



September 2026

Position statement - WorkRide Benefit Scheme

This statement sets out the Labour Inspectorate's position on the WorkRide Benefit Scheme, including how payments for holidays and leave are to be calculated under the Holidays Act 2003 and the Employment Leave Act 2026 for employees participating in the scheme.

Background

In 2023 the WorkRide Benefit Scheme was introduced. The scheme is described as a salary sacrifice system where employees can agree to a temporary reduction in salary in return for the temporary lease of self-powered or low-powered commuting vehicles (Equipment). The employee can choose to own the Equipment at the end of the lease period. Examples of Equipment are electric and non-electric bicycles and scooters. The Equipment is obtained through an approved retailer, it is not provided by the employer.

Under the scheme, the employer facilitates the payment for the Equipment. This is commonly done by deducting an agreed amount from the employee's gross pay. WorkRide invoice the employer for the cost of the lease and the employee's pay deduction covers the total cost of the lease. The scheme benefits the employee but does not benefit or cost the employer.

This raises questions about how gross earnings for the purposes of calculating holidays and leave payments are impacted by the WorkRide scheme.

Generally, payroll systems set the scheme up in the following way:

- the employee's original pre-sacrifice salary amount is retained in the system
- each pay period the pay due (including wages, salary, and payments for holidays and leave) to the employee is calculated based on the original pre-sacrifice salary amount
- a periodic sacrifice amount¹ is deducted before tax is applied
- the periodic sacrifice amount is still deducted when an employee takes holidays or leave during a pay period.

Employment law

Salary sacrifice is not defined in employment law. However, it is commonly understood as an arrangement where an employee agrees to receive a portion of their pay in a form other than money. Salary sacrifices are also known as 'salary packaging'.

Salary sacrifices are not common in New Zealand but can involve an employee voluntarily giving up part of their salary for something else that is suitable to their needs such as higher employer contributions to a superannuation scheme or childcare benefits.

¹ The total salary sacrifice amount is divided into equal payments spread across the term of the agreement, this is known as the periodic sacrifice amount.

Employment law is not contained in one piece of legislation but is spread across multiple acts. These acts need to be looked at together to interpret their provisions correctly. This statement explains the relevant employment acts and how they apply to the WorkRide scheme with a focus on the elements of the scheme rather than whether it is a genuine salary sacrifice.

The Employment Leave Act passed into law on 6 August 2028. The new law starts on 6 August 2028. Until then, the Holidays Act 2003 still applies. This statement provides information on calculating payments under both Acts. However, employers must continue to follow the current rules in the Holidays Act 2003 until the Employment Leave Act starts in August 2028.

This statement does not cover the requirements of tax law.

What is included in gross earnings for employment law purposes may be different to what is included as taxable income for tax law purposes. Inland Revenue is responsible for tax law including income tax and fringe benefit tax. Employers and employees should seek information from Inland Revenue and take their own advice as to the tax implications of salary sacrifice arrangements for deducting e-bike costs or other agreed costs from wages.

Wages Protection Act

The Wages Protection Act 1983² says wages can only be paid in money. Wages means salary or wages and includes piece rates, overtime, bonuses, or other special payments agreed to be paid to a worker for the performance of service or work³. This means an employee cannot be paid with non-cash benefits (goods or services). Examples of non-cash benefits include accommodation, vehicles, Equipment under the WorkRide scheme, and the personal use of workplace property, equipment or services.

The Wage Protection Act does not expressly address arrangements where wages are temporarily reduced in exchange for a non-cash benefit. However, it does not appear to treat them differently from other deductions. Structuring the arrangement in any other way could undermine the requirement to pay wages in money. While the law in this area is not certain, the Inspectorate's view is that wage reductions of this kind are deductions.

An employee can consent to part of their wages being deducted and redirected elsewhere, for example to the WorkRide scheme. However, for the deduction to be lawful:

- the wages or salary must be agreed in money first
- the employee's consent to the deduction must be in writing⁴
- the deduction must be reasonable⁵.

