



Global Business
Services Incentive
(GBS)



Global Business Services Incentive (GBS)

BACKGROUND

- The Department of Trade and Industry (“DTI”) launched the GBS incentive effective from 1 January 2019, replacing BPS which was first introduced in 2011 and scaled up in 2014
- Introduction of BPS contributed significantly to South Africa receiving accolades as the Best Offshoring Destination at the National Outsourcing Association (NOA) and European Outsourcing Association (EOA) in 2012 and 2013 respectively
- Since inception the BPS incentive created 23 804 jobs
 - 9 077 jobs (2011 – 2014)
 - 14 727 jobs (2014 – 2017)

	2016/17	2017/18
Projects approved	11	7
Approved amount	52,3 million	33 million
Projected export revenue	7,2 billion	3 billion
Projected new jobs	6 687	2 145

The Incentive Development and Administration Division – 2017/18 Annual Incentive Performance Report

- Although the number of approval have dropped in the last 2 years, the export revenue multiplier has remained high

Highlights



The incentive has reduced the cost of operations in South Africa, now competing with countries like the Philippines and India.



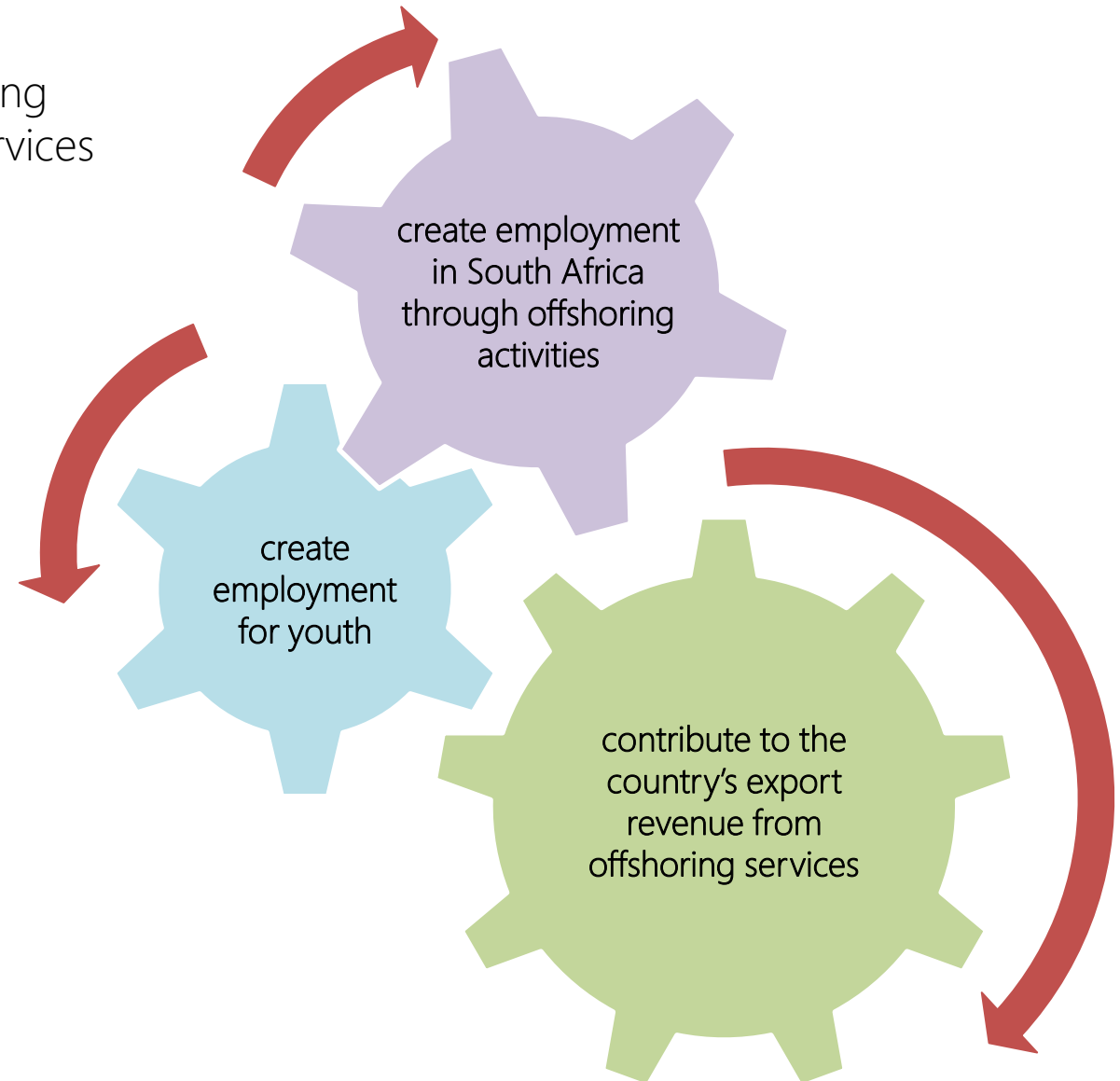
Investments growing into non-traditional areas, e.g. finance and accounting, IT services and online tutoring.



