

Mistakes by Employers when Determining CPF Contributions

1. Non-payment of CPF contributions for employees under the following employment:

- Probation
- Part-time/Temporary
- Contract/Casual
- Daily-rated

Employers should ensure that CPF contributions are paid on wages received by employees on the types of employments as stated above, as long as they earn more than \$50 in a month.

Example: Employment of casual/ part-time employees

Mdm Sim is a housewife and she works as a food stall helper from 7:30am-11:00am on every Monday and Wednesday. She is given \$30 for each day that she works. CPF should be paid to Mdm Sim since her monthly wages are more than \$50 in a month, approximately \$240 (\$30 x 2 x 4 weeks).

2. Non-payment of CPF contributions for full time employees who have requested not to have CPF contributions so that they can have higher take-home pay

Example:

An employee had an agreement (in writing or verbal) with his employer not to have CPF contributions so that he can have a higher take-home pay. After his service was terminated, he complained to the Board that his employer had underpaid his CPF contributions.

This agreement is not valid and the employer is responsible to pay both the employer's and employee's share of CPF contributions. The employer also has to make good the underpayments and the late payment interest incurred.

3. Non-payment of CPF contributions for wages earned by employees who joined or left employment in the middle of the month

For employees who joined the company or left employment in the middle of the month, CPF contributions are payable based on the pro-rated wages earned for the month.

Example: Employee joined the company in the middle of the month

Helen has a new employee who joined the company on 20 January 2017. Helen has to pay the employee CPF contributions on his pro-rated wages earned for January 2017.

4. Non-payment of CPF contributions on the National Service (NS) make-up pay given by MINDEF/SCDF/SPF for Operationally Ready NSmen who were on NS training

Example:

An employee earning monthly wages of \$2,000, worked an incomplete month in July 2017 as he was on NS training from 18 to 24 July 2017.

When computing the July 2017's CPF contribution for this employee, his employer will have to compute and contribute CPF based on the sum of wages given by the employer and the make-up pay that will be given by MINDEF/SPF/SCDF (if applicable), as though the employee has not been away from work. The employer has to bear the full employer's share of CPF contribution but he can recover the full employee's share from the employee's wages.

These CPF contribution obligations remain the employer's responsibility whether the employer is registered with the *DIRECT** scheme, and are not eligible for reimbursement from the Ministry of Defence.

** DIRECT stands for 'Direct Reimbursement to Employers of Claims for NS Training'. When employers are registered under this scheme, they continue paying wages for the NSmen and receive reimbursement from MINDEF.*

5. Underpayment of CPF contributions due to application of the Ordinary Wage Ceiling on additional wages (e.g. Bonuses)

Bonuses are considered Additional Wages (AW) and are subject to CPF contributions. The amount of AW which attracts CPF contributions is capped at the AW Ceiling, and can be computed using our [CPF Additional Wage Ceiling Calculator](#). In computing the total CPF contributions payable, employers have to include the AW amount which is subject to CPF contributions into their employee's Total Wages for the calendar month.

Example:

An employee earning a monthly wage of \$3,000 was given a year-end bonus of \$5,000 in December 2016. If the employee did not reach the AW Ceiling for 2016, the employer had to compute the CPF contributions for December 2016 based on his total wages of \$8,000 and not cap the total wages at the Ordinary Wage Ceiling of \$6,000.

6. Non-payment of CPF contributions on all wage items that attract CPF, such as

- a. Allowances
- b. Commissions/incentives payments
- c. Overtime pay
- d. Bonuses

Example: Transport allowance

If the transport allowance constitutes part of an employee's wage, CPF contributions are payable on it.

However, CPF contributions are not payable for genuine reimbursement of travel/actual transport expenses incurred for official purposes. These include reimbursements for:

- travel in the line of official duty;
- travel between home and workplace beyond normal working hours, for example on rest days and public holidays;
- travel from home/office to the place of assignment; and
- actual transport expenses where employer is obliged to provide transport and where transport is not available.

Note: The reimbursement amounts cannot exceed the actual expenses incurred by the employees and have to be supported by official receipts or claim forms.

For instance, Lily works at an electronics company in Tuas Industrial park. As the location of the workplace is rather remote, the company gives her \$150 every month to cover her travelling expenses to work. CPF is payable on the \$150 since it is a transport allowance.

Example: Commission

Your employee is a salesperson and you pay him a commission for every product he sold. Each month, you would pay him his basic salary and the commission from his sales. Hence, CPF contributions are payable on his total wages which includes his commission.

