

QUESTIONS AND ANSWERS ON RESTORATION OF CPF CONTRIBUTION RATES

General

1. What are the changes to the CPF contribution rates for employees?

The Government is increasing the employer CPF contribution rates by 1% for all employees, except for workers aged above 35 years and earning less than \$1,500 per month.

The first 0.5% increase will be implemented on 1 September 2010, and will be made into the Medisave Account (MA). The remaining 0.5% increase will be effected 6 months later on 1 March 2011, and will be made to the Special Account (SA).

2. Why is the increase in CPF contribution rates done in 2 phases?

The increase in CPF contribution rates is done in 2 phases to moderate the cost impact on employers.

3. Why is the increase in CPF contribution rates made to the Special and Medisave Accounts?

The increase in CPF contribution rates to the Special Account will help members save more for retirement, while the increase to the Medisave Account will help members prepare for rising healthcare costs.

4. Who are the people affected by the CPF contribution rate changes?

All employees will benefit from the CPF contribution rate changes. The increase also applies to Self-Employed Persons (SEPs).

You may refer to the following tables for more details on the changes made to CPF contribution rates.

A. [Changes Made to Employer's Contribution Rates](#)

B. Changes Made to Self-Employed Person's Contribution Rates

Annual Net Trade Income (\$)	Current Contribution Rates			New Contribution Rates w.e.f. 1 September 2010 onwards		
	Below 35 years	35 to below 45 years	45 years and above	Below 35 years	35 to below 45 years	45 years and above
6,000	2.17%	2.5%	2.83%	2.33%	2.67%	3%
7,000						
8,000						
9,000						
10,000						
11,000						
12,000	3.17%	3.65%	4.14%	3.41%	3.90%	4.38%
13,000						
14,000						
15,000						
16,000						
17,000						
18,000	6.5%	7.5%	8.5%	7%	8%	9%
Above 18,000	Full Contribution Rates					
	6.5%	7.5%	8.5%	7%	8%	9%

In computing the Medisave contribution for income earned in 2010, a weighted average rate will be applied for the year, viz., $\frac{2}{3}$ x current contribution rate + $\frac{1}{3}$ x new contribution rate.

Annual Net Trade Income (\$)	Weighted Average Contribution Rates for Income earned in 2010		
	Below 35 years	35 to below 45 years	45 years and above
6,000	2.22%	2.56%	2.89%
7,000			
8,000			
9,000			
10,000			
11,000			
12,000	3.25%	3.74%	4.22%
13,000			
14,000			
15,000			
16,000			
17,000			
18,000	6.67%	7.67%	8.67%
Above 18,000	6.67%	7.67%	8.67%

Employer

5. How is the Government going to help employers implement the changes?

With the first increase not until 1 September 2010, employers have four months to prepare for the implementation of the increase. CPFB will also:-

- (a) send direct mailers to employers to inform them of the changes. For employers submitting CPF contribution details via hardcopy submission, new contribution rate booklets will be given.
- (b) conduct briefings to employer and business associations e.g. SNEF, SHRI and SCCC

6. How is the Government going to help employers, especially SMEs adjust to the restoration of CPF contribution rates?

The increase in CPF contribution rates will be done in 2 phases to moderate the cost impact on employers. This will give employers 4 months to prepare for the first increase, and another 6 months to prepare for the second. With the strong economic recovery, there will be upward pressure on wages. The labour leaders have agreed that the total wage increase this year may take into account any CPF contribution rate restoration.

Self-Employed Persons (SEPs)

7. What are the new contribution rates for Self-Employed Persons (SEPs)?

The Medisave contribution rate will be increased by 0.5% for all SEPs earning an annual net trade income of \$18,000 or more (i.e. the full contribution rate). For SEPs earning an annual net trade income of \$12,000 or less, they will continue to pay 1/3 of the full contribution rate relevant to their age group. SEPs who earn between \$12,000 and \$18,000 will pay a graduated rate from 1/3 of the full rate to the full rate. The new contribution rates will take effect from 1 September 2010.

