

South African Payroll Association
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How companies can help employees and their families gain an education.

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Nelson Mandela once said: “Education is the most powerful weapon which you can use to change the world.”

For South African companies who have the available resources, there is a great initiative from the government which will allow companies to help employees and their families gain an education. Education should never be limited to just the rich and powerful. We need to empower a whole generation by giving them the education they need to better their lives.

How company-sponsored bursaries work

For a bursary or scholarship to qualify as a bona-fide bursary or scholarship (which means it will be tax exempt for the employee), it needs to meet the following requirements:

1. Only employees earning a gross annual salary of less than R600 000 will qualify.
2. The bursary or scholarship agreement should state that should the student fail to complete their studies, the bursary amount will be repayable by the employee.
3. Bursaries and scholarships for NQF levels 1-4 (grades R – 12) are limited to R20 000 per year and for NQF levels 5-10 (including university education) it is limited to R60 000 per year.

Another great thing is that these bursaries are not limited to one per family. If for example an employee has three school-going children, they can apply for three bursaries of R20 000 each, providing that this additional R60 000 does not push their annual salary over the R600 000 limit to comply with the rules.

How companies should select employees for bursaries and scholarships

Employers should have a robust policy in place before implementing company-sponsored bursaries. The policy must specify the requirements that should be met and should also be based on merit and need.

Education as a human right means that governments have an obligation to protect, respect and fulfil the right to education. This initiative is a gesture from the government that it is willing to honour its statement that education is a basic human right.

Implementation of company-sponsored bursaries and scholarships

The changes resulting from the bursaries and scholarships will have to be internally driven.

Consultants can be used during the first implementation phase but after that payroll and HR departments should take the responsibility to ensure that employees' packages are correctly calculated and to have discussions with all qualifying employees where all the details are explained, and they are shown detailed examples to ensure they fully comprehend the benefits.

Leaving a legacy

Companies should also see this initiative as a way of investing in their own future. If a company helps employees by providing them and their families with an education, they are cultivating loyal employees.

They are also creating a legacy where the employees and their children will now have a proper education and can work for and help improve the company.

As Helling says: "This is a great initiative because change lies in our children and their education."

ENDS

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