

The Apprenticeships Levy - A briefing note for Northern Ireland employers

This briefing note sets out further detail on the Government's proposed new Apprenticeship Levy on large firms following the 2015 Spending Review and Autumn Statement held on 25th Nov 2015. This will include firms based in Northern Ireland.

The detail behind the Governments proposals is being developed on an ongoing basis and is therefore subject to change. This briefing note is up to date at 1 Dec 2015.

- The Levy will be introduced in April 2017.
- The rate for the levy and will be collected via
Pay as you earn (PAYE).
- Pay bill will be calculated based on total employee earnings; it will not include other payments such as benefits in kind and will apply to total employee earnings in respect of all employees.
- Levy will only be payable – employers with a pay bill
less than £3,000,000 will not pay the apprenticeship levy.
- The Levy is unlikely to apply to Labour Only Sub contractors, but this has not yet been clarified by Government
- All employers with a pay bill of more than £3 million will pay the Levy. The Government estimate that this equates to less than 2% of UK employers
- Employers will receive an allowance of £15,000 to offset against their apprenticeship levy payment.

Pay bill: $250 \times £20,000 = £5,000,000$
Levy sum: $0.5\% \times £5,000,000 = £25,000$
Allowance: $£25,000 - £15,000 =$

Pay bill: $100 \times £20,000 = £2,000,000$
Levy sum: $0.5\% \times £2,000,000 = £10,000$
Allowance: $£10,000 - £15,000 =$

- The Northern Ireland assembly will receive a portion of the Apprenticeship Levy (raised by the UK Government through PYAE) through the Block Grant. This will go directly to the Northern Ireland Assembly Central Budget.
 - The Northern Ireland assembly has not made any consultations on how the money raised by the Apprenticeship Levy will support training.
 - The Department for Employment & Learning (DEL) have recently completed a review of the Northern Ireland Apprenticeship framework and this will be informed by a Construction Sectoral Partnership which includes industry bodies.
 - CITB NI, along with other NI bodies, are raising the issue of how the money raised by the Apprenticeship Levy will be used.
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- The levy will apply to employers across the UK,
 - The Chancellor estimates that by 2019-20 the levy will raise £3bn. Of this, £2.5bn will be spent in England (which equates to roughly 83% of the revenue raised) with the remaining £500m split between the devolved nations Scotland, Wales and Northern Ireland receiving their 'fair share'. This implies the Barnett formula will be the method of distribution.
 - Funding allocated through the Barnett Formula is not hypothecated, therefore there is no guarantee that additional funds for devolved nations will be spent on apprenticeships.
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- The Government is yet to confirm who will oversee the new Levy stating that; *'Operational functions associated with funding for apprenticeships and administration of the levy will be fulfilled by the Government's operational agencies.'*
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- There will be an announcement in a few weeks on additional incentives to support young people to take on an apprenticeship.
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- CITB NI will work with Government and employers to consult with employers ahead of the introduction of the apprenticeship levy on how existing construction levy arrangements will be affected and whether any changes will be required.
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- The Government say they will introduce legislation to implement the new levy in the Finance Bill 2016. (which will follow the 2016 Budget)
 - The Government has said they will continue ongoing work with the Devolved Administrations to resolve the practical issues of implementation, funding flows and the interaction of the levy with devolved skills responsibilities to ensure the levy works for employers across the UK.