

HR & Tax Alert



Quality In Everything We Do

Singapore – 2007 Budget Update

March 2007

Executive summary

This year's Budget was presented to Parliament on 15 February 2007 and there is one proposal which affects individuals.

Changes to Central Provident Fund (CPF) Contribution Rates

The CPF is a statutory savings scheme which provides for employees' old age retirement in Singapore. Employees who are Singaporeans or Singapore Permanent Residents (SPRs), and their employers are required to contribute. For individuals aged 50 years and below, the statutory rate of employees' CPF contributions is 20% and that of the employer is 13%. Lower contribution rates apply to individuals aged over 50 years. There are also special transitional contribution rates for foreigners during the first three years after they become SPRs,

increasing gradually from 4% in the first year to 13% in the third year for the employer, and from 5% to 20% over the same period for the individual.

It is proposed that the employer CPF contribution rate be increased by 1.5 percentage points to 14.5% starting from 1 July 2007. Adjustments are also expected to be made to the special transitional contribution rates for foreigners who become SPRs.

Next steps

The proposal to increase the CPF contribution rate for employers may have an impact on foreign individuals who are contemplating becoming Singapore Permanent Residents. In particular, remuneration packages and tax equalisation calculations may need to be reviewed as the changes will affect the cost to both employer and employee.

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