

Amendment 27 to Clause 91: Connected charities

Summary

1. This amendment to clause 91 allows for charities which are connected for the purposes of the apprenticeship levy to share their annual levy allowance (£15,000) between them, instead of only one charity being entitled to this allowance.

Details of the amendment

2. The amendment removes subsections (1) to (3) of clause 91 and replaces it with new subsections (1) to (3M).
3. Subsection (1) sets out the definition of a 'charities unit' as being two or more charities which are connected to each other at the beginning of each tax year.
4. Subsections (2) to (3B) set out how the levy allowance may be split between connected charities. Connected charities must themselves determine the split. An individual charity in the unit may be entitled to no allowance (but not a negative amount), but in total the unit are not entitled to more than £15,000 levy allowance for a tax year. The decision relating to the split cannot be altered until the next tax year, unless a correction is necessary because the total amount of levy allowance for the charity unit exceeds £15,000.
5. Subsections (3C) to (3G) set out that if a charities unit has split their allowance in a way that means they receive more than £15,000 levy allowance, and does not remedy that by altering the split of their levy allowance after being notified in writing by HMRC, HMRC must decide what amount of allowance each charity is entitled to, for that tax year. HMRC will determine the allocation of the £15,000 levy allowance between charities in the unit by using the approach in subsection (3D), which is to scale down the levy allowance in the proportion agreed by the charities in the unit so that it equates to £15,000. For example where two companies used a levy allowance of £10,000 each, this would be scaled down to £7,500 each ((£10,000 × £15,000)/£20,000)
6. Subsection (3H) to (3K) sets out how the apprenticeship levy allowance is to be determined by HMRC where the total amount of apprenticeship levy paid is less than the amount due and the charities have not made apprenticeship levy returns or these returns do not contain sufficient information for HMRC to determine the allocated levy allowance split. In these circumstances HMRC will notify the charities in the unit in writing that they are considering taking action under subsection (3H). If the remedial action specified in the notice is not taken, HMRC will determine the allocation of the £15,000 levy allowance between charities in the unit by using the approach in subsection (3I), which is to split the allowance by the number of charities in the unit.
7. Subsection (3L) sets out that the Commissioners of HMRC can provide through regulations for charities in a unit to alter their allowance split, despite subsection (3B).

8. Subsection (3M) sets out that "apprenticeship levy return" refers to a return under regulations under section 94(4).

Background

9. The Apprenticeship Levy was announced at Summer Budget 2015. It will be a Levy on employers to fund new apprenticeships. The Levy will support the Government's commitment to improving productivity by increasing the quantity and quality of apprenticeships. The Levy will be charged at a rate of 0.5% of an employer's total pay bill. Each employer will receive an allowance of £15,000 to offset against their Levy payment, which will mean the Levy will be payable on pay bills in excess of £3 million a year. The Levy will be introduced from 6 April 2017.
10. Amendments are being made to clauses 90 and 91 to allow connected companies and connected charities to share the levy allowance in the group as they choose. There is also a consequential amendment to clause 88.
11. The amendments to clauses 90 and 91 are in response to representations received.