

Tax Briefer

30 March 2017

PERA Act of 2008

(Republic Act No. 9505 as implemented by Revenue Regulations No. 17- 2011, No. 10- 2016, Revenue Memorandum Order No. 42- 2016, and Revenue Memorandum Circular 131- 2016)

This briefer is prepared for the guidance of employers and employees to assist them in making decisions for the establishment of PERA accounts.

What is PERA?

The Personal Equity and Retirement Account (PERA) Act of 2008 was enacted to promote capital market development and savings mobilization. PERA can potentially contribute to long-term fiscal sustainability through long-term financing and reduction of social pension benefits. This law was enacted in August 2008 but the regulations required for full implementation were only issued in 2016.

PERA is a voluntary retirement savings account program that encourages individuals to save and plan for their retirement while enjoying tax incentives. The account shall be established by and for the exclusive benefit of the Contributor, for the purpose of investing solely in PERA investment products.

Who can set up PERA accounts

Any individual, of legal age, with a capacity to enter into a contract, whether employed or self-employed in the Philippines or overseas, and with a Philippine Tax Identification Number (TIN) can set up a PERA account. He is referred to as the Contributor.

The PERA account

Maximum of five PERA accounts with one category of investment product per account may be created and maintained at any one time by one Contributor. Investment decisions pertaining to PERA is vested on the owner of the account.

The maximum qualified PERA contribution per Contributor is Php 100,000 per calendar year, or Php 200,000 if contributor is an overseas Filipino worker. Income earned from investments and re-investment of PERA assets are not included in determining the maximum allowable PERA contribution.

In case of employees, the P100,000 maximum annual contribution can be contributed, in full or in part, by the employee or by his employer.

Tax Incentives/Privileges

Individuals setting up their own PERA accounts shall enjoy the following tax incentives:

- a. tax credit equivalent to 5% of the aggregate PERA contributions in a calendar year creditable against income tax payable. In case of overseas Filipino contributor, the tax credit can be used against any internal revenue tax liability, except withholding tax liabilities, including delinquent accounts, but cannot be refunded, converted into cash or transferred.
- b. Employer's contribution to employee's PERA shall be exempt from withholding tax on compensation or fringe benefits tax. This is a tax deductible expense for the employer. to the extent that would complete the allowable PERA contribution of the employee.
- c. All income earned from investments and re-investment of PERA assets shall be exempted from income taxes, but subject to other applicable taxes provided that the said PERA investment products have been duly accredited by the Bangko Sentral ng Pilipinas (BSP)
- d. Qualified PERA distributions (QPD) are not taxable on the contributor, nor in the hands of the heirs or beneficiaries.

Qualified PERA distributions

The following are QPD which shall be excluded from the gross income of the Contributor and shall not be subject to income tax nor to estate tax in the hands of the heirs or beneficiaries of the Contributor:

- a. QPD received by Contributor from contributions made for at least 5 years (which need not be consecutive), and after the contributor reaches 55 years of age.
- b. Distributions to the heirs/beneficiaries upon death of the contributor, regardless of age or number of years of contribution.
- c. When Contributor is hospitalized for more than 30 days as a result of an accident or illness
- d. When Contributor becomes permanently totally disabled as defined under the Employees Compensation Law, Social Security Law, or Government Service Insurance System Law
- e. In case of transfer of proceeds to another PERA Investment Product and/or another Administrator.

Penalties for premature withdrawal

Non-qualified distributions (premature withdrawal) shall subject the Contributor to the following penalties:

- a. An amount equal to the 5% tax credit availed by the contributor for the entire period of the PERA;
- b. An amount equal to 20% of the total income earned by said PERA account from the time of its opening to the time of withdrawal.

PERA administrators

The Bangko Sentral ng Pilipinas (BSP) and the BIR have issued the guidelines for the accreditation of eligible market participants and PERA investment products.

As of this date, only income earned from investment and re-investments of PERA assets from accredited PERA administrators listed below shall be exempt from income taxes.¹ The BIR will circularize other PERA administrators as they are

¹ Revenue Memorandum Circular No. 131 2016

accredited. PERA assets in government securities are likewise exempt from income taxes.

Bank Name	Fund
Bank of the Philippine Islands	BPI PERA Peso Equity Fund
	BPI PERA Peso Corporate Income (Balanced) Fund
	BPI PERA Peso Government Bond Fund
	BPI PERA Peso Money Market Fund
BDO Unibank, Inc.	BDO PERA Peso Equity Index Fund
	BDO PERA Peso Bond Index Fund
	BDO PERA Peso Short Term Fund
Land Bank of the Philippines	LANDBANK Dollar PERA Global Dollar Fund
	LANDBANK Peso PERA Bond Fund
	LANDBANK Peso PERA Money Market Fund
Rizal Commercial Banking Corp.	RCBC PERA Peso Balanced Fund
	RCBC PERA Peso Money Market Fund
	RCBC PERA Peso Equity Fund

Issuance of Tax Credit Certificates

PERA administrator shall file through, the BIR - AETEID, the following:

- a. Certification of Aggregate amount of Qualified PERA Contribution (BIR Form No. 2338) within 45 days from the close of the calendar year; and
- b. Application for PERA-TCC (BIR Form No. 1942) within 90 days from the end of the calendar year for self-employed contributors.

Concerned RDOs, after receipt of data and reports from AITEID, shall start processing the application for PERA-TCC and shall issue the following:

- a. Certification of entitlement to 5% tax credit for employee-contributor (BIR Form No. 2339) for release to the PERA administrator who will in

turn transmit such certificate to the employer for automatic adjustment of withholding tax on employee's compensation; or

- b. PERA tax credit certificate (TCC) to the qualified overseas Filipino or self-employed Contributor for release to the PERA administrator who will in turn transmit to the PERA contributor. (BIR Form 2337)

If you have questions or need assistance, please contact Lina.Figueroa@ph.gt.com or Des.Politado-Aclan@ph.gt.com or call 988-2288.

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