

A new monthly tax on big businesses, the apprenticeship levy, was introduced by the government on 6 April 2017. If you're a UK employer whose annual pay bill is £3 million, you may be required to pay it.

Set at 0.5% of your annual pay bill, the levy is part of the government's plans to increase the number of UK apprenticeships and improve how they are funded. This guide will help you to prepare for the changes to your monthly payments and reporting.

What will employers get out of it?

You'll get back more than you put in. The government will apply a 10% monthly top-up to the funds that enter your new Digital Apprenticeship Service (DAS) account.

Your DAS funds take the form of vouchers. From May 2017, you can spend these on training from members of the new Register of Apprenticeship Training Providers (RoATP).

Will HMRC need reports as well as payments?

They will. When the 2017/18 tax year starts in April, you will have to tell HMRC each month how much apprentice levy you owe. This applies if your annual pay bill (including any connected companies/charities):

- / was over £3 million in 2016/17
- / is expected to be over £3 million in 2017/18
- / or unexpectedly goes over £3 million in 2017/18.

Even if your annual pay bill turns out to be £3 million or less, once you have started reporting the levy to HMRC you should continue informing them through the entire tax year.

How do I report the levy?

Through the payroll process, with your Employer Payment Summary (EPS). The submission must include:

1. The amount of apprenticeship levy you owe in the current tax year to date.
2. The amount of the annual apprenticeship levy allowance allocated to your PAYE scheme.

There's an apprenticeship levy allowance?

Yes. Effectively it's an annual discount of £15,000 on your apprenticeship levy.

For employers who aren't connected to another company or charity, the allowance is split equally over 12 months.

Employers who are connected must decide what proportion of the allowance each employer in the group will be entitled to, which remains in place for the whole tax year.

And how do I calculate the amount I owe?

The apprenticeship levy is 0.5% of your annual pay bill. For annual pay bills of £3 million, the levy would be £15,000, meaning the allowance would cover it; however you would still need to report it in case it went over. This is why the levy is only owed on annual pay bills over £3 million, or to be precise £3,000,200.

For Month 1 of the tax year, the amount due would be 0.5% of the monthly pay bill of £500,000 minus a twelfth of the allowance: £2,500 - £1,250 = £1,250. The calculation would be the same if the income each month varies.

How do I pay the levy?

Like reporting, this is part of the payroll process. It's paid in the same way as NICs or PAYE tax each month.

Can BKL make the process simpler?

Definitely. For clients whose payroll we process, we will report the apprentice levy to HMRC and include the liability you have to pay as appropriate.

As well as having specialists in payroll and tax who can discuss any concerns you have, we can share BKL's own experience of working with apprentices, and of the difference they can make to your business.



For more information about how we can help you, please contact Gary Silver.

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