

THIRTEENTH CONGRESS OF THE )  
REPUBLIC OF THE PHILIPPINES )  
First Regular Session )

5 APR 28 AM 11:22

SENATE  
S. No. 1985

RECEIVED BY: \_\_\_\_\_

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INTRODUCED BY HONORABLE MAR ROXAS

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#### EXPLANATORY NOTE

This bill seeks to introduce the Personal Retirement Account (PERA) which is an essential and valuable tool in encouraging savings for our people's retirement years. Through a PERA, one is encouraged to save because certain contributions to the savings funds are deductible from the tax income, and earnings of the said savings are sheltered from taxation as they grow and are taxed only upon their withdrawal from PERA. It has been designed to benefit a good part of our working populace who are neither member of government insurance funds and who have very limited options.

Most people look forward to retirement as a moment when they will finally be able to relax and enjoy the pleasure of having more time for themselves and their families, away from the pressures of daily work. But without a dependable retirement plan, they are not assured of being able to enjoy comfortable and leisurely retirement years. There is therefore a need to address the need to design and implement programs that will promote and mobilize savings and provide additional resources for social security expansion and at the same time afford individual members appropriate returns on their savings/investments.

The absence of retirement funds or savings is a critical but underreported national problem. For the year 2004, approximately 26 million Filipinos were members of the Social Security System, 5.6 million were covered by the Pag-Ibig Fund and 1.4 million were covered by the Government Service Insurance Funds administered by the Government Service Insurance System (GSIS). In other words, only about 33 million or two-fifths of the Philippine population have some kind of a retirement plan.

A PERA is a savings plan to achieve a comfortable and financially secure retirement through a sound investment and planning scheme. The PERA is a flexible investment scheme because one can withdraw his money or a portion of his savings from the PERA with a minimum inconvenience in case of an emergency. The PERA is likewise a dynamic investment scheme because it offers facilities to move funds to high levels and take advantage of prevailing market conditions.

In view of the foregoing, approval of this bill is earnestly sought.

  
MAR ROXAS  
Senator

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**AN ACT ESTABLISHING A PROVIDENT PERSONAL SAVINGS PLAN KNOWN AS  
THE "PERSONAL EQUITY AND RETIREMENT ACCOUNT"**

*Be it enacted by the Senate and the House of Representatives of the Philippines in Congress assembled:*

**SECTION 1. Title.** – This Act shall be known as the “Personal Equity and Retirement Account (PERA) Act of 2005.”

**SECTION 2. Declaration of Policies.** – It is the policy of the State to promote and encourage individual and personal savings, investments and retirement plans supported by government incentives.

**SECTION 3. Definition of Terms.** – As used in this Act, unless the context otherwise requires, the following terms shall have the following significance:

- a. “*Retirement Account*” or the “*Trust*” refers to the trust created or organized by an individual, known as “*trustor*,” for his exclusive use and benefit upon and during his retirement, in which said trustor retains only the equitable ownership of the funds he deposits therein as savings, as well the income thereof from investments of said fund;
- b. “*Trustee*” is a bank accredited by the Bangko Sentral ng Pilipinas (BSP) designated by the trustor to administer and manage the retirement account and hold legal title to the trust until the retirement of the trustor or the termination of the trust as provided in this Act;
- c. “*Trustor*” is the contributor or depositor to the fund creating or organizing a retirement account, as well as the funds annually or regularly increasing and augmenting the deposited capital as authorized under this Act;
- d. “*Year*” means every taxable year under the National Internal Revenue Code;
- e. “*Notify*” means to send notice in writing;
- f. “*Portfolio*” refers to the record or list of investments made by the trustee for and in behalf of the trustor;
- g. “*Tax*” refers to the income tax as defined under the National Internal Revenue Code;
- h. “*Penalty*” means the sum to be paid by the individual contributor for early withdrawals of any part of the account held by the trustee-bank;
- i. “*Tax Code*” means the National Internal Revenue Code; and

- j. *“Beneficiaries”* mean all the heirs and assigns who shall succeed to all the rights, under the law, acquired by the contributor in and through his retirement account.

**SECTION 4. *Opening of Retirement Account.*** – An individual person of legal age may create, organize or open a retirement account with a trustee, or a bank accredited by the Bangko Sentral ng Pilipinas, with an initial deposit or contribution of not more than Twenty Thousand Pesos (P20,000.00).

