



## Insight

By Elize Pretorius, managing director, Modfin Consulting

### TCTC – do you really know what it means?

Total cost to company, or more generally used as TCTC has become an extremely loosely used phrase. But do you as the employee really understand what it is all about? “Modfin Consulting offers financial services to both individuals and companies alike. Everyday we have people who have been made an offer by an employer and we then calculate their package for them. Most employees are looking at earning a bigger package. The perception is that your take-home-pay will significantly increase if the offer is more. Beware!” warns Elize Pretorius.

In most cases this is not true. Total cost to company has its pitfalls. Remember, the employer is deducting all your expenses from your monthly salary package. This includes everything from your taxes, UIF, medical aid and whatever else the employer offers as part of the deal. Let’s look at a practical example which would make things a bit clearer;

**Example 1:** Mary works for a stationer as a bookkeeper. Her monthly salary before any deductions is R8 000-00. She contributes towards a pension fund and medical aid. Other normal monthly deductions are taxes and UIF.

Individual:

R8 000-00	Basic salary
(R500-00)	PAYE
(R2-00) UIF	
(R500-00)	Pension / provident fund
(R200-00)	Medical aid contribution
<b>R6 798-00</b>	<b>Nett salary</b>

The nett salary is what Mary has left after all deductions in other words this is her take-home pay every month.

### Example 2; TCTC scenario

The total cost to company scenario is the calculation of the total cost to the company to employ you. This is all the costs associated with your employment contract.

Cost to Company (company contributions):

R2-00	UIF
R500-00	Pension / provident fund
R200-00	Medical aid contribution
<b>R702-00</b>	<b>Total company contributions</b>

Mary’s take-home salary would now be structured as follows:

R8 000-00	Basic salary
(R500-00)	Pension company contribution
(R200-00)	Medical aid company contribution
(R2-00)	UIF company contribution
<b>R7 298-00</b>	<b>Taxable basic salary</b>
(R500-00)	PAYE
(R2-00)	UIF
(R500-00)	Pension
(R200-00)	Medical aid
<b>R6 096-00</b>	<b>Take-home salary</b>

On the total cost to company structure, Mary takes home R702-00 less a month than before.

My advice to job seeking candidates, before accepting an offer simply because it looks good, take the time out to investigate. Nothing wrong in making sure that what you think you’re getting is actually what you will be getting at the end of the day.

When a prospective employer makes you an offer, ask them about the package. Is it a total cost to company package? What would the monthly deductions be? Then ask them if they would prepare a ‘dummy’ pay slip which includes all deductions. Alternatively contact a financial services company who can assist in preparing the best package for you.

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