

## An Employers' Guide to CPF Contributions\*

### I. Introduction

1 The Central Provident Fund (“**CPF**”) is sometimes referred to as “Calculate, Pay or get Fined” by Singaporean employers. This is because the Central Provident Fund Act requires them to contribute to their employees’ CPF accounts or get fined for failure to do so.<sup>1</sup> If you are an employer, you may have questions about such contributions. To that end, this article will first explain how such contributions are calculated. It will then clarify when and how employers should make these contributions. Finally, it seeks to answer a question employers may have, namely, why are these contributions necessary?

### II. Discussion

2 The starting point is that employers must make contributions to each of their employees' CPF accounts (“**contributions**”) every month. The amount contributed (“**contribution rate**”) represents a percentage of that employee’s wages. So, which employees must you pay for and how much must you pay?

#### A. Which employees are relevant?

3 As an employer, you will only need to make contributions for employees who are either Singapore citizens or Singapore Permanent Residents (“**SPR**”).<sup>2</sup> This includes part-time employees, family workers and student employees.<sup>3</sup> This is because as long as your employees are paid more than S\$50 per month<sup>4</sup> and are either Singaporean or SPR, such contributions are mandatory. However, if your employees are foreigners or work outside of Singapore, you need not make contributions for them.<sup>5</sup> Freelancers are also not included.<sup>6</sup>

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<sup>1</sup> Central Provident Fund Act (Cap 36, 2013 Rev Ed) (“**CPFA**”).

<sup>2</sup> *Id.*, s 2.

<sup>3</sup> Central Provident Fund website <<https://www.cpf.gov.sg/Employers/EmployerGuides/employer-guides/hiring-employees/cpf-contributions-for-your-employees>> (accessed 15 February 2021).

<sup>4</sup> *CPFA*, *supra* n 1, First Schedule para 1(a).

<sup>5</sup> *CPFA*, *supra* n 1.

<sup>6</sup> *Public Prosecutor v Jurong Country Club* [2019] 5 SLR 554 (“**JCC**”) at [44] and [47]; see also Central Provident Fund website <https://www.cpf.gov.sg/employers/FAQ/employer-guides/hiring-employees/cpf-contributions-for-your-employees/FAQDetails?category=Hiring+Employees&group=CPF+Contributions+for+your+Employees&ajfaqid=2198654&folderid=11027> (accessed 15 February 2021).

**B. How much would you need to contribute?**

- 4 Your contribution rates depend on the amount of wages paid to your employees. Wages here would include regular monthly salaries paid to employees<sup>7</sup> (“**ordinary wages**”) and additional payments such as bonuses, commissions and allowances<sup>8</sup> (“**additional wages**”). However, the amount of ordinary wages that will be considered for CPF computation is capped at S\$6,000 even if the actual monthly salary paid exceeds it.<sup>9</sup> Although there is no direct cap on additional wages, the sum of additional and ordinary wages used for calculating CPF contributions for the year is capped at S\$102,000.
- 5 This quantum may sound like a lot, but not all payments constitute wages. Genuine reimbursements for expenses incurred during employment, and non-monetary gifts to employees are not “wages”. Thus, they will not affect your contribution rate.
- 6 So, what percentage of the total wages must you contribute? Unfortunately, there is no straightforward answer. The percentages required differ from employee to employee, depending on their age and SPR status. Ranging from 3.5% to 37%, these percentages are generally lower for older employees.<sup>10</sup> Aside from this, special rates apply for employees in their first or second year of becoming an SPR. For those in their first year, percentages range from 3.5% to 9%,<sup>11</sup> while percentages for those in their second year vary between 3.5% to 24%.<sup>12</sup> Likewise, the percentages required are lower for older employees within these categories. Given the complexities of such calculations, it is advisable for you to visit the CPF website to glean a better understanding of the relevant amounts.<sup>13</sup>

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<sup>7</sup> CPFA, *supra* n 1, First Schedule para 5(e).

<sup>8</sup> *Id.*, First Schedule para 5(d); see also Central Provident Fund website <<https://www.cpf.gov.sg/Assets/employers/Documents/MistakesbyEmployerswhenDeterminingCPFContributions.pdf>> (accessed 15 February 2021).

<sup>9</sup> *Id.*, First Schedule para 4A(b).

<sup>10</sup> *Id.*, First Schedule para 1A to 1F.

<sup>11</sup> Central Provident Fund website <<https://www.cpf.gov.sg/Assets/employers/Documents/Table%201st%20Yr%20SPR%20GG%20Pte%20and%20Npen%20Jan%202016.pdf>> (accessed 15 February 2021).

<sup>12</sup> Central Provident Fund website <<https://www.cpf.gov.sg/Assets/employers/Documents/Table%202nd%20Yr%20SPR%20GG%20Pte%20and%20Npen%20Jan%202016.pdf>> (accessed 15 February 2021).

