



Introduction of Apprenticeship Levy

The UK Apprenticeship Levy is going to be launched soon. The introduction of Apprenticeship Levy was first announced at Summer Budget 2015. There is no existing legislation on apprenticeship and this new measure will be imposed on employers to fund new apprenticeships.

The key objective of the Apprenticeship Levy is to support the UK government's commitment to improve productivity by increasing the quality and quantity of apprenticeships.

Introduction of Apprentice Levy

HM Revenue & Customs (HMRC) will introduce Apprentice Levy on 6 April 2017. An employer with the annual pay bill of more than GBP 3 million will start paying the levy in May 2017.

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

Levy Rate

The levy will be charged at a rate of 0.5% of an employer's total pay bill, which will be based on the total employee earnings that are subject to Class 1 employer's National Insurance Contribution (NICs). There is no levy on other payments to employees, such as benefits in kind.

Employer Allowance

Each employer will receive an annual allowance of GBP 15,000 to offset against their levy payment. Where a group of employers are connected, they will only be able to use a GBP 15,000 allowance. The proportion of allowance allocated to each connected employer must be taken at the beginning of the year and will remain fixed for that tax year.

How to pay the Levy

The levy will be collected by HMRC and will be paid along with the income tax and NIC as part of normal payroll process using Pay As You Earn (PAYE) real time information (RTI).

Digital Apprenticeship Service

- From January 2017, employers can open an online account with the Digital Apprenticeship Service (DAS) to access their training funding. This account can be created through the government gateway.
- DAS will support the English apprenticeship system. Separate arrangements are to be made in Northern Ireland, Scotland and Wales.
- Online tools for employers will be available via the DAS over the course of next year. Employers will be able to create an account from January 2017.

Application of funds

- Apprenticeship levy paid by employers will be used in the training of apprentices.
- Employers will be required to pay the full levy regardless of whether they subsequently draw apprenticeship funds.
- Funding for apprenticeships will be accessed via the DAS account for apprentices in England.
- Funds will only be available for the costs of training with an approved training provider (and not, for example, the wages costs of the apprentices themselves).
- The government has announced that 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.

- Funds will expire 24 months after they enter an employer's digital account. For example, funds entering an employer's account in September 2017 will expire in September 2019.
- HMRC allows a levy paying employer to transfer up to 10% of the annual value of funds entering their digital accounts to other employers or apprenticeship training agencies.

Example

An employer with an annual pay bill of GBP 5,000,000 will need to spend GBP 10,000 on the levy:

- Levy sum: $0.5\% \times \text{GBP } 5,000,000 = \text{GBP } 25,000$
- Subtracting levy allowance: $\text{GBP } 25,000 - \text{GBP } 15,000 = \text{GBP } 10,000$ annual levy payment

Employers with internationally mobile employees who are working outside the UK and are continuing to pay NIC are within the scope of levy.

Overseas employees working in the UK who are exempt from NIC are outside the scope of the levy.

Non Compliance

HMRC will have assessment powers and the ability to impose penalties on the employers who have not paid the levy.

HMRC Online Utility

There is a tool provided on HMRC website to check whether an employer is required to pay the Apprentice Levy.

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