

## Quick Guide on the Enhancement to Wage Credit Scheme (WCS)

(Updated on 18 Feb 2020)

The Wage Credit Scheme (WCS) supports businesses embarking on transformation efforts and encourages employers to share productivity gains with workers by co-funding wage increases. It was introduced in Budget 2013 and extended in Budget 2015 and Budget 2018.

The WCS will be enhanced in Budget 2020. A summary of the changes to WCS is in [Table 1](#) below.

Table 1: Summary of Changes to WCS

<b>Scheme</b>	<b>Current WCS</b> <i>as announced in Budget 2018</i>	<b>Enhanced WCS</b> <i>as announced in Budget 2020</i>
<b>Qualifying years<sup>1</sup></b>	<ul style="list-style-type: none"><li>• 2018, 2019, 2020</li></ul>	<ul style="list-style-type: none"><li>• 2019, 2020</li></ul>
<b>Level of co-funding</b>	<ul style="list-style-type: none"><li>• 20% of qualifying wage increases in 2018</li><li>• 15% of qualifying wage increases in 2019</li><li>• 10% of qualifying wage increases in 2020</li></ul>	<ul style="list-style-type: none"><li>• <b>20%</b> of qualifying wage increases in 2019</li><li>• <b>15%</b> of qualifying wage increases in 2020</li></ul>
<b>Gross monthly wage ceiling</b>	<ul style="list-style-type: none"><li>• \$4,000</li></ul>	<ul style="list-style-type: none"><li>• <b>\$5,000</b></li></ul>
<b>Qualifying wage increases</b>	<ul style="list-style-type: none"><li>• Increase in gross monthly wage of at least \$50 given to Singaporean employees in the qualifying year, up to a gross monthly wage level of <b>\$4,000</b>, will be co-funded.</li><li>• In addition, increases in gross monthly wage of at least \$50 given in 2017, 2018 and 2019 up to a gross monthly wage level of <b>\$4,000</b>, and sustained in subsequent years of the scheme, will be co-funded.</li></ul>	<ul style="list-style-type: none"><li>• Increase in gross monthly wage of at least \$50 given to Singaporean employees in the qualifying year, up to a gross monthly wage level of <b>\$5,000</b>, will be co-funded.</li><li>• In addition, increases in gross monthly wage of at least \$50 given in 2017, 2018 and 2019 up to a gross monthly wage level of <b>\$5,000</b>, and sustained in subsequent years of the scheme, will be co-funded.</li></ul>

Employers do not need to apply for WCS.

---

<sup>1</sup> Any calendar year from 2013 (when WCS was introduced) to 2020 is considered a qualifying year if (i) the employer paid the employee CPF contributions for at least 3 months in the year, (ii) the employee received CPF contributions for at least 3 months in the preceding year, and (iii) the employer has a qualifying wage increase in the year.

