

# Salary Sacrifice



Salary Sacrificing of ECE fees is available for staff who have children based in any one of the University based Early Childhood Education Centres, including the Hineteiwaiwa Te Kohanga Reo and Te Puna Kohungahunga.

## Key things to note if you choose to pay by Salary Sacrifice.

- Salary Sacrifice arrangements can only apply to future pay periods. It cannot apply retrospectively to income that has already been earned or backdated for ECE fees already incurred.
- You will need to confirm your enrolment with 2 weeks fees (paid by bank direct transfer), and pay weekly from your child's start date, until your salary sacrifice starts. This will ensure your account remains 2 weeks in advance.
- Complete the Salary Sacrifice with your Centre Leader on confirmation of enrolment and make arrangements for deposit to be paid.
- Future adjustments of the salary sacrifice are the responsibility of the parent, and any changes must be given in writing 4 weeks in advance to the centre and payroll. It is your responsibility to check that the changes have been actioned.
- Credits built up through salary sacrifice will not be refunded while the child is still enrolled and being charged. This is due to tax implications for the employee. Payments will instead be paused, and the credit used before the payments are re started.

**What is a Salary Sacrifice Arrangement?** It is an arrangement between the University and a staff member, whereby the staff member agrees to reduce their base salary for future pay periods, by a specified annual amount. This amount covers their childcare fees. The amount is deducted from their gross salary before paye tax is taken out. This potentially saves the staff member a significant amount of money.

**What are the benefits?** The benefit to staff of a SSA is that by reducing your gross salary by the amount you would normally contribute to ECE fees, you will only be paying income tax (PAYE) on the reduced base salary, and may therefore have an increase in your net (or take-home) pay.

**How do I apply to start salary sacrificing?** There is an application form that needs to be completed by you and the ECE Centre. Once you have both completed your portion of the form, the Centre Leader will send it to HR to process this.

## How is the Salary Sacrifice Payment Calculated?

Early childcare fees at the University are charged for 50 weeks of the year, but they are spread across 52 weeks. Therefore, the fortnightly invoiced fee will be slightly different from the salary sacrifice amount. By paying 2 weeks in advance, your account will not become overdue.

**How will the Early Childhood Education Centre receive the childcare fees?** The ECE Centre will receive the fees via deductions from payroll that will go directly to the ECE Centre.

**What happens if my fees increase, or I make an adjustment to my Child's enrolment?**

If the Early Childhood Education Centre's fees increase, or the staff member makes a permanent change to their child's hours or services at the childcare centre, the staff member will make a request for an adjustment to the Salary Sacrifice Arrangement. Any adjustment made, will only apply to future pay periods. Therefore, the staff member will need to give **4 weeks advance notice in writing**, of the adjustment, to the Centre Leader and payroll, before the change in childcare fees takes effect.

**What happens if my child starts school or leaves part way through a year?**

If your child starts school, or leaves the ECE Centre, you will need to make a request to stop the Salary Sacrifice Arrangement. **You will need to give at least 4 weeks notice in writing** to the centre leader and payroll. It is your responsibility to check that this has been cancelled.

**Is there a set period for a Salary Sacrifice Arrangement?** When your application for the Salary Sacrifice Arrangement is processed, the arrangement will continue for a minimum of one year. If you wish to make any changes to the Salary Sacrifice Arrangement or to stop the arrangement, you will need to give at least 4 weeks notice in writing. **Please Note** There are a number of costs incurred by the University in setting up and administering a Salary Sacrifice Arrangement. Therefore, staff need to commit to a period of one year.

**What are the implications?** There are some effects and implications that staff may need to consider before applying for a SSA. In applying for a Salary Sacrifice Arrangement, the staff member is deemed to accept all the resulting effects and consequences. A Salary Sacrifice Arrangement essentially reduces a staff member's base salary for the duration of the arrangement. This may have effects and implications on:

- **Eligibility to claim for a childcare rebate (tax credit) from IRD;** Individuals are eligible to claim a tax rebate from the IRD annually if they pay for childcare. Under salary sacrificing you will not be able to claim this rebate as you will not have receipts of payment
- **The calculation for ACC entitlements in the event of injury;** If you were to have a workplace accident ACC can pay up to 80% of your salary whilst you are unable to work. You will receive 80% of the sacrificed amount not your base salary
- **Potential effect on student loan deductions, Working for Family and other tax credits;** Payments and tax credits that involve the IRD will all be based on your sacrificed salary and not your base salary. For example, if you have a student loan your repayments will decrease as you will be taxed on the sacrificed amount
- **Potential effect on any income protection insurance and mortgage/credit applications;** If you request an earnings certificate from the University for the above, your sacrificed salary will be the one shown not your base salary.

**The Salary Sacrifice is a Staff Benefit. It is a convenient, easy way to pay for your Child's Early Childhood Fees.**