



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

'17 MAR -9 P3:04

SENATE
S.B. No. 1382

RECEIVED BY:

Introduced by Senator **SONNY ANGARA**

**AN ACT AMENDING SECTIONS 5 AND 8 OF REPUBLIC ACT (RA) NO. 9505,
OTHERWISE KNOWN AS THE PERSONAL EQUITY AND RETIREMENT ACCOUNT
(PERA) LAW AND FOR OTHER PURPOSES**

EXPLANATORY NOTE

In 2008, members of the 14th Congress deemed it practical and wise to enact Republic Act (RA) No. 9505 or the Personal Equity and Retirement Account (PERA) Act, a long-term savings plan designed to help Filipinos achieve a comfortable and financially secure retirement through planned savings and sound investment that enjoy tax incentives. It encourages Filipinos to save because PERA contributors are entitled to an income tax credit equivalent to five percent (5%) of the total PERA contribution while investment earnings from said PERA savings are tax-exempt. A private employer may also contribute to its employee's PERA to the extent of the amount allowable and such contribution shall be allowed as deduction from the employer's gross income.

The PERA law was envisioned to augment the retirement plan options available to Filipinos considering that during those years only a third of the population, or only 24 million Filipinos out of the total 73 million Filipinos have retirement plans from either the Government Service Insurance System (GSIS), Social Security System (SSS) or the Pag-IBIG Fund. However, despite being passed almost a decade ago, the PERA law was formally launched just last December 16, 2016 by the Bangko Sentral ng Pilipinas (BSP).

This proposed bill makes the PERA a more attractive retirement plan for Filipinos by increasing the maximum allowed annual PERA contributions entitled to tax incentives from P100,000 to P200,000, or up to P400,000 in case of Overseas Filipino Workers (OFWs). Moreover, instead of a five-percent (5%) income tax credit, this bill proposes to treat PERA contributions as deductions from gross income. It is hoped that such increase in the maximum prescribed contributions that can now be deducted from the Contributor's gross income, more Filipinos would be encouraged to save and invest in PERA. Given this investment scheme, we are not only fostering savings mobilization but we are also promoting capital market development—two crucial factors in sustaining our economic growth.

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

SONNY ANGARA



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

SECTION 1. Section 5 of Republic Act No. 9505 is hereby amended to read as follows:

"SEC. 5. Maximum Annual PERA Contributions. -- A Contributor may make an aggregate maximum contribution of **[One] TWO hundred thousand pesos [(P100,000.00)] (P200,000.00)** or its equivalent in any convertible foreign currency at the prevailing rate at the time of the actual contribution, to his/her PERA per year: Provided, That if the Contributor is married, each of the spouses shall be entitled to make a maximum contribution of **[One] TWO hundred thousand pesos [(P100,000.00)] (P200,000.00)** or its equivalent in any convertible foreign currency per year to his/her respective PERA Provided, further, That if the Contributor is an overseas Filipino, he shall be allowed to make maximum contributions double the allowable maximum amount.

A Contributor has the option to contribute more than the maximum amount prescribed herein: Provided, That the excess shall no longer be **ALLOWED AS DEDUCTION FROM GROSS INCOME, AS PROVIDED IN SECTION 8 OF THIS ACT [entitled to a tax credit of five percent (5%)].**

The Secretary of Finance may adjust the maximum contribution from time to time, taking into consideration the present value of the said maximum contribution using the Consumer Price Index as published by the National

1 Statistics Office, fiscal position of the government and other pertinent
2 factors.”

3
4 **SECTION 2.** Section 8 of Republic Act No. 9505 is hereby amended to read as follows:
5

6 **SEC. 8. Tax Treatment of Contributions. – FOR INCOME TAX**
7 **PURPOSES, PERA CONTRIBUTIONS UP TO THE MAXIMUM AMOUNT**
8 **PRESCRIBED IN SECTION 5 OF THIS ACT SHALL BE ALLOWED AS**
9 **DEDUCTIONS FROM GROSS INCOME OF EACH CONTRIBUTOR:**
10 **PROVIDED, HOWEVER, THAT ANY EXCESS IN THE MAXIMUM**
11 **AMOUNT SHALL NO LONGER BE ALLOWED AS DEDUCTIONS**
12 **THEREOF.** [The Contributor shall be given an income tax credit
13 equivalent to five percent (5%) of the total PERA contribution: Provided,
14 however, That in no instance can there be any refund of the said tax credit
15 arising from the PERA contributions. If the Contributor is an overseas
16 Filipino, he shall be entitled to claim tax credit from any tax payable to the
17 national government under the National Internal Revenue Code of 1997,
18 as amended.]
19

20 **SECTION 3. *Implementing Rules and Regulations.*** The Bureau of Internal Revenue
21 (BIR) shall issue the implementing rules and regulations regarding all aspects of tax
22 administration relating to PERA: *Provided,* That individuals earning purely
23 compensation income, as defined in Section 32 (A)(1) of the National Internal Revenue
24 Code (NIRC), as amended, derived from sources within the Philippines, the income tax
25 on which has been correctly withheld under the provisions of Section 79 of the NIRC, as
26 amended, and will be a Contributor to a PERA are still not required to file an income tax
27 return but are subject to substituted filing: *Provided further,* That the BIR shall issue the
28 necessary rules and regulations in relation to this matter such that correct taxes are
29 withheld and/or collected: *Provided finally,* That the failure of the concerned agencies to
30 promulgate the said rules and regulations shall not prevent the implementation of this
31 Act upon its effectivity.
32

33 **SECTION 4. *Repealing Clause.*** All laws, orders, issuances, circulars, rules and
34 regulations or parts thereof, which are inconsistent with the provisions of this Act are
35 hereby repealed or modified accordingly.
36

1 **SECTION 5. *Separability Clause.*** If any provision of this Act is declared
2 unconstitutional or invalid, other parts or provisions hereof not affected thereby shall
3 continue to be in full force and effect.

4

5 **SECTION 6. *Effectivity.*** This Act shall take effect on January 1, 2017 following its
6 publication in at least two (2) newspapers of general circulation.

7

8 Approved,