

## **CHANGES TO MINIMUM SUM SCHEME**

### ***Changes to MSTU Income Criterion***

#### **1. Can I claim tax relief if I use cash to top up under the Minimum Sum Topping-Up Scheme?**

You can enjoy tax relief of up to \$7,000 per calendar year, if you make cash top-ups for yourself and/or receive cash top-ups from your employer. You can enjoy an additional tax relief of up to \$7,000 per calendar year if you make cash top-ups for your siblings, spouse, parents or grandparents. To qualify for tax relief for cash top-ups for siblings/spouse, the siblings/spouse must have either (i) earned \$4,000 or less in the preceding year or (ii) is handicapped.

For cash top-ups made in any year, you can claim tax relief in the following year's Tax Assessment.

#### **2. Why is the Government increasing the income criterion for siblings/spouse?**

The government is increasing the income criterion for siblings and spouse in recognition of efforts by families to support their family members who are genuinely dependant, while providing them with the flexibility to do some incidental work.

Further, in recognition of the additional resources and attention required in providing care for handicapped spouse and siblings, the income criterion will be removed completely for cash top-ups made for handicapped spouse and siblings.

#### **3. When will these changes be effective?**

These changes are effective for all cash top-ups made to siblings/spouse in 2010. For cash top-ups made in the year, members can claim tax relief in the following year's Tax Assessment.

#### **4. What constitutes "income"? Does it include investment income/rental income/directorship income etc. even though a person is not working?**

"Income" of a person would include income from all sources, such as tax exempt income (e.g. bank interest, dividend and pension) and foreign-sourced income remitted into Singapore. Hence investment income/rental income/directorship income etc, are considered to be income of a person.

5. **Will I still get tax relief if I topped up to my siblings/spouse in 2010 prior to this announcement and he/she meets the new income threshold/is handicapped?**

Yes, givers who made top-ups under the Minimum Sum Topping-Up Scheme to their siblings/spouse in 2010 prior to this announcement can claim tax relief for top-ups made. As the new tax relief structure will apply for all eligible cash top-ups received since 1 January 2010, givers who topped up to their siblings/spouse prior to this announcement but did not make the income/handicapped declaration will receive letters from the Board inviting them to make declarations.

6. **What is the definition of “handicapped”?**

A handicapped person is one who has been incapacitated mentally or physically. Some examples are visual-impairment, loss of hearing, loss of limb and dementia.

7. **Must I provide documentary proof to certify that the recipient siblings/spouse is handicapped before I can claim tax relief for cash top-ups to them?**

There is no need to provide documentary proof. However, to claim tax relief for cash top-ups made to handicapped siblings/spouse, givers need to make a declaration on the top-up application form.

8. **Can I top-up to more than one handicapped siblings/spouse and get tax relief for both top-ups?**

Members may top up to several siblings/spouse. However, the amount of tax relief which can be claimed is capped by IRAS' rules - <http://www.iras.gov.sg/irasHome/page04.aspx?id=196>

### ***Allowing Payout Adjustment for Minimum Sum Scheme***

9. **Why is the Government allowing members to apply for higher Minimum Sum Scheme payouts?**

Top-ups beyond the cohort's Minimum Sum are generally used to extend the payout duration rather than to raise the payout amount. With the option to receive higher monthly payouts, eligible members can now choose between having higher payout levels and stretching payout durations.

10. **Who is eligible for an upward adjustment in CPF monthly income?**

Both MS top-up recipients, and older members with high Retirement Accounts balances (e.g. from proceeds of property sales). Members

whose payouts can last beyond 20 years from their drawdown age, or another 5 years (whichever is later) may apply. Members who are unsure of their current payout duration may request assistance from our Customer Service Officers.

**11. How will the new payout level be calculated?**

When a member applies for a revised payout level, we will recompute his new payout to last until DDA+20. If the member's age is within five years of his DDA+20, or if he is older than DDA+20, his new payout should last at least 5 years from the time of application, based on his current RA balance.

**12. Why does CPFIB not revise payouts upwards for all eligible members?**

This is because some members may prefer a longer payout duration to a higher payout level.

**13. When will the change be effective?**

The option of receiving higher monthly payouts will be made available to eligible members from 1 July 2010.