



## The Apprenticeship Levy – Christmas & New Year Update

### Consultation on the draft regulations on Apprenticeship Levy

The Government published a [technical consultation](#) on draft regulations for the Apprenticeship Levy which will run until 3 February 2017. The draft regulations make provision for the calculation, reporting, payment and recovery of Apprenticeship Levy that employers will need to be familiar with in advance of April 2017.

Following comments earlier in the autumn, the draft regulations were extended to include:

- Assessment of unpaid Apprenticeship Levy;
- Recovery of Apprenticeship Levy by HMRC;
- Retention of records by the employer;
- Recovery of debts from managed service companies to apply the provisions which apply to PAYE debt to Apprenticeship Levy debt; and
- Provision for the liability to pay and duty to make a return of Apprenticeship Levy to extend to continental shelf workers certificate holders, who also have responsibility to operate PAYE and NICs.

The new regulations are intended to make clear to employers the following:

- Employers will only need to engage with reporting Apprenticeship Levy to HMRC where they have a Levy liability, or expect to have a Levy liability during the tax year. This will need to be reviewed in advance of the tax year;
- Where there are unused Apprenticeship Levy allowances from prior tax months, these will be added to the next tax month (this will work cumulatively);
- The employer will use the Employers Payment Summary (EPS) to report their Apprenticeship Levy liability due to date and also the amount of annual Levy allowance the employer may allocate to multiple PAYE references; and
- Both single and employers who are part of a group (company unit or Charity unit, which has apportioned the £15,000 annual Levy allowance across the unit) will be allowed to apportion the annual Levy allowance between multiple PAYE schemes.

We will be feeding back our comments as part of the consultation. If you have any comments you would like us to consider as part of the consultation, please get in touch.

For further background, previous KPMG Employers' Club articles on the Apprenticeship Levy are also available [here](#) and [here](#) (registration required).

### Digital Apprenticeship Accounts

HMRC are still testing the accounts that employers will use to access their Apprenticeship Levy amounts and draw down on funding to pay for qualifying training and end point assessments. A recent update from the Government was provided [here](#).



This will be the key tool where employers can view the amount of Apprenticeship Levy they have available and it is important this is reviewed alongside paybill and Real Time Information (RTI) submissions are made. Additionally, employers will be able to use this service to pay their training providers, recruit apprentices and find training providers.

It is expected that registration for these accounts will be available from early 2017.

## Funding for devolved administrations

The Apprenticeship Levy applies to all employers operating in the UK, however, as funding for apprenticeships is devolved across the four nations of the UK, this has created some debate as to how much funding would be given to Scotland, Wales and Northern Ireland.

The funds expected to be raised from the Apprenticeship Levy will be apportioned based on population size. The distribution of funds is expected to be as below:

Population share of Levy funding (£m)	2017-18	2018-19	2019-20
Scottish Government	221	230	239
Welsh Government	128	133	138
Northern Ireland Executive	76	79	82

The English Government will receive the remainder. Once allocated, each devolved administration will decide how to distribute funds. The allocation of funds is fixed and not dependent on the revenue brought in each year by the Levy. Therefore, any fluctuation of the revenue brought in by the Levy will be absorbed by the English Government.

## How are employers in the UK responding to the Apprenticeship Levy?

The Institute for Employment Research and IFF Research have published a report regarding the reaction from employers to the Apprenticeship Levy. The key responses are summarised below:

**Business as Usual** - Many organisations feel the cost of the Apprenticeship Levy will cover previous costs of training apprentices, the only change being the manner in which this is done, and once fully established will result in no net change in the allocation of funds to training. Industries such as Engineering and Construction may already be familiar with this given the CITB Levy; however this in itself raises questions regarding the mutual operation of each 'Levy' scheme.

**Sunk Cost** - A small proportion of employers have expressed a view to treat the Apprenticeship Levy as an additional cost towards training staff and will not make any large changes to the current treatment of training. These employers tend to either be special cases where there is no scope to utilise their apportioned digital funds, or organisations that have invested heavily in internal training and prefer their own methods rather than looking externally to providers.

**Capacity Issues** - For employers with a large Apprenticeship Levy charge, there is concern that it will not be possible to offer enough apprenticeship opportunities to recover the paid Levy charge. Sectors such as Health and Retail, who have low training costs, have expressed the most concern, feeling it is not viable to increase apprenticeships to a level that would use up their charge.



**Catalyst for change** - The employers who have indicated the largest increase of relative investment in apprenticeships are those who currently have:

- Few apprentices - The Apprenticeship Levy is thought to give the necessary 'push' to employers to increase their volume of apprenticeships to maximise the utilisation of digital funds. It is thought that the Levy will make apprenticeships develop in sectors that traditionally would not have considered this form of training; and
- Relatively low costs associated with training - With low costs of training it is thought companies will look to existing staff to offer them additional opportunities for future development. As well as existing staff, employers could look to increase the level of training provided to new apprentices.

## Opportunity & Compliance

The Apprenticeship Levy may therefore provide an opportunity to transform how employers structure, recruit and reward their workforce. Additionally, employers need to ensure they have reviewed their payroll and HR systems in advance of April 2017 to report Levy payments correctly and enable systems to identify apprenticeships accurately. Please get in touch with your usual KPMG contact if you would like to discuss further.

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