

PROFESSIONAL FEES
FOR ARCHITECTS
NAMIBIA INSTITUTE OF ARCHITECTS

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WORKSHOP SUMMARY



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- Standard and supplementary services
- Documentation fees example
- Contract administration fees example
- Repetition fees
- Alteration fees
- Ratios
- Example
- Time charges
- Other charges
- Calculation of total fees
- Exercise

General remarks

- Minimum fees chargeable by Architects = schedule.
- Fees for standard services calculated as a percentage of the cost of works.
- Definition of cost of works
- VAT on different contracts
 - buildings used solely (100%) for residential purpose
 - extensions to an existing building used solely for residential purpose
 - improvements or maintenance to an existing building used solely for residential purpose
 - buildings used for both residential and non-residential purposes
 - number of new buildings, some for residential purposes and some for non-residential purposes
- Fees for supplementary services calculated on a time cost basis.
- All professional fees are subject to 15% value added tax

Standard and supplementary services

- Standard services (schedule, point 3)
 - Appraisal and definition of the project
 - Design concept
 - Design development
 - Approvals and technical documentation
 - Contract administration and inspection
- Supplementary services (schedule, point 4)
 - Special studies
 - Special designs
 - Surveys, inspections, renovations, valuations, etc. of existing premises
 - Special administrative or legal services
 - Maintenance/ Operating manuals
 - Supplementary/ Revised documentation
 - Special project management activities

Standard services – type building

- List of simple and complex buildings (schedule, point 5)
- Fees calculated in accordance with Column A, B or C

PERCENTAGE FEES FOR WORKS

Cost of Works (in Namibian Dollars)	Column A Fee for buildings other than simple or complex (in Namibian Dollars)	Column B Fee for simple buildings (in Namibian Dollars)	Column C Fee for complex buildings (in Namibian Dollars)
0 to 440,000	0.00 + 7.5% of cost	0.00 + 6.5% of cost	0.00 + 8.50% of cost
440,001 to 880,000	2,200.00 + 7.0% of cost	2,200.00 + 6.0% of cost	2,200.00 + 8.00% of cost
880,001 to 1,760,000	4,400.00 + 6.75% of cost	4,400.00 + 5.75% of cost	4,400.00 + 7.75% of cost
1,760,001 to 3,520,000	8,800.00 + 6.5% of cost	8,800.00 + 5.5% of cost	8,800.00 + 7.5% of cost
3,520,001 to 7,040,000	17,600.00 + 6.25% of cost	17,600.00 + 5.25% of cost	17,600.00 + 7.25% of cost
7,040,001 to 14,080,000	35,200.00 + 6.0% of cost	35,200.00 + 5.0% of cost	35,200.00 + 7.0% of cost
14,080,001 to 28,160,000	70,400.00 + 5.75% of cost	70,400.00 + 4.75% of cost	70,400.00 + 6.75% of cost
28,160,001 to 56,320,000	140,800.00 + 5.5% of cost	140,800.00 + 4.5% of cost	140,800.00 + 6.5% of cost
56,320,001 to 112,640,000	281,600.00 + 5.25% of cost	281,600.00 + 4.25% of cost	281,600.00 + 6.25% of cost
112,640,001 to 225,280,000	563,200.00 + 5.0% of cost	563,200.00 + 4.0% of cost	563,200.00 + 6.0% of cost
Over 225,280,000	0.00 + 5.25% of cost	0.00 + 4.25% of cost	0.00 + 6.25% of cost

Standard services – cost of works

- Cost of project for the calculation of fees is determined as follow:

DOCUMENTATION:

Total estimated cost (incl. VAT)

Less: VAT

Less: Escalation

Less: Contingencies

SUB-TOTAL

Add: VAT

TOTAL

CONTRACT ADMINISTRATION:

Total contract sum (incl. VAT)

- Contract sum always incl. VAT but is sometimes zero rated.

Standard services - stages

- Payment divided into different work stages.

