Budget 2023 – Employment Updates

On 14 February 2023, the Minister for Finance delivered the FY2023 Budget for Singapore (**Budget 2023**). The Budget 2023 introduced several changes and initiatives that impact (among others) employers and employees. We set out below an overview of the key aspects of those employment-related changes and initiatives.

Increase in Parental Leave

To enhance support for marriages and parenthood in Singapore, the Government introduced enhanced parental leave schemes as follows:

(a) Increase in Government-paid Paternity Leave

Currently, eligible working fathers of Singaporean children are entitled to two weeks of fully-paid paternity leave funded by the Government (**GPPL**). The Government will reimburse employers for the two weeks of GPPL, capped at S$2,500 per week or a total of S$5,000. To promote greater involvement of fathers in child-raising and encourage them to assume more parental responsibilities, the Government will increase GPPL from two weeks to four weeks for working fathers of Singaporean children born on or after 1 January 2024.

This four-week paternity leave scheme will be introduced on a voluntary basis. Employers who grant up to two weeks of additional GPPL to their eligible employees will be reimbursed by the Government. This voluntary phase is to give employers more time to adjust in light of tighter economic conditions. The Government will review this and intends to make the four-week GPPL mandatory in due course.

(b) Increase in Unpaid Infant Care Leave

Currently, eligible working parents are entitled to six days of unpaid infant care leave (**Unpaid Infant Care Leave**) per year in relation to their children below the age of two who are Singapore citizens. From 1 January 2024, Unpaid Infant Care Leave for working parents will be increased from the current six days per year to 12 days per year.

In total, these enhancements increase parental leave for a working couple from 22 weeks to up to 26 weeks in their child's first year.

There is no change to the eligibility criteria for GPPL and Unpaid Infant Care Leave, which will continue to apply.

Changes in Central Provident Fund contributions

The Central Provident Fund (**CPF**) is a mandatory social security savings scheme in Singapore funded by contributions from employees who are Singapore citizens and Permanent Residents and their employers. Under the CPF scheme, the relevant employer is required to make contributions to the employee's CPF account based on contribution rates that are a percentage of the employee's monthly and annual salary. The CPF contributions are subject to monthly and annual salary ceilings (i.e., CPF contributions are payable only up to the monthly and annual salary ceilings, and not on an employee's entire monthly and annual salary).

(a) **Increase in CPF monthly salary ceiling**

Currently, the CPF monthly salary ceiling is S$6,000 and determines the maximum amount of CPF contributions payable for ordinary wages (i.e., the monthly salary). There is also the CPF annual salary ceiling which sets the maximum amount of CPF contributions payable for all wages received in the year, inclusive of both ordinary wages and additional wages (e.g., bonus and incentive payments) – this is currently set at S$102,000, which is 17 times the monthly salary ceiling to account for bonuses equivalent to five months' salary.

To keep pace with rising salaries, the Government will incrementally raise the CPF monthly salary ceiling from S$6,000 to S$8,000 starting from 1 September 2023 until 1 January 2026. There will be no change to the CPF annual salary ceiling, but this is subject to review to ensure it covers a broad base of CPF members.

The changes to the CPF monthly salary ceiling are listed in the table below:

Period	CPF Monthly Salary Ceiling	CPF Annual Salary Ceiling
Current	S$6,000	S$102,000
From 1 September 2023	S$6,300 (+S$300)	
From 1 January 2024	S$6,800 (+S$500)	
From 1 January 2025	S$7,400 (+S$600)	
From 1 January 2026	S$8,000 (+S$600)	

(b) **Increase in senior worker CPF contribution rates**

In 2019, the Government announced that CPF contribution rates will be incrementally increased, until around 2030, for Singaporean and Permanent Resident workers aged above 55 to 70. The Budget 2023 announced the next incremental increase for CPF contribution rates as the Government seeks to enhance the retirement adequacy of seniors preparing for retirement. The first two increases to senior worker CPF contribution rates took effect on 1 January 2022 and 1 January 2023 respectively.

It was announced that the next increase in senior worker CPF contribution rates will take place on 1 January 2024, with the increase fully allocated to the Special Account, similar to previous increases.

To alleviate the increased business costs resulting from this increase, the Government will introduce a one-year CPF Transition Offset alongside the above changes. The CPF Transition Offset will be equal to half of the 2024 increase in employer CPF contribution rates for every Singaporean and Permanent Resident worker they employ aged above 55 to 70. This offset will be provided automatically and employers will not need to apply for it.