<sup>13</sup> Central Provident Fund website <<https://www.cpf.gov.sg/eSvc/Web/Miscellaneous/ContributionCalculator/Index?isFirstAndSecondYear=0&isMember=1>> (accessed 15 February 2021).

**C. Can you avoid these contributions?**

7 At this point, you may be wondering whether these contributions are avoidable. Sadly, the answer is no. With automated systems monitoring your contributions,<sup>14</sup> and online platforms for employees to report non-payment,<sup>15</sup> these contributions are unavoidable. If an offender fails to make payment even after CPF sends him or her a notice for non-payment, he or she may be fined up to S\$5,000 and/or imprisonment for up to 6 months for the first offence.<sup>16</sup> If non-payment persists, the penalties range even higher, with fines up to S\$10,000 and/or imprisonment for up to 12 months.<sup>17</sup> Such contributions are thus mandatory even if the employee expressly agrees to waive any contribution for a higher take-home pay.<sup>18</sup>

8 However, there is comfort in the fact that employers may recover a portion of their contributions – between 5% to 13% of the wages used for computation – from their employees’ wages.<sup>19</sup> This amount represents the employee’s share of CPF contributions. As long as recovery is made within 6 months after payment of wages,<sup>20</sup> this reduces the net amount of the employer’s contributions and allows their employees to bear some of the financial load. Nevertheless, the employer’s CPF contributions, though reduced, remain unavoidable. Generally, under Singapore law, non-compliance is punishable regardless of the reasons given – be it a misunderstanding of the CPF Act obligations or a deliberate attempt to reduce business costs.<sup>21</sup> Thus, to err on the side of caution, you may wish to consult the CPF board or seek legal advice if you are unsure as to which payments attract contributions.

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<sup>14</sup> Central Provident Fund website <[https://www.cpf.gov.sg/Assets/employers/Documents/Flowchart\\_Recovery\\_Process.pdf](https://www.cpf.gov.sg/Assets/employers/Documents/Flowchart_Recovery_Process.pdf)> (accessed 15 February 2021).

<sup>15</sup> Central Provident Fund website <<https://www.cpf.gov.sg/members/FAQ/schemes/other-matters/cpf-contribution-for-employees/FAQDetails?category=other+matters&group=CPF+Contribution+for+Employees&ajfaqid=2192385&folderid=18087>> (accessed 15 February 2021).

<sup>16</sup> CPFA, *supra* n 1, s 61(1)(a); see also Central Provident Fund website <[https://www.cpf.gov.sg/Assets/employers/Documents/Flowchart\\_Recovery\\_Process.pdf](https://www.cpf.gov.sg/Assets/employers/Documents/Flowchart_Recovery_Process.pdf)> (accessed 15 February 2021).

<sup>17</sup> CPFA, *supra* n1, s 61(1)(b).

<sup>18</sup> Central Provident Fund website <<https://www.cpf.gov.sg/Assets/employers/Documents/MistakesbyEmployerswhenDeterminingCPFContributions.pdf>> (accessed 15 February 2021).

<sup>19</sup> CPFA, *supra* n 1, s 7(6) read with First Schedule para 1A to 1F.

<sup>20</sup> *Id.*, s 7(6A).

<sup>21</sup> *Public Prosecutor v Madam Mink Pte Ltd* [2016] SGDC 311 at [12].

**D. How and when should you make contributions?**

- 9 Given the inevitability of such contributions, knowing how and when they are to be made is imperative. Such contributions could be made by either addressing a cheque to the CPF Board<sup>22</sup> or making payments – through cash, NETS or CashCard – at the SingPost office.<sup>23</sup> Alternatively, you could also make payments through the CPF online platform e-Submit@web which is available any day, any time.<sup>24</sup> The online platform auto-computes your contribution rates as they fall due, which may alleviate your concerns about paying the right amount.<sup>25</sup> If you use physical payment methods, on the other hand, you will not have this luxury and must compute your own amounts.
- 10 Yet, even if your contribution rates are accurately computed, potential cashflow issues, difficult business environments and delays in collecting payment from customers could affect your payment.<sup>26</sup> Recognising such potential predicaments, the CPF board provides a 14-day grace period for all employers in making such contributions.<sup>27</sup> This means that you have up to 14 days after the end of the month to make these contributions. Beyond that, non-payment could entail fines and/or imprisonment.<sup>28</sup>