Example: Third-Party Commission

CPF contributions are payable on third-party commissions as long as the commissions are money for services rendered by the employee during his employment. Third-party commissions are commissions that an employee earns from third parties for services rendered by him by virtue of his employment.

The arrangement to pay commissions can be formal or informal and CPF contributions are payable on such third-party commissions regardless of whether the employee earns a commission or whether such commissions are stated in the employment contract.

For instance, Ivan is a salesperson and has to recommend his customers the financial institutions listed by his employer for car insurance. For any insurance he sells, he would be paid a commission from the financial institutions. CPF contributions are payable on such commissions.

7. Non-payment of CPF contributions on wage items that were wrongly classified as reimbursement instead of allowance

An allowance is typically given to the employee for a particular purpose (e.g. grooming) and he does not need to return the unspent amount.

On the other hand, reimbursements are monetary payments given to employees for actual expenses incurred by them in the course of their employment. Reimbursements do not attract CPF contributions as they are not classified as wages. Some examples are:

- Transport charges incurred by employees for travel to a client's office;
- Meal expenses incurred by employees for overtime work;
- Expenses incurred by employees to launder their office uniform; etc.

The reimbursement amounts cannot exceed the actual expenses incurred by the employees and have to be supported by official receipts or claim forms.

Example:

Natasha is a sales personnel in a retail shop. Every month, she earns a monthly wage of \$3,000. She is also given a grooming allowance of \$500 every month, even if she spent less or more than \$500 each month. Since the grooming allowance of \$500 is given as an allowance and not granted on reimbursement basis, CPF is payable on the total monthly wages of \$3,500.

8. Application of the wrong CPF contribution rates for employees who are Singapore Permanent Residents

CPF contribution rates are lower for Singapore Permanent Resident (SPR) employees who are in their first or second year of obtaining SPR status. Employers have to apply the correct CPF contribution rates for their SPR employees:

- 1st year SPR contribution rates are payable on the date employee becomes a SPR.
- 2nd year SPR contribution rates are payable from the month following the 1st anniversary of employee's SPR conversion.
- 3rd year SPR contribution rates are payable from the month following the 2nd anniversary of employee's SPR conversion.

Example:

An employee became a SPR on 5 January 2016. You have to apply the

- 1st year SPR contribution rates from 5 January 2016 to 31 January 2017.

- 2nd year SPR contribution rates from 1 February 2017 to 31 January 2018.
- 3rd year and onwards SPR contribution rates from 1 February 2018.

9. Excessive deduction of the allowable amount from employees' wages for CPF contributions

Employers should not deduct any CPF contributions from employees' wages if they are earning \$500 and below in a month. For employees earning more than \$500 in a month, employers should compute the employee's share of CPF contributions based on the prevailing CPF contribution rates. Employers must refund the money to employees if they have over-deducted CPF contributions from their employees' wages.

Example:

The total CPF contribution for an employee is \$2,220 (employer's share = \$1,020 and employee's share = \$1,200). The employer should deduct exactly \$1,200 from the employee's wages and contribute the money to CPF. He cannot deduct more than \$1,200 from the employee's wages.

10. Wrong Classification of CPF contributions for Overtime (OT) Payment

For wages to be classified as Ordinary Wages (OW) for the month, it must satisfy both conditions below:

- The wages are due or granted wholly or exclusively in respect of an employee's employment during that month; and
- The wages for that month are payable by 14th of the following month.

Wages which are not classified as OW will be AW for the month.

The OT pay has to be apportioned to OT performed in each calendar month before classification. Please see examples below.

Example 1: OT performed in a calendar month

S/N	OT performed	Payable date for OT pay	Classification	CPF payable by
a	1 – 30 Apr	10 May	OW for Apr	14 May
b	1 – 30 Apr	30 May	AW for May	14 Jun

Example 2: OT performed across two calendar months, e.g. 25 Mar to 24 Apr

S/N	OT performed	Payable date for OT pay	Classification	CPF payable by
a	25 Mar to 24 Apr	30 Apr	OT pay from 25 Mar to 30 Mar = AW for Apr* OT pay from 1 Apr to 24 Apr = OW for Apr	14 May

*As CPF contribution is computed based on calendar month, the OT component from 25 Mar to 30 Mar can only be classified as OW if it is payable by 14th of the month following Mar i.e. 14 Apr. Since the OT pay is only payable on 30 Apr, it does not fulfil the 2nd condition for it to be classified as OW.