If an employee has consented to a deduction, they can ask in writing to change or stop the deduction at any time. Their employer must do so as soon as possible or within 2 weeks of receiving the request.

² Section 7 of the Wages Protection Act 1983

³ Section 2 of the Wages Protection Act 1983

⁴ Section 5 of the Wages Protection Act 1983

⁵ Section 5A of the Wages Protection Act 1983

Employers and employees can also agree for non-cash benefits to be provided in relation to the employment. They may form part of the employee's overall remuneration package but do not form part of their wages. The wages must be agreed in money first and any non-cash benefits can be provided on top of the wages.

When assessing an arrangement, the focus is on how it works in practice rather than the terms used to describe it. For example, calling an arrangement a "salary sacrifice" or "reduction in wages" does not determine its true legal nature.

Employment Relations Act

The Employment Relations Act⁶ says every employee must have a written employment agreement that contains certain mandatory clauses including the wages or salary payable to the employee. As the Wages Protection Act requires wages to be paid in money only, it is the monetary amount that must be recorded in the employee's employment agreement. Any non-cash benefits or agreed deductions can also be recorded in the employment agreement.

Holidays Act

The Holidays Act 2003⁷ provides the meaning of gross earnings which are used for many of the calculations for holidays and leave payments. Employers are required to include all payments they are bound to pay by the employment agreement in gross earnings, such as wages or salary. As it is the monetary amount that must be recorded in the employment agreement, it is also the monetary amount that must be included in gross earnings.

There are some exclusions from gross earnings. However none of the exclusions⁸ relate to Equipment under the WorkRide Scheme. As there are no grounds to exclude the cost of the Equipment, it is the Labour Inspectorate's view that for the purposes of calculating holiday and leave payments 'salary or wages' means the amount of salary or wages before any deduction for a salary sacrifice is applied.

Employment Leave Act

When the Employment Leave Act 2026 starts in August 2028, it will require all leave taken under that Act to be paid at an hourly rate⁹. Leave payments will be based on an employee's salary or wages. For example, the hourly rate for an employee who is paid a salary will be the amount payable for 1 standard hour's work. While the Employment Leave Act does not define 'salary or wages', employment law is looked at together so we can apply the definition under the Wages Protection Act.

The Labour Inspectorate's view is that for the purposes of calculating leave payments under the Employment Leave Act when it comes into force 'salary or wages' means the amount of salary or wages before any deduction for a salary sacrifice is applied.

⁶ Section 65 of the Employment Relations Act 2000

⁷ Section 14 of the Holidays Act 2003

⁸ Section 14 (b) - (c) of the Holidays Act 2003

⁹ Sections 118-120 of the Employment Leave Act 2026



Other types of salary sacrifices

There may be agreements between an employer and employee that the Labour Inspectorate would consider to be a change in the employee's terms and conditions of employment and not a deduction.

Factors the Labour Inspectorate would consider include (but are not limited to):

- whether the arrangement is temporary or ongoing
- whether the employee was offered a choice between different employment agreements before employment began (e.g. an agreement with a lower cash salary and a non-cash benefit and one with a higher cash salary and no non-cash benefit)
- whether the goods or services involved are provided by the employer or a third party
- whether the agreement is solely between the employer and employee (such as a new or variation to an existing employment agreement) or whether a third party is part of the agreement
- who benefits from the arrangement
- which salary amount is recorded in the payroll system
- which salary amount is used to calculate pay due to the employees
- whether there is written consent for deductions or whether the agreement otherwise meets the criteria of the Wages Protection Act.

Conclusion

The Labour Inspectorate's position is

- wages or salary are to be paid in money only
- the periodic sacrifice amounts in the WorkRide scheme are deductions
- deductions from an employee's wages or salary can only be made if the employee gives their written consent and the deduction is reasonable
- an employee's monetary wages or salary must be recorded in their employment agreement
- an employee's monetary wages or salary must be included in gross earnings when calculating payments for holidays and leave under the Holidays Act
- from August 2028 an employee's leave payment must be calculated using the leave hourly rate based on the amount of their salary or wages before any deduction for a salary sacrifice is applied under the Employment Leave Act.