



“To make Britain stronger and fairer, we need to make sure that everyone gets the chance to climb the ladder of opportunity”

Robert Halfon, Minister of State for Apprenticeship and Skills, April 2017

The Apprenticeship Levy came into force in April 2017.
 Firms with a paybill greater than £3m pa pay the Levy.
 The rate is 0.5% of payroll, with an initial allowance of £15,000.
 For every £1.00 you pay in, the Government adds 10p.

Who pays the Levy?

- The Levy applies to all employers across the UK, public and private, regardless of sector.
- the rate is 0.5% of an employer’s paybill. Essentially that means those for whom you pay Class 1 NI, and it includes wages, bonuses, commission, and pension contributions.
- if you are part of a group HMRC treats you as part of the bigger group (a ‘connected company’) for Levy purposes (ie you can’t split the company up to duck under the bar).
- all employers receive a £15,000 allowance to offset against the Levy. ie just like an income tax allowance, the levy kicks in only when the employer’s levy bill is over the £15k threshold, and no firm with a paybill less than £3m pays the Levy.
- for every £1 you pay in for employees *in England*, the Government adds 10p.

The Government provides two worked examples:

<p><u>A: The large employer</u></p> <p>Employer of 250 employees, each with a gross salary of £20000, pays:</p> <ul style="list-style-type: none"> • Paybill: 250 x £20,000 = £5,000,000 • Levy sum: 0.5% x £5,000,000 = £25,000 • Allowance: £25,000 - £15,000 = £10,000 annual levy payment 	<p><u>B: The small employer</u></p> <p>Employer of 100 employees, each with a gross salary of £20000, pays:</p> <ul style="list-style-type: none"> • Paybill: 100 x £20,000 = £2,000,000 • Levy sum: 0.5% x £2,000,000 = £10,000 • Allowance: £10,000 - £15,000 = £0 annual levy payment
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The Government has provided [an online tool for you to work out what Levy, if any, you pay.](#)

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How does it work?

You will pay what you're due on a monthly basis through PAYE. You work through an online account (for which you can register [here](#)) and can see at any stage what you have in your account.

Note that your funds, including the Government's extra 10%, expire 24 months after they appear in your account unless they are spent on apprenticeship training: use it or lose it.

When you employ an apprentice on a statutory (ie Government-approved) apprenticeship you negotiate a fee with your chosen training provider, up to the limit (the 'cap') set for each apprenticeship.

You can use your Levy pot towards the costs of apprenticeship training and the final assessment, so long as you work with an approved training provider and assessment organisation. You cannot use your Levy pot for other training apart from apprenticeships, or other costs, such as apprentices' wages (you must pay the Minimum Wage for apprentices, £3.70/hour - details [here](#) - though the norm across the economy is to pay at least twice the minimum), statutory licences, travel and management costs, or the costs of setting up your programme. *But see below for Scotland.*

You are free to agree a price above the cap if you wish (eg because you want extras), but the Government's contribution is set by the cap for that apprenticeship.

If you don't have enough funds in your online account, the Government pay 90% of the costs (up to the cap), and you pay the remaining 10%. Government calls this "co-investment".

As an incentive to employ apprentices aged 16-18 (or care leavers aged 19-24) the Government gives you £1,000 (with a further £1,000 to your training provider), to cover the expected extra costs.

Government also pays for any extra training required to get apprentices up to Level 2 (GCSE level) in English and Maths, with a direct payment to your training provider. Government also makes extra payments for apprentices with particular needs, such as dyslexia.

You can spend your apprenticeship funds on older apprentices, including existing employees: there is no age limit.

If you employ an apprentice under the age of 25, you no longer have to pay employer Class 1 National Insurance contributions on their earnings (up to the relevant Threshold, currently £827pw / £43,000pa) – a big saving. Details [here](#).

Government allow you to pass up to 10% of your Levy funds (25% from April 2019) to another employer (eg another company in your supply chain). See Briefing 11.

And outside England?

What's above is the answer *for England*: employers in Scotland get more flexibility – see Briefing 8.

see also: [The Apprenticeship Levy – how it works](#) (the official Government guidance in full)

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