



Guidance notes concerning the registration of establishments and the assessment and calculation of levy

Introduction

Under The Industrial Training Act 1982, all 'establishments' which are mainly engaged in one or more of the principal activities of the engineering construction industry are required by law to be registered with the ECITB and to be annually assessed for Industrial Training Levy.

What is an establishment?

Where a company or business organisation operates as one unit and that unit is mainly engaged in one or more of the principal activities described on page 2 of this leaflet, it is a 'leviable establishment'.

Where a company or business organisation is structured in such a way that it operates as different units, an 'establishment' could be any separate, identifiable part of the business (for example, divisions, subsidiaries or associated companies in a group, business streams, project groups, etc). A separate identifiable establishment could mean a part of the business that is geographically separate from other premises or has a separate management structure, or produces separate profit and loss accounts, etc.

What are engineering construction activities?

The following is a summary of the activities which are in-scope to the ECITB and therefore leviable so long as they are carried out in Great Britain (England, Scotland and Wales) or its offshore waters.

PRINCIPAL ACTIVITIES

Activities carried out on site					
1	Assembly Construction Dismantling Erection Fabrication Fitting Inspection Installation Maintenance Repair Replacement Testing	of any	chemical, electrical or mechanical apparatus, machinery or plant	that is	located on any site where a product is processed, including (but not limited to): Chemical works Gas making or gas treatment works Nuclear or thermal power stations Nuclear waste reprocessing sites Hydro-electric stations Oil refinery or oil terminals Plant concerned with the exploration for or exploitation of oil or gas Metal smelters Steel or paper mills Breweries or distilleries Human and/or animal food production Pharmaceutical, cosmetic and petrochemical production Cement and concrete bricks Glass and paper production Sewerage treatment works Any other installation involving the processing of any product
2	Supervision of the activities listed at 1 above.				
3	Erection and/or dismantling	of the	main framework of a building or other structure that is made of steel or other metal	where	the building or structure is erected or dismantled on any site (not necessarily on a site where a product is processed). Types of structures erected or dismantled could include, for example, supermarkets, warehouses, stadiums, agricultural buildings, office blocks, etc.
Other activities					
4	Planning Designing Commissioning Procurement	of any	chemical, electrical or mechanical apparatus, machinery or plant	carried out	in association with any apparatus, machinery or plant listed at 1 above or in association with any project for such an activity.
5	Hiring out by an employer of individuals in his employment to employers who are engaged in any of the activities listed above where the individuals hired out will be engaged in such activities.				

RELATED ACTIVITIES

Research, development, design or engineering construction drawing (either created by hand or by computer related software) or dynamic simulation

Buying, selling, hiring out, testing (including NDT), advertising, packing, distribution, transport or any similar operations

Operations of a kind performed at office premises or laboratories, or at stores, warehouses or similar places

Cleaning, washing or garaging vehicles or carrying out running repairs or minor adjustments thereto

Training of employees or apprentices

MANAGERIAL AND ADMINISTRATIVE SUPPORT ACTIVITIES

Any activities undertaken in the administration, control or direction of an establishment or establishments

Summary

Therefore, an establishment that is:

- a) wholly or mainly engaged in the principal activities of the engineering construction industry;
- b) wholly or mainly engaged in related activities provided the related activities are incidental or ancillary to the principal activities of the engineering construction industry; or
- c) wholly or mainly engaged in providing management and administrative support to an establishment or establishments which are mainly engaged in the principal activities of the engineering construction industry

is a leviable establishment, and all full and part-time employees and labour-only personnel employed by such an establishment and working in Great Britain are within scope of the legislation and are required to be declared to the ECITB and be assessed for levy.

How is the levy calculated?

After consultation with employers, ECITB recommends the rates of levy to the Secretary of State and to Parliament for approval. A Statutory Instrument is then passed which sets out the rates of levy to be applied and provides the ECITB with the authority to raise a levy.

All registered establishments are required to complete an annual Statutory Manpower and Payroll Return. The information provided on the Return enables the ECITB to assess the amount of training levy payable (if any) and to establish eligibility to receive grants. The Return also provides the ECITB with valuable information on employment levels in the industry.

In each establishment, personnel working mainly on site and all other personnel are required to be declared separately. Levy will be assessed on the total gross wages paid to employees and total payments made to labour-only personnel hired under labour-only agreements.

Levy rates

For employees and labour-only personnel mainly working on site a levy of 1.5% is payable on the total gross wages and labour-only payments paid during the year to 5 April, provided the combined wages and labour-only payments for the establishment being assessed exceeds £275,000.

For all other employees and labour-only personnel a levy of 0.18% is payable on the total gross wages and labour-only payments paid during the year to 5 April, provided the combined wages and labour-only payments for the establishment being assessed exceeds £1,000,000.

Paying the levy

Where an establishment returns the Statutory Manpower and Payroll Return and is liable to pay a levy, a Training Levy Assessment Notice detailing the levy due will be sent the following January. Provided an appeal is not lodged, the levy is payable in one instalment and within one month.

In cases where an establishment does not return the Statutory Manpower and Payroll Return, the establishment's levy liability is estimated (which may be more than the correct amount) and an Estimated Training Levy Assessment Notice is sent detailing the estimated levy due. Providing an appeal is not lodged, the estimated levy is payable in one instalment and within one month.

Appeals against Assessments

An employer may appeal against a Training Levy Assessment Notice to an employment tribunal. An appeal must be made within one month from the date of the service of the Training Levy Assessment Notice and must be submitted to the ECITB on the prescribed form (available from the ECITB). On an appeal the tribunal may confirm, rescind, increase or reduce the assessment.

A formal appeal is not always necessary and ECITB is prepared to review both the registration of an establishment or the levy assessed if there are grounds to do so, and provided the matter is brought to ECITB's attention before the levy becomes due.

Completing the Statutory Manpower and Payroll Return

It is suggested that employers adopt the following approach when preparing to complete the Return.

1. Decide whether the business operates as either one establishment or several separate, identifiable establishments (see page 1).
2. Determine whether or not each establishment is mainly engaged in the principal activities of the engineering construction industry (see page 2). If it is, it is a leviable establishment, and all employees and labour-only personnel should be declared on the Return.
3. For each establishment, disregard employees and labour-only personnel mainly working overseas (i.e. who have spent more than 50% of their time during the year to 5 April working outside of Great Britain).
4. Divide all full and part-time employees and labour-only personnel and their total gross wages/labour-only payments into two categories – staff mainly working on site and all other staff.