



**GUIDELINES ON LEVY BILL
COMPUTATION FOR
WORK PERMIT AND S PASS HOLDERS
SUBJECT TO A TIERED SYSTEM**

Guidelines on Levy Bill Computation for Work Permit & S pass holders Subject to Tiered System

Updated as at 1 Jan 12

AIM

This document explains the computation method for the monthly levy bills for the employment of Work Permit (WP) and S pass holders (foreign workers¹) that are subject to a tiered system.

OVERVIEW OF THE LEVY TIER SYSTEM

2. Foreign worker levy for the employment of

- (i) S pass holders across all sectors and;
- (ii) WP holders in the Manufacturing, Services, Landscaping, Agri-technology and the Incinerator plant sectors

is subject to a tiered system. The levies employers have to pay for these foreign workers vary, depending on the percentage of such workers under employment each month. The details of the levy tier system are shown in table 1. As shown, levies payable by employers who rely more on foreign workers will be higher. Further explanation on how this system is being applied to compute the monthly levy bill payable by employers is given in the subsequent pages.

Table 1: Levy Tier System for S pass and Work Permit holders from Jan 12 – Jun 12

Pass Type	Sectors	Tier	Percentage	Levy Rate (skilled / unskilled)
S pass	All sectors	Basic (S)	<= 15%	\$160
		Tier 2 (S)	15 – 25%	\$250
Work Permit (Overall)	Manufacturing	Basic	<= 30%	\$190 / \$290
		Tier 2	30 – 50%	\$270 / \$370
		Tier 3	50 – 65%	\$450
	Services, Landscaping, Agri-Technology, Incinerator Plant	Basic	<= 20%	\$210 / \$310
		Tier 2	20 – 30%	\$330 / \$430
		Tier 3	30 – 50%	\$470

¹ Foreign workers refer to only S pass and WP holders in this document.

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HOW TO COMPUTE THE PERCENTAGE OF FOREIGN WORKERS

3. The percentage of foreign workers an employer has is computed using its total workforce (TWF). This is comprised of its full-time local workers², S pass holders and WP holders, as a base. For instance, consider a hypothetical example of services company X with a workforce profile shown in the table below, in the month of January 12. Company X's total workforce and its percentage of foreign workers are also shown in the table below.

Example 1: Services company X's workforce profile in Jan 12

	Full-time Locals	S pass holders	WP holders	TWF
Actual No	100	40	40	$100 + 40 + 40 = 180$
Percentage	$100 / 180 = 55.6\%$	$40 / 180 = 22.2\%$	$40 / 180 = 22.2\%$	100%

² A local is deemed as a full-time worker if he earns at least \$850, and his employer has consistently made the corresponding CPF contribution to him for at least 3 consecutive months.

HOW TO COMPUTE THE NUMBERS OF FOREIGN WORKERS TO BE ALLOCATED INTO EACH LEVY TIER

4. The formulae to compute the number of foreign workers to be allocated into each levy tier vary depending on the percentage of the foreign workforce. These formulae are explained in details in the sub-paragraphs below³.

a. Scenario A - Employer's percentage of foreign workforce is less than the dependency ceiling (DC)⁴: The formulae used in such a scenario are shown in Table 2 below. Example 2 illustrates how these formulae are applied in the case of company X in the month of January 12.

Table 2: Formulae used when percentage of foreign workforce is less than DC

Levy Tier	Formula
<u>Basic</u> < = T1%	Round down (T1 / 100 * TWF)
<u>Tier 2</u> T1 – T2%	Round Down (T2 / 100 * TWF) – Basic
<u>Tier 3</u> T2 – T3%	Foreign workforce – Basic – Tier 2

Example 2: Allocation of X's foreign workers into the levy tiers in Jan 12

Levy Tier	Number of foreign workers in each tier
<u>Basic</u> < = 20%	Round Down (20 / 100 * 180) = 36
<u>Tier 2</u> 20 – 30%	Round Down (30 / 100 * 180) – 36 = 18
<u>Tier 3</u> 30 – 50%	40 + 40 – 36 – 18 = 26

b. Scenario B - Employer's percentage of foreign workforce is more than the dependency ceiling (DC): Such a scenario may arise due to various reasons, for example, the employer has shed its local workers, or has made a late CPF contribution to them. **The employer will be given one month grace period to take the necessary rectification action before the excess work passes will be revoked**⁵. In this one month, the formulae used to determine the levy tier allocation are shown in Table 3.

³ This document only explains in details the overall levy tier allocation formulae and not the S pass levy tier allocation formulae. The latter follows the same principle.

⁴ Dependency ceiling (DC) is the maximum percentage of foreign workers that an employer is allowed to have. This percentage varies across sectors. For instance, services sector's DC is 50%, while manufacturing sector's DC is 65%.

