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# Contracting: The Financial Benefits

**CEDARCONNECT**

## Illustration based on CTC package of R110,000 per month

| Client costs (per month)                              | Perm employee   | Contractor      |
|---|-----------------|-----------------|
| Salary component                                      | R100,457        | R110,000        |
| ER - pension fund contribution at 9.5%                | R9,543          | R0              |
| CTC package   | R110,000        | R110,000        |
| ER - Bonus allocation at 10%                          | R11,000         | R0              |
| <b>CTC package inclusive of Bonus</b>                 | <b>R121,000</b> | <b>R110,000</b> |
| Hours paid by employer                                | 160             | 160             |
| Per hour cost of resource                             | R756.25         | R687.50         |
| <u>less lost days per month</u>                       |                 |                 |
| ER - Annual leave value (21 days)                     | 1.8             | 0.0             |
| ER - Sick Leave allocation (10 days)                  | 0.8             | 0.0             |
| ER - FRL leave allocation (3 days)                    | 0.3             | 0.0             |
| ER - Public holidays (12 days)                        | 1.2             | 0.0             |
| <b>Total (Days lost)</b>                              | <b>4.0</b>      | <b>0.0</b>      |
| <b>Total (Hours lost)</b>                             | <b>30.3</b>     | <b>0.0</b>      |
| Actual hours delivered by resource                    | 130             | 160             |
| True Cost per hour                                    | R934            | R688            |
| Cedar Connect source & management fee per hour at 15% |                 | R103            |
| <b>Net cost per hour</b>                              | <b>R934</b>     | <b>R791</b>     |
| Savings per month                                     |                 | <b>R22,998</b>  |
| Savings per annum                                     |                 | <b>R275,978</b> |
| Additional deliverable hours per annum                |                 | <b>366</b>      |

## How does this impact the contractors earnings?

Resources salary component

ER - pension fund contribution at 9.5%

**CTC package (per month)**

ER - Bonus allocation at 10%

**Total Monthly earnings**

| Perm employee   | Contractor      |
|-----------------|-----------------|
| R100,457        | R110,000        |
| R9,543          | R0              |
| <b>R110,000</b> | <b>R110,000</b> |
| R11,000         | R0              |
| <b>R121,000</b> | <b>R110,000</b> |

Resource Tax due

Resource Net Income (incl. of bonus)

plus claimable expenses

**Resource True Net Income**

|                       |                       |
|-----------------------|-----------------------|
| R35,475               | R27,500               |
| R74,976               | R82,500               |
| R0                    | R2,000                |
| <b><u>R74,976</u></b> | <b><u>R84,500</u></b> |

## Perm vs contractor comparison (Employer)

Employee/ Contractor incentive

Deliverable ownership

Average hours delivered per month

Risk of candidate/ contractor delivering

Retrenchment process within probation period

Retrenchment process after probation period

Governing of retrenchment process

Monthly payment terms

Payment of recruitment fee

| Perm employee                  | Contractor  |
|--------------------------------|---|
| Minimum work hours             | Maximum billable hours                                    |
| Potentially low                | High  |
| 130                            | 160   |
| Employer                       | Shared between Cedar Connect & Employer                   |
| 1 month                        | 1 month   |
| 3 months                       | 1 month   |
| Basic Conditions of Employment | Contract Law  |
| Immediate                      | up to 30 days   |
| Upfront                        | Only when you are comfortable with resources deliverables |

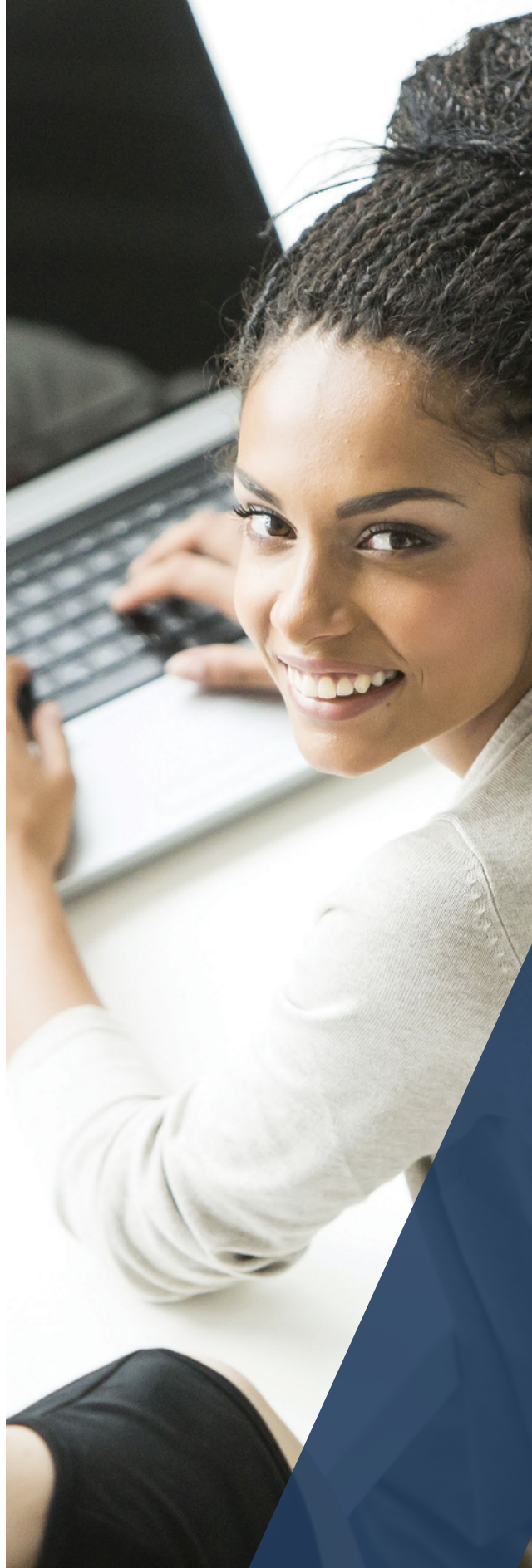
## Contracting:

### **Key Benefits to Client:**

- Cedar Connect are aligned and have a vested interest in the contractors performance for the duration of the contract.
- Cedar Connect meeting with Client and Contractor monthly to ensure delivery and alignment of placement.
- Substantial upfront and monthly savings.
- Easier, quicker & less costs effective to terminate contractors contract vs employee contract.
- Cedar Connect manages payroll and employment agreement with contractor.

### **Key Benefits to Candidate:**

- Contractors net salary increased due to lower tax bracket.
- Contractor is eligible to utilize claimable expenses.
- Cedar Connect appoint accountant to manage contractors provisional tax.



# CONTACT US

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