

Example 5 – A unit of 3 companies (Company A, Company B and Company C) split the £15000 allowance equally between all 3 companies so that each company receives an annual allowance of £5000. Each company has a monthly pay bill of £250000 (£3m for the tax year)

Month 1

$£250000 \times 0.5\% = £1250$ levy
Cumulative levy allowance = £416.66 i.e. $£5000/12$
Levy payable month 1 $£1250 - £416.66 = £833.00$

Month 2

$£500000$ ($£250000 + £250000$) $\times 0.5\% = £2500$
Cumulative levy allowance £833.32
Levy payable to month 2 is $£2500 - £833.32 = £1666.00$
Levy paid in month 2 = levy payable to month 2 – levy paid in month 1 $£1666.00 - £833.00 = £833.00$

Month 3

$£750000$ ($£250000 + £250000 + £250000$) $\times 0.5\% = £3750$
Cumulative levy allowance £1249.98
Levy payable to month 2 is $£3750 - £1249.98 = £2500.00$
Levy paid in month 3 = levy payable to month 3 – levy paid to month 2 $£2500.00 - £833.00 - £833.00 = £834.00$

Month 4

$£1000000$ ($£250000 + £250000 + £250000 + £250000$) $\times 0.5\% = £5000$
Cumulative levy allowance £1666.64
Levy payable to month 2 is $£5000 - £1666.64 = £3333.00$
Levy paid in month 4 = levy payable to month 4 – levy paid to month 3 $£3333.00 - £833.00 - £833.00 - £834.00 = £833.00$

And so on until month 12

£3 million ($£250000 \times 12$) $\times 0.5\% = £15,000$
Cumulative levy allowance £4999.92 (See note below)
Levy payable to month 12 is $£15,000 - £4999.92 = £10000.00$
Levy paid in month 12 = levy payable to month 12 –levy paid to month 11 = $£10000.00 - £9166.00 = £834.00$

All 3 companies will pay the same because they've been allocated the same amount of allowance and their monthly pay bills are the same. Due to the rules on rounding down and truncating, there are instances where in reality the employer may receive less than the allocated allowance. The levy due year to date figure is rounded down to the whole pound in the customers favour.

This is evident in Example 5, where the employer receives 8 pence less than £5000 in allowance for the year. The rules on rounding are in place to ensure that employers do not accidentally exceed the £15,000 allowance