The projected export revenue multiplier remained high - 136 in 2016/17 and 91 in 2017/18.

Global Business Services Incentive (GBS)

- GBS applicants are required to start or expand existing operations in order to engage in global business services
- Global business services include:
 - Finance and accounting services
 - Human resources function
 - Contact centres
 - Back office processes
 - IT and technical services



The Benefit

The GBS is made up of two components:



Base
incentive

Bonus
incentive

- 3 tier differential incentive for non complex, complex and highly complex jobs based on the fully loaded cost per job*
- 5 year operational expenditure grant that tapers down in line with the narrowing gap between South Africa and other off shoring countries.
- Graduated bonus incentive is offered on jobs created in excess of specific targets

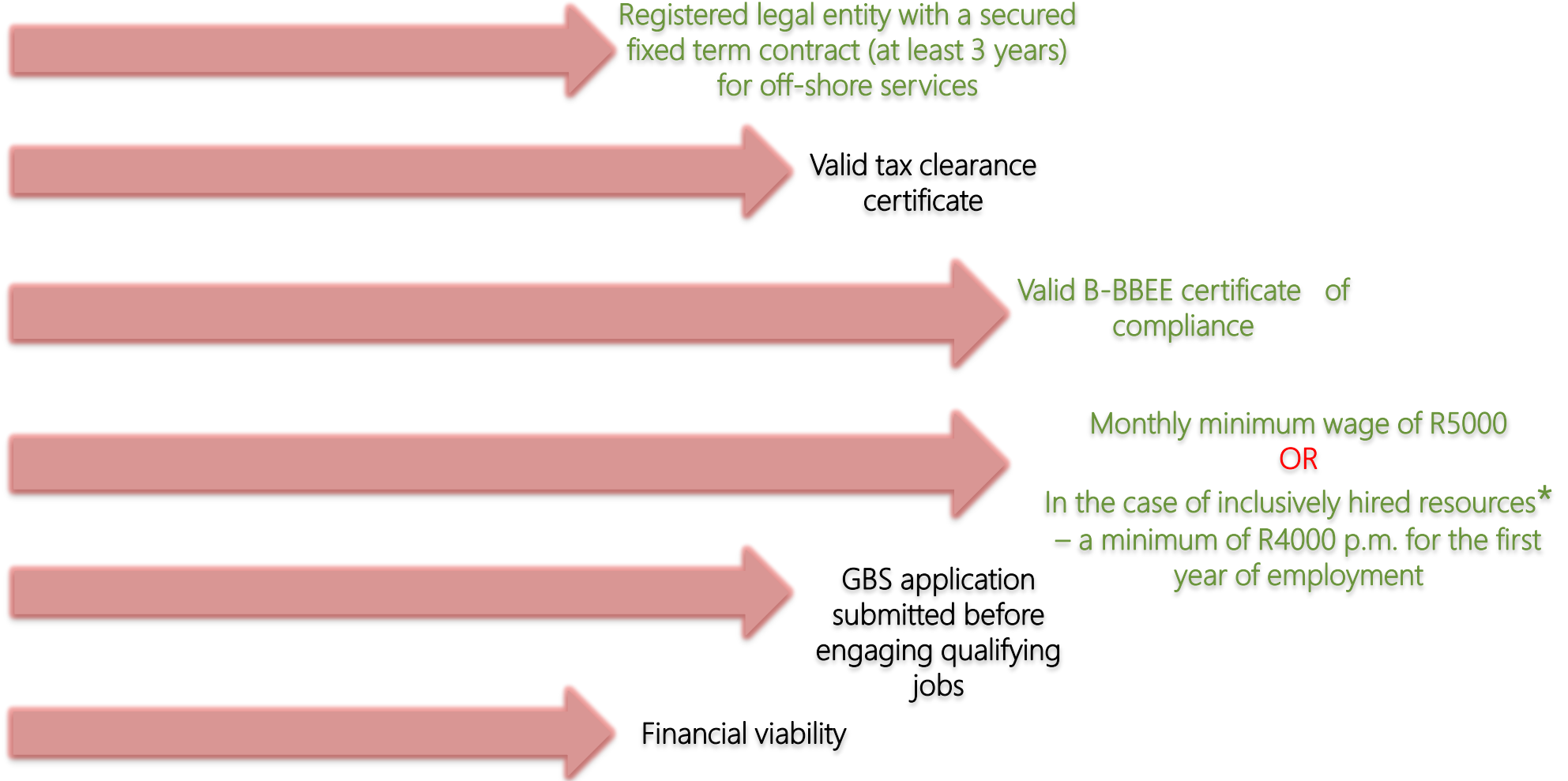
3 tier differential:

