

MEDIA FACTSHEET

DATE: 10 September 2012

REVISED HOUSING REFUND POLICY

1. CPF members who use their CPF monies to purchase their property are required to make refunds into their CPF accounts when they sell their property.
2. Under the current housing refund policy, CPF members who are below age 55 are required to refund the principal amount withdrawn for the property with accrued interest when they sell their property. This is known as the P+I. For members aged 55 and above who sell their property, they are required to refund the lower of P+I or their Minimum Sum Deficiency (MSD), which is the amount required for them to fully meet their Minimum Sum (MS). As CPF members aged 55 and above are only required to set aside their MS for retirement, this refund rule ensures that such members refund only what is required to bring them up to their MS.
3. Over the past few years, the CPF Board has received feedback that the current housing refund policy has resulted in refunds required of the co-owners that do not match the amount of CPF savings they had used to pay for the property.

New Housing Refund Policy

4. To ensure that the distribution of proceeds from the sale of property reflects the amount of CPF savings used by each co-owner, refinements will be made to the current housing refund policy for transactions where the legal completion is on or after 1 January 2013.
5. Specifically, we will require all members to refund the P+I into their CPF when they sell their property, regardless of their age. This means that for members below age 55, there is no change in the housing refund policy. However, for members aged 55 and above, the full P+I refund will now also be made (instead of just the MSD), with the refund used to set aside the Minimum Sum that is applicable to them in their RA and the required amount in their Medisave Account (MA). Any remaining housing refunds will be automatically disbursed to the member in cash. This is consistent with the existing requirement that applies to all members past age 55 when they apply to withdraw their OA and SA savings in excess of the MS.
6. This refinement will ensure that housing proceeds received from the sale of the property are distributed in a manner that is proportional to or reflects the amount that each co-owner had contributed towards the property, while at the same time not require older members to retain in their CPF more refunds than are necessary.
7. The example below illustrates the difference between the current policy and the revised policy that will take effect on 1 Jan 2013.

Example:

Mr and Mrs Tan are co-owners of a 3-room HDB flat and they have contributed equal amounts of CPF savings to pay for the flat. They are selling their HDB flat for \$300,000 and have an outstanding housing loan of \$120,000.

	Mr Tan, 56 years old P+I = \$80,000 MSD = \$20,000	Mrs Tan, 54 years old P+I = \$80,000
Existing housing refund rule	Required CPF Refund = \$20,000	Required CPF Refund = \$80,000
Required refund for: 1) members \geq 55: MSD or P+I, whichever is lower 2) members < 55: P+I		
	<p>Computation of cash proceeds: Selling price: \$300,000 Less outstanding housing loan: \$120,000 Less total CPF refund: \$100,000 Cash proceeds left: \$80,000</p> <p>Assuming Mr and Mrs Tan split the remainder cash proceeds in a way that ensures each of them receives a total amount (in CPF and cash) that is commensurate with what they had contributed, Mr Tan and Mrs Tan will receive \$70,000 and \$10,000 in cash respectively. They will each receive a total amount of \$90,000 (in CPF and cash).</p> <p>Mr Tan: \$20,000 (CPF) + \$70,000 (cash) = \$90,000 Mrs Tan: \$80,000 (CPF) + \$10,000 (cash) = \$90,000</p> <p>However, assuming Mr and Mrs Tan be unable to agree on the above outcome, and they end up splitting the cash proceeds equally among themselves, each member will receive \$40,000. The total CPF and cash received by each will be unequal.</p> <p>Mr Tan: \$20,000 (CPF) + \$40,000 (cash) = \$60,000 Mrs Tan: \$80,000 (CPF) + \$40,000 (cash) = \$120,000</p>	
New housing refund rule	Required CPF Refund = \$80,000	Required CPF Refund = \$80,000
Required refund for members, regardless of age: P+I		
	<p>Computation of cash proceeds: Selling price: \$300,000 Less outstanding housing loan: \$120,000 Less total CPF refund: \$160,000 Cash proceeds left: \$20,000</p>	

	<p>Assuming Mr Tan and Mrs Tan split the cash proceeds equally among themselves, each member will receive \$10,000.</p> <p>Mr Tan: \$80,000 (CPF) + \$10,000 (cash) = \$90,000 Mrs Tan: \$80,000 (CPF) + \$10,000 (cash) = \$90,000</p> <p>For Mr Tan, the CPF refund of \$80,000 will be credited into his CPF account and used to make up his MSD and Medisave Required Amount. Thereafter, the excess housing refunds will be automatically disbursed to him.</p>
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Public Enquiries

For more information, please visit www.cpf.gov.sg or call the CPF Call Centre at 1800-227-1188.