



“Building an apprenticeship and skills nation is essential in ensuring that we have the home-grown workforce we need in post-Brexit Britain”.

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

The Apprenticeship Levy covers all employers in the UK, public and private, regardless of sector, with annual paybills over £3m.

The levy rate is 0.5% of an employer’s paybill.

For firms which pay the Levy, the Government adds 10p for every £1 they pay in.

For firms which do not pay the Levy, Government pays 90% and the firm pays the remainder.

All firms get an incentive of £1,000 to recruit young apprentices aged 16-18.

This Briefing provides a basic introduction only. We have two further Briefings for those companies which PAY the Levy (Briefing 4) and those which DO NOT PAY (Briefing 5).

Headlines

- 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.
- 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.

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 £20,000 pay:</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 £20,000 pay:</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 effect is that no company with a paybill less than £3m pa pays the Levy (ie fewer than 2% of all employers are likely to pay).

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- for every £1 which a Levy-paying company pays in for employees *in England*, the Government adds 10p. Hence every company is able to draw out more than they put in.
- for non-Levy-paying companies, the Government provides 90% of the costs (up to the ‘cap’ which it sets for each apprenticeship), and the company the remaining 10%.
- 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).
- Government wants employers to negotiate a price with their training provider – a new feature.
- as an incentive to employ apprentices aged 16-18 (or care leavers aged 19-24) the Government gives £1,000 to employers (and £1,000 to their training provider), to cover the extra costs.
- Government also pays for any extra training required to get apprentices up to Level 2 (GCSE level) in English and Maths, and for apprentices with particular needs, such as dyslexia.

What can levy funds be spent on?

Companies can use these funds towards the cost of apprenticeship training and the final assessment, so long as you work with an approved training provider and assessment organisation. They cannot be used for other training apart from apprenticeships, or other costs such as apprentices’ wages (employers 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 their programme.

NB This is true for England. Employers in Scotland have more flexibility: see MSA Briefing 8.

Employers are free to agree a price above the cap if they wish (eg because they want extras), but the extent of the Government’s subsidy is set by the cap for that apprenticeship.

see also:

[The Apprenticeship Levy – how it will work](#) (the official Government guidance in full)

[The Apprenticeship Funding Calculator](#), provided by the Skills Funding Agency

MSA Briefing 4: The Apprenticeship Levy - for firms which DO NOT PAY the Levy

MSA Briefing 5: The Apprenticeship Levy - for firms which PAY the Levy

MSA Briefing 6: Maritime Apprenticeships (a quick summary of what’s available)

MSA Briefing 7: Other apprenticeships relevant to maritime employers

MSA Briefing 8: The Apprenticeship Levy in Scotland: a distinctive approach

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