



*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 less than £3m pa do not pay the Levy.

The Government expects companies which do not pay the Levy to pay 10% of the costs of training and it pays the other 90% - but it's offering £1,000 to every non-Levy-paying firm which employs an apprentice aged 16-18 (or a care leaver aged 19-24), and full funding for firms with fewer than 50 employees which employ an apprentice from either group.

**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
- 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 effect is that no firm with a paybill less than £3m pays the Levy. This Briefing is for you.

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

[www.maritimeskills.org](http://www.maritimeskills.org)

*Disclaimer: We intend our Briefing Papers to be useful introductions to a topic. We make every effort to make them accurate and keep them up-to-date, but you should make your own checks before taking action and not rely on the information here.*

## **Do I have to pay anything to employ an apprentice?**

Yes – but most non-Levy-paying firms get a generous subsidy from the Government, particularly if they employ young apprentices (aged 16-18). If you employ fewer than 50 employees and recruit young apprentices the Government covers all your training costs.

If you employ an apprentice on a statutory (ie Government-approved) apprenticeship the Government expects you to make a contribution, in cash, to the cost *for most apprentices* (but see below); they pay the rest (which is why they call it ‘co-funding’).

The plan is that you negotiate a fee with a training provider, up to the limit (the ‘cap’) set for each apprenticeship. You would pay **10%** of the cost, and the Government will pay the remaining 90%. eg if the cap for your chosen apprenticeship is £6,000 and you agree a total price of £5,000 you would pay £500, and the Government £4,500.

The Government provides an incentive of £2,000 for every non-Levy-paying firm which employs an apprentice aged 16-18 (or a care leaver aged 19-24); £1,000 to you and £1,000 to your training provider, to cover the expected extra costs.

If you employ fewer than 50 people, however, and take on an apprentice aged 16-18 (or one aged 19-24 who has been in care), the Government waives its requirement that you pay this 10%.

For all non-Levy-paying employers the Government also gives extra support (£471 each) for apprentices who do not have a Level 2 qualification (eg GCSE) in Maths or English, and for those with special needs (eg dyslexia, disabilities).

You can spend your apprenticeship funds on older apprentices, including existing employees.

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](#).

## **What’s covered and what’s not?**

You can use your Government funding 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 Government funding 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](#)), statutory licences, travel and management costs, or the costs of setting up your programme.

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.

## **And outside England?**

That’s 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)*

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