

07 April 2017

3HR Legal Weekly

Employment—The Apprenticeship Levy is Coming – What You Need to Know

As of 6 April 2017, the way the government funds apprenticeships in England is changing. Some employers will be required to contribute to a new apprenticeship levy, and there will be changes to the funding for the apprenticeship training for all employers. The levy requires all employers operating in the UK with a pay bill over £3 million each year to invest in apprenticeships. Through the online 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 and post apprenticeship vacancies.

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

- Set the price you've agreed with your training provider
- Pay for apprenticeship training and assessment
- Tell HMRC 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)

The amount entering your apprenticeship service account will be how much you have available to spend on apprenticeship training in England. Scotland, Wales and Northern Ireland have their own.

Employers will have to pay Apprenticeship Levy each month from 6 April 2017 if you have an annual pay bill of more than £3 million or are connected to other companies or charities for Employment Allowance which in total have an annual pay bill of more than £3 million.

Your annual pay bill is all payments to employees that are subject to employer Class 1 secondary National Insurance contributions (NICs) such as wages, bonuses and commissions. You must include payments to:

- All employees earning below the Lower Earnings Limit and the Secondary Threshold
- Employees under the age of 21
- Apprentices under the age of 25

Employers who are not connected to another company or charity will have an Apprenticeship Levy allowance of £15,000 each year. The allowance reduces the amount of Apprenticeship Levy you have to pay by £15,000 across the year. This means that only employers with an annual pay bill of more than £3 million will pay the levy (because of how it is calculated – see below). You cannot carry over any unused allowance into the next tax year. Connected companies or charities will only have one £15,000 allowance to share between them.

You can decide how to split the allowance between your PAYE schemes or with your connected companies or charities. You will need to report how you've been allocated your allowance the first time you have to pay Apprenticeship Levy. You can't change your share of the allowance during the tax year. You must continue to apply the levy allowance that was allocated at the beginning of the tax year if, part way through the year:

- You become a connected employer (such as by merging with or acquiring another company)
- The structure of your group of connected companies or connected charities changes (such as by demerging)

The Apprenticeship Levy is charged at 0.5% of your annual pay bill. HMRC's Basic PAYE Tools can help you work out your payment. For the first month of the tax year: divide your Apprenticeship Levy allowance by 12 and subtract this figure from 0.5% of your monthly pay bill.

For each of the following months:

- Calculate your total pay bill for the year to date.
- Add up your monthly levy allowances for the year to date.
- Subtract your levy allowance for the year to date from 0.5% of your total pay bill for the year to date.
- Subtract the amount of the levy you've paid in the year to date.

If you begin paying the levy part way through the tax year, you will need to calculate how much of your annual allowance has been accumulated in the current year. Divide your full annual allowance by 12 and multiply by the number of months since the start of the tax year. This figure is your allowance for the first month you report the levy. Any unused allowance can be carried forward into the next month within the same tax year.

Sungjin Park
Solicitor Advocate
sungjin.park@3hrscs.com



If you have any queries regarding the Apprenticeship Levy, please contact our Employment team

This newsletter is designed to provide general information only. It does not constitute legal or other professional advice and thus should not be relied on. Definitive advice can only be given with full knowledge of all relevant facts. If you would like to discuss any aspect further, please contact us.

3HR Corporate Solicitors Limited is a Solicitors Practice, authorised and regulated by the Solicitors Regulation Authority, No: 597935.
3HR Benefits Consultancy Limited is authorised and regulated by the Financial Conduct Authority. Firm Reference Number: 556015.

The registered office of both 3HR Corporate Solicitors Ltd and 3HR Benefits Consultancy Ltd is New Broad Street House, 35 New Broad Street, London EC2M 1NH. Mainline Tel: 0207 194 8140 Web: www.3hrscs.com