NEWSLETTER

CRVW
CHARTERED ACCOUNTANTS & AUDITORS

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Understanding Payroll Costs

Why Net Salary Isn't The Full Picture

One of the most common questions we hear is:

> "Why does payroll cost more than what my employees actually take home?"

It's a fair and important question – especially when you're budgeting, forecasting, or planning to expand your team.

The truth is, what employees see in their bank accounts (net salary) is only part of the story. For employers, the total cost of employing someone includes various statutory contributions, deductions, and occasional extras.

This article unpacks the difference between Net Salary, Gross Salary, and Total Cost to Company (CTC) – and helps both employers and employees understand what really goes into a payslip.

NET SALARY VS GROSS SALARY VS TOTAL COST TO COMPANY

Let's break down the basics:

Net Salary

The amount the employee takes home after all deductions (like PAYE, Social Security, loans, or advances).

Gross Salary

The total fixed earnings before deductions — this includes basic salary and allowances. It's typically the number discussed during salary negotiations.

Total Cost to Company

What it actually costs the employer to have someone on the team. This includes the gross salary plus employer-side statutory contributions and sometimes additional benefits or once-off payments.

In Namibia, your total payroll cost can be 10–20% higher than the net salary paid to the employee.

EXAMPLE: Suppose you hire an employee with a gross salary of N$10,000 per month.

EXAMPLE

Item		Amount (N$)
Gross Salary		10,000.00
Less:	PAYE (approximate)	-300.00
Less:	SSC Employee (0.9%)	-90.00
Net Salary (Take-home pay)		**9,610.00**
Plus:	SSC Employer Contribution (0.9%)	+90.00
Plus:	VET Levy (1% of payroll)*	+100.90
Total Cost to Company		**10,190.90**

*Note: The VET Levy applies if your annual payroll exceeds N$1 million.

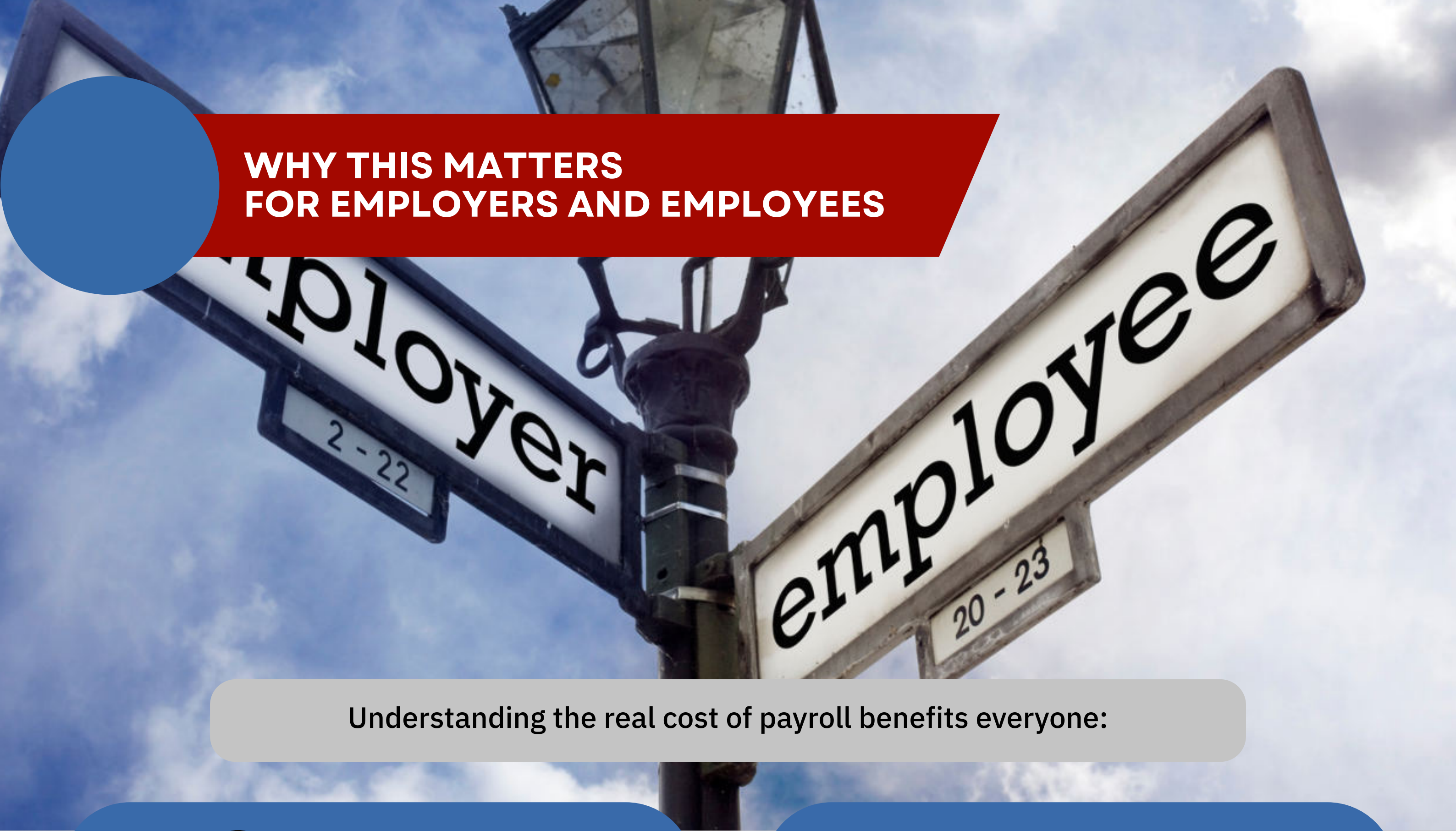
So while the employee receives N$9,610, you're spending over N$10,190. And that doesn't yet include bonuses or benefits.

