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Apprenticeship levy Updated 05.02.24

The Apprenticeship Levy will be imposed on certain UK employers to fund new apprenticeships. The aim of the levy is to boost productivity by investing in human capital and increasing the quantity and quality of apprenticeships.

Since 2017 certain employers have to pay the Apprenticeship Levy each month at the rate of 0.5% based on their bill.

Do all employers pay the Levy?

Both public and private sector employers are affected and will be payable by employers who:

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

A connected company or charity is one which is under common control of another company/charity or under common control of the same person or persons. Control is based on a number of factors, such as commercial interdependence, fixed rate preference shares, minimum controlling combination principle, loan creditors and trustees.

The pay bill is the total employee earnings subject to Class 1 Secondary National Insurance Contributions (“NICs”) (i.e. wages, bonuses, commissions etc).

Payments which will need to be included are:

- all employees earning below the lower earnings limit and the secondary threshold;
- employees under the age of 21;
- apprentices under the age of 25.

But excludes:

- earnings of employees under the age of 16;
- earnings of employees who aren't subject to UK NICs;
- earnings on which Class 1A NICs are payable.

Apprenticeship Levy Allowance

Standalone employers will have an Apprenticeship Levy Allowance (“ALA”) of £15,000 each year. Connected companies or charities will only have one ALA to share between them.

The ALA reduces the amount of Apprenticeship Levy you have to pay by £15,000 across the year,

therefore only employers with an annual pay bill of more than £3m will pay the levy.

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

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

How to allocate your allowance

Your ALA can be allocated between:

- all your PAYE schemes;
- your connected companies or charities

You can decide how to split the ALA between your PAYE schemes or with your connected companies or charities. You'll need to report how you've allocated your ALA the first time you have to pay the Apprenticeship Levy. You can't change your share of the ALA during the tax year even if circumstances change. Allocation changes can be made at the start of the next tax year.

Public bodies each get a full ALA as they aren't considered to be connected companies.

NHS trusts and other health service bodies are considered to be companies and therefore have to follow the connected companies' rules.

Public bodies which are charities must also follow the rules for connected charities.

How to calculate what you owe?

For the first month of the tax year:

- Divide your ALA by 12.
- Subtract this figure from 0.5% of your monthly pay bill.

For each of the following months:

- Calculate your total pay bill for the year to date.
- Add up your monthly levy allowances for the year to date.
- Subtract your levy allowance for the year to date from 0.5% of your total pay bill for the year to date.
- 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 ALA

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Employers with a pay bill of more than £3m will have to pay the Apprenticeship Levy each month from 6 April 2017.

Although employers with a pay bill of less than £3m will be exempt from paying the Levy, they will still be able to access support for apprenticeships through the National Apprenticeship Service.



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has been accumulated in the current year. Divide your full ALA 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.

How the Levy will be submitted to HMRC?

The levy must be reported and paid monthly.

The amount due will be reported by including the following amounts on your employer payment summary (“EPS”) each month from 6 April 2017:

- the amount of the ALA 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.

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

The amount of levy due for the month will be payable along with any PAYE/NI due, by the 19th (22nd if paying electronically) of the following month.

If you’ve overpaid Apprenticeship Levy during the year, you’ll receive a refund as a PAYE credit.

If you’ve started paying apprenticeship levy, you must continue to report it until the end of the tax year even, if your annual pay bill turns out to be less than £3m.

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.

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.

Interaction with corporation tax

Payments of the apprenticeship Levy are deductible for corporation tax.

Other sectors

The levy may also apply in specific sectors, such as franchises, off-payroll working in the public sector, short-lived companies, managed service companies, employment or recruitment agencies, joint ventures and schools.

Where does the money go once it has been collected?

Once HMRC have collected the money it will be made accessible to employers through their own Digital Apprenticeship Service (“DAS”) account. The DAS account will be the platform from which employers can access training providers and find candidates for their programmes.

Once fully registered, employers will be able to view how much can be drawn down for each apprentice in the form of a voucher.

Registration for the DAS account opened in January 2017 and the levy-paying employers have been able to use the system from April 2017.

What does the Apprenticeship Levy mean for small employers?

Employers who have an annual pay bill of less than £3m will be exempt from paying the Levy, but these employers will still be able to access government support for apprenticeships through the National Apprenticeship Service

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