

Apprenticeships 101

A really simple guide to the
Apprenticeship Levy

101 Factsheet for The Apprenticeship Levy

Who is this guide for?

Levy-paying employers, especially HR Managers and Apprenticeship Managers

MYTH BUSTER

Myth: Claiming funding back from the Government is really complicated.

Fact: Levy paying businesses will need to claim funding back through the Apprenticeship Service. There is lots of help and support for businesses to get them up and running on the Apprenticeship Service and thousands of businesses are successfully navigating the system.



THE REALLY SIMPLE GUIDE TO THE APPRENTICESHIP LEVY

What is the Levy?

The Levy was introduced in April 2017 as a way of ring-fencing money in large organisations to be spent on apprenticeship training.

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).

How do I pay the Levy?

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.

For more details see
[https://www.gov.uk/guidance/
pay-apprenticeship-levy](https://www.gov.uk/guidance/pay-apprenticeship-levy)

What can you 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 you not 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.

For full details of what is eligible for funding and what costs must be covered separately by you as an employer, see the latest apprenticeship funding rules:
[https://www.gov.uk/guidance/
apprenticeship-funding-rules](https://www.gov.uk/guidance/apprenticeship-funding-rules)

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?

From April 2018 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 in the guidance:
<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.

In addition, employers can receive extra incentive payments for hiring new apprentices of all ages for the six months between 1 August 2020 and 31 January 2021 if, at the start of the apprenticeship, the apprentice is a new employee, and the claim is made through the apprenticeship service. Two levels of extra incentive payments are available depending on the age of the apprentice. Employers will receive:

£2,000 for taking on apprentices aged 16-24, and

£1,500 for taking on apprentices aged 25+.

The extra £2,000 payment is in addition to the £1,000 the government pay employers towards 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 their local authority.

How do I claim my funding back?

How much you get back will depend on the proportion of your employees living in England (this is called the 'English percentage'). If you are a Levy-paying employer you need to create an account on the Apprenticeship Service. For more on this, see our separate factsheet: The Apprenticeship Service 101.

What if I am in Scotland, Wales or Northern Ireland?

Organisations in Scotland, Wales or Northern Ireland who meet the criteria for paying the Levy will have to do so. However, they will not receive their funding back through the DAS in the same way as their English counterparts as skills is a devolved area. Instead a proportion is returned to each devolved administration.

Is the Levy going to change?

We expect further flexibilities to be announced for apprenticeships following the announcement made by Boris Johnson on 29 September 2021. It is expected that more flexible delivery models will be supported. In addition, levy funds will be further flexed up to allow for easier transfer of surplus levy funds to local employers and businesses in supply chains.

Where can I go for more information?

Watch our Insight Webinar on using the Apprenticeship Service or review the Government's own guidance

<https://sfadigital.blog.gov.uk/category/digital-apprenticeship-service/>