

Government's new initiative

The Apprenticeship Levy

On the 12th August, the Government has announced more details of its apprenticeship levy plans. Apprenticeship Levy will be formally introduced on the 6th April 2017 and it will allow small businesses which do not have a budget for training to apply for the government's funding to finance 90 percent of the costs.

The apprenticeship funding will operate on from the 1st May 2017, whether the company pays the levy or not. The Government initiative is proposed to boost the UK's skills in certain sectors, for instance, construction. It will be applied to all industries in the UK and will replace the existing forms of funding.

The levy at a rate of 0.5 percent of an employer's pay bill will be paid through Pay As You Earn (PAYE). There will be an offset allowance of £15,000, equivalent to 0.5% on a payroll of £3 million. Any employer with a payroll above this threshold will have to pay the levy. Each month, the Apprenticeship levy will be collected by HM Revenue & Customs through the PAYE system. The employer pay bill is based on the total amount of earnings subject to Class 1 secondary NICs.

If the employer has to pay the apprenticeship levy, he will have to declare this and include in PAYE payment to HMRC by the 19th (or 22nd if done online) of the following month. The first submission will be in May next year. Any apprenticeship levy payment to HMRC will be allowable for Corporation Tax.

According to the data approximately 1% of employers registered with CITB will need to pay the levy, but the apprenticeship reforms will reach all construction sector businesses. Companies with a monthly wage bill under £250,000 will not pay the levy. The allowance of £15,000 is divided into 12 monthly allowances of £1,250. Where 0.5% of a month's pay bill is higher than the £1,250 allowance, the employer will pay the levy. However, if 0.5% of the monthly wage bill is under the £1,250, the balance of the allowance will be carried to the next month and deducted from any payment due in the higher payroll month.

In England, employers will be able to reclaim their levy contributions as digital vouchers to fund the training. Such voucher system will not exist in Scotland,



Wales and Northern Ireland where governments are about to decide how to distribute the funds. The unspent funds in an employer's digital apprenticeship scheme account will expire after 18 months. Also, employers in England who pay the levy will receive a 10% top-up from Government to their total monthly contributions.

Funds in the digital account can be spent on an approved apprenticeship training and assessment by the authorised organisations. These funds cannot be spent on wages, travel, work placements or the costs of setting up a training programme. All employers must choose an approved training provider and agree on the cost of the training. Government funding limit will be set on different qualifications for all employees. If apprentice training costs are above the funding threshold, the employer cannot use apprenticeship levy funds to make up the difference. All excess costs have to be paid separately. Where a company has used all the funds in its digital account, any further training will be financed through so-called the 'co-investment' model. However, the Government co-investment cannot be used to cover training costs above the funding cap.

Employers who do not pay the apprenticeship

levy will not be required to use the digital account and vouchers to pay for training until 2018. They will be required to select a registered training provider, agree on the cost of the training in the same way as larger firms that pay the levy. Employers that do not pay the levy must contribute towards the cost of their apprenticeship training. The employer will make an initial deposit to the training provider and agree on the payment schedule. The Government will then pay its share through 'co-investment', up to the funding cap limit for that apprenticeship. The co-investment rate will be confirmed in October.

The Apprenticeship Levy is vital in the construction sector due to the significant skills gap in the industry. Thanks to the scheme employers can invest in employees without losing revenues. The scheme will start in April 2017. However, some businesses suggest it should be delayed due to the economic uncertainty connected with the Brexit result.

The construction industry has large shortages of skilled workers, and the only solution is to train more people. However, there are voices that the current apprenticeship scheme is not fit for purpose as some companies might replace existing

jobs as apprenticeships to meet training targets and reclaim the costs. There are recommendations to postpone the scheme introduction till 2018 to create a fairer system that will provide high-quality training.

