



THE APPRENTICESHIP LEVY

WHAT DO WE ALREADY KNOW?

In its 2015 Autumn Statement, the government announced a 0.5% Apprenticeship Levy which will come into effect in April 2017. The Levy will be applied to large employers in all industries to increase their contribution towards the target of 3 million apprentice starts by 2020. The Levy will be included in the Finance Bill 2016.

The Apprenticeship Levy will enable employers to have more control over purchasing decisions, replacing the funding which is currently provided by the Skills Funding Agency. Employers which are fully committed to training are able to claim back the Levy payments – potentially more than the contribution made via the Levy.

DO YOU FALL INTO THE LEVY?

Large companies with a payroll bill of over £3m per annum will pay the Levy. It is calculated upon the size of the company and the earnings of its employees – regardless of whether an employer decides to take on apprentices or not.

HOW WILL WE PAY THE LEVY (AND HOW MUCH WILL IT COST)?

The Levy will be calculated based on total employee earnings; it will not include other payments such as benefits in kind.

The Apprenticeship Levy will be set at 0.5% of an employer's wage bill. However, this will be offset by a £15,000 tax-free allowance. We can simplify this with some examples from the BIS November 2015 Report:

EXAMPLE ONE:

Employer of 250 employees, each with a gross salary of **£20,000**:

Paybill:
250 x £20,000 = **£5,000,000**

Levy sum:
0.5% x £5,000,000 = **£25,000**

Allowance:
£25,000 minus £15,000 = **£10,000** annual levy payment

EXAMPLE TWO:

Employer of 100 employees, each with a gross salary of **£20,000** would pay:

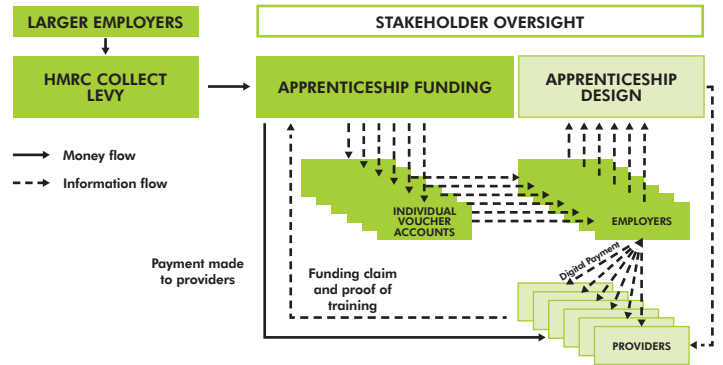
Paybill:
100 x £20,000 = **£2,000,000**

Levy sum:
0.5% x £2,000,000 = **£10,000**

Allowance:
£10,000 minus £15,000 = **£0** annual levy payment

HOW WILL THE LEVY WORK?

This diagram taken from the August 2015 BIS white paper helps explain it clearly:



Source: BIS: APPRENTICESHIPS LEVY Employer owned apprenticeships training AUGUST 2015

SHOULD YOU BE TAKING ON APPRENTICES?

If your wage bill is of sufficient size, you will have to pay the Levy, so it makes sense to consider maximising the money already spent. The theory behind the Levy is that larger employers should benefit from the Levy as they are able to draw more in training value than they spend on the Levy.

HOW CAN Gi GROUP HELP?

Although there is still information to be released and confirmed by the Government, Gi Group is in a good position to help and guide you now, in the run up to the implementation of the Levy, and throughout the delivery of your Apprentice Programme. We are one of only 90 Large Employers that are already funded by the Skills Funding Agency and have been successfully running Apprentice Programmes for circa 500 Apprentices a year. We will be able to advise you on frameworks and building portfolios that complement your business model and current training courses. Gi Group can also provide Trainers and Assessors. In short, we can run your Apprentice Programme using our own experiences as a large employer. In addition, we are already placing apprentices for our own clients, so we have done a lot of the ground work for you.

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