

# Demystifying the Levy

## How the new Apprenticeship Levy could help your business

According to recent findings, only one third of employers are using their Levy fund for staff training. Don't miss out, if you qualify for the Levy, your company will have a training fund building up which you may not even be aware of and has a shelf life of two years.

*Here are your ten steps to getting the most out of the Levy:*

### 1) What is the Apprenticeship Levy?

The Apprenticeship Levy started in April 2017 and requires all employers operating in the UK, with a pay bill over £3 million each year, to make an investment in apprenticeships (0.5% of their annual pay bill).

### 2) Why was the Apprenticeship Levy introduced?

The aim of the Apprenticeship Levy is to improve the quality and quantity of apprenticeships in England so it can meet the government target of 3 million apprenticeships by 2020. An additional major facet of the Levy is providing a sustainable workforce and bridge the skills gap affecting many industries.

### 3) Will my company have to pay the Apprenticeship Levy?

The Levy is calculated on 0.5% of the total wage bill of a company for those with a pay bill of over £3 million each year in the UK. Each employer receives a £15,000 offset allowance each tax year so a company with a payroll of £3 million would pay nil, this is because  $0.5\% \times £3 \text{ million} = £15,000$ . And for an employer with an annual pay bill of £5,000,000, the Levy sum is as follows:  $0.5\% \times £5,000,000 = £25,000$ . Then take the Levy allowance off this sum so  $£25,000 - £15,000 = £10,000$  annual Levy payment.

### 4) What is the £15,000 allowance and how does it work?

The £15,000 Levy allowance is divided monthly so you will only pay for a given month if your liability is less than £1,250. Any unused allocation money will carry over towards the next month. For example, if your company only used £1,000 of your Levy allocation money in month 1, alongside not paying the Levy for that month, your allowance would also be £1,500 for month 2.

### 5) How will it work and what's in it for me?

All companies paying the Levy will gain access to the new digital account system, which will enable you to pay for training for apprentices. Your digital funds can be used to train new apprentices or to

train existing staff, provided the employee will be learning new skills and knowledge, the apprenticeship is relevant to their role and is the most appropriate way of progressing their career. Apprentices increase efficiency, boost productivity and enhance workplace culture.

## 6) What can the funds not be used for?

Digital funds cannot be used for:

- Apprentice wages
- Apprentice travel and subsistence costs
- Managerial costs
- Traineeships
- Work placement programmes
- The costs of setting up an Apprenticeship programme.

## 7) Do the funds expire?

Your company will have up to 24 months to spend the funding otherwise the funds expire and the money is handed back to the government. Funds will be used in the order in which they are paid, maximising their shelf life.

## 8) Do I have to contribute any costs if I don't have to pay the Apprenticeship Levy?

Non-Levy paying employers still have to make a small 10% contribution towards training an apprentice; the government will pay the remaining 90%. Businesses with under 50 employees won't need to pay anything for taking on a 16-18 year-old apprentice as the government will pay 100% towards the total cost of training.

## 9) How do I pay my Apprenticeship Levy?

If you have to pay the Apprenticeship Levy, you will calculate, report and pay on a monthly basis to the HMRC, through the PAYE process alongside tax and NICs.

## 10) How can CCCT help?

CCCT can offer consultancy to help you navigate the new funding arrangements for apprenticeships, ensuring your workforce gets high-quality training which matches your employment needs – you don't need to be the Levy expert because we are.

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