- Stage 1 - Appraisal and definition	5%
- Stage 2 - Design concept	15%
- Stage 3 - Design development	15%
- Stage 4 - Approvals and technical documentation	40%
- Stage 5 - Contract administration and inspection	<u>25%</u>
	100%

- In the event of partial services, fees are payable for each stage.
- If another Architect takes over after a specific stage, the fee for the first stage after takeover will increase by 15%

Example - documentation fees

- Calculate the documentation fees for the different work stages. The project is a medical school for the Ministry of Health and Social Services ; the estimated project cost is N\$ 26,852,750.00 ; including N\$ 530,000.00 for escalation and N\$ 680,000.00 for contingencies.

DOCUMENTATION:

Total estimated cost (incl. VAT)	N\$ 26,852,750.00
<u>Less:</u> VAT	N\$ 3,502,532.61
<u>Less:</u> Escalation	N\$ 530,000.00
<u>Less:</u> Contingencies	N\$ 680,000.00
SUB-TOTAL	N\$ 22,140,217.39
<u>Add:</u> VAT	N\$ 3,321,032.61
TOTAL	N\$ 25,461,250.00

Example - documentation fees cont.

PERCENTAGE FEES FOR WORKS



Cost of Works (in Namibian Dollars)	Column A Fee for buildings other than simple or complex (in Namibian Dollars)	Column B Fee for simple buildings (in Namibian Dollars)	Column C Fee for complex buildings (in Namibian Dollars)
0 to 440,000	0.00 + 7.5% of cost	0.00 + 6.5% of cost	0.00 + 8.50% of cost
440,001 to 880,000	2,200.00 + 7.0% of cost	2,200.00 + 6.0% of cost	2,200.00 + 8.00% of cost
880,001 to 1,760,000	4,400.00 + 6.75% of cost	4,400.00 + 5.75% of cost	4,400.00 + 7.75% of cost
1,760,001 to 3,520,000	8,800.00 + 6.5% of cost	8,800.00 + 5.5% of cost	8,800.00 + 7.5% of cost
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Over 225,280,000	0.00 + 5.25% of cost	0.00 + 4.25% of cost	0.00 + 6.25% of cost

Type building Medical school = complex building → use column C

Cost of works is N\$ 25,461,250.00 → use appropriate row

Example - documentation fees cont.

$$\begin{aligned}\text{Professional fees} &= \text{basic charge} + 6.75\% \text{ of cost} \\ &= \text{N\$ } 70,400.00 + (6.75\% \text{ of N\$ } 25,461,250.00) \\ &= \text{N\$ } 70,400.00 + \text{N\$ } 1,718,634.38 \\ &= \text{N\$ } 1,789,034.38 \quad (= \text{full fees excl. VAT})\end{aligned}$$

$$\begin{aligned}\text{Prof fees incl VAT} &= \text{N\$ } 1,789,034.38 + 15\% \text{ VAT} \\ &= \text{N\$ } 1,789,034.38 + \text{N\$ } 268,355.16 \\ &= \text{N\$ } 2,057,389.53 \quad (= \text{full fees incl. VAT})\end{aligned}$$

$$\text{TOTAL DOCUMENTATION FEES} = 75\% \text{ of full fees} = \text{N\$ } 1,543,042.15$$

$$\text{Stage 1} = 5\% \text{ of N\$ } 2,057,389.53 = \text{N\$ } 102,869.48$$

$$\text{Stage 2} = 15\% \text{ of N\$ } 2,057,389.53 = \text{N\$ } 308,608.43$$

$$\text{Stage 3} = 15\% \text{ of N\$ } 2,057,389.53 = \text{N\$ } 308,608.43$$

$$\text{Stage 4} = 40\% \text{ of N\$ } 2,057,389.53 = \text{N\$ } 822,955.81$$

$$\text{N\$ } 1,543,042.15$$

Example - contract administration fees

- The tender amount for the MoHSS project is N\$ 29,876,450.00 (incl. VAT). The current amount valued to date (as per most recent valuation from QS) is N\$ 6,273,850.00. The previous contract administration fee account to the amount of N\$ 78,257.80 has been paid by the client. Calculate the new amount due.

Back to the table

Professional fees

→ **Column C** → **Row of value**

= basic charge + 6.50% of cost of works

= N\$ 140,800.00 + (6.5% of N\$ 29,876,450.00)

= N\$ 140,800.00 + N\$ 1,941,969.25

= **N\$ 2,082,769.25** (= full fees excl. VAT)

Prof fees incl VAT

= N\$ 2,082,769.25 + 15% VAT

= N\$ 2,082,769.25 + N\$ 312,415.39

= **N\$ 2,395,184.64** (= full fees incl. VAT)

Total contract administration fees is 25% of full fees = **N\$ 598,796.16**

Example - contract administration fees cont.

