

CHANGES TO CPF MINIMUM SUM TOPPING-UP SCHEME AND VOLUNTARY CONTRIBUTIONS PUBLIC FACTSHEET

Introduction

To encourage voluntary savings into the CPF, changes to the CPF Minimum Sum Topping-Up scheme and Voluntary Contribution rules were recently announced by the Minister for Finance, Mr Tharman Shanmugaratnam at the Budget Statement and the Minister for Manpower, Dr Ng Eng Hen, at the MOM Committee of Supply debate.

Encouraging voluntary savings for retirement

2. The CPF Minimum Sum (MS) Topping-Up Scheme allows members to voluntarily top up their own and family members' CPF Accounts to build up the Minimum Sum, using either cash or CPF funds. To encourage greater participation, the rules for cash top-ups will be simplified.

3. The 3 main changes to the rules for **cash top-ups** are, to:

- a. **Remove the existing annual cap on cash top-ups to recipients below age 55.** Under current rules, the cash top-ups combined with other CPF contribution cannot exceed \$26,393 per year. The annual cap on the amount of top-ups one can receive will now be removed.
- b. **Expand the list of recipients by removing restrictions on recipient's age and relationship with givers.** This will allow anyone, including extended family members and employers to top up any CPF member's MS using cash.
- c. **Additional tax relief.** Currently, 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 MS, and up to \$7,000 for cash top-ups to the MS of family members. Both reliefs will apply regardless of the age of the recipient when the top-ups are made. Employers who make the top-ups will receive tax deduction for the top-ups made.

Please see [Table 1](#) for the revised conditions.

**Table 1: New List of Recipients & Tax Relief
for MS Top-Ups Using Cash**

Recipients	MS Top-Up	Tax relief
Self (top-up made by member or his employer)	Yes	Yes
Parents & Grandparents	Yes	Yes
Spouse & Siblings	Yes	Yes
Others	Yes	No

Supplementary Notes:

- a) Top-ups to recipients age 55 and above will be credited into the Retirement Account (RA) while for those below age 55, the top-ups will be credited into the SA (Special Account).
- b) Top-ups can be made until the recipient meets the prevailing MS.
- c) Tax relief for members who make self top-ups or receive top-ups from their employers is capped at a total of \$7,000 per YA. Tax relief for members who top-up for their spouse, siblings, parents or grandparents is capped at another \$7,000 per YA. Both reliefs will apply regardless of the age of the recipient when the top-ups are made.
- d) Tax relief for cash top-ups to spouse/sibling is subject to the condition that the recipient must have earned \$2,000 or less in the preceding year.

Encouraging voluntary savings for healthcare

4. Members will now be able to claim tax relief on the amount they contribute voluntarily and specifically to their Medisave Account (MA).
5. Voluntary contribution to the MA is limited by:
 - a. the annual CPF contribution cap of \$26,393, i.e. total CPF contributions each year (including mandatory contributions¹) must not exceed this amount; and

¹ Mandatory contributions are compulsory contributions by employers and employees required under the CPF Act. This includes CPF contributions on the Ordinary and Additional Wages for employees, and Medisave contribution by self-employed persons.

b. Medisave Contribution Ceiling (MCC), which is the maximum amount that a member is required to contribute and maintain in his MA. The MCC is currently \$33,500.

6. The tax relief is capped at \$26,393 less mandatory contributions per YA.

Effective date

7. The CPF changes will be implemented on 1 Nov 2008. The tax relief changes will be effective for YA2009.