

FACTSHEET: SME REBATE SCHEME

Overview

1. In Budget 2007, Government announced the SME Rebate Scheme to provide locally-registered Small and Medium Enterprises (SMEs) with a rebate on labour expenses. The scheme is a temporary assistance scheme to help SMEs adjust to higher costs due to the increase in CPF employer contribution rate of 1.5% that will take effect on 1 July 2007.

Duration of Scheme

2. The SME Rebate Scheme will last two years. Rebates will be paid to each qualifying firm on an annual reimbursement basis, based on the firm's total employer CPF contributions made during each 12-month qualifying period. The start of the first qualifying period will coincide with the increase in CPF contribution rate (1 July 2007). The two qualifying periods are :

- 1 July 2007 to 30 June 2008 (“**First Year**”)
- 1 July 2008 to 30 June 2009 (“**Second Year**”)

Amount of Rebates

3. The amount of rebates that a firm will receive is pegged to the total employer and employee contributions payable by a firm to CPF Board. The rebate is 2% of the first \$40,000 of total CPF contribution and 1% of the next \$40,000 of total CPF contribution in the First Year, and 1% and 0.5% respectively for the Second Year. In the first year, the rebate will effectively offset up to 45% of the additional CPF cost that SMEs face due to the increase in employer CPF contribution rate.

	First Year <i>(1 Jul 07 – 30 Jun 08)</i>	Second Year <i>(1 Jul 08 – 30 Jun 09)</i>
1st Tier	2% of first \$40,000 of total CPF contribution (max \$800)	1% of first \$40,000 of total CPF contribution (max \$400)
2nd Tier	1% of next \$40,000 of total CPF contribution (max \$400)	0.5% of next \$40,000 of total CPF contribution (max \$200)

Eligibility Criteria

4. To ensure that the rebates are targeted at SMEs, the government will grant the rebates to businesses (including corporate entities, partnerships and sole proprietorships) that meet the following criteria:

a) For a **non-manufacturing** firm:

- Business must be registered in Singapore.
- Fixed Asset Investment (FAI) of less than S\$15 million.
- Not more than 200 employees.

b) For a **manufacturing** firm:

- Business must be registered in Singapore.
- Fixed Asset Investment (FAI) of less than S\$15 million.

5. The above eligibility criteria are adapted from the standard criteria that SPRING uses to identify SMEs for various assistance schemes. As the SME Rebate Scheme is meant to assist all locally-based SMEs, there is no local ownership requirement to qualify for the rebates.

Application Process

6. To apply for the rebates, firms will have to submit an online electronic form to declare that they meet the SME eligibility criteria. The online electronic form will be available from **1 July 2007 to 31 July 2009** on the SME Rebate Scheme website (www.smerebate.gov.sg).

7. The application periods are as follow:

- **1st Application Period** : 1 July 2007 – 31 July 2008
- **2nd Application Period** : 1 August 2008 – 31 July 2009

8. Firms that apply in the 1st Application Period will qualify for the rebates in **both years of the scheme**. They **need not** reapply in the 2nd Application Period. Firms that only apply in the 2nd Application Period will only be eligible for the rebates paid out for the Second Year of the scheme.

Payment

9. Payment to each employer will be made within 2 months following the end of each application period, i.e. in August and September. Firms which make an application before May 2008 will receive their first year rebates by mid-August 2008, while firms which make an application after

May 2008 but before the deadline of 31 July 2008 will receive their rebates by mid-September 2008.

More Information

10. For more information, please refer to the SME Rebate Scheme website at www.smerebate.gov.sg, from 1 May 2007 onwards. For any queries, employers can call 1800-2222-888 or email smerebate@cpf.gov.sg.