



The Apprenticeship Levy

Fact Sheet

The Apprenticeship levy is part of the government's plan to increase the quantity and quality of Apprenticeships. It is a compulsory tax that was introduced to benefit businesses by boosting essential training and developing apprenticeship programmes.

Who has to pay it?

It is paid by large organisations with a paybill of over £3 million a year, affecting less than 2% of UK employers.

How much is it?

0.5% of your pay bill - but with a 'Levy allowance' of £15,000 a year (i.e., £15K of your pay bill is exempt from the Levy).

Here are some examples of how much employers may pay for the levy;

Employer A: 1,000 employees, each with a gross salary of £20,000

Annual pay bill: $1,000 \times £20,000 = £20,000,000$

Levy applied: $0.5\% \times £20,000,000 = £100,000$

After allowance applied: $£100,000 - £15,000$
means £85,000 levy payment

Employer B: 500 employees, each with a gross salary of £20,000

Annual pay bill: $500 \times £20,000 = £10,000,000$

Levy applied: $0.5\% \times £10,000,000 = £50,000$

After allowance applied: $£50,000 - £15,000$
means £35,000 levy payment

Employer C: 100 employees, each with a gross salary of £20,000

Annual pay bill: $100 \times £20,000 = £2,000,000$

Levy applied: $0.5\% \times £2,000,000 = £10,000$

After allowance applied: $£10,000 - £15,000$
means £0 levy payment

How do I pay it?

You should be reporting and paying your Levy to HMRC through the PAYE process.

When do I have to pay the Levy and report on payments?

The Levy is payable and must be reported to HMRC using your Employer Payment Summary (EPS) every month.

What can I spend the Levy on?

The Levy is to cover the costs of training, education and assessment required to attain the apprenticeship standard. This can include on-the-job and off-the-job delivery through an externally contracted provider, including e-learning (as part of a blended proposition); planned ongoing assessment, and the formal end-point assessment of an apprenticeship standard. It can also be used for educational trips or professional events specified within the standard or assessment plan.

What can't I spend the Levy on?

It cannot be spent on recruitment costs, salaries, or other tangential costs of hiring an apprentice (uniform, travel, professional licenses, the cost of setting up the programme etc). In addition, it is not used to help apprentices reach the required standard in functional skills, although training providers can claim separate funding for this up to a Level 2.

Who can you spend the Levy on?

You can spend it on new recruits or existing members of staff as long as they are officially undertaking an apprenticeship. However, employees must be living and working in England at least 50% of time (with a few minor exceptions such as offshore workers and the armed forces).

Full details of apprenticeship funding rules can be found at:

<https://www.gov.uk/guidance/apprenticeship-funding-rules>

What happens if you don't spend it?

If you do not claim your Levy funding after 24 months it is returned to a public pot and will be used for co-investment in other apprenticeships.

Can I give my levy funding away?

You can transfer 10% of funds in your digital account to another employer with a digital account - such as a company within your supply chain or an Apprenticeship Training Agency.

Further details on transferring levy funds can be found at:

<https://www.gov.uk/guidance/apprenticeship-funding-rules>

Is the government also putting into the Apprenticeship Levy?

Yes, they top up what you pay by 10%.

Government also contribute a payment of £1,000 each to both the employer, and the training provider, for apprentices aged between 16-18 years old, or aged between 19-24 years old who have an education, health and care plan, or who have been in the care of the local authority.

How do I manage my levy payments?

Levy funds are managed through an online account. If you have not already done so you can register at: www.gov.uk/guidance/manageapprenticeship-funds.

How do I get started?

Get in touch with our apprenticeship team for advice and guidance on how to make the most of your levy funds.

We have over 30 years of experience in determining the best delivery methods for your business and creating bespoke solutions for businesses of all sizes.

Contact

info@system-group.com

0151 317 4450

[in](https://www.linkedin.com/company/system-group) @System_GroupTL

[t](https://twitter.com/System_Group) System Group

