

Apprenticeship Levy (Growth & Skills Levy from April 2026)

What is the apprenticeship levy?

- ❑ The apprenticeship levy is a tax on employers which can be used to fund apprenticeship training.
- ❑ The purpose of the apprenticeship levy is to fund an increase in the number and quality of apprenticeships.

Who has to pay the Apprenticeship Levy?

- ❑ The levy applies whether the employer uses apprentices or not.
- ❑ The levy is payable on annual 'pay bills' in excess of £3m. Employers with an annual pay bill of less than £3m do not pay the levy.
- ❑ Employers which do not pay the levy will continue to have access to government funding to support apprenticeships.

How much is payable?

- ❑ The levy is charged at 0.5% of an employer's 'pay bill.'
- ❑ A 'pay bill' is based on the total employee earnings subject to class 1 secondary NIC's.
- ❑ Each employer receives one annual allowance of £15,000 to offset against their levy payment (£3m x 0.5%).
- ❑ Connected persons rules similar to the Employment Allowance apply therefore employers who operate multiple payrolls only pay one levy.
- ❑ For an employer with a 'pay bill' of £4m, the levy cost would be £4m x 0.5% = £20,000, less the £15,000 annual allowance = £5,000.
- ❑ Employers pay and report levy payments through their normal payroll processes, using PAYE real time information (RTI).

Using the levy

- ❑ Once collected by HMRC, individual employers' funding for apprenticeship training in England is made available to them via an Apprenticeship Service account. Employers can use this to pay for training for and assessing apprentices.
- ❑ Small and mid-sized employers (who do not pay the levy) now have 100% of training costs covered for apprentices under 25, removing the previous 5% co-investment requirement.
- ❑ Employers will need to contribute 25% (5% until April 2026) of training costs once their levy balance is exhausted.
- ❑ Employers manage funding through an online apprenticeship service account. An employer can use the online service to:
 - advertise apprenticeships
 - accept employer agreements with the Department for Education (DfE)
 - give account access to people within your organisation
 - set permissions for training providers to allow them to do some things on your behalf (such as advertising apprenticeships)
- ❑ Employers can use the funding received to cover the costs of an apprentice's training, assessment and certification.

- ❑ Employers cannot use levy funds to cover all the costs associated with taking on an apprentice. For example, overheads, supervision costs and apprentices' wages cannot be funded by the levy.
- ❑ Employers can spend their levy funds on training an apprentice against an approved standard or framework. This includes either existing staff or new recruits as long as the training meets an approved standard or framework and the individual meets the apprentice eligibility criteria.
- ❑ Employers can only spend their levy funds on apprenticeship training delivered by an approved provider. This could be through buying in training from an approved provider or delivering the training themselves.

Directing levy funds to someone else

- ❑ Employers can transfer a maximum of 50% of the unused annual funds to other employers.

Unused levy funds

- ❑ If employers do not spend their levy funds these will be lost.
- ❑ There is a time limit of 12 months (this was 24 months until April 2026).

Further information

If you would like further information or have any questions, please contact Alan Davies on 023 8046 1246 or alan.davies@hwb-accountants.com.

This document has been prepared for information purposes only and does not constitute advice. All information correct as at February 2026.