

Apprenticeship levy: A guide for employers

The **apprenticeship levy**, which came into effect on 6 April 2017, was brought in to fund apprenticeships. The Government had promised 3 million new apprentices by 2020, and the aim was that the apprenticeship levy would drive up numbers.

However, there has been a lot of criticism of the levy. Many businesses have not really understood the mechanics of how the levy works and communication has been poor. Also, so far, there has been no significant increase in the number of new apprenticeships.

Who needs to pay the levy?

The levy applies to employers in England, who have an annual pay bill above £3 million. The pay bill is defined as employee earnings subject to Class 1 secondary NICs.

How much is the levy?

The levy is 0.5 per cent of the annual pay bill.

All employers will receive a £15,000 annual allowance, to be offset against the bill. This effectively means that employers with an annual pay bill of £3 million or less pay no levy.



How does the levy operate?

The levy will be collected by HM Revenue and Customs monthly through Pay as You Earn (PAYE). It can then be accessed by employers through an online digital service account.

Employers can use the online digital service to pay for apprenticeship training for apprentices that

work for at least 50 per cent of their time in England, which will be limited up to certain maximum funding bands. When the apprentice training starts funds (in the form of vouchers) will be taken from the account.

The Government will top up the account by 10 per cent monthly. Employers will lose the vouchers if they don't use them within 24 months.

[From April 2018 employers will be able to transfer their fund to any other organisation provided that both organisations are registered on the apprenticeship service.](#) There will be a limit on the transfer, being a maximum of 10 per cent of an employer's apprenticeship fund. This is calculated from the total amount of levy declared plus the 10 per cent Government top-up.

Guidance on how to pay the levy can be found at [Gov.UK](#).



How does funding work for businesses that do not need to pay the levy?

Employers not paying the levy with less than 50 employees, who offer apprenticeships to 16 to 18 year olds, can receive 100 per cent of the cost of the training from the Government, up to the maximum funding bands. Employers not paying the levy with less than 50 employees, who offer apprenticeships to 19 year olds and over have to pay 10 per cent of the cost of the apprenticeship training and the Government will pay the remaining 90 per cent, up to the maximum funding bands.

Employers not paying the levy with 50 employees or more, who offer apprenticeships have to pay 10 per cent of the cost of the apprenticeship training and the Government will pay the remaining 90 per cent, up to the maximum funding bands.

For non-levy businesses there is also a new £1000 incentive towards apprenticeships for taking on someone aged 16 to 18.

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This guide is intended for guidance only and should not be relied upon for specific advice.

If you need any advice on the **apprenticeship levy** or have queries relating to other employment law issues please do not hesitate to [contact](#) me on [0203 797 1264](tel:02037971264).

Do check mattgingell.com regularly for updated information.