Contract sum	N\$ 29,876,450.00 (incl. VAT)
Amount valued to date	N\$ 6,273,850.00 (excl. VAT)

- Contract admin fees should be calculated as a percentage of total amount valued to date, including VAT, less any previously paid amounts.

Percentage of work done

$$\begin{aligned}\text{Work done (incl VAT)} &= \text{N\$ } 6,273,850.00 + 15\% \text{ VAT} \\ &= \text{N\$ } 6,273,850.00 + \text{N\$ } 941,077.50 \\ &= \text{N\$ } 7,214,927.50\end{aligned}$$

$$\text{Percentage of total} = \text{N\$ } 7,214,927.50 / \text{N\$ } 29,876,450.00 = 24.15\%$$

$$\begin{aligned}\text{Fees to date} &= 24.15 \% \text{ of contract administration fees} \\ &= 24.15 \% \text{ of N\$ } 598,796.16 = \text{N\$ } 144,609.27\end{aligned}$$

$$\begin{aligned}\text{Fees due now} &= \text{fees to date} - \text{previous paid} \\ &= \text{N\$ } 144,609.27 - \text{N\$ } 78,257.80 \\ &= \text{N\$ } 66,351.47\end{aligned}$$

Repetition fees

- Repetition fees are only applicable to design and documentation stages.

Formula:
$$\frac{F (N+2P)}{4N}$$

F - fee based on cost of repeated portion

N - total number of buildings

P - total number of different sets of drawings

- Contract admin fee (stage 5) calculated on total cost of project.

Alteration / additions fees



- Alteration fees are applicable to all the different stages, including design, documentation and supervision.
- Add 30% towards portion of fee.

Ratios

- A project can consist of new work, repetition work and alterations.
- In order to calculate professional fees due, the ratio of each portion should be calculated in relation to the complete project.

- **EXAMPLE**

An office complex is constructed with three identical office blocks. The construction cost of each new office block is N\$ 4,427,500.00 incl. VAT. There are also some changes made to existing office block on the same site. Calculate the ratios for professional fees for the following project.

Additional information:

Site works	N\$ 3,200,000.00 excl. VAT
Alterations	N\$ 730,250.00 incl. VAT

Example - ratios

The first step is to ensure all amounts exclude VAT.

Office block = N\$ 4,427,500.00 - VAT portion
= N\$ 4,427,500.00 - N\$ 577,500.00 = N\$ 3,850,000.00

Alterations = N\$ 730,250.00 - VAT portion
= N\$ 730,250.00 - N\$ 95,250.00 = N\$ 635,000.00

Next step is to determine value of new work, repetition and alterations.

New works	= N\$ 3,850,000.00	- one office block
	= N\$ 3,200,000.00	- site works
	<hr/>	
	= N\$ 7,050,000.00	- total new work
Repetition	= N\$ 7,700,000.00	- two repeated office blocks
Alterations :	= N\$ 635,000.00	- total alterations
	<hr/>	
Total constructions cost:	= N\$ 15,385,000.00	

Example - ratios cont.

RATIOS

Ratio new work :	N\$ 7,050,000.00 / N\$ 15,385,000.00	= 45.82%
Ratio repetition :	N\$ 7,700,000.00 / N\$ 15,385,000.00	= 50.05%
Ratio alterations :	N\$ 635,000.00 / N\$ 15,385,000.00	= 4.13%
		<hr/>
		= 100.00%

DOCUMENTATION FEES

- Total fees is sum of fees on different kinds of work
- Fees new work = full fee x ratio new
- Fees repetition as per repetition formula x ratio rep
- Fees alteration fee = full fee ratio alt + 30%

CONTRACT ADMIN FEES

- Fees on new and repetition = full fee
- Fees alteration = full fee + 30%

Time charges

- The hourly rate chargeable by Principal members/directors is set out in terms of subsection (6) of section 7 of the Architects' and Quantity Surveyors' Act. (Act No. 13 of 1979)
- This amount is currently N\$ 1,908.44/hour.
- Staff time charges are calculated as follows:

$$\frac{\text{Staff Gross Annual Salary (including any bonus)}}{100} \times 0.15$$

- Example : salary of N\$ 24,000.00 per month
time charge = N\$ 24,000.00 x 13 (12 months + bonus) x 0.15 /100
= N\$ 468.00 per hour
- VAT to be added to all time charges.

