

MYTH-BUSTING THE APPRENTICESHIP LEVY

With the start of apprenticeship levy payments just around the corner (April 2017) there's still a lot of confusion and misinformation in the business community. We're putting the record straight with our top 8 true or false statements on the apprenticeship levy.

Myth 1: Only companies with a pay bill of over £3million will pay the levy.

False.
X Companies with a pay bill under £3m may find themselves paying the levy if they are part of a group.

Technically all companies 'pay the levy' at 0.5% of their pay bill, but as there is a £15,000 allowance only those with a pay bill over £3m will actually pay any money. However, this changes if you are part of a group where you will be categorised as a 'connected' company and will pay the levy – irrespective of your pay bill.

What it looks like in practice.

Paybill under £3m, not part of a group.

Company A is not part of a group. Company A's paybill is £2million a year. At 0.5% their of their pay bill their levy contribution would be £10,000

Minus a £15,000 allowance means there is no levy payment made

Paybill under £3m, part of a group.

Company A as part of a group with Company B and Company C. Each company has a paybill of £2m.

The group gets the £15,000 allowance and can decide to allocate as they wish. In this case the £15,000 allowance is to be split with £10,000 for Company A and £5,000 for Company B.

Therefore:

Company A pays no levy payment
(0.5% of £2m - £10,000 allowance = nil)
Company B has a levy paybill of £5,000
(0.5% of £2m - £5,000 allowance = £5,000)
Company B has a levy paybill of £10,000
(0.5% of £2m with no allowance = £10,000)

False.
X Myth 2: All employers automatically get £15,000 worth of vouchers to spend on training.

False.
The £15,000 is an allowance.

The £15,000 allowance that the government is referring to is more accurately viewed as a deduction to your levy contribution and works in the same way as a personal tax allowance. It is easier to think of the levy as a 0.5% paybill tax that applies to all firms but with a £15,000 "deduction".

What it looks like in practice.

Company A has a paybill of £3million

At 0.5% their levy payment would be £15,000 but as they have a £15,000 allowance they don't pay anything. They don't receive the £15,000 in vouchers, they just don't pay it.

Myth 3: Companies that operate across the UK will not get back all their levy contributions.

 **True.**
Devolved nations will get a cut from the levy fund

If you operate across the UK and have employees with home postcodes in the devolved administrations you will not get all of your levy payments back. You will pay your levy payment on your whole UK pay bill but the vouchers you then get to spend will only equate to those employees whose home postcodes are in England:

What it looks like in practice.

Company with sites in the devolved nations

Company A has a paybill of £20m. At 0.5% of their paybill with a £15,000 allowance, the levy collected from company A will be £85,000. 80% of the paybill relates to workers with English postcode and 20% of the playbill relates to workers with a Scottish postcode. Therefore only £68,000 of their levy contribution will go into their digital accounts.

Myth 4: All levy-paying companies will get back from the levy pot what they put in.

 **False.**
Some levy-paying companies may get more but some will definitely get less.

If you operate across the devolved nations, a proportion of your levy contribution will be sliced off and not all will go into your digital account. Therefore you will not get back more than you put in. There is a top-up of 10% from the government on a monthly basis, so if you pay £100 into the levy each month, £110 will appear in your account. However, the difficulty will be around spending this money that is in your account.

The government will be publishing draft funding caps in June which will limit the amount of money you can draw down from your account based on the apprenticeship framework or standard.

Myth 5: If a company is part of a group then vouchers can be used across the group.

 **True.**
Connected companies can share their vouchers

If your company is part of a group, and you are therefore 'connected' then you can share vouchers across the group. The government's guidance states that companies will be able to decide whether they register as one account for the new Digital Apprenticeship System (DAS).

Myth 6: Vouchers can be used within supply chains if other companies don't use theirs up.

 **False.**
Vouchers can't currently be transferred

The current guidance from the government states that this functionality is not yet available. Voucher transferability may be added as a functionality in the future, however complexities around state aid rules and auditing means this is unlikely to be in the near future.

Myth 7: Employers can choose how and when they spend the vouchers on apprenticeships

 **False.**
There are restrictions

Vouchers will be made available in your account on a monthly basis but they will expire after 18 months. The government's guidance also strongly suggests that payments will be made for training over the lifetime of the apprenticeship, potentially on a monthly basis. Under the current proposals, it does not look like employers will be able to agree their own payment schedules with providers.

Vouchers can only be used on apprenticeship training provision. They cannot be used on wages or wider costs of recruiting and training the apprentice.

Myth 8: Employers that use Apprenticeship Training Agencies (ATAs) won't be able to spend their vouchers on their ATA apprentices.

 **True.**
Vouchers can only be used on your employed apprentices

Under the current guidance employers can only use the digital vouchers in their digital account on apprentices that they employ and train using a registered provider. If an employer uses an Apprenticeship Training Agency (ATA) and that ATA has a paybill of over £3m then they themselves will pay into the levy and have their own vouchers to spend on the apprentices they directly employ. An employer cannot use their vouchers to pay their ATA bill. This is an issue under assessment by the government.

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