

How employers can structure salary deductions to benefit parents

What many parents and companies are unaware of is that employers can make a real difference in the lives of their staff by offering them an Education Benefit, an innovative way to alleviate some of the burden associated with the education costs borne by employees.



Based on research conducted by EY (Ernst and Young), requests for loans increase every year and, not surprisingly, at the start of every year. For the most part, it seems that the motivation for these requests, largely relate to educational costs, including uniforms, stationery and books.

But due to a recent update in the Income Tax Act, employers now have the opportunity to make a real difference in their workers' lives by allowing the funding of education from pre-tax income, thereby increasing employees take-home pay. (It is important to note that when structured correctly, this does not increase the employees' total cost of employment.)

However, there are certain criteria that has to be met to make this viable:

- Employees must earn less than R600,000 annually
- Employees must earn more than R78,150 (i.e. above the tax threshold)
- Employees must be financially responsible for the education costs of the child/children that will be the beneficiary of the benefit
- The child/children must be studying at a recognised educational institution

So what are the advantages of the Education Benefit to both employers and employees?

By offering the Education Benefit to qualifying employees, employers are able to increase the take home pay for individuals without increasing the cost of employment to the organisation. By making such a tangible and significant difference in the lives of their employees, organisations can position themselves as an employer of choice for talent in the marketplace.

In order to minimise the administrative burden of implementing this benefit, Spark Schools has partnered with EY to assist organisations with an end-to-end solution, enabling employers to deploy this benefit with minimal effort and allowing available resources to focus on more critical areas of the business.

Through their partnership with EY, Spark Schools have been able to offer this Education Benefit to their own employees.

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