Other charges



- ❑ Disbursements : e.g printing costs
- ❑ Travel costs (for government projects separate flight – travel cost)
- ❑ Travel time (include actual travel and non productive time)

ALL ITEMS TO INCLUDE VAT

Calculation of total fees

Professional fees to date
Less: Previously paid

SUB-TOTAL

Add: Time charges

Add: Disbursements

Add: Travel costs

Add: VAT on above

TOTAL (VAT-able)

Add: non VAT amount

TOTAL DUE

DISBURSEMENT AND TRAVEL COST VAT ONLY CHARGEABLE IF NOT INCLUDED

Exercise - documentation

- The first three stages have been completed by Johnson Architects for a new kindergarten. The QS estimate at this stage is N\$ 2,845,000.00 excl. VAT, contingencies are N\$ 400,000.00 and escalation N\$ 275,000,00. The previous fee account already paid was for N\$ 26,162.50 (incl VAT) and no disbursements were charged.

Calculate the professional fees for Johnson Architects now due.

- Additional information:

Plots and prints	N\$ 902.75 incl. VAT
Airline ticket	N\$ 3,866.00 (0% VAT)
Accommodation	N\$ 1,063.75 incl. VAT
Time travelled	2 hours @ N\$ 468.00 / hour

Exercise documentation - cont.

Cost of the project

estimated cost (from QS)	N\$ 2,845,000.00
<u>Less:</u> VAT	already exclusive
<u>Less:</u> Escalation	N\$ 400,000.00
<u>Less:</u> Contingencies	N\$ 275,000.00
SUB-TOTAL	N\$ 2,170,000.00
<u>Add:</u> VAT	N\$ 325,500.00
TOTAL	N\$ 2,495,500.00

Exercise documentation – cont..

PERCENTAGE FEES FOR WORKS

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1,760,001 to 3,520,000	8,800.00 + 6.5% of cost	8,800.00 + 5.5% of cost	8,800.00 + 7.5% of cost
3,520,001 to 7,040,000	17,600.00 + 6.25% of cost	17,600.00 + 5.25% of cost	17,600.00 + 7.25% of cost
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56,320,001 to 112,640,000	281,600.00 + 5.25% of cost	281,600.00 + 4.25% of cost	281,600.00 + 6.25% of cost
112,640,001 to 225,280,000	563,200.00 + 5.0% of cost	563,200.00 + 4.0% of cost	563,200.00 + 6.0% of cost
Over 225,280,000	0.00 + 5.25% of cost	0.00 + 4.25% of cost	0.00 + 6.25% of cost

Kindergarten = building other simple or complex → use column A

Cost of works is N\$ 2,495,500.00 → use appropriate row

Exercise documentation – cont...

Professional fees:

$$\begin{aligned} & \text{N\$ } 8,800.00 + (6.5\% \text{ of cost}) \\ = & \text{N\$ } 8,800.00 + (6.5\% \text{ of N\$ } 2,495,500.00) \\ = & \text{N\$ } 8,800.00 + \text{N\$ } 162,207.50 \\ = & \text{N\$ } 171,007.50 \text{ (full fees excl. VAT)} \end{aligned}$$

First three stages of documentation completed = 35%

Prof fees now due = N\$ 171,007.50 X 35% = **N\$ 59,852.63**

From all other charges, we exclude VAT for calculation

Time charges: 2 hours x N\$ 468.00 /hour = **N\$ 936.00**

Disbursements: N\$ 902.75 (incl. VAT) → N\$ 902.75 / 1.15 = **N\$ 785.00**

Accommodation: N\$1,063.75 (incl. VAT) → N\$ 1,063.75/1.15 = **N\$ 925.00**

Previously paid fees: N\$26,162.50 (incl. VAT) → **N\$ 22,750.00**

Exercise documentation – cont....