OTHER PAYROLL COSTS YOU MIGHT OVERLOOK

Beyond gross salary and statutory contributions, your business may also need to account for:

- Overtime or travel reimbursements
- Bonuses (e.g., 13th cheque, performance incentives)
- Leave payouts when staff resign or are terminated
- Medical aid or pension contributions
- Training and development (e.g., bursaries, short courses)

These aren't always monthly expenses — but they add up. Planning ahead prevents unpleasant surprises.



WHY THIS MATTERS FOR EMPLOYERS AND EMPLOYEES

Understanding the real cost of payroll benefits everyone:

Employers

- Better budgeting:
  Know what you're really spending.
- Smarter hiring:
  Understand the true cost of a "N$10,000 salary."
- Easier compliance:
  Meet statutory requirements on time and avoid penalties.
- Accurate pricing:
  If your services rely on labour input, underestimating payroll can impact your margins.

Employees

- Greater transparency:
  Understand what affects your take-home pay.
- Fair negotiations:
  Know the full value of your employment package.
- Career planning:
  See how benefits and contributions play a role in your total compensation.

HOW CRVW BUSINESS SOLUTIONS CAN HELP

Our payroll service is built to simplify your life.

Every month, we provide a detailed Company Reconciliation Summary showing:

- Net salaries per employee
- All statutory amounts (PAYE, SSC, VET)
- Your total payroll cost
- A single lump-sum transfer amount — no guesswork, no stress

We process payments on your behalf, ensuring compliance, accuracy, and peace of mind.

Thinking of hiring someone new? Not sure if your current payroll structure still makes sense?

Let us help you plan smarter.

Conclusion

Net salary is just the tip of the iceberg. To make confident, cost-effective decisions, businesses must look at the Total Cost to Company. And for employees, it's helpful to understand where your money goes – and how much your employer is really investing in you.

Have questions? Ready to simplify your payroll?

We're here to help.

+264 61 382 600
+264 61 382 601
www.crvanwyk.com
enquiries@crvw.com.na
29 Feld Street, Windhoek, Namibia

CRVW