**QUESTIONS AND ANSWERS ON VOLUNTARY MEDISAVE CONTRIBUTIONS BY COMPANIES TO SELF-EMPLOYED PERSONS**

General

1. What conditions must be fulfilled for the voluntary Medisave contributions made by Companies to Self-Employed Persons (SEPs) to enjoy tax benefits?

To qualify for tax benefits, the voluntary Medisave contribution must meet the following conditions:

(a) it is made to the Medisave Account of a SEP (Please refer to question 2 for definition);

(b) it is made in cash by a Company; and

(c) the Company and the SEP have entered into a qualifying contract which is in force on the date that contribution is made (Please refer to question 3).

1. How do you define a Self-Employed Person (SEP)?

A SEP is defined as any Singapore citizen or Singapore Permanent Resident who derives income from Singapore or from outside Singapore through any trade, business, profession or vocation excluding employment under a contract of service.

In other words, if you are earning income by buying and selling goods, providing professional or personal services, you are a SEP.

Examples of SEPs include sole-proprietors, partners of partnership businesses, taxi drivers, and insurance agents.

1. What is a qualifying contract between the Company and the Self-Employed Person (SEP)?

It is a contract between the Company and the SEP that provides for:

1. the rental or loan of an asset1 by the Company to the SEP, for the SEP to carry on his trade, profession, business or vocation; or
2. the provision of services by the SEP to the Company, where the SEP and Company are in the same trade, profession, business or vocation.

Includes intangible assets e.g. intellectual property but does not include money.

1. How much can a Company contribute to the Self-Employed Person’s (SEP’s) Medisave Account in any calendar year?

A Company can make voluntary contributions to the Medisave Account of SEPs up to the prevailing CPF Annual Limit, but there is a limit on the amount that can qualify for tax deduction. Please refer to question 5 on the tax deduction limit.

For more details on the voluntary contribution limit capped at the prevailing CPF Annual Limit, please refer to CPF Board website.

1. Is there a limit on the amount of qualifying voluntary Medisave contributions that are eligible for tax deduction?

Yes. The table below shows the limit on tax deduction applicable to:

(a) contributions made in 2013 to 2017; and

(b) contributions made in 2018 and subsequent years.

|  |  |
| --- | --- |
| Tax Deduction limit on qualifying voluntary Medisave contributions | |
| Contributions made in 2013 to 2017 | Contributions made in 2018 and subsequent years |
| The amount of qualifying voluntary Medisave contributions made by each company in any calendar year that are eligible for tax deduction cannot exceed $1,500 per Self-Employed Person (SEP).  The following requirements have been removed for contributions made in 2013 and subsequent years:   1. All companies making contributions in a year to an SEP’s Medisave Account, have to share the tax deduction limit of $1,500 per SEP; and 2. The contributions have to be within the CPF Annual Limit of the recipient and Basic Healthcare Sum (BHS). | The maximum amount of qualifying voluntary Medisave contributions made by each company in any calendar year that are eligible for tax deduction has been raised from $1,500 to $2,730 per SEP. |

1. Would a Self-Employed Person (SEP) be taxed on the qualifying voluntary Medisave contributions by his Company or Companies? How should such receipts be reported by the SEP in his income tax return ?

Where the qualifying voluntary Medisave contributions made by a company to its SEP’s Medisave Account are -

* 1. co-contributions that are triggered by the SEP’s specific prior contributions to his Medisave Account, such co-contributions **are not income** in the hands of the SEP and are therefore not taxable;
  2. not co-contributions as mentioned in (a), but are related to work done or to be done by the SEP, such contributions **are income** in the hands of the SEP. Such income is tax exempt up to the limits mentioned in Question 5 above. Any amount of such contributions which is in excess of these limits (“excess contribution amount”) is taxable.

A SEP need not report the amount of any voluntary Medisave contributions made by a company to his Medisave Account, including the excess contribution amount, if any. IRAS will obtain from CPF Board any excess contribution amount for auto-inclusion in the SEP’s tax assessment.

1. What happens if the total voluntary Medisave Contributions received by a Self-Employed Person (SEP) exceeds the CPF Annual Limit in a calendar year? How would the excess be refunded?

Where both the SEP and his Company have made voluntary Medisave contributions to the SEP’s account in the same calendar year, any excess above the CPF Annual Limit and up to the amount contributed by the SEP will be refunded to the SEP first, without interest. The SEP will not receive tax relief on these refunded contributions. Thereafter, if there are remaining voluntary contributions made by the Company still in excess of the CPF Annual Limit, the excess will be refunded to the Company.

1. As a Self-Employed Person, does my Company’s voluntary contribution to my Medisave account affect how much I can contribute to my own account?

Yes. The voluntary contributions made by your Company will be considered as part of the total contributions made to your CPF accounts, and are subject to the prevailing CPF Annual Limit.

1. Do contributions made by Companies offset the Medisave liabilities of Self-Employed Person (SEP)?

Yes. The contributions made by Companies will be used to offset the Medisave liabilities of the SEP.

1. How will I know if my Company has contributed to my Medisave Account?

The contributions made by your Company will be reflected in your 15-month CPF Contribution History and Statement of Account. You may check your CPF statements by logging on to the CPF website using your SingPass.

1. As a Company, what is the procedure to apply to make voluntary Medisave contributions to Self-Employed Persons (SEPs)?

The Company needs to write in to CPF Board, addressed to:

Self-Employed Scheme & Workfare Department

Central Provident Fund Board

Robinson Road P.O. Box 3060

Singapore 905060

1. What are the requirements in filing tax returns if the Company wants to claim tax deduction for its qualifying voluntary Medisave contributions?

For such contributions made in 2013 and subsequent years, the Company should determine the amounts in excess of the limits stated in question 5, and make the tax adjustments in the tax computation when it files its tax return.

Concurrent Self-Employed and Employee

1. If I am concurrently a Self-Employed Person (SEP) and an employee, what is the maximum tax-exempt voluntary Medisave contributions I can enjoy?

The maximum amount of tax-exempt voluntary Medisave contributions in a year that such an individual can enjoy is provided in the table below:

|  |  |
| --- | --- |
| Maximum amount of tax-exempt voluntary Medisave contributions in a year that can be enjoyed by an individual who is concurrently a SEP and an employee | |
| Contributions made in 2013 to 2017 | Contributions made in 2018 and subsequent years |
| The maximum amount of tax-exempt voluntary Medisave contributions you can enjoy is $1,500 per contributor per calendar year.  If the same contributor makes contributions to your Medisave Account both as your employer and the company you work with as an SEP, you are regarded as having 1 contributor and not 2 contributors. | The maximum amount of tax-exempt voluntary Medisave contributions you can enjoy is increased from $1,500 to $2,730 per contributor per calendar year.  If the same contributor makes contributions to your Medisave Account both as your employer and the company you work with as an SEP, you are regarded as having 1 contributor and not 2 contributors. |