



Construction Industry Training Board Levy

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The Construction Industry Training Board Levy must be paid by eligible construction businesses.

The Levy is used to help train employees, to help skills development in the construction industry, and ensure high health and safety standards.

This note outlines the history and statutory background of the Levy. It details which companies are eligible to pay the Levy and the conditions under which companies are exempt. The key things which the Levy is used to pay for are also discussed.

Further information on the sector can be found in the House of Commons Library Standard Note on the [Construction Industry](#).

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1 The Construction Industry Training Board

The [Construction Industry Training Board](#) (CITB) is an executive non-departmental public body of the Department for Business, Innovation & Skills, which works to provide training, to create and maintain standards and provide advocacy for the construction sector. The CITB aims to help to “build a safe, professional and fully qualified workforce for the construction industry.”

The CITB was established as an Industry Training Board (ITB), following the 1964 Industrial Training Act which gave the then Minister of Labour statutory powers to create ITBs which would be responsible for training in a number of UK industries.

The Act was amended in 1982 to reduce the number of ITB’s to just two; the Construction Industry Training Board and the Engineering Construction Industry Training Board. The 1982 Act also empowered the CITB to collect information from employers that are ‘wholly or mainly’ engaged in construction activities,¹ and gave it a mandate to collect a Levy from employers and to use this to support training and skills in construction (the Levy Order).² [The Industrial Training \(Construction Board\) Order 1964 \(Amendment\) Order 1992](#) (or Scope Order) defines what is classed as a construction activity.

As the Sector Skills Council and ITB for the construction industry, the CITB works with construction companies to improve skills, lobby government and respond to the challenges employers face. The CITB works with employers, government and sector experts to design and monitor skills and training in all construction sectors.

The CITB is not funded directly by government, but through the UK Commission for Employment and Skills and through the Levy. Around half of the CITB’s funding is from the Levy.³

2 The Levy

All construction employers are required by law to complete a [Levy Return form](#) which gives details of the number of employees on their payroll and the scale of their wage bill. The Levy Return must be filled in each year. Information collected from the forms is used to work out how much each company must pay, according to the following formulae:

Total PAYE for year + total payments made to subcontractors engaged under a labour-only agreement for year = X

- ▶ If X is £79,999.99 or less you are not liable for Levy (note: you still need to complete a Levy Return).
- ▶ If X is £80,000 or more but less than £100,000 please see box below for new Small Business Levy Reduction
- ▶ If X is £80,000 or more you will pay: 0.5% for Total PAYE for year + 1.5% total labour only sub-contract payments for year*

* = This figure is only an indication of the amount of Levy you are liable for – we will calculate the exact figure during your levy assessment.

¹ [Industrial Training \(Construction Board\) Order 1964 \(Amendment\) Order 1992](#)

² [Industrial Training Act 1982](#)

³ CITB, [Annual Report and Accounts 2012](#), HC 122, p24

2.1 Who pays?

The formulae above means that those companies with a wage bill that is in excess of £80,000 per annum are required to pay Levy. Roughly a third of the 75,000 registered construction employers are Levy payers.⁴

Those businesses with a total wage bill (including payments to contractors) of less than £80,000 are exempt from paying the Levy. This is known as the Small Business Levy Exemption, or formally the Small Firms Threshold. These businesses are however, still eligible to claim grants from CITB (assuming all qualifying standards are met).

Another reduction for smaller businesses was introduced via the [Industrial Training Levy \(Construction Industry Training Board\) Order 2012](#) and came into force on 28 March 2012. This provision means that those businesses whose total wage bill fall just above the Small Business Levy Exemption level of £80,000, but is less than £100,000, will have their Levy bill reduced by 50%. This is demonstrated in the following table:

		Levy rate	Amount
Amount you paid to employees on payroll (PAYE)	£45,000	@ 0.5%	= £225
Amount you paid to self-employed workers or sub-contractors for labour only (LOSC)	£45,000	@ 1.5%	= £675
Subtotal			= £900
Less Small Business Levy Reduction		@ 50%	= £450
Levy Payable			= £450

3 What does the Levy pay for?

In 2012, the CITB collected £139 million from the Levy. This was £9.8m above expectations, but £0.7m below what was collected in 2011.⁵

The CITB collect Levy funds from employers and then invest the money back into the industry. Giving grants to employers to train, qualify and up-skill their workforce is the main way that the CITB supports the construction industry. Key items funded by the Levy include:

