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PRESS RELEASE

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10-U/84/06/21MEDISAVE FOR SELF-EMPLOYED

The Medisave Scheme was implemented on 1 April '84. Since then, all employees have had six per cent of their wages credited to their Medisave Accounts. The self-employed, however, do not enjoy the benefits of this Scheme.

There are approximately 160,000 self-employed persons. Together with their dependants, they make up a sizeable proportion of the population. The Medisave Scheme is based on the principle that people should save regularly, while they are healthy and working, to pay for the hospital bills of their families. Thus it should be extended to the self-employed. In fact, the need to do so for the self-employed is greater as, unlike employees, they do not enjoy company medical benefits.

The Government will be amending the CPF Act to require the self-employed to contribute monthly six per cent of their income to their Medisave Accounts. In the meantime, the self-employed can voluntarily open Medisave Accounts as many have already done. Income level will be as declared by the self-employed person, but the Medisave contribution will be subject to a minimum of \$20 and a maximum of \$300 a month. The lower limit ensures a minimum saving to cover Class C hospitalisation costs. The upper ceiling is the same as that imposed on normal CPF contributors.

The self-employed's Medisave contributions, like the employees', will be tax-exempt. They can be used to pay hospital expenses incurred by themselves or their immediate family members. They are allowed to withdraw the excess if their Medisave Accounts exceed the prescribed limits when they reach 55 years of age. Upon death, their Medisave balances will be paid to their nominees and will be free from estate duty.

Collection of Medisave contributions by the self-employed will be carried out by the CPF Board. The self-employed with POSB Accounts can contribute to Medisave through the POSB-GIRO service. Those who use the POSB-GIRO service will have their contributions automatically deducted every month from their POSB Accounts. POSB-GIRO Forms are available at all POSB Branches and CPF Offices.

For those self-employed who wish to pay their Medisave contributions by cash or by cheque, the first contribution will need to be accompanied by a signed Medisave Contribution Form. This Form is also available in all Post Offices and CPF Offices. Thereafter the CPF Board will issue the self-employed contributors with computer-printed forms to pay subsequent Medisave contributions. Cash payments may be made at any Post Office. Cheque payments should be posted to the CPF Board.

The policy to require all self-employed to contribute to Medisave will come into effect as soon as the CPF Act is amended.