New Contribution Rates of SEPs

(Applicable to Annual Net Trade Income from 2011 onwards)

Net Trade Income	Age as at 1 January		
	Below 35 years	35 to below 45 years	45 years and above
Above \$6,000 to \$12,000	2.33%	2.67%	3.00%
Above \$12,000 to \$18,000	Phase in** from 2.33% to 7.00%	Phase in** from 2.67% to 8.00%	Phase in** from 3.00% to 9.00%
Above \$18,000	7.00% (Maximum \$3,780)	8.00% (Maximum \$4,320)	9.00% (Maximum \$4,860)

** Phase in rates are calculated using the following formulas:

Net Trade Income (NTI)	Age as at 1 January		
	Below 35 years	35 to below 45 years	45 years and above
	% of NTI	% of NTI	% of NTI
Above \$12,000 to \$18,000	$[(279.6 + 0.1634 (NTI - 12,000)) \times 100] / NTI$	$[(320.4 + 0.1866 (NTI - 12,000)) \times 100] / NTI$	$[(360 + 0.21 (NTI - 12,000)) \times 100] / NTI$

In computing the Medisave contribution for income earned in 2010, a weighted average rate will be applied for the year, viz., 2/3 x current contribution rate + 1/3 x new contribution rate.

*Weighted Average Contribution Rates of SEPs
(Applicable to Annual Net Trade Income for 2010)*

Net Trade Income	Age as at 1 January		
	Below 35 years	35 to below 45 years	45 years and above
Above \$6,000 to \$12,000	2.22%	2.56%	2.89%
Above \$12,000 to \$18,000	Phase in** from 2.22% to 6.67%	Phase in** from 2.56% to 7.67%	Phase in** from 2.89% to 8.67%
Above \$18,000	6.67% (Maximum \$3,601)	7.67% (Maximum \$4,141)	8.67% (Maximum \$4,681)

** Phase in rates are calculated using the following formulas:

Net Trade Income (NTI)	Age as at 1 January		
	Below 35 years	35 to below 45 years	45 years and above
	% of NTI	% of NTI	% of NTI
Above \$12,000 to \$18,000	$[[266.40 + 0.1557(NTI - 12,000)] \times 100] / NTI$	$[[307.20 + 0.1789(NTI - 12,000)] \times 100] / NTI$	$[[346.80 + 0.2023(NTI - 12,000)] \times 100] / NTI$

Self-employed persons earning an annual net trade income of \$6,000 or below will continue to have to make voluntary contributions to their Medisave in order to receive WIS. Details will be announced at a later date.

8. As a self-employed person, how much more CPF Medisave do I have to pay?

Depending on your age and income level, you will see the following changes:

Annual Net Trade Income (\$)	Current			Income earned in 2010			Income earned from 2011 onwards		
	<35	35 to <45	≥45	<35	35 to <45	≥45	<35	35 to <45	≥45
6,000	2.17%	2.5%	2.83%	2.22%	2.56%	2.89%	2.33%	2.67%	3%
7,000									
8,000									
9,000									
10,000									
11,000									
12,000									
13,000	3.17%	3.65%	4.14%	3.25%	3.74%	4.22%	3.41%	3.90%	4.38%
14,000	4.03%	4.64%	5.26%	4.13%	4.75%	5.37%	4.33%	4.95%	5.57%
15,000	4.77%	5.50%	6.23%	4.89%	5.62%	6.36%	5.13%	5.87%	6.60%
16,000	5.42%	6.25%	7.08%	5.56%	6.39%	7.22%	5.83%	6.67%	7.50%
17,000	5.99%	6.91%	7.83%	6.15%	7.07%	7.99%	6.45%	7.37%	8.29%
18,000	6.5%	7.5%	8.5%	6.67%	7.67%	8.67%	7%	8%	9%
Above 18,000	Full Contribution Rates								
	6.5%	7.5%	8.5%	6.67%	7.67%	8.67%	7%	8%	9%

9. Do the new CPF contribution rates apply to the Self-Employed Persons and informal workers who wish to qualify for the Workfare Income Supplement (WIS) scheme?

Yes, it is necessary to contribute Medisave up to the required amount in order to qualify for WIS. For those with annual income of \$6,000 or less, they can voluntarily pay 1/3 of the full contribution rate relevant to their age group to qualify for WIS.

10. I have contributed to my Medisave based on the old rates to receive Workfare Income Supplement (WIS) on 1 September 2010 for work done from January to June 2010. Should I continue to contribute to my Medisave using the old rates to receive the final-year WIS payment for work done in 2010?

The new Medisave contribution rates will take effect from 1 September 2010. As such, the Medisave contribution rates applicable for the final year WIS payment for work done in 2010 will be the weighted average rate viz. $\frac{2}{3} \times \text{current contribution rate} + \frac{1}{3} \times \text{new contribution rate}$. Please refer to Question 7 for the Medisave contribution rates for work done in 2010.