Apprenticeships – Levy Paying Employers

The Apprenticeship Levy is a government initiative that was originally announced in the 2015 Summer Budget.

The Apprenticeship Levy is being introduced as part of the government's plan to help fund 3 million new Apprenticeships by 2020.

The Levy payment will only be paid by employers who have an annual payroll of more than £3 million, which represents only 2% of UK Employers.

What is involved?

The Levy will be applied to all industries in the UK and will first come into effect in April 2017 at a rate of 0.5% of an employer's wage bill and will be paid through PAYE.

The Levy payment will only be paid by employers who have an annual payroll of more than £3 million, which represents only 2% of UK Employers.

Employers will not pay the first £15k of the Levy, which effectively means that the Levy will only be payable on payrolls in excess of £3 million per year.

Levy payments for employers will be based on the total amount of earnings subject to Class 1 secondary National Insurance Contributions (NICs).

All levy paying employers, will benefit from a 10% top up from the Government on the monthly funds entering their digital account.

The levy payment process will operate on a monthly basis, alongside PAYE processes. Levy monthly amounts will accumulate in the Digital Account throughout the year.

The first funds will be paid by the employer in April but will not appear in the digital account until May 2017.

Any unused funds will be carried from one month to the next, but will expire after 24 months if not used on Apprenticeship Training.

Levy paying employers who want to invest more in training than they have available in their digital account, will see 90% of the costs covered by the government, with the employer being required to pay the additional 10%.

All learners starting an apprenticeship after the 1st May 2017 will be funded via the Digital Account and the levy funds available.

For more information:

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Employers will be required to choose their training provider via their Digital Account to enable the funding to be passed to the provider.

Employers will be able to register to set up an account on the Digital Apprenticeship Service from January 2017 via HMRC.

Levy funds can only be used to pay for Apprenticeship training and not other staff training or development, and can be used to fund apprenticeships for existing staff

Levy Payment Calculator

Employer of 250 employees, each with a gross salary of £20,000
Wage bill: 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

Funds entering digital account each month = £833
Government top up of 10% = £83

Total entering digital account each month = £916

Further Information

www.gov.uk/government/publications/apprenticeship-levy-how-it-will-work

www.gov.uk/guidance/pay-apprenticeship-levy

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