

# HOW TO HELP EMPLOYEES SAVE IN A MEANINGFUL WAY

## The Benefits of Company-sponsored Bursaries & Scholarships



Keeping employees happy all the time is practically impossible and while a free meal here and there helps, *money often matters more.*

The problem is, decent increases and generous bonuses do not grow on trees, which is pity, considering rising living costs.

Fortunately there is another clever and meaningful way to help employees make the most of their money: **Financial assistance in the form of a bona fide bursary or scholarship.**

### The Benefits

A bona fide scholarship or bursary – that enables or assists one to study at a recognised educational or research institution – is exempt from normal tax. It can be granted to an employee or an employee's relative, if they are eligible.

### There are Rules

To qualify for the tax exemption, certain conditions must be met, for example:

- If the employee or any of the employee's children fail to complete their studies, or fail their examinations, the money must be paid back to the company.

There are additional conditions that must be met if the bursary or scholarship is offered to an employee's child.

- The employee's earnings must be less than R600 000 per year.
- The bursary may not exceed R20 000 for Grades R – 12 or NQF-levels 1 – 4.\*
- The bursary may not to exceed R60 000 for NQF-levels 5 – 10 (which includes university education NQF 7 and upwards).\*

\*Per relative, per year.

**The Approach**

To reap the tax benefit, the employee’s salary must be structured correctly. Essentially the gross salary needs to be split up into a basic salary and a non-taxable bursary or scholarship with an accompanying benefit code.

Depending on the employer’s preference, the amount can be spread over a few months or included once-off on the employee’s payslip.

**Bursaries can include tuition fees, prescribed learning materials and even accommodation.**

Here’s an example to illustrate the benefit:

	Not Structured	Structured
Ben is employed by Great Bosses. His son, David, is a first-year student at UCT.	Basic Annual Salary – Taxable R520 000	R460 000
	Bursary – Exempt	R60 000
	<b>Gross Salary</b>	R520 000
To help Ben pay for David’s education, Great Bosses grants him a R60 000 annual scholarship.	Total Employee Tax R121 008	R99 408
	<b>Total Savings</b>	<b>R21 600</b>



As you can see, a company-sponsored bursary or scholarship offers compensation in a meaningful and beneficial way.

**Next Steps**

If you’re an employer, are you able and willing to grant an employee or an employee’s relative a bursary or scholarship? Or, if you’re an employee, could you benefit from discussing this opportunity with your employer?

**Get in Touch**

Contact us to discuss your options and to make sure you meet all the conditions. We will advise on the best option for your needs and requirements.