

BACKGROUND

The Apprenticeship Levy was announced in 2015 with the aim to help fund 3 million new apprenticeships by 2020. It is designed to support quality training by committing employers to its success. The Levy has now been confirmed and will come in to effect from April 2017.

HOW WILL IT BE FUNDED?

The Levy will be funded by employers who have an annual employee pay bill* of more than £3 million. Employers will need to contribute 0.5% of their pay bill although there is a Levy allowance of £15,000 per annum. This means, for example, that an employer with a pay bill of £5 million will need to pay £10,000 annually (i.e. £25,000 less the £15,000 allowance). Employers will need to report and pay the Levy to HMRC through the monthly PAYE process from May 2017 onwards. The Levy will need to be paid even if an employer contributes to an existing industry scheme (e.g. the CITB Levy within the construction sector). Employers will only be able to use their £15,000 allowance once per year and only one allowance will apply where employers are a connected group.

HOW WILL IT BE USED?

In short, it will be used to encourage employers to invest in apprenticeships. Employers who pay the Levy will be able to access the amount paid via a digital account to then purchase apprenticeship training. The amount paid in to the account will be boosted by a 10% top up from the government and funds will be available for 24 months following payment.

Funds from the digital account can only be spent on the costs associated with apprenticeship training and not on other areas such as the wages of the apprentice. The amount that an employer can contribute towards an individual apprenticeship will be capped at a certain level depending on which funding band it falls under.

Employers who do not pay the Levy will not be able to use the digital apprenticeship service until at least 2018. If they do choose to use the service they will need to make a 10% co-payment towards the costs.

*Pay Bill is the total amount of earnings that are subject to Class 1 NI contributions (including wages, bonuses, commission and pension contributions).

APPRENTICESHIP RULES

- Apprenticeships must be organised via the government's register of apprenticeship training organisations (any employer can apply to join this).
- The apprentice must be employed in a real job (existing employee or new hire).
- The apprentice must work towards an approved apprenticeship standard.
- The apprentice must spend at least 20% of their time on off-the-job training. The apprenticeship must last at least 12 months.

HOW WILL IT AFFECT AGENCY WORKERS?

Temporary workers perform a vital role in the economy helping customers cover unplanned absence and seasonal demands, working on one off projects and bringing specialist expertise to organisations. They are on average supplied for no more than 12 weeks per assignment and they normally meet demands that are unsuitable for apprenticeships. However their supply will be subject to the Levy. The Apprenticeship Levy will be applied to all temporary worker related pay bill. Recruitment businesses supplying temporary workers will need to allow for the subsequent cost (in addition to their own permanent employees). This means that recruitment businesses will pay a disproportionate amount to the Levy. It also means that their cost of providing service to clients will increase.

THE WILD BERRY ASSOCIATES APPROACH

At Wild Berry Associates we have mixed feelings about the Levy. On the one hand a move to upskill the UK workforce in a structured manner is potentially praiseworthy. On the other hand a large permanent and temporary payroll tax on employers is of concern particularly in less than certain economic times.

Our approach to the Levy will of course be practical and professional. We are ensuring that the resultant on costs are carefully explained to our customers and we will continue to provide quality led and cost effective support following its imposition. At Wild Berry Associates we believe that specialist recruitment fulfils a valuable role in modern society and we will always take great pride in our client and candidate service.

If you wish to discuss the effect of the Apprenticeship Levy in more detail please contact Spencer Berry, Business Development Director, on 01727 898650.