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April 2017



Understanding the Apprenticeship Levy

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The Apprenticeship Levy

From April 2017, a new apprenticeship levy is set to be introduced for employers with pay bills of over £3 million per annum, in order for them to invest in apprenticeship programmes. The Government's stated aim is to generate additional, high-quality apprenticeships by the year 2020.

The new levy rate

Under the new regulations, a levy will be charged at 0.5% of an employer's pay bill. Only those employers with pay bills of £3 million or more per year will be required to pay the levy, which applies to employers throughout the UK.

However, to help employers manage the charge an allowance worth £15,000 (0.5% x £3 million) per year will be available. The allowance will accumulate over the course of a year, and will be provided to employers monthly in the form of a concession of £1,250. If a business has unused allowance at the end of the month, this will be carried over to the following month.

Calculating the pay bill

An employer's pay bill is based on the total earnings that are liable to Class 1 secondary national insurance contributions (NICs).

A business's earnings in this instance include remuneration or profit that arises from employment – this can range from wages, bonuses, commissions and any pension contributions on which NICs are paid.

An employer's levy must be calculated, reported and paid to HMRC via the Pay as You Earn (PAYE) system.

Making use of the money

The Government plans to establish a Digital Apprenticeship Service – an online system that employers will be able to utilise to search for potential apprentices, locate any relevant apprenticeship providers and pay any apprenticeship training or assessment bills using digital vouchers.

Please note that this digital service will only be available in England. Separate arrangements for Wales, Scotland and Northern Ireland are due to be put into place.

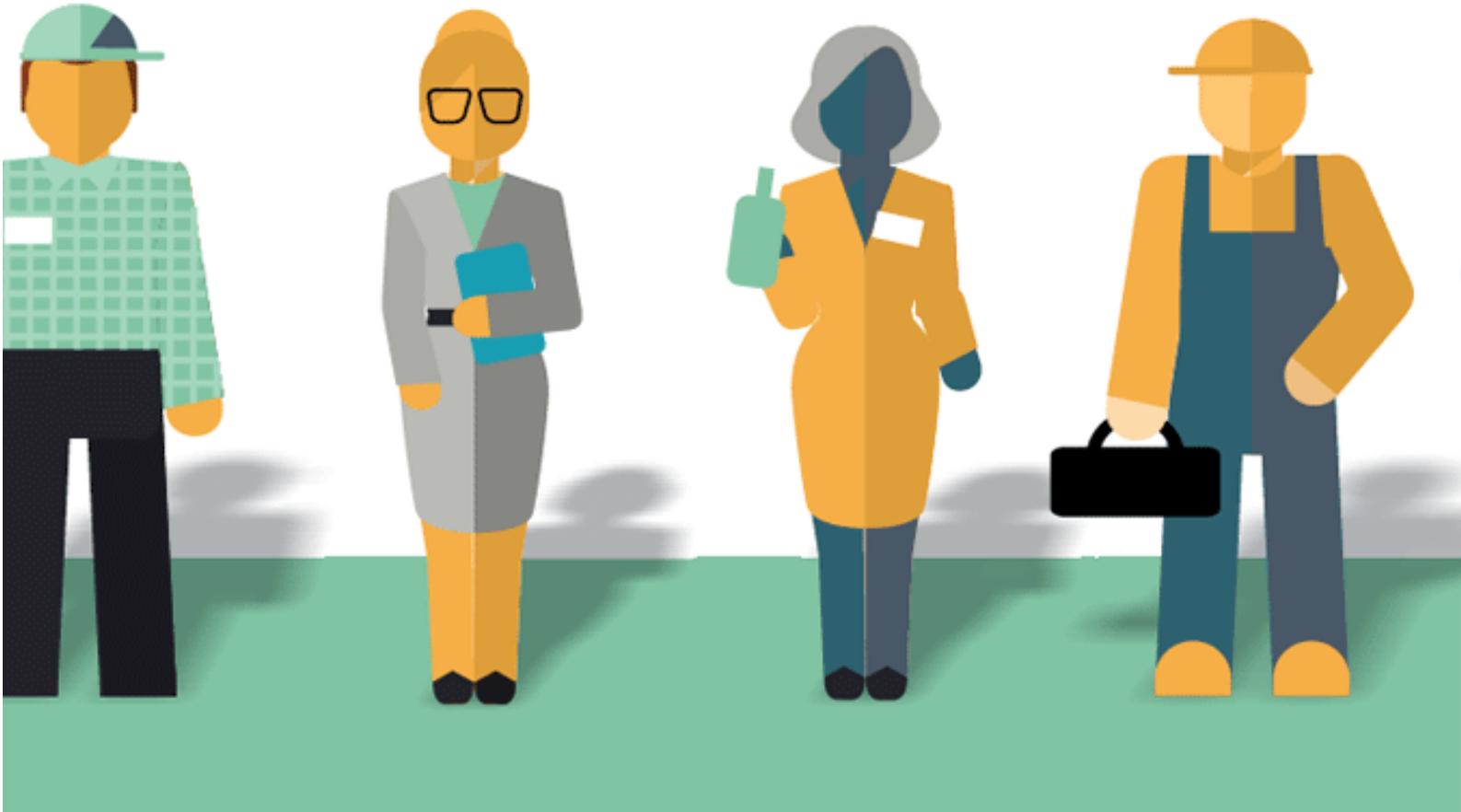
The Government anticipates that smaller businesses will be able to benefit from any leftover apprenticeship levy money that is not used by employers who are liable to pay the levy.

Will the levy apply to current apprentices?

Employers who recruit apprentices before April 2017 will be able to access funds for the duration of the employee's apprenticeship. Businesses will be able to choose from a range of options as to which training programmes and schemes they wish to offer to their apprentices, including both vocational and professional qualifications.

For information and advice on all aspects of running a business, please contact us.

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