

Apprenticeship levy: HR guide

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Apprenticeship levy introduction

The **apprenticeship levy**, which came into effect in 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 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 is 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 tops up the account by 10 per cent monthly. Employers will lose the vouchers if they don't use them within 24 months.

Employers are able to transfer their fund to any other organisation provided that both organisations are registered on the **apprenticeship** service. The current limit on the transfer is a maximum of 25 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](https://www.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 5 per cent of the cost of the **apprenticeship** training and the government will pay the remaining 95 per cent, up to the maximum funding bands.

Employers not paying the levy with 50 employees or more, who offer **apprenticeships** have to pay 5 per cent of the cost of the apprenticeship training and the government will pay the remaining 95 per cent, up to the maximum funding bands.

Additional support

For employers with less than 50 employees there is a £1,000 incentive towards **apprenticeships** for taking on someone aged 16 to 18 or 19 to 24 years old who has either an Education, Health and Care (EHC) plan provided by their local authority or has been in the care of their local authority.

The government has introduced a new incentive of £2,000 to employers in England for each new **apprentice** they hire aged under 25, and a £1,500 incentive for each new **apprentice** they hire aged 25 and over, from 1 August 2020 to 31 January 2021. These payments will be in addition to the existing £1,000 incentive, where that applies.

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).

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