to be spent on recognised qualifications, i.e. SMETA?

It needs to be spent on an approved apprenticeship - many of them include recognised professional qualifications already and we anticipate more 'higher level' professional apprenticeships being developed in the near future.

With regard to 'upskilling' apprenticeships, are there any published criteria e.g. the apprentice has to move to a new job?

The levy funding rules will be published later this year, however if we take the existing rules, there is nothing to say a person must move to a new job, but they must be able to demonstrate that the apprenticeship is providing and developing new skills.

Do employers have to use the job title 'apprentice' for these new recruits?

Job titles are set by your organisation, however apprentices must sign an apprenticeship contract of employment.

Will I be able to draw on apprenticeship funding for existing staff who are on a fixed-term contract of employment?

Yes, under current funding rules, however an apprenticeship is subject to a minimum length so you must make a commitment for that person to be with you for 12 months minimum or for the full duration of the apprenticeship.

Can we only offer advanced apprenticeships to existing staff if it is not part of their role?

Based on current funding rules you need to make sure that the apprentice is in a relevant job to the apprenticeship so they are given the opportunity to apply their knowledge and develop the required skills and behaviour.

Can the levy be used on a Level 6 university degree?

Based on the current funding rules, yes - if the degree is incorporated within an apprenticeship standard.

Can I use multiple training providers or only one?

Yes - you can use different training providers. Our advice would be find one training provider that can manage your apprenticeship programmes which may include using multiple providers.

Can an organisation become their own training provider and draw down the training funds?

Yes - you will be subject to Ofsted inspections and the administration that goes along with being a training provider, but it is an option and there are plenty of examples of companies who have done this that you can learn from. To look into this further, consult BIS and the National Apprenticeship Service.

What happens to current apprentices on the scheme with regards to the current funding post the April 2017 introduction of the levy?

It is our understanding that apprentices who start before April 2017 will remain on the same funding rules they started on for the duration of their programme.

With respect to English operations by Scottish companies; what defines eligibility of employees in England? Postcode or employer?

We expect it to be based on the employee's work location.

If you are a company paying the levy, but are also a training provider; what will the tax implications be on any income realised via training and digital vouchers?

It is not known yet. Currently, training providers can draw down funds to train their own apprenticeships, we await more information from the Government on how this will work from April 2017.

As a registered provider of apprenticeships to external organisations, can we also be a provider of apprenticeships to your own organisation?

We would expect this to be the case as it is now.

General questions

Is this a long term cross-party strategy? What are the longevity plans is the Government changes?

The main political parties support the levy and the Government's intention is for this to become a sustainable way of funding additional apprenticeships for years to come.

How do you ensure we get the best out of this? Do you think we should increase our annual intake of apprentices?

First, calculate the levy 'pot' based on 0.5% of your annual pay bill. The number of apprentices you will be

able to train using this 'pot' will vary depending on what programmes you choose to offer. Then consider your existing school leaver and graduate programmes and decide if any might be able to be converted into a Trailblazer apprenticeship. Additionally, consider whether there are any skills gaps within your business to train existing staff via an apprenticeship, internal L&D training could also be converted into an apprenticeship.

We've read that employers in England who pay the levy and are committed to apprenticeship training will be able to get out more than they pay into the levy through a top-up to their digital accounts. How will this work in practice?

A budget report published by the Treasury in March 2016 confirmed that from April 2017, employers will receive a 10% top-up to their monthly levy contributions in England and this will be available for them to spend on apprenticeship training through their digital account. The report confirmed that the Government will set out further details on the operating model in April.

Are employers required to give apprentices time off work to study?

Yes - you must give apprentices time off to do the off-the-job study during their working hours. The number of hours and study mode is dependent on the standards and qualifications included. Do bear in mind that there will be no NI payments for apprentices from April 2016 as the Government acknowledge employers must give study time.

How much do we pay apprentices?

It differs - there is an apprentice minimum wage however often salaries are much higher than this in some sectors and roles.

The current minimum wage rate for an apprentice is £3.40 per hour. This rate applies to apprentices aged 16-18, and those aged 19+ who are in their first year. Apprentices over the age of 19 who have completed your first year must be paid at least the national minimum wage for their age.

Is there any criteria for apprentice recruitment or elimination from the programme?

Employers can set their own criteria when selecting apprentices. Some professional bodies will set minimum education to start a qualification within an apprenticeship standard. In terms of elimination, apprentices should be subject to normal performance management as they are a paid employee.