Non complex	Full loaded operating cost less/equal to R300 000 p.a. per job
Complex	Full loaded operating cost greater than R300 001 p.a. per job AND wages contributing at least 65% of operating cost base
Highly complex	Full loaded operating cost greater than R600 000 p.a. per job AND wages contributing at least 65% of operating cost base

*fully loaded cost per job includes:

- Salaries & benefits, facilities, telecommunication, equipment and other overheads associated with offshore delivery
- **EXCLUDES** capex, global corporate overheads and charge backs, interest and other contingent liabilities such as lawsuits and penalties

Eligibility criteria

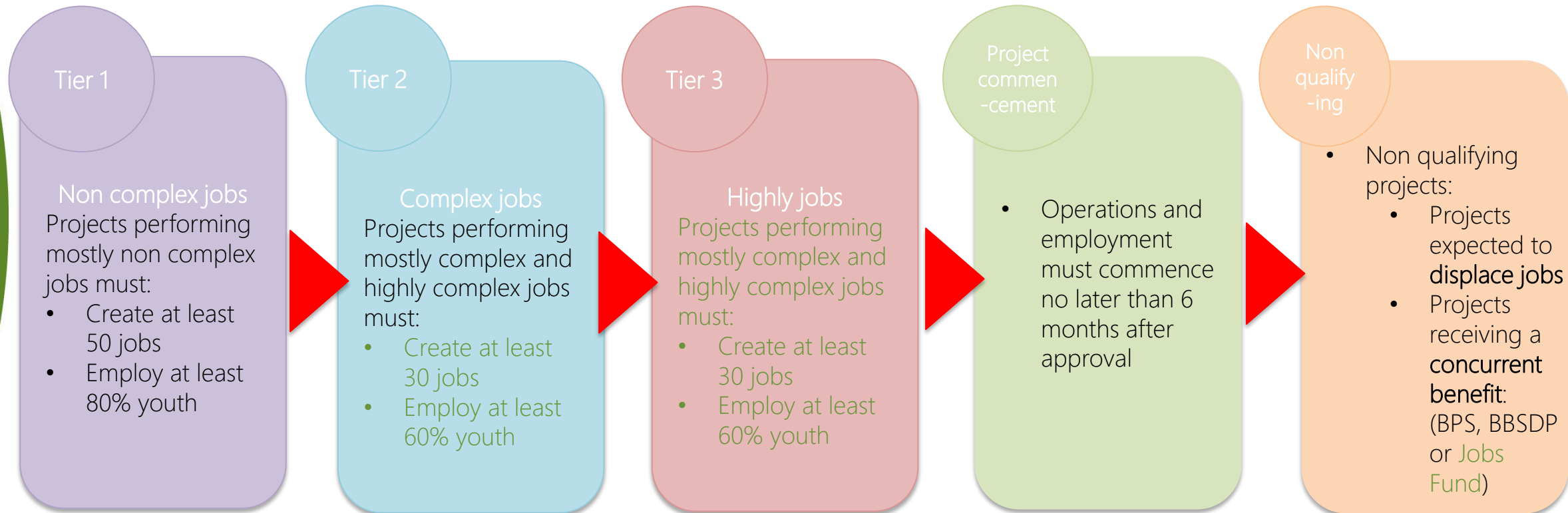


***Inclusively hired resource:**

- Aged between 18 – 34 (*proof of ID*)
- South African citizen (*proof of ID*)
- Living in poor household / community with low/no levels of employment (*resource must have attended a quintile 1, 2, or 3 school*)

Eligibility criteria

In assessing eligibility, the DTI will consider the following factors:



Evaluation criteria

To qualify for the incentive, a project must achieve at least 60% of the evaluation criteria:

Evaluation dimensions	Category weight		Parameters measured	Sub-category weight	
	BPS	GBS		BPS	GBS
Credibility of the company (applicant/parent)	40%	30%	Applicant/parent revenues	30%	25%
			Number of years since inception	30%	50%
			Applicant's / parent's net profit (PAT)	30%	25%
BPS/shared services credentials and scale of operations in SA	20%	30%	Global shared services scale	50%	70%
