



# Reconciling historic CPF issues raised by CPF Board

## Client challenge:

- CPF Board identified that the client was non-compliant on the way they calculated employer CPF on commission payments.
- Client was required to provide a reconciliation of historic payroll and to provide an updated correct payroll dating back 8 years.

## Grant Thornton services:

Reviewing the payroll and running payroll calculations.



Are you compliant on your payroll processes, do you need a health check?

Do you have similar challenges? Contact the lead partner:

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## Client challenge

**Required assistance with complicated CPF calculations and did not trust their payroll provider.**

They had recently moved between a local payroll provider to the Big-4. A number of ex-employees raised a complaint on how their commission payments were treated for CPF purposes. After a number of discussions with the CPF Board the CPF Board ruled in favour of the ex-employees.

They didn't know how to deal with this and required external assistance with the calculations.

## The Grant Thornton solution

Effectively the commission payment communicated to the employees were gross of employer CPF when processed through payroll. However CPF Board ruled that it should have been net of employer CPF. Therefore there were cases where the client had underpaid CPF.

Grant Thornton reviewed the historic payroll for the ex-employees and calculated what the actual CPF payments should have been in each month. This meant that:

- where the employee had not reached the CPF cap in the month a gross up was required on commission payments.
- Where the employee had already reached the CPF cap no adjustment was required.
- There were also cases where we had to explain to CPF Board that negative adjustments were required. This arose where the employer had calculated CPF on commission payments in earlier months but not in later months as the CPF limit had not been reached. However as they underpaid CPF in the earlier months, they hit the CPF cap earlier and effectively did not underpay CPF overall, but paid it late, so additional CPF was due in earlier months and negative adjustments required in later months.

## The Outcome

The company was able to agree payments with the CPF Board and the ex-employees. They were also able to estimate a provision for their accounts as other employees could potentially come forward.