Apprenticeships for graduates

Can graduates do a Level 6 apprenticeship?

Yes - as long as the degree or qualification attained is significantly different to the apprenticeship they are moving onto.

What about graduates who have done a

Master's?

Yes - as long as the Master's level apprenticeship introduces new skills and is significantly different from the Master's already attained.

If we have graduates in the business, not on a graduate programme, could we now progress them to do the Level 7?

Yes.

If an employer offers a degree via university, can the levy be drawn upon to pay for the tuition fees for the degree?

Yes - but it has to be a Degree Apprenticeship and the university must be registered as an approved provider.

Will the cost to train an apprentice be affected by the age of the apprentice?

No - from April 2017 the age of the apprentice is irrelevant with regards to funding rules. We expect there will be some additional support and incentives for employers to recruit and train 16-18 year-olds however the detail behind this has yet to be released.

Trailblazers

What are 'Apprenticeship Trailblazers'?

All apprenticeships are being replaced by new Trailblazer Standards that are created by employers. Groups of employers that are creating these new standards are known as Trailblazers.

Do all my apprenticeships programmes I use have to be Trailblazers?

Not currently - but going forward all apprenticeships will be replaced by these new Trailblazer Standards.

If an apprenticeship isn't on the 'apprenticeship standard' list, will it not be redeemable against the levy?

No - the levy fund can only be claimed to cover approved standards that are on the apprenticeships standard list. Levy funds will also be able to be used to pay for current Apprenticeship Frameworks however it is the Government's intention that the majority of these frameworks will be expired between 2017 and 2020.

If there isn't a Trailblazer apprenticeship that suits my needs/in my sector, can I create one?

Yes - we would encourage every employer to find out which Trailblazers are in development and become involved in the group if you can, or if there is not one that's suitable you can create one.

Trailblazer funding

When the apprentice levy is in place will there be SFA funding?

No - SFA funding will disappear and for levy paying

employers as these funds generated by the levy will be used to pay for 100% of the training costs. For non levy paying employers, Nick Boles MP has stated that funding would still be there.

Is the funding available for apprenticeships UK wide?

There is funding for apprenticeships throughout the UK.

Where do we find information that sets out who qualifies and what types of courses qualify?

You will need to review the funding rules for Trailblazer apprenticeships.

Will the funding that is available vary according to the age of the employee?

No - age will not be a factor under the levy but we do expect the Government to allocate incentives to employers who employ 16-18 year-old apprentices.

Under current Trailblazer funding rules, there are additional incentive payments available if the apprentice is aged between 16-18 when they commence their apprenticeship training.

Do you need to have a 'School Leaver Programme' to claim the funding?

No, but to be eligible for funding the programme must demonstrate you are developing a person in their role.

Will GCSE and A-Level English and Maths be recognised under the new Trailblazer Standards?

Yes, they meet functional skills requirements.

What if we want to launch a Trailblazer Programme pre-levy? i.e. Chartered Management Degree Apprenticeship? What will we pay pre-levy pot coming in?

The apprentices who started before April 2017 will benefit from the current funding rules until the end of their programme.

What happens if the qualification is not achieved - is the company liable to repay the training fee?

This would be negotiable with your own training provider.

When the levy is up and running do you know if the incentive payments will get reimbursed back into the levy fund or straight to us as a rebate on the payroll submission?

This will be covered in the details the Government issue before April 2017.

Our apprenticeships are four years long - when during these four years does an employer need to pay for their contributions towards the cost of the programme?

You will agree on the price for the training with your

provider and a payment schedule which is supplied to the Digital Voucher Service for when these payments are to be made. The training provider would usually spread the cost of training over the duration of the programme.

If we start on Trailblazer funding will the individual switch to levy pot model from April 2017? Or only new starters coming from the levy?

Anyone who starts before April 2017 will remain on the 2016-17 Trailblazer funding model until they complete their apprenticeship. New starters after this date will be on the new funding rules which are yet to be announced.

When do we receive money back once an apprentice is taken on?

Please visit the Trailblazer Funding Rules page for details of when the various Government payments will be made.

National Insurance

Is the NI saving for the life of the programme even if the apprentice starts at 24?

No - as soon as the apprentice is 25, normal National Insurance payments resume.

Is the refund of NI just for apprentices on the new Trailblazers?

No, it is for apprentices on any programme as of April 2016.

Have another question?

Our Business Development team will be able to help you with any queries you have regarding the Apprenticeship Levy.

Call 01268 882 658

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