			OR Total number of BPS delivery FTEs globally	50%	
			OR SA entity scale	50%	
	20%		Current scale of offshore BPS jobs in SA	50%	30%
Soundness of the application under review	20%	40%	Contract duration	25%	25%
			Total contract value	-	25%
			Revenue of buyer	25%	25%
			Strength of contract (transition plan, processes, timeline, termination clause)	50%	25%

Grant calculation & disbursement

- ❑ The **base incentive** is calculated on projected offshore jobs to be created based on a tapering scale and is awarded on actual offshore jobs created as per the full time equivalent definition.
- ❑ The **base incentive** is paid for a period of five years (60 months) from the date which offshore job is created.
- ❑ The **base incentive** will be determined at application stage depending on the full loaded operating costs.
- ❑ The approval of **base incentive** will be granted for the first year at application whereas the subsequent years projections are accepted and reviewed annually in April, subject to performance in the preceding year(s).
- ❑ The approval of the **bonus incentive** will be approved as a percentage of the base incentive in the year when the targets are exceeded - payable only in the fifth (5th) year.
- ❑ The base incentive will be disbursed quarterly based on jobs created. A **minimum of 10 jobs** must be created to qualify for the first disbursement
- ❑ Bonus incentive is disbursed once at the end of 5 years
- ❑ All approvals granted for the preceding FY that remain unclaimed by 30 June of the following year will be cancelled

