
APPRENTICE LEVY **(From 6 April 2017)**

When you need to pay it

As an employer, you'll have to pay Apprenticeship Levy each month from 6 April 2017 if you:

- *have an annual pay bill of more than £3 million*
- *are connected to other companies or charities for Employment Allowance which in total have an annual pay bill of more than £3 million*

Your annual pay bill is all payments to employees that are subject to employer Class 1 secondary National Insurance contributions (NICs) such as wages, bonuses and commissions. You must include payments to:

- *all employees earning below the Lower Earnings Limit and the Secondary Threshold*
- *employees under the age of 21*
- *apprentices under the age of 25*

Your pay bill doesn't include:

- *earnings of employees under the age of 16*
- *earnings of employees who aren't subject to UK NICs legislation ***
- *earnings on which Class 1A NICs are payable, such as benefits in kind*

**** NOTE – This means all overseas companies are excluded from liability**

How much you need to pay

Employers who aren't connected to another company or charity will have an Apprenticeship Levy allowance of £15,000 each year.

The allowance reduces the amount of Apprenticeship Levy you have to pay by £15,000 across the year. This means that only employers with an annual pay bill of more than £3 million will pay the levy.

You can't carry over any unused allowance into the next tax year.

Connected companies or charities will only have one £15,000 allowance to share between them.

If you start or stop being an employer part way through the tax year you can use your full annual Apprenticeship Levy allowance against the amount of the levy that you owe.

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The first time you have to pay Apprenticeship Levy. You can't change your share of the allowance during the tax year.

Calculate what you owe

Apprenticeship Levy is charged at 0.5% of your annual pay bill. If you are using any computerized payroll software – Sage, IRIS etc then this should work this out for you.

Otherwise you can calculate manually: for the first month of the tax year:

1. *Divide your Apprenticeship Levy allowance by 12.*
2. *Subtract this figure from 0.5% of your monthly pay bill.*

For each of the following months:

1. *Calculate your total pay bill for the year to date.*
2. *Add up your monthly levy allowances for the year to date.*
3. *Subtract your levy allowance for the year to date from 0.5% of your total pay bill for the year to date.*
4. *Subtract the amount of the levy you've paid in the year to date.*

If you begin paying the levy part way through the tax year, you'll need to calculate how much of your annual allowance has been accumulated in the current year. Divide your full annual allowance by 12 and multiply by the number of months since the start of the tax year. This figure is your allowance for the first month you report the levy.

Any unused allowance can be carried forward into the next month within the same tax year.

Report how much you owe

From 6 April 2017, you'll need to tell HMRC how much Apprenticeship Levy you owe each month:

- *from the start of the tax year if:*
 - *your annual pay bill (including any connected companies or charities) in the previous tax year was more than £3 million*
 - *you think your annual pay bill (including any connected companies or charities) for the tax year will be more than £3 million*
- *if your annual pay bill (including any connected companies or charities) unexpectedly increases to more than £3 million - start reporting when this happens*

If you've started paying Apprenticeship Levy, you'll need to continue reporting it until the end of the tax year even if your annual pay bill turns out to be less than £3 million.

Connected companies or charities will each need to tell HMRC how much Apprenticeship Levy they owe.

Report your Apprenticeship Levy each month using your Employer Payment Summary (EPS) and include the following:

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- *the amount of the annual Apprenticeship Levy allowance you've allocated to that PAYE scheme*
- *the amount of Apprenticeship Levy you owe to date in the current tax year*

You don't need to report Apprenticeship Levy on your EPS if you haven't had to pay it in the current tax year.

Record keeping

You must keep records of any information you have used to calculate your levy payment for at least 3 years after the tax year which they relate to.

Changes to your pay bill

Report any changes to the Apprenticeship Levy as a result of changes to your pay bill on your next EPS.

If you find errors in your total annual pay bill at the end of the tax year, you must submit an extra EPS with the correct Apprenticeship Levy for the full tax year and pay what you owe.

How to pay

You'll need to pay the Apprenticeship Levy each month through the PAYE process in the same way you pay Income Tax or National Insurance contributions.

**Please do not hesitate to contact us
should you have any queries.**

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