A married couple may create, organize or open a joint retirement account with an initial deposit of not more than Forty Thousand Pesos (P40,000.00). No individual or married couple may open a retirement account with an amount more than what is required under this Act.

**SECTION 5. *Qualifying Investment Rules.*** – Funds deposited in a retirement account shall be qualified for investments only in the following:

- a. government securities
- b. securities including ordinary shares of stocks, not being shares in an investment trust, issued by a company which is incorporated in the Philippines and quoted in the official list of a recognized stock exchange in the Philippines or dealt in on the unlisted securities market; or
- c. cash which the trustee is entitled to hold for investment under the rules of the account; or
- d. other investments that may be considered non-speculative

**SECTION 6. *General Investment Rules.*** – Investment of funds held in the retirement account shall observe the following rules:

- a. All transactions, whether by way of sale, purchase or otherwise, handled by either the trustor himself or the trustee-bank, shall be made at the price which those investments might reasonably be expected to fetch in the open market;
- b. Investments made by a trustor shall be supervised by the trustee;
- c. A trustor's cash contribution and any other cash by way of interest, income and others held by the trustee shall be held in pesos and other legal tender in the Philippines and deposited in the account of the trustor;
- d. The trustee shall account for any amount representing income, penalties and taxes applicable on the contribution of the trustor in accordance with the provisions of this Act and the Tax Code;
- e. Investments may be made only by way of cash or shares of stocks;
- f. An investment portfolio shall be presented to the trustor by the trustee whenever necessary;
- g. No part of the trust fund shall be invested in life insurance contracts;
- h. The trustee shall notify the trustor of every investment made and income earned on the latter's behalf.

**SECTION 7. *Maximum Annual Contributions*** – The maximum annual contribution or deposit for the establishment of a retirement account shall in no case exceed 10% of the monthly gross wage in the case of an individual trustor or 15% in the case of a married couple. The

maximum contribution may be adjusted from time to time to such amount that the Secretary of Finance may determine.

**SECTION 8. *Income Tax Deductibility.*** – The contributions made per taxable year shall be One Hundred Percent (100%) deductible from the taxable income if they fall within any of the following qualifications:

- a. An individual member or any or both of the working spouses are not covered by an employer-sponsored retirement;
- b. Both spouses are covered by an employer-sponsored retirement plan, but their joint adjusted gross income is Three Hundred Thousand Pesos (P300,000.00) or less and One Hundred Fifty Thousand Pesos (P150,000.00) for individuals; and
- c. Only one spouse is covered by a employer-sponsored retirement plan but the combined adjusted gross income is not more than Three Hundred Thousand Pesos (P300,000.00).

**SECTION 9. *Benefits Upon Retirement.*** – No tax shall be imposed and collected from funds withdrawn from a retirement account created or opened at least five (5) years earlier by any trustor who has reached the age of fifty-five (55) years.

All interest of a trustor in a retirement account and/or funds withdrawn from said account shall not be subject to levy on attachment or execution as security or for the satisfaction of any judgement against the trustor or his spouse.

**SECTION 10. *Tax on Early Withdrawals.*** – If any withdrawal is made from a retirement account before the retirement benefits vest in favor of a trustor as aforesated, a tax equivalent to Twenty Percent (20%) of the amount withdrawn if part of the income of the retirement account or Ten Percent (10%) of the amount withdrawn if part of the principal amount deposited, shall be imposed on the withdrawal: Provided, That no tax shall be imposed on any withdrawal of any fund -

- a. used toward the purchase of a first family home for the trustor himself or for any member of his immediate family;
- b. used to pay for certain qualified college expenses;
- c. used to pay for medical expenses;
- d. for a trustor who has been disabled or otherwise become physically incapacitated to earn income for his subsistence; and
- e. the member has become unemployed for a period of at least three (3) months and uses the money to put up capital for small business.

**SECTION 11. *Termination of Trust.*** The contributor may terminate a trust at any time, provided, however, that the assets of the PERA are deposited with a new Administrator

**SECTION 12. *Separability Clause*** – If any provision or part hereof, is held invalid or unconstitutional, the remainder of the law or the provision not otherwise affected shall remain valid and subsisting.

**SECTION 13. *Repealing Clause.*** – All laws, decrees, orders, rules and regulations or parts therefore, inconsistent with this Act are hereby amended or modified accordingly.

**SECTION 14. *Effectivity Clause*** – This act shall take effect fifteen (15) days following its publication in a newspaper of general circulation.

Approved,