

# CPF changes in Budget 2023

## - How it will affect you

March 2023

### Increase in CPF Monthly Salary Ceiling

The Singapore Budget 2023 statement was released on 14 February 2023. The Deputy Prime Minister and Finance Minister Lawrence Wong announced that the CPF monthly salary ceiling will be gradually raised from \$6,000 to \$8,000 by 2026 for all employees. The change aims to help middle-income Singaporeans save more for their retirement.

In order to allow employers and employees time to adjust to the changes, the increase will take place in four steps as summarised in the table below:

	CPF Monthly Salary Ceiling (Ordinary Wage)	Changes	CPF Annual Salary Ceiling
Current	\$6,000	-	\$102,000 (no change)
From 1 September 2023	\$6,300	+ \$300	
From 1 January 2024	\$6,800	+ \$500	
From 1 January 2025	\$7,400	+ \$600	
From 1 January 2026	\$8,000	+ \$600	

Employees who are earnings monthly ordinary wage of \$6,000 and below will not be affected by this change.

- ▶ The annual salary ceiling, which limits the total amount of Ordinary Wages (OW) and Additional Wages (AW) that attract CPF contributions, will remain at \$102,000 for now and it will be reviewed periodically by the Government to ensure it continues to cover the broad majority of CPF members.
- ▶ As such, the AW ceiling computation remains the same, i.e. \$102,000 - Total OW subject to CPF for the year.
- ▶ The CPF Annual limit will also remain at \$37,740.



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## How will CPF changes affect you

Impact on 2023 payroll calculations in view of the new monthly salary ceiling from 1 September 2023:

- ▶ CPF contributions will be computed based on new OW ceiling from 1 September 2023.
- ▶ Computation of AW ceiling for year 2023 after taking into consideration the new OW ceiling for employee whose monthly salary is \$6,300 and above:

CPF Annual Salary Ceiling		\$102,000
Less: 8-month CPF Salary Ceiling	January to August	(\$48,000)*
Less: 4-month CPF Salary Ceiling	September to December	(\$25,200)**
<b>AW Ceiling for year</b>		<b>\$28,800</b>

\*\$6,000 x 8 = \$48,000

\*\* \$6,300 x 4 = \$25,200

## In order to ensure CPF contribution is correctly computed

- ▶ OW and AW must be accurately capped in order to avoid over contribution.
- ▶ AW ceiling for employees who joined less than one year in year 2023 must be re-calculated.
- ▶ AW ceiling for employee who left employment during the year must be re-computed.
- ▶ AW ceiling for employee who has OW adjustment/s during the year must be re-computed.
- ▶ Application of CPF refund for excess CPF contributions will be necessary, if any of the above is not carried out correctly.

## Illustrated Example

Assuming your employee (aged 55 and below) earns a monthly OW of \$6,300 and received a bonus pay-out of \$30,000 (i.e. more than \$28,800) in 2023.

	\$	\$
Annual salary (OW)	75,600	75,600
Bonus (AW)	30,000	30,000
	<b>Before changes</b>	<b>After changes</b>
Employee's CPF on OW	14,400	14,640
Employer's CPF on OW	12,240	12,444
Employee's CPF on AW	6,000	5,760
Employer's CPF on AW	5,100	4,896
<b>Total CPF contribution</b>	<b>37,740</b>	<b>37,740</b>

**AW Capped at \$30,000**

**AW Capped at \$28,800**

## How we can assist you

- ▶ Computation and verification of your CPF calculations
- ▶ Preparation and submission of application for CPF refund for over payment of CPF

## Other CPF changes - Increase in CPF Contribution Rates for Senior Workers

In 2019, the Government announced that CPF contribution rates will be raised gradually over this decade for Singaporean and Permanent Resident workers aged above 55 to 70.

The new rates for year 2023 had already effected since 1 January 2023. The next increase in senior worker CPF contribution rates will take place on 1 January 2024.

Employee's age (years)	Contribution rates from 1 January 2023 (monthly wages > \$750)			Contribution rates from 1 January 2024 (monthly wages > \$750)		
	By employer	By employee	Total	By employer	By employee	Total
	(% of wage)	(% of wage)	(% of wage)	(% of wage)	(% of wage)	(% of wage)
55 and below	17	20	37	No changes		
Above 55 to 60	14.5	15	29.5	15 (+0.5)	16 (+1)	31 (+1.5)
Above 60 to 65	11	9.5	20.5	11.5 (+0.5)	10.5 (+1)	22 (+1.5)
Above 65 to 70	8.5	7	15.5	9 (+0.5)	7.5 (+0.5)	16.5 (+1)
Above 70	7.5	5	12.5	No changes		

## BDO Payroll Administration and HR Services

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Our payroll and HR administration services include the following:

- ▶ Set up and implementation of payroll and HR activities
- ▶ Employee onboarding
- ▶ Maintenance of employees' profile for payroll processing
- ▶ Gross to net salary calculations considering statutory contributions
- ▶ Preparation of payroll reports
- ▶ Central Provident Fund ("CPF") submission
- ▶ Year-end form submission, including Form IR8A and applicable appendices
- ▶ Preparation and submission of ad hoc forms including Form IR21, government-paid leave claims, CPF refunds, etc.
- ▶ Preparation of client-specific payroll general ledger
- ▶ Administrative of employees' leave and expense claims
- ▶ Provision of Employee Self-Service Portal and mobile apps for payslips retrieval, leave applications and expense claim submissions



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