The increase in CPF contribution rates from 1 January 2024 and the CPF Transition Offset are set out below:

Age Band	Current CPF Contribution Rates from 1 January 2024			CPF Transition Offset for 2024
	Total	Employer	Employee	
≤55	No change			
>55 to 60	31.0% (+1.5% pt)	29.5% (+0.5% pt)	26.0% (+1% pt)	0.25% pt
>60 to 65	22.0% (+1.5% pt)	11.5% (+0.5% pt)	10.5% (+1% pt)	0.25% pt
>65 to 70	16.5% (+1% pt)	9.0% (+0.5% pt)	7.5% (+0.5% pt)	0.25% pt
>70	No change			

Notes:
1. The CPF contribution rates are stated as a percentage of wages.
2. The percentage point figures in parentheses refer to the increase in CPF contribution rates from 1 January 2024, compared to current rates as of 1 January 2023.

(c) **CPF scheme for Platform Workers**

In November 2022, the Government accepted the recommendations of the Advisory Committee on Platform Workers to strengthen protection for Platform Workers. The term "Platform Workers" refers to delivery workers, private-hire car drivers, and taxi drivers who use online platforms to match them with consumer demand, but who are not employees of the companies operating these platforms (**Platform Companies**). Currently, Platform Workers and Platform Companies are not required to make CPF contributions.

As announced, to improve the housing and retirement adequacy of Platform Workers, the Government will align CPF contribution rates of Platform Companies and Platform Workers with those of employers and employees respectively (**Aligned CPF Contribution Rates**), over a phase-in period of five years. Platform Workers who are below 30 years old when the changes are implemented will be required to make increased CPF contributions, and Platform Companies will also be required to pay CPF contributions for these Platform Workers. Platform Workers from older cohorts will be able to opt into these changes.

To ease the impact on lower-income Platform Workers who may experience a reduction in take-home pay as they contribute more to their CPF accounts pursuant to the Aligned CPF Contribution Rates, the Government announced in the Budget 2023 that it will introduce a CPF transition support scheme to provide support for lower-income Platform Workers during the phase-in period. The support scheme will offset part of the Platform Worker's share of the year-on-year increase in the CPF Ordinary and Special Accounts contribution rates from years one to four. Singaporean Platform Workers who earn S$2,500 or less per month (including from platform and other work) will be eligible for the support scheme if they are required to or opt in to make contributions based on the Aligned CPF Contribution Rates.

If you would like information or assistance on the above or any other area of law, you may wish to contact the Partner at WongPartnership whom you normally work with or any of the following Partners:

Jenny TSIN
Co-Head – Employment
d: +65 6416 8110
e: jenny.tsin@wongpartnership.com
Click here to view Jenny's CV.

Vivien YUI
Co-Head – Employment
d: +65 6416 8009
e: vivien.yui@wongpartnership.com
Click here to view Vivien's CV.

LIM Jia Ying
Partner – Mergers & Acquisitions
d: +65 6416 8247
e: jiaying.lim@wongpartnership.com
Click here to view Jia Ying's CV.

Connect with WongPartnership.

WPG MEMBERS AND OFFICES

- contactus@wongpartnership.com

SINGAPORE

-

WongPartnership LLP
12 Marina Boulevard Level 28
Marina Bay Financial Centre Tower 3
Singapore 018982
t +65 6416 8000
f +65 6532 5711/5722

CHINA

-

WongPartnership LLP
Shanghai Representative Office
Unit 1015 Link Square 1
222 Hubin Road
Shanghai 200021, PRC
t +86 21 6340 3131
f +86 21 6340 3315

MYANMAR

-

WongPartnership Myanmar Ltd.
Junction City Tower, #09-03
Bogyoke Aung San Road
Pabedan Township, Yangon
Myanmar
t +95 1 925 3737
f +95 1 925 3742

INDONESIA

-

Makes & Partners Law Firm
Menara Batavia, 7th Floor
Jl. KH. Mas Mansyur Kav. 126
Jakarta 10220, Indonesia
t +62 21 574 7181
f +62 21 574 7180
w makeslaw.com

MALAYSIA

-

Foong & Partners
Advocates & Solicitors
13-1, Menara 1MK, Kompleks 1 Mont' Kiara
No 1 Jalan Kiara, Mont' Kiara
50480 Kuala Lumpur, Malaysia
t +60 3 6419 0822
f +60 3 6419 0823
w foongpartners.com

MIDDLE EAST

-

Al Aidarous Advocates and Legal Consultants
Abdullah Al Mulla Building, Mezzanine Suite 02
39 Hameem Street (side street of Al Murroor Street)
Al Nahyan Camp Area
P.O. Box No. 71284
Abu Dhabi, UAE
t +971 2 6439 222
f +971 2 6349 229
w aidarous.com

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Al Aidarous Advocates and Legal Consultants
Oberoi Centre, 13th Floor, Marasi Drive, Business Bay
P.O. Box No. 33299
Dubai, UAE
t +971 4 2828 000
f +971 4 2828 011

PHILIPPINES

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ZGLaw
27/F 88 Corporate Center
141 Sedeño Street, Salcedo Village
Makati City 1227, Philippines
t +63 2 889 6060
f +63 2 889 6066
w zglaw.com/~zglaw

wongpartnership.com