

## Mistakes by Employers when Determining CPF Contributions

### 1. Non-payment of CPF contributions for employees under the following employment:

- Probation
- Part-time/Temporary
- Contract/Casual
- Daily-rated

Employers should ensure that CPF contributions are paid on wages received by employees on the types of employments as stated above, as long as they earn more than \$50 in a month.

#### **Example: Employment of casual/ part-time employees**

Mdm Sim is a housewife and she works as a food stall helper from 7:30am-11:00am on every Monday and Wednesday. She is given \$30 for each day that she works. CPF should be paid to Mdm Sim since her monthly wages are more than \$50 in a month, approximately \$240 (\$30 x 2 x 4 weeks).

### 2. Non-payment of CPF contributions for full time employees who have requested not to have CPF contributions so that they can have higher take-home pay

#### **Example:**

An employee had an agreement (in writing or verbal) with his employer not to have CPF contributions so that he can have a higher take-home pay. After his service was terminated, he complained to the Board that his employer had underpaid his CPF contributions.

This agreement is not valid and the employer is responsible to pay both the employer's and employee's share of CPF contributions. The employer also has to make good the underpayments and the late payment interest incurred.

### 3. Non-payment of CPF contributions for wages earned by employees who joined or left employment in the middle of the month

For employees who joined the company or left employment in the middle of the month, CPF contributions are payable based on the pro-rated wages earned for the month.

#### **Example: Employee joined the company in the middle of the month**

Helen has a new employee who joined the company on 20 January 2017. Helen has to pay the employee CPF contributions on his pro-rated wages earned for January 2017.

**4. Non-payment of CPF contributions on the National Service (NS) make-up pay given by MINDEF/SCDF/SPF for Operationally Ready NSmen who were on NS training**

**Example:**

An employee earning monthly wages of \$2,000, worked an incomplete month in July 2017 as he was on NS training from 18 to 24 July 2017.

When computing the July 2017's CPF contribution for this employee, his employer will have to compute and contribute CPF based on the sum of wages given by the employer and the make-up pay that will be given by MINDEF/SPF/SCDF (if applicable), as though the employee has not been away from work. The employer has to bear the full employer's share of CPF contribution but he can recover the full employee's share from the employee's wages.

**5. Underpayment of CPF contributions due to application of the Ordinary Wage Ceiling on additional wages (e.g. Bonuses)**

Bonuses are considered Additional Wages (AW) and are subject to CPF contributions. The amount of AW which attracts CPF contributions is capped at the AW Ceiling, and can be computed using our [CPF Additional Wage Ceiling Calculator](#). In computing the total CPF contributions payable, employers have to include the AW amount which is subject to CPF contributions into their employee's Total Wages for the calendar month.

**Example:**

An employee earning a monthly wage of \$3,000 was given a year-end bonus of \$5,000 in December 2016. If the employee did not reach the AW Ceiling for 2016, the employer had to compute the CPF contributions for December 2016 based on his total wages of \$8,000 and not cap the total wages at the Ordinary Wage Ceiling of \$6,000.

**6. Non-payment of CPF contributions on all wage items that attract CPF, such as**

- **Allowances**
- **Commissions/incentives payments**
- **Overtime pay**
- **Bonuses**

**Example: Transport allowance**

If the transport allowance constitutes part of an employee's wage, CPF contributions are payable on it.

However, CPF contributions are not payable for genuine reimbursement of travel/actual transport expenses incurred for official purposes. These include reimbursements for:

- travel in the line of official duty;
- travel between home and workplace beyond normal working hours, for example on rest days and public holidays;
- travel from home/office to the place of assignment; and
- actual transport expenses where employer is obliged to provide transport and where transport is not available.

*Note: The reimbursement amounts cannot exceed the actual expenses incurred by the employees and have to be supported by official receipts or claim forms.*

For instance, Lily works at an electronics company in Tuas Industrial park. As the location of the workplace is rather remote, the company gives her \$150 every month to cover her travelling expenses to work. CPF is payable on the \$150 since it is a transport allowance.