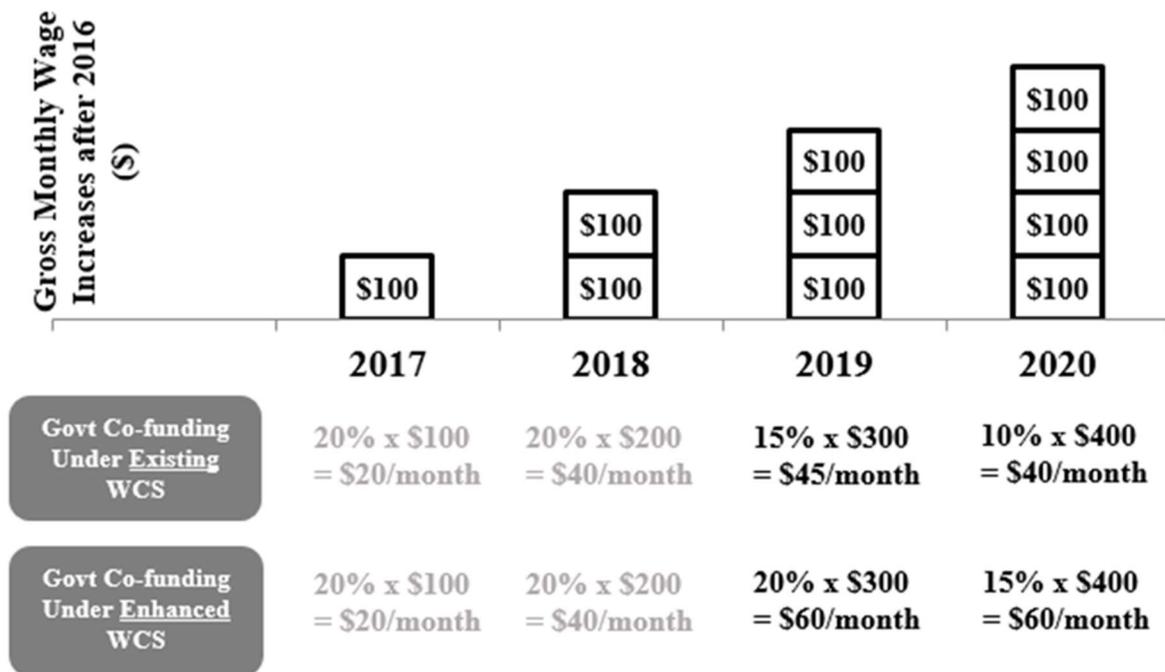
- They will receive payouts automatically in the month of March after the qualifying year (Y+1), for qualifying wage increases given to their employees in the qualifying year (Y). This is the existing process.
- Employers who benefit from additional wage credit arising from the Budget 2020 enhancements will receive a separate supplementary payout by end Sep 2020. Letters will be sent to all qualifying employers to inform them of the supplementary payout.

Illustration of Wage Credit Computation

*Raising of Government Co-Funding Ratio*

- Under the enhanced WCS, if an employer increases the gross monthly wage of a qualifying employee by \$100 each year from 2017 – 2020, and sustains the wage increases from 2017 – 2019 in 2020, the Government will co-fund 20% of the total qualifying wage increase of \$300 in 2019, and 15% of the total qualifying wage increase of \$400 in 2020.
- This means that the Government will co-fund \$1,440<sup>2</sup> for the new and sustained wage increases given in 2019 and 2020. This amount of co-funding from the Government is \$420<sup>3</sup> higher than that under the current WCS.

**Figure 1: Increase in Co-Funding Ratio**



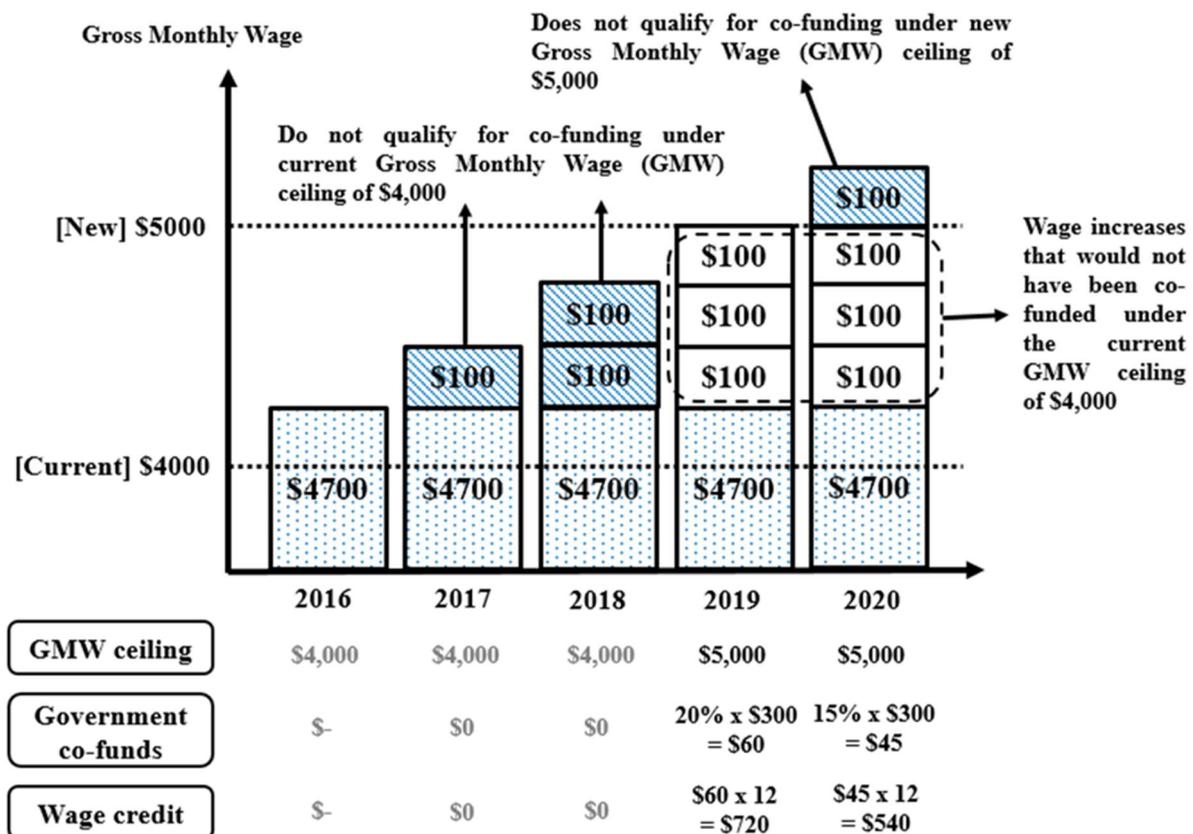
<sup>2</sup> Refers to the sum total of wage credit provided by Government over 2019-2020, i.e. \$720 each in 2019 and 2020.