**E. Why must you make contributions?**

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<sup>22</sup> Central Provident Fund Regulations (Cap 36, Rg 15, 1998 Rev Ed) (“*CPFR*”) reg 4(b).  
<sup>23</sup> *Ibid*; see also Central Provident Fund website < <https://www.cpf.gov.sg/employers/FAQ/employer-guides/paying-cpf-contributions/direct-debit-and-other-payment-modes/FAQDetails?category=Paying+Cpf+Contributions&group=Direct+Debit+and+Other+Payment+Modes&ajfaqid=2198866> > (accessed 15 February 2021).  
<sup>24</sup> *Id*, 4(c); see also Central Provident Fund Website <<https://www.cpf.gov.sg/Employers/EmployerGuides/employer-guides/paying-cpf-contributions/cpf-e-submission>> (accessed 15 February 2021).  
<sup>25</sup> Central Provident Fund website <<https://www.cpf.gov.sg/eSvc/Web/Miscellaneous/ContributionCalculator/Index?isFirstAndSecondYear=0&isMember=1>> (accessed 15 February 2021).  
<sup>26</sup> *Singapore Parliamentary Debates, Official Report* (3 July 2017) vol 94 at col 53 (Mr Lim Swee Say, Acting Minister for Manpower).  
<sup>27</sup> *CPFR*, *supra* n 22, reg 2(1); see also *Public Prosecutor v Chan Lian Chai* [2011] SGDC 438 at [21] and Central Provident Fund website <<https://www.cpf.gov.sg/employers/FAQ/employer-guides/Paying-CPF-Contributions/CPF-e-Submission/FAQDetails?category=Paying%20CPF%20Contributions&group=CPF%20e-Submission&folderid=11138&ajfaqid=2198766>> (accessed 15 February 2021).  
<sup>28</sup> *CPFA*, *supra* n 1, s 61.

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- 11 Contributions may seem like an unwanted burden for employers who are wary of increasing business costs. But, before you take to the online forums to air your complaints, knowing the purpose of these contributions might douse your frustration.
- 12 Originally serving as an age pension scheme, CPF is now the cornerstone of Singapore's social security structure.<sup>29</sup> The use of CPF funds has been liberalized to cover a wide array of day-to-day expenses, including housing, medical bills, education, investments and retirement needs.<sup>30</sup> The significance of such funds, taken together with the Singapore government's aversion to state welfare,<sup>31</sup> means that your contributions as an employer play an important role in providing greater financial security for your employees, especially those who are economically vulnerable.<sup>32</sup>
- 13 With the costs of education, food, healthcare and various basic necessities on the rise<sup>33</sup> and an increasingly greying population,<sup>34</sup> the importance of savings, be it for retirement or day-to-day living, is greater now than ever. Your concerns over paying school fees, medical bills and accumulating retirement savings could well be concerns that your employees face as well. Thus, looking past the strict enforcement governing CPF contributions, such contributions ultimately serve an altruistic goal – to help fellow Singaporeans maintain social security and a basic safety net.

### III. Conclusion

- 14 With monthly contributions and the potential ramifications of non-payment, the CPF website serves as a handy compass in navigating the murky waters of making such

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<sup>29</sup> *Public Prosecutor v Alife Air Automobiles Pte Ltd* [2017] SGDC 33 (“*Alife*”) at [1]; see also Lim Pei Ying & Tan Shin Bin, “Saving the CPF: Restoring public trust in Singapore’s retirement savings system” (2015) Lee Kuan Yew School of Public Policy Public Policy Paper (“*Saving the CPF*”) at p 6.

<sup>30</sup> *Alife*, *supra* n 31, at [1]; see also Locknie Hsu, “The law and the elderly in Singapore – the law on income and maintenance for the elderly” (2003) SJLS 2003 (2), 398-417, Research Collection School of Law... (?) at p 408 and Terry Carney, “The future of welfare law in a changing world: Lessons from Australia and Singapore” (Sydney Law Review 2010, vol. 32, no. 2).

<sup>31</sup> *Saving the CPF*, *supra* n 29, at p 10.

<sup>32</sup> *JCC*, *supra* n 6, at [100]; see also *Singapore Parliamentary Debates, Official Report* (14 November 2012) vol 89, “Written Answers to Questions for Oral Answer Not Answered by 3.00 pm – Breach of CPF Employers’ Contribution Rules” (Tan Chuan-Jin, Acting Minister for Manpower).

<sup>33</sup> Statistics in Singapore, “Singapore in figures 2019” <<https://www.singstat.gov.sg/-/media/files/publications/reference/sif2019.pdf>> at p 24 (accessed 15 February 2021); see also William Hofmann, “Affordability crisis? How expensive has Singapore truly become?” (23 February 2019) <<https://www.asiaone.com/singapore/affordability-crisis-how-expensive-has-singapore-truly-become>> (accessed 15 February 2021).

<sup>34</sup> Statistics in Singapore, “Singapore in figures 2019” <<https://www.singstat.gov.sg/-/media/files/publications/reference/sif2019.pdf>> (accessed 15 February 2021) at p 5.

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contributions. Although these contributions might pinch your business' finances now, in the long haul, it could well determine whether your employees can buy their dream home, pay for their medical bills or afford their children's education. You may find comfort in knowing that a portion of your total contribution is recoverable from your employees' wages. All in all, instead of associating these contributions to formidable fines and punishments, it may be better to perceive the acronym "CPF" in a more positive light – as Calculations and Payments for the future of a Fellow Singaporean.

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