- Funding for mainstream and specialist apprenticeships
- Secure discounts on college fees for mainstream craft occupations
- Offer pre-apprenticeship programmes and support for skills competitions
- Undertake research in industry trends and skills requirements
- Promote construction careers
- Develop occupational standards and qualifications
- Provide Company Development Adviser visits to help employers plan their training needs.⁶

⁴ [HC Deb 21 May 2013 vol 563 c620W](#)

⁵ CITB, [Annual Report and Accounts 2012](#), HC 122

CITB provides the following justification for the Levy:

- It ensures sufficient training and skills development in the construction industry – CITB incentivises employers to train through the Grants Scheme, and by giving other funding.
- Employers who train their workforce can claim grants, paid for by the Levy. So employers that pay the Levy but don't regularly train help support those that do pay, which drives up overall standards.
- CITB offers industry-specific training not available elsewhere – so specialist trades get the training provision and apprenticeships they need.
- The Levy helps prevent skills gaps and shortages – investment in skills and training is maintained during the peaks and troughs of industry output.⁷

3.1 Grants

According to the CITB's [Annual Report and Accounts 2012](#), around 14,000 employers received grants towards their training needs during 2012, in the form of grants funded by the Levy.⁸

The CITB offer grants to support a wide range of training and qualifications, from apprenticeship support to management and supervisory qualifications.

Only employers who are registered with CITB can benefit from the Levy and grant system. Those who are registered can benefit from:

- Grants for training
- Company Development Advisers - who visit employers and provide advice on how to get the best from their workforce
- Apprenticeships - which combine college learning with on-site experience
- A range of other services including recognised qualifications, assessment and training support services
- Industry recognised card schemes (one being the Construction Skills Certification Scheme)

The CITB's ambition is that "...the construction sector will become world class through our support for skills and training – making it one of the most highly skilled, productive, safe and sustainable industries in the world."⁹

⁶ [CITB website](#)

⁷ *Ibid*

⁸ [CITB Annual Report and Accounts 2012](#), HC 122 (Public Benefits p.8)

⁹ *Ibid*

4 Provisions to review the CITB

The CITB's role is reviewed regularly. The Industrial Training Act can be amended by Statutory Instrument and comes before a Delegated Legislation Committee every three years. A committee considered the last Draft Industrial Training Levy (Construction Industry Training Board) Order on 19 March 2012.¹⁰

There is broad cross-party support for the Industrial Training Act and for the Levy payment.

However, in the Committee to agree the 2012 Order, Iain Wright MP, speaking for the Opposition, voiced some concerns:

...Under article 14 of the Industrial Training Levy (Construction Industry Training Board) Order 2012, payment of the levy must usually be made within one month of service of the assessment notice by the board. I am concerned about cash flow implications for many businesses. I know that there are mitigating effects in place for small firms, but given that construction output is particularly low, what can be done to ensure that the levy does not impose a considerable financial strain on firms in the construction industry?

The Rt. Hon. John Hayes, Minister for Further Education, Skills and Lifelong Learning responded for the Government:

...I will talk to the board about payment instalments. That would be a helpful way of addressing his specific point about cash flow. Businesses tend, as I know having been a business man myself, to survive or fail on the basis of cash flow. That is particularly true in the case of very small businesses, so I am happy to take further the proposal that we look at instalment payments where that is appropriate.

The CITB has a direct debit system of payment and the idea of monthly instalments is pretty routine, so I am sure that that would be a way of dealing with the issue that the hon. Gentleman raised in his typically responsible, helpful, but also imaginative style...

The CITB state on their website that later in 2014, "...we will ask the industry if it is prepared to support Levy proposals for 2015, 2016 and 2017, before asking Parliament in early 2015 for another 3 year Levy Order."

The CITB are currently exploring ways to simplify the Levy system to make it easier for employers to complete their Levy Return, this is following feedback from the industry. Feedback suggested that compiling the information needed for the Levy Return can be time consuming and, in some cases, can lead to extra administration costs. The main points of user feedback were:

- The Levy basis needs to be simpler
- The Levy Return needs to be easier and quicker to complete with no additional record keeping
- Instead of raising a Levy on Labour-only sub-contract payments (LOSC), CITB should consider a system based on PAYE and closer alignment with the HMRC Construction Industry Scheme (CIS) and specifically, the monthly CIS300 returns.¹¹

A group of industry representatives called the Levy Working Party (LWP), are examining options for simplifying the system. More details are available on the CITB's [website](#).

¹⁰ [Industrial Training Board Order Deb 19 Mar 2012](#)

¹¹ [CITB website](#)