<sup>3</sup> The amount of co-funding from Government under the current WCS parameters would altogether be \$1,020 in 2019 and 2020.

## Raising of Gross Monthly Wage Ceiling

- Under the current WCS, wage increases above the gross monthly wage of \$4,000 will not count toward qualifying wage increases.
- The enhanced WCS supports increases in gross monthly wage of at least \$50 given in 2017, 2018 and 2019 up to a gross monthly wage level of **\$5,000**, and sustained in subsequent years of the scheme.
- This means that if an employer increases the gross monthly wage of an eligible employee earning \$4,700 in 2016 by \$100 each year from 2017 to 2020, and sustains these wage increases through to 2020, the Government will co-fund 20% of the total qualifying wage increase of \$300 in 2019, and 15% of the total qualifying wage increase of \$300 in 2020.
- The employee will receive a total of \$8,400<sup>4</sup> in new and sustained wage increases in 2019 and 2020, of which the Government would have co-funded \$1,260<sup>5</sup>.

**Figure 2: Raising of Gross Monthly Wage Ceiling**



<sup>4</sup> Refers to the sum total of yearly wage increases given over 2019-2020, i.e. \$3,600 in 2019 and \$4,800 in 2020.

<sup>5</sup> Refers to the sum total of wage credit provided by Government over 2019-2020, i.e. \$720 in 2019 and \$540 in 2020.

## **Frequently Asked Questions**

### **1. I am a company. How do I apply for the WCS?**

Employers do not need to apply for Wage Credit. Wage Credit will be automatically paid to eligible employers annually, based on the CPF contributions that they make for their employees.

For each year that businesses qualify for Wage Credit, they will receive the Wage Credit at the end of March in the subsequent year. For e.g., for qualifying year 2019, eligible employers will receive the Wage Credit at the end of March 2020.

Employers should ensure that CPF contributions for each month's wages are paid by the 14th of the following month.

### **2. What are the changes for the enhanced WCS?**

There are two changes:

- a) The government co-funding ratios for wage increases in 2019 and 2020 will be raised from the current 15% and 10%, to 20% and 15% respectively.
- b) The qualifying gross wage ceiling will also be raised to \$5,000 for 2019 and 2020, up from the current \$4,000.

All other parameters remain the same.

### **3. How do I receive the WCS payout?**

From Mar 2020, the WCS payouts will only be disbursed electronically through direct crediting modes. If you did not register for GIRO to pay Income Tax/GST or have not registered for PayNow Corporate, please sign up for either of these modes to receive the WCS payout.

Sole-proprietorships not registered for PayNow Corporate will automatically receive the payout to the sole-proprietor's GIRO bank account for Income Tax/GST, or the bank account that is registered for PayNow.