
APPRENTICESHIP LEVY

The apprenticeship levy applies at a rate of 0.5% of payroll cost, offset by a £15,000 'levy allowance'. This means that, in effect, it applies only to employers with an annual payroll cost of £3 million or more.

The apprenticeship levy payment regime is administered by HMRC as part of the real time information (RTI) system, alongside PAYE tax and national insurance contributions (NICs).

Payments of the apprenticeship levy are deductible for tax purposes.

The apprenticeship levy is payable by employers, in this context this, essentially, means anyone who pays employer's national insurance contributions (NICs).

An employer's payroll cost is the total amount of employees' earnings that are subject to employer's NICs (including any earnings below the threshold). This, therefore, includes wages, bonuses and commission but means non-cash benefits (which are subject to class 1A NICs) and items contained in PAYE settlement agreements (which are subject to class 1B NICs) are ignored for apprenticeship levy purposes.

There are special rules applying to groups of or associated companies in that only one levy allowance is available to connected companies. Companies are connected if they are both under common control or if one has control over the other. The individual companies can decide how the levy allowance should be shared between them, but a negative share is not allowed. The decision has to be notified to HMRC at the start of the tax year and it is then fixed for the whole of that tax year.

The apprenticeship levy is collected through the RTI system and follows the same payment schedule. It is calculated monthly on the basis of the cumulative payroll cost to date and offset by the appropriate proportion of the levy allowance for the year to date.

The levy allowance cannot produce a negative amount. If any calculation made during the tax year shows that, on a cumulative basis, too much levy has been paid, that overpayment is effectively treated as a credit which is carried forward to the next calculation. There needs to be a reconciliation of the whole year's levy payments against the annual levy allowance at the end of the tax year.

If an employer has more than one PAYE scheme, they can choose how to apportion their levy allowance between those PAYE schemes. They must notify HMRC of that choice.

In terms of utilisation, the government is topping up employer contributions by 10% but the funds can be used only for approved training and not any associated ancillary costs. If not used within two years they expire – use it or lose it

To access the levy, employers are required to accept an agreement with the Skills Funding Agency. Once the agreement is accepted, employers can use the funding in their account to pay for training offered by one of the apprenticeship training providers certified by the government. It can be used towards training any eligible learner, whether a school leaver or an existing employee. It can be used to pay for accredited apprenticeship training schemes as well as the costs of any assessments or certification. It cannot be used to cover the wages paid to apprentices.

The levy does give an opportunity to re-evaluate training and training needs with additional government funding available.

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