**Example: Commission**

Your employee is a salesperson and you pay him a commission for every product he sold. Each month, you would pay him his basic salary and the commission from his sales. Hence, CPF contributions are payable on his total wages which includes his commission.

**Example: Third-Party Commission**

CPF contributions are payable on third-party commissions as long as the commissions are money for services rendered by the employee during his employment. Third-party commissions are commissions that an employee earns from third parties for services rendered by him by virtue of his employment.

The arrangement to pay commissions can be formal or informal and CPF contributions are payable on such third-party commissions regardless of whether the employee earns a commission or whether such commissions are stated in the employment contract.

For instance, Ivan is a salesperson and has to recommend his customers the financial institutions listed by his employer for car insurance. For any insurance he sells, he would be paid a commission from the financial institutions. CPF contributions are payable on such commissions.

## **7. Non-payment of CPF contributions on wage items that were wrongly classified as reimbursement instead of allowance**

An allowance is typically given to the employee for a particular purpose (e.g. grooming) and he does not need to return the unspent amount.

On the other hand, reimbursements are monetary payments given to employees for actual expenses incurred by them in the course of their employment. Reimbursements do not attract CPF contributions as they are not classified as wages. Some examples are:

- Transport charges incurred by employees for travel to a client's office;
- Meal expenses incurred by employees for overtime work;
- Expenses incurred by employees to launder their office uniform; etc.

The reimbursement amounts cannot exceed the actual expenses incurred by the employees and have to be supported by official receipts or claim forms.

### **Example:**

Natasha is a sales personnel in a retail shop. Every month, she earns a monthly wage of \$3,000. She is also given a grooming allowance of \$500 every month, even if she spent less or more than \$500 each month. Since the grooming allowance of \$500 is given as an allowance and not granted on reimbursement basis, CPF is payable on the total monthly wages of \$3,500.

## **8. Application of the wrong CPF contribution rates for employees who are Singapore Permanent Residents**

CPF contribution rates are lower for Singapore Permanent Resident (SPR) employees who are in their first or second year of obtaining SPR status. Employers have to apply the correct CPF contribution rates for their SPR employees:

- 1<sup>st</sup> year SPR contribution rates are payable on the date employee becomes a SPR.
- 2<sup>nd</sup> year SPR contribution rates are payable from the month following the 1<sup>st</sup> anniversary of employee's SPR conversion.
- 3<sup>rd</sup> year SPR contribution rates are payable from the month following the 2<sup>nd</sup> anniversary of employee's SPR conversion.

### **Example:**

An employee became a SPR on 5 January 2016. You have to apply the

- 1<sup>st</sup> year SPR contribution rates from 5 January 2016 to 31 January 2017.
- 2<sup>nd</sup> year SPR contribution rates from 1 February 2017 to 31 January 2018.
- 3<sup>rd</sup> year and onwards SPR contribution rates from 1 February 2018.

## 9. Excessive deduction of the allowable amount from employees' wages for CPF contributions

Employers should not deduct any CPF contributions from employees' wages if they are earning \$500 and below in a month. For employees earning more than \$500 in a month, employers should compute the employee's share of CPF contributions based on the prevailing CPF contribution rates. Employers must refund the money to employees if they have over-deducted CPF contributions from their employees' wages.

### Example:

The total CPF contribution for an employee is \$2,220 (employer's share = \$1,020 and employee's share = \$1,200). The employer should deduct exactly \$1,200 from the employee's wages and contribute the money to CPF. He cannot deduct more than \$1,200 from the employee's wages.

## 10. Wrong Classification of CPF contributions for Overtime (OT) Payment

Ordinary Wages (OW) are:

- (i) wages due or granted wholly and exclusively in respect of an employee's employment in that month; **and**
- (ii) payable before the due date for payment of CPF contributions for that month.

Additional Wages (AW) are wages which are not granted wholly and exclusively for the month or wages made at intervals of more than a month.

The OT pay is considered as an OW for the month if it satisfies both the above OW requirements. If otherwise, it is considered as an AW.

All CPF contributions for the month are due at the end of the month. A grace period of 14 days is given. If the 14<sup>th</sup> day falls on a Saturday, Sunday or Public Holiday, grace period will be extended to the next working day.

