

Change in CPF Contribution Rates**Table 1: New (lower) Employee contribution rate for older, low wage workers will increase their take home pay**

Income Level	50 years or less	Above 50 – 55 years	Above 55 – 60 years	Above 60 – 65 years	Above 65 years
≤\$500	No Employee Contribution				
>\$500 - \$1,500	Phase in from 0% to 20%	Phase in from 0% to 18%	Phase in from 0% to 12.5%	Phase in from 0% to 7.5%	Phase in from 0% to 5%
More than \$1,500	<u>Full Rates</u>				
	<u>20%</u>	<u>18%</u>	<u>12.5%</u>	<u>7.5%</u>	<u>5%</u>
Current rate at \$750	<u>20%</u>	<u>18%</u>	<u>12.5%</u>	<u>7.5%</u>	<u>5%</u>
New rate at \$750	<u>16%</u>	<u>14%</u>	<u>10%</u>	<u>6%</u>	<u>4%</u>

- Currently, the employee CPF contributions only start when the monthly income exceeds \$500, and contributions are gradually increased to reach the full rate of 20% at a monthly income of \$750.
- With the revision, we will stretch out the employee CPF contribution rate from 0% at a monthly wage of \$500, to the full rate of 20% at a monthly wage of \$1,500.
- Current contribution rate of 20% at a wage level of \$750 will be reduced to 16%.
- In brief, workers who earn less than \$1,500 per month will now pay less than full rates for their employee CPF contributions.
- Their take home pay will increase due to the lower employee CPF contribution rates, as illustrated in the table above.

Example: A 40 year old worker earning \$1,000 per month will now pay employee CPF contributions of \$180 and take home \$820 instead of paying \$200 of employee CPF contributions and taking home \$800 previously.

- The contribution rates by employees above 50 years old, which are already lower, will be further reduced accordingly.

Table 2A: New (lower) Employer contribution rate for older, low wage workers will improve their employability

Income Level	35 years or less	Above 35 - 50 years	Above 50 – 55 years	Above 55 – 60 years	Above 60 years
>\$50 - \$1,200	14.5%	Increase from 0% to current rates			
>\$1,200 - \$1,500		Increase from current rates to new full rates			
More than \$1,500		<u>New Full rates</u>			
		<u>14.5%</u>	<u>10.5%</u>	<u>7.5%</u>	<u>5%</u>

Table 2B: Current Employer contribution rates

Income Level	50 years or less	Above 50 – 55 years	Above 55 – 60 years	Above 60 years
Above \$50	<u>13.0%</u>	<u>9.0%</u>	<u>6.0 %</u>	<u>3.5%</u>

- Currently, employers pay the full rate of 13% for all workers earning more than \$50 per month.
- With the revision, we will phase-in the employer CPF contributions for workers who are aged above 35, from 0% at a monthly wage of \$50 to a new employer contribution rate of 14.5% at a monthly wage of \$1,500.
- In brief, employers now pay less than full rates for workers who earn less than \$1,500 per month.

Example: The employer of a 40 year old worker earning \$1,000 per month will now pay \$117 in employer CPF contributions for the worker, compared to \$130 previously.

- The 1.5% increase in CPF will be phased in between \$1,200 and \$1,500.

- The contribution rates for workers above 50 years old, which are already lower, will be scaled down accordingly

Table 3: New Contribution Rates for Self – Employed

Annual Net Trade Income	35 years or less	Above 35 – 45 years	Above 45 years
≤\$6,000	Voluntary contributions at one third full rates		
>\$6,000 - \$12,000	One third of full rates		
	2.2%	2.5%	2.8%
>\$12,000 - \$18,000	Increase from one third full rates to full rates		
> \$18,000	Full rates		
	6.5%	7.5%	8.5%
Above \$6,000	Current rates		
	6%	7%	8%

- Rates applying to SEPs will be reduced to one-third of the full rates for those earning an average monthly net trade income above \$500 and up to \$1,000 (\$6,000 to \$12,000 annual net trade income).

Example: A 40 year old Self-Employed earning a net trade income of \$12,000 per year (or \$1,000 per month) will now pay Medisave contributions of \$300 instead of \$840 per year.

- Contribution rates gradually increase from \$1,000 to the full contribution rates at a monthly average net trade income of \$1,500 (i.e. \$12,000 to \$18,000 of annual net trade income).
- Full rates will increase by 0.5 percentage points for those earning an average monthly net trade income of \$1,500 and above (or \$18,000 annual net trade income). Full rates are pegged to Medisave contribution rates of employees.

- Self-employed persons who currently do not contribute CPF because they earn \$6,000 or less a year can make voluntary contributions to benefit from WIS payouts.