

FACT SHEET: CPF AMENDMENT BILL 2019

1. The CPF Amendment Bill 2019 was introduced for its Second Reading in Parliament today. The Bill:
 - A. Provides workers and employers with more flexibility for future employment practices; and
 - B. Clarifies and streamlines the administration of the CPF Act.
2. The key policy-related changes in the Bill are outlined below.

A. More flexibility for workers and employers

Pilot Contribute-As-You-Earn Scheme

3. From 1 Jan 2020, the Government will pilot a Contribute-As-You-Earn (CAYE) scheme for a small group of about 6,000 self-employed persons (SEPs) who provide services to the Government. As the service buyer, the Government will help SEPs directly transmit contributions to their MediSave accounts, and pay the rest of the service fee to them. This significantly reduces the risk of not being able to make their contribution in full in a lump sum after the end of the year. The CPF Act will be amended to allow CPF Board (CPF Board) to implement CAYE.

4. The CAYE scheme originated as a recommendation by the Tripartite Workgroup on SEPs, which the Government accepted in March 2018. Today, SEPs make contributions to their MediSave account once every year, based on their earnings in the previous year. Some SEPs with cash flow constraints face difficulties in making the out-of-pocket contribution the following year. In a given year, about 60% of SEPs (130,000) do not make their MediSave contributions in full in a lump sum. CAYE will help SEPs keep up with their MediSave obligations through smaller and more regular contributions, as and when they receive a payment.

Refund of CPF contributions when certain conditions of employment are not fulfilled

5. The CPF Act will be amended to allow CPF Board to make refunds in circumstances that arise because of evolving employment practices and are not currently catered for under the CPF Act. For example, employers may structure wage components that are tied to contractual conditions, such as a sign-on bonus with a minimum service period condition. If the employee does not fulfil the conditions of the contract, he has to return the conditional component of his wage and the CPF contributions to the employer. Currently, the CPF Act does not allow CPF Board to grant refunds for this repayable component.

EMBARGOED UNTIL AFTER DELIVERY IN PARLIAMENT

6. With the amendment, employees and employers will have the flexibility to apply for a refund of the CPF portion within 1 year of having the return the conditional wage.

B. More clarity and efficiency in administering the CPF Act

7. The CPF Act will be further amended to clarify and streamline the administration of the CPF system, such as regularising CPF's current practice, under the Home Protection Scheme, of paying the interest accrued on the outstanding housing loan all the way until the claim is paid.

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