

**FAQS ON INCREASE IN CPF SALARY CEILING AND CPF
CONTRIBUTION RATE CHANGES**

FOR BUDGET 2015

Why is the Government raising the CPF salary ceiling (i.e. ordinary wage ceiling) to \$6,000?

Answer:

- The CPF salary ceiling will be adjusted upwards from \$5,000 to \$6,000 with effect from 1 January 2016, to keep pace with wage growth in recent years. This will re-align the salary ceiling to cover wages up to the 80th percentile of resident incomes. With this change, middle-income Singaporean workers will be able to accumulate more CPF savings for their use in retirement.

What is the impact of the increase in CPF salary ceiling (i.e. ordinary wage ceiling)?

Answer:

- We expect about 544,000 workers with a salary of \$5,000 or more to benefit from this increase. Based on the new salary ceiling, a 45 year-old worker who earns \$6,000 or more today will save an additional \$60,000¹ in his CPF by the time he reaches 65.

Will the CPF Additional Wage Ceiling from 2016 be increased in tandem with the increase in CPF salary ceiling?

Answer:

- Yes, the CPF Additional Wage Ceiling from 2016 will be increased correspondingly from \$85,000 to \$102,000 (equivalent to 17 months of CPF salary ceiling of \$6,000).

¹ Based on additional contributions to the CPF Special, Medisave and Retirement Accounts only. The Ordinary Account has not been included as the additional contributions can be withdrawn for housing. Extra interest is excluded as the member is assumed to have balances in excess of \$60,000.

- The formula to determine the amount of additional wages that attract CPF contributions from 1 January 2016 is “\$102,000 minus Total Ordinary Wages subject to CPF contributions in the year”.

Will the CPF Annual Limit from 2016 be increased in tandem with the increase in CPF salary ceiling?

Answer:

- The maximum amount of mandatory and voluntary contributions that a CPF member (including employees and self-employed persons) can receive in a year is capped at the CPF Annual Limit.
- From 2016, the CPF Annual Limit will be increased correspondingly from \$31,450 to \$37,740 (equivalent to 17 months x CPF salary ceiling of \$6,000 x 37%).

How are self-employed persons affected by the increase in CPF salary ceiling (i.e. Ordinary Wage Ceiling) to \$6,000?

Answer:

- With the increase in the monthly CPF salary ceiling from \$5,000 to \$6,000, the maximum Medisave contributions payable for self-employed persons from 2016 will also be adjusted.

Maximum Mandatory Medisave Contributions for Self-Employed Persons for Income earned from 2016

Age as at 1 January of the year			
Below 35 years	35 to below 45 years	45 to below 50 years	50 years and above
12 months x \$6,000 x 8% = \$5,760	12 months x \$6,000 x 9% = \$6,480	12 months x \$6,000 x 10% = \$7,200	12 months x \$6,000 x 10.5% = \$7,560

- To encourage self-employed persons to make CPF contributions, self-employed persons will enjoy a tax relief of 37% of their annual net trade income, up to the new limit of \$37,740 (equivalent to 17 months x CPF salary ceiling of \$6,000 x 37%) from 2016 on their CPF contributions.

Why is the Government raising CPF contribution rates for older workers?

Answer:

- CPF contribution rates for older workers were lowered in the past to enhance their employability. The employment rate of older residents has since improved considerably, with good progress made by tripartite partners in wage restructuring and other efforts to enhance the employability of older workers. From June 2004 to June 2014, the employment rate for older residents aged 50 to 54 and 55 to 64 increased from 69% to 80% and 47% to 66% respectively. The employment rate of residents aged 50 to 54 is now comparable to those of residents aged 45 to 49 (82%).
- In 2012, after consultation with tripartite partners, the Government committed to eventually equalise the CPF contribution rates for workers aged above 50 to 55 with that for younger workers. The increase in CPF contribution rates for older workers has been phased in gradually to moderate the impact on business costs and take-home pay of the employees. Since September 2012, two increments in CPF contribution rates for older workers aged above 50 to 55 have been made, with smaller increases for workers aged above 55 to 65.
- The changes to the CPF contribution rates announced at Budget 2015 will restore the contribution rates for workers aged above 50 to 55 to the same level as those for younger workers. Smaller increases to the contribution rates for workers aged above 55 to 65 have also been announced.
- The Temporary Employment Credit (TEC) will be enhanced and extended to 2017 to help employers adjust to the cost increases associated with the CPF changes announced this year, including the raising of the salary ceiling and the increase in employer CPF contribution rates for older workers.