	Professional fees	N\$ 59,852.63
<u>Less:</u>	Previously paid	N\$ 22,750.00
	<hr/>	<hr/>
	FEEES DUE	N\$ 37,102.63
<u>Add:</u>	Time charges	N\$ 936.00
<u>Add:</u>	Disbursements	N\$ 785.00
<u>Add:</u>	Accommodation	N\$ 925.00
	<hr/>	<hr/>
	SUB-TOTAL	N\$ 39,748.63
<u>Add:</u>	VAT on above	N\$ 5,962.29
	<hr/>	<hr/>
	SUBTOTAL VAT portion	N\$ 45,710.92
<u>Add:</u>	Amount 0% VAT	N\$ 3,866.00
	<hr/>	<hr/>
	TOTAL	N\$ 49,576.92 (now due)

Exercise – contract admin

- The contract was signed for construction of the kindergarten for the amount of N\$ 3,245,000.00 excl. VAT. The contingencies in the contract (BoQ) are reduced to N\$ 350,000.00 and escalation remained at N\$ 275,000,00. The amount for valuation nr 3 was of N\$ 1,832,652.40
- Calculate the professional fees (stage 5) for Johnson Architects now due
- Additional information for disbursements now to be charged
 - Plots and prints N\$ 1,449.00 incl. VAT
 - Airline ticket (4 visits) N\$ 3,866.00 (0% VAT) each
 - Accommodation (4x) N\$ 1,063.75 incl. VAT each
 - Time travelled (4x) 3.5 hours @ N\$ 468.00 / hour

Calculation of cost of works

$$\text{N\$ } 3,245,000.00 + \text{N\$ } 486,750.00 = \text{N\$ } 3,731,750.00$$

Exercise contract admin - cont.

PERCENTAGE FEES FOR WORKS

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Over 225,280,000	0.00 + 5.25% of cost	0.00 + 4.25% of cost	0.00 + 6.25% of cost

Kindergarten = building other simple or complex → use column A

Cost of works is N\$ 3,731,750.00 → use appropriate row

Exercise contract admin – cont..

Professional fees:

$$\begin{aligned} & \text{N\$ } 17,600.00 + (6.25\% \text{ of cost}) \\ = & \text{N\$ } 17,600.00 + (6.25\% \text{ of N\$ } 3,731,750.00) \\ = & \text{N\$ } 17,600.00 + \text{N\$ } 233,234.38 \\ = & \text{N\$ } \mathbf{250,834.38} \text{ (full fees excl. VAT)} \end{aligned}$$

Contract admin fees = 25% of the above

$$\text{Contract admin fees} = \text{N\$ } 250,834.38 \times 25\% = \text{N\$ } \mathbf{62,708.59}$$

From all other charges, we exclude VAT for calculation

$$\text{Disbursements: } \text{N\$ } 1,449.00 \text{ (incl. VAT)} \rightarrow \text{same} / 1.15 = \text{N\$ } \mathbf{1,260.00}$$

$$\text{Time charges: } 14 \text{ hours} \times \text{N\$ } 468.00 / \text{hour} = \text{N\$ } \mathbf{6,552.00}$$

$$\text{Accommodation: } \text{N\$ } 1,063.75 \text{ (incl. VAT)} \rightarrow \text{N\$ } 1,063.75 / 1.15 = \text{N\$ } 925.00$$

$$\text{total 4 visits : } 4 \times \text{N\$ } 925.00 = \text{N\$ } \mathbf{3,700.00}$$

Exercise contract admin – cont...

	Contract admin fees	N\$ 62,708.59
Ratio :	N\$ 1,832,652.40 (excl)	56.48 %
	PROF FEES DUE	N\$ 35,417.81
<u>Add:</u>	Time charges	N\$ 6,552.00
<u>Add:</u>	Disbursements	N\$ 1,260.00
<u>Add:</u>	Accommodation	N\$ 3,700.00
	SUB-TOTAL	N\$ 46,929.81
<u>Add:</u>	VAT on above	N\$ 7,039.47
	SUBTOTAL VAT portion	N\$ 53,969.29
<u>Add:</u>	Amount 0% VAT	N\$ 15,464.00
	TOTAL	N\$ 69,433.29 (now due)