### Example 1:

An employee's OT pay is computed based on OT performed in a calendar month i.e. from 1<sup>st</sup> to the end of the month. If the OT pay is for OT performed in April 2017 and payable on 10 May 2017, the classification would be:

OT pay for OT performed:	Payable on:	Classification of OT pay based on OW and AW definitions	When should CPF be contributed:
From 1 to 30 April 2017	10 May 2017	OW for April 2017	14 May 2017

**Example 2:**

- A) An employee's OT pay is computed for two calendar months i.e. from 25<sup>th</sup> of a month to 24<sup>th</sup> of the following month. If the OT pay for OT performed from 25 April to 30 April 2017 is payable to the employee on 10 May 2017, and for 1 May to 24 May 2017 is payable to the employee on 30 May 2017, the classification would be:

OT pay for OT performed:	Payable on:	Classification of OT pay based on OW and AW definitions	When should CPF be contributed:
From 25 to 30 April 2017	10 May 2017	OW for April 2017	14 May 2017
From 1 to 24 May 2017	30 May 2017	OW for May 2017	14 June 2017

- B) An employee's OT pay is computed for two calendar months i.e. from 25<sup>th</sup> of a month to 24<sup>th</sup> of the following month. If the OT pay is for OT performed from 25 April to 24 May 2017 and payable to the employee on 30 May 2017, the classification would be:

OT pay for OT performed:	Payable on:	Classification of OT pay based on OW and AW definitions	When should CPF be contributed:
From 25 to 30 April 2017	30 May 2017	AW for May 2017	14 June 2017
From 1 to 24 May 2017	30 May 2017	OW for May 2017	

## Common Situations where CPF Contributions are Paid Wrongly

S/N	Common Mistakes	How Can I Avoid Paying the Wrong CPF Contributions for my Employees?
1	Computation/payroll system error e.g. system bug	Please check and ensure that the employees' wages and CPF contributions are computed correctly when you submit them to CPF Board.
2	Delayed notification of employees' change of employment status such as: a) Resignation/Termination b) Conversion from Full-Time to Part-Time employment c) No-pay leave application	Please ensure the prompt transmission or update of the employees' employment status and/or no-pay leave application to your company's Human Resource or Payroll Department or Payroll Vendor.
3	Made wrong or duplicate payment as follows:  a) Submitted a new submission file to override the previous incorrect submission via CPF e-Submit b) Sent two modes of payments for the same employee, e.g. ESI (Electronic Standing Instruction) via Direct Debit and Payment Advice via cheque	<p>1) You can amend or delete the wrong or duplicate submission via CPF e-Submit@web before 5.15pm on the same day (For more information, please refer to the CPF e-Submit@web User Guide <a href="#">here</a>). If you discover the wrong or duplicate submission the next day, please email us at <a href="mailto:employer-esubmission@cpf.gov.sg">employer-esubmission@cpf.gov.sg</a> immediately.</p> <p>2) You should ensure that only one mode of payment is used. For example, if the employees' details are being submitted using ESI via Direct Debit, do not make another payment using Payment Advice via cheque, as this will lead to a double payment of CPF contributions for these employees.</p>
4	Used the wrong CPF contribution rate due to: a) Keyed wrong birth year/month b) Change of age group c) Applied new CPF contribution rate before the effective month	<p>Please ensure that the employees' date of birth are correct and the corresponding contribution rate is applied correctly to the employees before you submit the details to CPF Board.</p> <p>You are strongly encouraged to use CPF e-Submit@web, which is a free service for employers to submit your employees' CPF contribution details and make payment electronically. It auto-computes the CPF and Skills Development Levy (SDL) amounts based on your employees' details. With this feature, you save time and effort as you do not need to compute the CPF contributions manually, and you can avoid computation errors. To sign up, simply complete the online application <a href="#">form</a>.</p>
5	Applied the full CPF contribution rates for 1 <sup>st</sup> and 2 <sup>nd</sup> year Singapore Permanent Residents (SPR) employees	Please validate the employees' citizenship/ PR status prior to paying CPF contributions.