

# YOUR GUIDE TO THE APPRENTICESHIP LEVY



# Funding Apprenticeships

## What is the Apprenticeship Levy?

Since April 2017, the government introduced the Apprenticeship Levy, a tax to fund new apprenticeships that will boost productivity, develop skills and increase the number of apprenticeships in the UK to 3 million by 2020.

## What do I pay?

As an employer, the levy you pay is 0.5% of your total pay bill. The government contributes a £15,000 annual allowance to each employer that is compensated against your levy payment.

For example, if your payroll size is £2m, your levy payment at 0.5% is £10,000. As this does not exceed the £15,000 contribution from the government, this means that you do not pay the levy, nor receive the contribution. The same applies to all businesses with an annual pay bill of £3m or less. Please see the opposite page for more information about the funding you can receive as a non-levy paying employer.

Here's a handy table that demonstrates how the Apprenticeship Levy is calculated.

Payroll size	Apprenticeship Levy before allowance at 0.5%	Apprenticeship Levy due after allowance
£1M	£5,000	£0
£2M	£10,000	£0
£3M	£15,000	£0
£3.5M	£17,500	£2,500
£5M	£25,000	£10,000
£10.2M	£51,000	£36,000

All companies with a payroll size over £3m have to pay the levy. Let's say your payroll is £10.2m as an example, your levy payment at 0.5% is £51,000. Once the £15,000 contribution is offset against this, your annual levy payment is £36,000.

The government will also contribute 10% top-ups every month to levy payers, meaning that for every pound entering your levy fund, you'll have an extra ten pence to spend on apprenticeship training. Using the above example, you'll have access to £3,300 every month.

You'll then have access to this pot through the online Digital Apprenticeship Service, which will help you to fund your apprenticeships, re-investing the money to develop your workforce.

## What if we use up the funding in our levy pot?

You'll receive the same government support as non-levy paying companies if you spend all levy contributions you've made. It's also worth remembering that these funds expire after 24 months unless they're spent on approved apprenticeship training.

## **I don't pay the levy. What funding do I get?**

As your annual pay bill is £3m or less, you don't pay the levy. You will still receive funding from the government by sharing the cost.

For those aged 19 and over, the government will pay 95% of the cost, leaving you to pay just 5% towards the cost of apprenticeship training.

If you're a company with less than 50 employees, apprenticeships offered to 16 to 18 year olds will be covered 100% by the government (to a maximum funding band).

The government will also support you with an additional £1,000 when you take on an apprentice who is under 19, leaving care, or has additional needs.

Arden is here to support and guide you on how to register onto this service and make the most of your expenditure.

### **Why Arden?**



**Specialists in flexible learning**



**Experts in career-focused degrees**



**Suitable programmes to upskill current employees and attract new talent**



**Tailored programmes for your business**

## In summary...

- The levy is charged at a rate of **0.5%** and only applies to companies with a payroll bill over **£3m**.
- The payments you contribute will be accessible via a digital service to fund **approved apprenticeship** programmes.
- Levy payments must be used within **24 months**.
- The government contribute **10% monthly** top-ups to levy-paying employers.
- Non-levy-paying employers share the cost of apprenticeship training with the government, who contribute **at least 95%**.
- The government pay **100% of the cost** of training apprentices under 19, who are care leavers, or adults with additional needs for employers with under 50 members of staff.
- Employers of apprentices under 19, who are care leavers, or adults with additional needs, receive additional support in the form of **£1,000**.

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