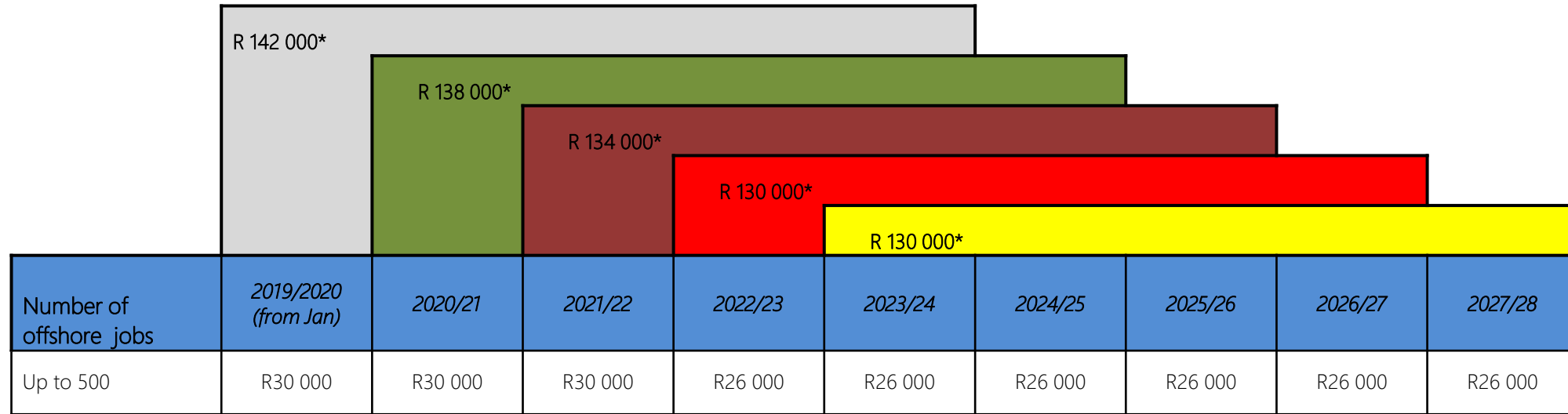
BPS vs GBS

GBS largely remains similar to its predecessor. The substantial differences between the two incentives are noted below:

	BPS	GBS
Secured contract	No prescribed contract length	3 year fixed contract required at application
Incentive	Two differential incentive for non complex and complex jobs	Three differential incentive for non complex, complex and highly complex jobs
BBBEE	Minimum level 6 requirement. Where applicant's BEE level is below level 6 at application, the following levels must be achieved from approval date: <ul style="list-style-type: none"> level 6 within 2 years Level 5 within 3 years Level 4 within 5 years 	At least compliance level 8
Minimum wage	N/A	Imposes a minimum wage requirement of R5000pm OR R4000pm for "inclusively hired employees"
Benefit	Slight differential on the base incentive offered at each level as well as expected job creation	
	Bonus incentive ranges between 20%-30% for both incentive however there is a slight differential on the job creation above minimum thresholds	
Concurrent benefit	Projects receiving BPS may not also benefit from BBSDP, Co-operatives Scheme, NIPP	Projects receiving BPS may not also benefit from BPS, BBSDP, Jobs Fund

Tier 1 - non complex jobs

The GBS base incentive for non complex jobs is calculated as follows:



* Total grant per job created and maintained over 5 years

Tier 1 - non complex jobs

The GBS base incentive for non complex jobs is calculated as follows:

YEAR	NUMBER OF JOBS	INCENTIVE PER JOB	INCENTIVE
1	10	30 000	300 000
2	20	30 000	600 000
3	50	30 000	1 500 000
4	60	26 000	1 560 000
5	70	26 000	1 820 000
TOTAL INCENTIVE OVER 5 YEARS			R 5 780 000