Why is there an increase in employee's CPF contribution for those aged above 50 to 55?

Answer:

- The employee and employer share of contributions for workers aged above 50 to 55 has been restored to be on par with younger workers. This reflects

the need for both individuals and employers to play a part in saving for retirement.

- The increases in employee contribution rates have been allocated to the Ordinary Account so that it can continue to be used to service housing loans, where necessary.

Why is the bulk of the increase in CPF contribution rates for older workers allocated to the Special Account?

Answer:

- This is to help them save more for their retirement. Contributions to the Special Account earn a higher rate of interest of up to 5% (or up to 6% for members above 55).

Why will the increase in CPF salary ceiling and CPF contribution rate changes only be implemented in 2016 and not 2015?

Answer:

- This is to give employers sufficient notice to comply with the changes. Given that system changes may have to be made, implementation at the start of the calendar year is also easier for businesses to administer.

What are the specific categories of employees affected by the increase in CPF salary ceiling and CPF contribution rate changes?

Answer:

- The increase in CPF salary ceiling affects all private sector employees who are Singapore Citizens and Singapore Permanent Residents (SPR) and earning more than \$5,000. For government pensionable and non-pensionable employees, we are reviewing the CPF salary ceiling and more details will be made known in due course.
- The CPF contribution rate changes affect all private sector employees who are Singapore Citizens and Singapore Permanent Residents (SPR) from their third year of obtaining SPR status, aged above 50 to 65 and earning

more than \$50. For government pensionable and non-pensionable employees and SPR employees who are in the first two years of obtaining SPR status, we are reviewing the CPF contribution rates and more details will be made known in due course.

How is CPF Board going to help employers implement the changes?

- The changes will take effect from 1 January 2016 to allow employers sufficient time to implement the changes.
- CPF Board will:
 - Publish details of the changes on CPF website.
 - Update CPF e-Submit@web and CPF online calculators to reflect the new rates.
 - Conduct briefings to employer and business associations.

What are the CPF contribution rates for employees from 1 January 2016?

CPF Contribution Rates from 1 January 2016

Age (years)	Employee's total wages for the calendar month	Total CPF contributions (Employer's and Employee's share) for the calendar month	Employee's share of CPF contributions for the calendar month
≤ 50	≤\$50	Nil	Nil
	>\$50 to \$500	17%(TW)	Nil
	>\$500 to <\$750	17%(TW) + 0.6(TW-500)	0.6(TW-500)
	≥\$750	[37%(OW)]* + 37%(AW) *Up to a maximum of \$2,220	[20%(OW)]* + 20%(AW) *Up to a maximum of \$1,200
> 50 – 55	≤\$50	Nil	Nil
	>\$50 to \$500	17%(TW)	Nil
	>\$500 to <\$750	17%(TW) + 0.6(TW-500)	0.6(TW-500)
	≥\$750	[37%(OW)]* + 37%(AW) *Up to a maximum of \$2,220	[20%(OW)]* + 20%(AW) *Up to a maximum of \$1,200
> 55 – 60	≤\$50	Nil	Nil
	>\$50 to \$500	13%(TW)	Nil
	>\$500 to <\$750	13%(TW) + 0.39(TW-500)	0.39(TW-500)
	≥\$750	[26%(OW)]* + 26%(AW) *Up to a maximum of \$1,560	[13%(OW)]* + 13%(AW) *Up to a maximum of \$780
> 60 – 65	≤\$50	Nil	Nil
	>\$50 to \$500	9%(TW)	Nil
	>\$500 to <\$750	9%(TW) + 0.225(TW-500)	0.225(TW-500)
	≥\$750	[16.5%(OW)]* + 16.5%(AW) *Up to a maximum of \$990	[7.5%(OW)]* + 7.5%(AW) *Up to a maximum of \$450
> 65	≤\$50	Nil	Nil
	>\$50 to \$500	7.5%(TW)	Nil
	>\$500 to <\$750	7.5%(TW) + 0.15(TW-500)	0.15(TW-500)
	≥\$750	[12.5%(OW)]* + 12.5%(AW) *Up to a maximum of \$750	[5%(OW)]* + 5%(AW) *Up to a maximum of \$300

Notes:

1. The rates are applicable for Singapore Citizens and Singapore Permanent Residents (SPRs) in the 3rd year and onwards of obtaining SPR status.
2. CPF contribution on Ordinary Wages is computed up to the Ordinary Wage Ceiling of \$6,000.
3. TW: Total Wages = Ordinary Wages (OW) + Additional Wages (AW)