

FAQs ON VOLUNTARY MEDISAVE CONTRIBUTIONS BY COMPANIES TO SELF-EMPLOYED PERSONS (SEPs)

GENERAL

1. What conditions must be fulfilled in order for the company and SEPs to enjoy tax benefits on the voluntary MediSave contributions made by companies to SEPs' MediSave Account?

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).

2. How do you define a SEP for the purpose of the voluntary MediSave contribution to enjoy tax benefit?

A SEP is defined as a person who performs work (e.g. provide a service) under a contract for service.

If you earn an income by buying and selling goods, or from providing professional or personal services, you are a SEP.

Examples of SEPs include sole-proprietors, partners of partnership businesses, taxi and private-hire-car drivers, commission agents (e.g. insurance agent, real estate agent), freelancer, and owner of an online business, etc.

For more information, you may refer to our website: [Am I a self-employed person?](#)

3. 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:

- (i) 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

¹ Includes intangible assets e.g. intellectual property but does not include money.

- (ii) the provision of services by the SEP to the company, where the SEP and company are in the same trade, profession, business or vocation.

4. How much can a company contribute to the SEP's MediSave Account in any calendar year?

A company can make voluntary contributions to the MediSave account of SEPs. The voluntary MediSave contributions will be credited to the SEPs' MediSave account as a payment by the SEP and will be subject to the [prevailing CPF Annual Limit](#). There is a limit on the amount that can qualify for tax deduction for the company. Please refer to Question 5 on the tax deduction limit.

5. Is there a limit on the amount of qualifying voluntary MediSave contributions that the company can claim for tax deduction?

For contributions made in year 2018 and subsequent years, the maximum amount of qualifying voluntary MediSave contributions made by each company in any calendar year that are eligible for tax deduction **cannot exceed \$2,730** per SEP.

6. What should I do if my company wishes to claim tax deduction for the voluntary MediSave contribution made for the SEPs?

The company can claim the tax deduction when filing its Income Tax Return. If the company has contributed an amount in excess of \$2,730 per SEP per year, the company is required to make the tax adjustments in its income tax computation to disallow the excess contribution when it files its Income Tax Return.

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

To make voluntary MediSave contributions to SEPs, the company needs to submit a request to the [CPF Board](#) via "[Write to us](#)" and select the following:

- 1) "A Business Partner" under I am;
- 2) "My Organisation" under I want to submit a request for;
- 3) "MediSave" under Subject; and
- 4) Indicate "Other matters" under Category

8. Would a SEP be taxed on the qualifying voluntary MediSave contributions by his/ her company or companies? How should such receipts be reported by the SEP in his/ her income tax return?

Where the qualifying voluntary MediSave contributions made by a company to its SEP's MediSave Account are:

- (a) co-contributions that are triggered by the SEP's specific prior contributions to his/ her MediSave Account (e.g. under the [Drive and Save scheme](#)), such co-contributions **are not income** in the hands of the SEP and are therefore not taxable;
- (b) 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/ her 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.

9. What happens if the total voluntary MediSave Contributions received by a SEP exceeds the CPF Annual Limit in a calendar year? How would the excess be refunded?

Where both the SEP and his/ her 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 which is still in excess of the CPF Annual Limit, the excess will be refunded to the company.

10. As a SEP, 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.

11. Do contributions made by companies offset the compulsory MediSave contribution that the SEP is required to make?

Yes. The contributions made by companies will be used to offset the compulsory MediSave contribution that the SEP is required to make, if any.

12. 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 Yearly Statement of Account (YSOA). You may check your CPF statements by logging onto [my cpf Online Services](#) using your Singpass.

CONCURRENT SELF-EMPLOYED AND EMPLOYEE

13. If I am concurrently a SEP and an employee, what is the maximum tax-exempt voluntary MediSave contributions I can enjoy?

For contributions made in 2018 and subsequent years, the maximum amount of tax-exempt voluntary MediSave contributions in a year that you can enjoy is \$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.

SEP CEASES TO BE A SINGAPORE CITIZEN OR SINGAPORE PERMANENT RESIDENT

14. If a SEP ceases to be a Singapore citizen or Singapore permanent resident (PR), can a company still make voluntary MediSave contributions to the SEP's MediSave account if such an amount was already due to be paid when the SEP was still a Singapore citizen or Singapore PR?

Once a SEP becomes a foreigner (i.e. not a Singapore citizen or Singapore PR), CPF Board would not allow the company to make any voluntary MediSave contribution to the foreigner SEP's MediSave Account. This is notwithstanding that such an amount was already due to be paid when the SEP was still a Singapore Citizen or Singapore PR.

If such an amount is paid in the form of cash directly to the SEP, the tax treatment for the company and SEP is provided in the table below.

Taxpayer	Tax treatment
Company of SEP	<p>(a) The company may claim the amount as a tax deduction, provided that the amount is an expenditure that is:</p> <ul style="list-style-type: none"> (i) wholly and exclusively incurred in the production of income; (ii) not capital or private-in-nature; and (iii) not specifically prohibited from deduction under Section 15 of the Income Tax Act 1947. <p>(b) The tax deduction limit in Question 5 does not apply to the company as the amount is not paid into the foreigner SEP's MediSave account.</p>
SEP	<p>Where the amount, had it been allowed to be paid into the SEP's MediSave account would:</p> <ul style="list-style-type: none"> (a) have been a co-contribution that is triggered by the SEP's specific prior contributions to his/ her Medisave Account (e.g. under the Drive and Save scheme), such amount is not income in the hands of the SEP and is therefore not taxable; (b) not be a co-contribution as mentioned in (a), but is related to work done or to be done by the SEP, such amount is income in the hands of the SEP and is taxable. The SEP will not enjoy the tax exemption mentioned in Question 6 as the amount is not paid into the SEP's MediSave account. <p>The SEP is required to report to IRAS any such amount paid in cash to him/ her under the circumstances defined in (b) above since such amount is taxable and is not paid into the SEP's MediSave Account. The SEP will either:</p> <ul style="list-style-type: none"> (i) declare such amount as “2. Trade, Business, Profession or Vocation” income when e-Filing his/ her Income Tax Return for the year of assessment relating to the basis period in which the amount is due and payable to him/ her; or (ii) email the information to IRAS, together with the business' 4-line statement, one month before the expected date of cessation/ departure if the SEP is ceasing his/ her business or leaving Singapore permanently.