

## MINIMUM SUM TOPPING-UP SCHEME CHANGES IN 2009

### FAQS ON CHANGES TO MINIMUM SUM TOPPING-UP SCHEME

**1. Why did the Government further liberalize the MS Topping-Up Scheme?**

The rules for top-ups using CPF savings have been progressively liberalised as part of the Government's ongoing efforts to facilitate family support through CPF and to encourage members to participate in CPF LIFE. With the lowering of CPF top-up requirements from 1.5 times to 1 times prevailing Minimum Sum (MS) and the expansion of the top-up recipients list to include parents/grandparents below age 55, more CPF members with higher balances will be able to share their savings with their family members who have less, so that the latter can benefit from the extra 1% interest. The changes may also help the recipients of top-ups enjoy the D-, V- and L-Bonuses, as well as participate in CPF LIFE.

**2. Why was the requirement for CPF top-ups previously set at 1.5 times prevailing MS and why is it set at the prevailing MS now?**

The requirement of 1.5 times prevailing MS took into account the 50% withdrawal rule i.e. the rule allowing members to withdraw 50% of their CPF savings when they reach age 55. The 50% withdrawal rule will be gradually phased out starting from 2009; hence, we have adjusted this requirement. From 1 April 2009, a CPF member below age 55 can make a top-up using his CPF savings as long as he has net balances<sup>1</sup> including amounts withdrawn for investment in excess of the prevailing MS.

**3. Can members be given more than the current tax relief for MS top-ups?**

Additional tax relief has already been provided for since 1 Nov 2008. Previously, the total tax relief for cash top-ups is capped at \$7,000 per Year of Assessment (YA). From YA2009, a member can receive 2 separate tax reliefs - up to \$7,000 for MS cash top-ups by the member or his employer to his own Special Account (SA)/Retirement Account (RA), and up to \$7,000 for cash top-ups to the SA/RA of immediate family members (i.e. siblings, spouse, parents and grandparents). To qualify for tax relief for cash top-ups for siblings/spouse, the sibling/spouse must have earned \$2,000 or less in the preceding year. Both reliefs will apply regardless of the age of the recipient when the top-ups are made. Employers who make cash top-ups to their employees will enjoy full tax deduction for the cash top-ups made. Before providing further incentives, we should allow time for the change to take effect so that we can assess the effectiveness.

**4. Will the Government further expand the list of recipients for CPF top-ups?**

We have just expanded the list of recipients for CPF top-ups to include parents and grandparents below age 55. This means that all CPF top-ups can be made to all close family members (i.e. spouse, parents, grandparents and siblings). As CPF is meant for the member's own future retirement needs, we must be cautious in expanding the recipient list beyond close family members.

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<sup>1</sup> Net balances refer to the sum of his Ordinary Account (OA) and Special Account (SA)

5. What are the types of top-ups available from 20 August 2009?

**For recipients age 55 and above.**

The types of top-ups available to the Retirement Account are:

<b>Top-up for</b>	<b>Top-up using CPF</b>	<b>Top-up using Cash</b>
<b>Self</b>	<b>N.A.</b>	<b>Yes</b>
<b>Sibling</b>	<b>Yes</b>	
<b>Spouse</b>		
<b>Parent</b>		
<b>Grandparent</b>		
<b>Others</b>	<b>N.A.</b>	
<b>Employee</b>		

**For recipients below age 55**

The types of top-ups available to the Special Account for are:

<b>Top-up for</b>	<b>Top-up using CPF</b>	<b>Top-up using Cash</b>
<b>Self</b>	<b>N.A.</b>	<b>Yes</b>
<b>Sibling</b>	<b>Yes</b>	
<b>Spouse</b>		
<b>Parent</b>		
<b>Grandparent</b>		
<b>Others</b>	<b>N.A.</b>	
<b>Employee</b>		