Apprenticeship levy

Employment Tax

01 June 2016

Apprenticeship levy of 0.5% to be introduced from April 2017 on pay bills over £3m to be amended to permit connected companies to split the £15,000 allowance between them.

Connected companies could have found themselves liable to the apprenticeship levy even if their combined pay bill did not exceed £3m. The government's amendment will remove that charge by allowing the allowance to be split between the companies.

Further to our article in April's *Tax Adviser*, the government has responded to concerns raised by the CIOT, ATT and others that the levy would not work fairly for 'connected companies' whose combined pay bills do not exceed £3m.

The levy is due to apply from April 2017 and be charged at 0.5% of employers' pay bills. This is subject to a £15,000 levy allowance. As originally drafted, the legislation did not provide for any unused levy allowance to be transferred to another connected group company or charity. However, after feedback on the legislation and proposals for the levy, the government is to put down an amendment to the Finance Bill to allow a group of connected employers to decide what proportion of the allowance each employer in the group will be entitled to. This decision must be taken at the beginning of the tax year and will be fixed for that year.

To benefit from this flexibility, each connected company must be an employer of staff in its own right, for example a family that owns a number of small businesses each employing their own staff, or a farmer who has diversified and runs different parts of the farming business through separate companies.

Allowing connected companies to share the £15,000 levy allowance will allow them use the allowance in full so that, as long as their combined pay bill does not exceed £3m, they will not have to pay any levy. The government is to also think again about

whether to allow an employer (whether connected or not) to split the allowance across their PAYE schemes.

More information on the apprenticeship levy can be found on GOV.UK.