⁵ A separate letter will be sent to the employer in such a scenario to inform him to take necessary action.

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Table 3: Formulae used when percentage of foreign workforce is more than DC

Levy Tier	Formula
Basic < = T1%	Round down (T1 / 100 * (Max foreign workers ⁶ + Full-time local workers))
Tier 2 T1 – T2%	Round down (T2 / 100 * Max foreign workers + Full-time local workers) – Basic
Tier 3 T2 – T3%	Foreign workforce – Basic – Tier 2 ⁷

If company X made late CPF contribution to 50 of its full-time local workers in the month of February 12 but continue to retain all its 80 foreign workers, its workforce profile will be:

Example 3: Services company X's workforce profile in Feb 12

	Full-time Locals	S pass holders	WP holders	TWF
Actual No	50	40	40	50 + 40 + 40 = 130
Percentage	50 / 130 = 38.4%	40 / 130 = 30.7%	40 / 130 = 30.7%	100%

As X is in the services sector, its foreign workforce can only make up to 50% of its total workforce. With 50 full-time locals, X can only employ up to 50 foreign workers in February 12. In other words, X's foreign workforce size would have exceeded its DC. Thus, the number of foreign workers X can have in each levy tiers will be:

Example 4: Allocation of X's foreign workers into the levy tiers in Feb 12

Levy Tier	Number of foreign workers in each tier
Basic < = 20%	Round Down (20/100 * (50+50)) = 20
Tier 2 20 – 30%	Round Down (30 / 100 * (50+50)) – 20 = 10
Tier 3 30 – 50%	40 + 40 – 20 – 10 = 50

⁶ Formula to compute max foreign workers = Round down (DC / (100-DC) * Full-time local workers)

⁷ Should a company's local workforce drop to 0 in a particular month, all its foreign workforce would automatically be allocated into the highest levy tier.

HOW TO ASSIGN INDIVIDUAL FOREIGN WORKER INTO EACH LEVY TIER

5. Once the numbers of foreign workers that can be allocated in each tier have been computed, the individual foreign workers to be assigned will be determined. In ascending order starting from the basic tier, highest skilled S pass holders would be assigned first, followed by skilled WP holders and lastly, unskilled WP holders.

6. *Overall levy tier allocation:* In the case of company X in the month of Jan 12, it is computed in Example 2 that there can be 36, 18 and 26 foreign workers in the basic tier, tier 2 and tier 3 respectively. Based on the assignment order explained in paragraph 5, and assuming that of the 40 WP holders X has, 20 are skilled and 20 are unskilled, the following can be derived:

Example 5: Overall Levy Tier Allocation for individual foreign worker in company X in the month of Jan 12

Levy Tier	Number	Composition
Basic	36	36 S pass holders
Tier 2	18	4 S pass holders 14 skilled WP holders
Tier 3	26	6 skilled WP holders 20 unskilled WP holders

7. *S pass levy tier allocation:* Notwithstanding that S pass holders are slotted into the overall levy tier, the levies that employers have to pay for their employment are subject to a separate S pass levy tier structure. As indicated in table 1, the first 15 percentile of company's S pass holders will be allocated in the basic tier (or tier 1), while the next 10 percentile (15 – 25%) will be in tier 2. Again using the case of company X as an example, the S pass levy tier allocation in January 12 will be:

Example 6: Allocation of X's S pass holders into S pass levy tiers in Jan 12

Levy Tier	Number of foreign workers in each tier
<u>Basic (S)</u> ≤ 15%	Round Down $(15 / 100 * 180) = 27$
<u>Tier 2 (S)</u> 15 – 25%	$40 - 27 = 13$

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HOW TO COMPUTE THE MONTHLY LEVY BILL

8. Combining the information in Table 1, Example 5 and 6, the total levy bill payable by company X for the employment of its 40 S pass and 40 WP holders in the month of January 12 will therefore be \$24,410⁸. The detailed computation is shown in Example 7 below:

Example 7: Total levy bill for company X in Jan 12

Levy Tier	Number	Composition	Levy
Basic	36	36 S pass holders	27 * \$160 = \$4,320 9 * \$250 = \$2,250
Tier 2	18	4 S pass holders 14 skilled WP holders	4 * \$250 = \$1,000 14 * \$330 = \$4,620
Tier 3	26	6 skilled WP holders 20 unskilled WP holders	6 * \$470 = \$2,820 20 * \$470 = \$9,400
Total levy bill for Jan 12			\$24,410

⁸ This is on the assumption that all the foreign workers worked for the full month. Daily levy rate will apply for any foreign workers who worked only for part of a month.