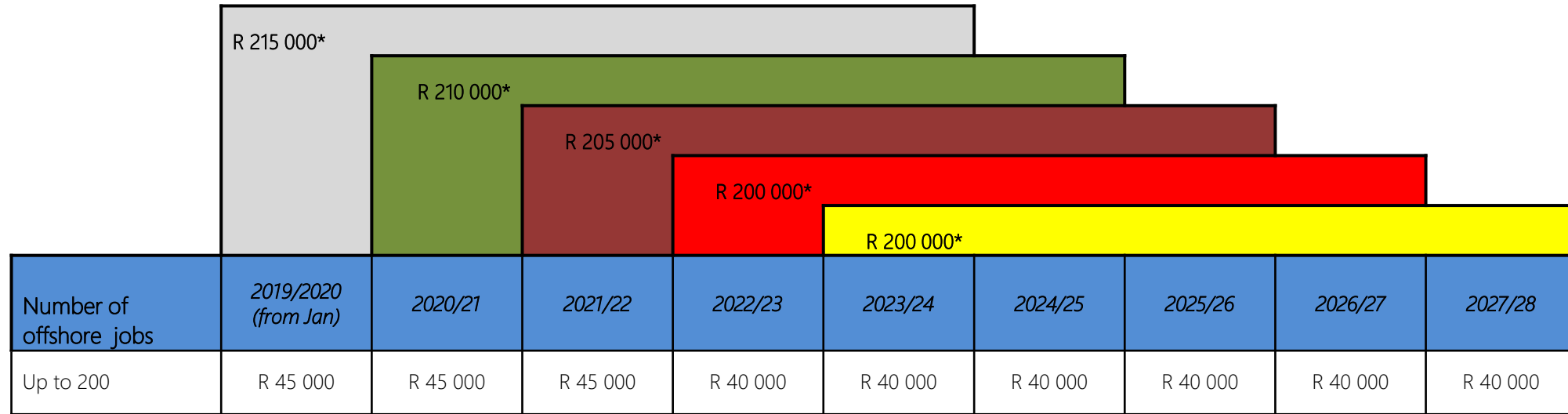
Bonus incentive for non complex jobs

Number of offshore jobs	Bonus Incentive	Illustration
Greater than 500 but less than or equal to 1 000	20% once-off	<p>Bonus calculated for each job created and maintained between 501 and 1 000</p> <p>Illustration: If an investor creates 520 actual offshore jobs in 2019/20, 510 jobs in 2020/21, 540 jobs in 2021/2, 550 jobs in 2022/23 and 560 jobs in 2023/24. Given that an investor created and maintain more than 500 jobs over a five year period, the bonus incentive amount for the fifth year (2023/24) is calculated as:</p> <ul style="list-style-type: none">• Bonus: $R\ 30,000 \times 20\% \times 20 = R\ 120,000$
Greater than 1 000	30% once-off	<p>Bonus calculated for each job created and maintained in excess of 1 000</p> <p>Illustration: If an investor creates 1 050 actual offshore jobs in 2019/20, 1 065 jobs in 2020/21, 1 075 jobs in 2021/2, 1 080 jobs in 2022/23 and 1 100 jobs in 2023/24. Given that an investor created and maintain more than 1 000 jobs over a five year period, the bonus incentive amount at the end of the fifth year (2023/24) is calculated as:</p> <ul style="list-style-type: none">• Bonus: $R\ 30,000 \times 30\% \times 50 = R\ 450,000$

The bonus incentive is available to applicants that create and maintain more than 500 offshore jobs

Tier 2 - complex jobs

The GBS base incentive for complex jobs is calculated as follows:



**Total grant per job created and maintained over 5 years*

Tier 1 - complex jobs

The GBS base incentive for complex jobs is calculated as follows:

YEAR	NUMBER OF JOBS	INCENTIVE PER JOB	INCENTIVE
1	10	45 000	450 000
2	20	45 000	900 000
3	30	45 000	1 350 000
4	40	40 000	1 600 000
5	50	40 000	2 000 000
TOTAL INCENTIVE OVER 5 YEARS			R6 300 000

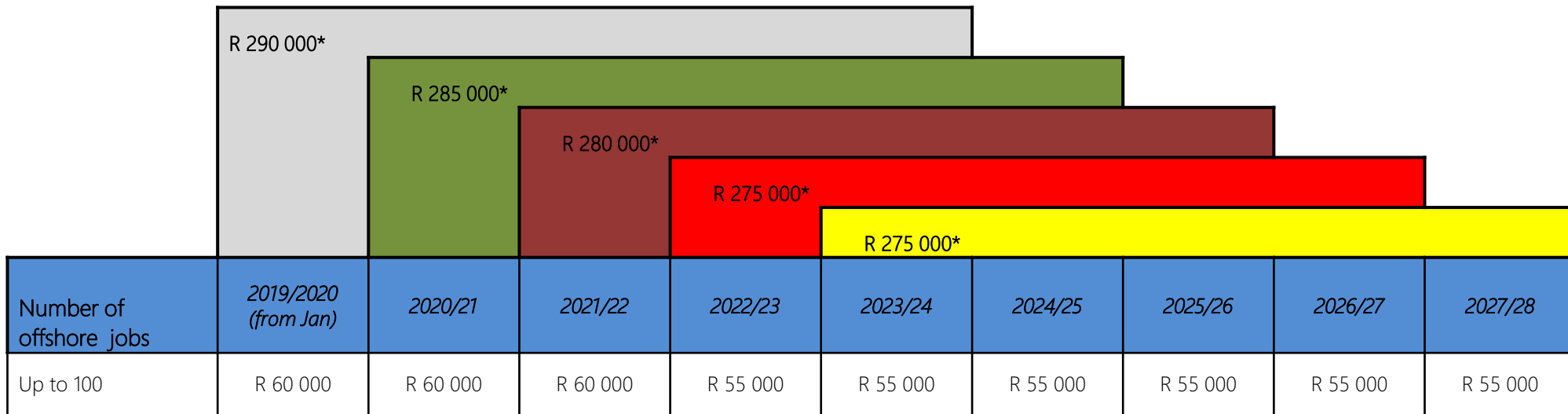
Bonus incentive for complex jobs

Number of offshore jobs	Bonus Incentive	Illustration
Greater than 200 but less than or equal to 400	20% once-off	<p>Bonus calculated for each job created and maintained between 201 and 400</p> <p>Illustration: If an investor creates 220 actual offshore jobs in 2019/20, 230 jobs in 2020/21, 240 jobs in 2021/2, 250 jobs in 2022/23 and 260 jobs in 2023/24. Given that an investor created and maintain more than 200 jobs over a five year period, the bonus incentive amount for the fifth year (2023/24) is calculated as:</p> <ul style="list-style-type: none"> • Bonus: $R\ 45,000 \times 20\% \times 20 = R\ 180,000$
Greater than 400	30% once-off	<p>Bonus calculated for each job created and maintained in excess of 400</p> <p>Illustration: If an investor creates 450 actual offshore jobs in 2019/20, 465 jobs in 2020/21, 475 jobs in 2021/2, 480 jobs in 2022/23 and 500 jobs in 2023/24. Given that an investor created and maintain more than 400 jobs over a five year period, the bonus incentive amount at the end of the fifth year (2023/24) is calculated as:</p> <ul style="list-style-type: none"> • Bonus: $R\ 45,000 \times 30\% \times 50 = R\ 675,000$

* The bonus incentive is available to applicants that create and maintain more than **200** offshore jobs over 5 years

Tier 3 – highly complex jobs

The GBS base incentive for highly complex jobs is calculated as follows:



**Total grant per job created and maintained over 5 years*

Tier 1 - highly complex jobs

The GBS base incentive for highly complex jobs is calculated as follows:

YEAR	NUMBER OF JOBS	INCENTIVE PER JOB	INCENTIVE
1	10	60 000	600 000
2	20	60 000	1 200 000
3	30	60 000	1 800 000
4	40	55 000	2 200 000
5	50	55 000	2 750 000
TOTAL INCENTIVE OVER 5 YEARS			R8 550 000

Bonus incentive for highly complex jobs

Number of offshore jobs	Bonus Incentive	Illustration
Greater than 100 but less than or equal to 200	20% once-off	<p>Bonus calculated for each job created and maintained between 101 and 200</p> <p>Illustration: If an investor creates 120 actual offshore jobs in 2019/20, 130 jobs in 2020/21, 140 jobs in 2021/2, 150 jobs in 2022/23 and 160 jobs in 2023/24. Given that an investor created and maintain more than 100 jobs over a five year period, the bonus incentive amount for the fifth year (2023/24) is calculated as:</p> <ul style="list-style-type: none">• Bonus: $R\ 60,000 \times 20\% \times 20 = R\ 240,000$
Greater than 200	30% once-off	<p>Bonus calculated for each job created and maintained in excess of 200</p> <p>Illustration: If an investor creates 250 actual offshore jobs in 2019/20, 265 jobs in 2020/21, 275 jobs in 2021/2, 280 jobs in 2022/23 and 300 jobs in 2023/24. Given that an investor created and maintain more than 200 jobs over a five year period, the bonus incentive amount for the fifth year (2023/24) is calculated as:</p> <ul style="list-style-type: none">• Bonus: $R\ 60,000 \times 30\% \times 50 = R\ 900,000$

*The bonus incentive is available to applicants that create and maintain more than **100** offshore jobs*

Contact us



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