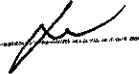


FOURTEENTH CONGRESS OF THE )  
REPUBLIC OF THE PHILIPPINES )  
First Regular Session )

7 JUL -5 AM '48

SENATE

RECEIVED BY: 

S. No. 1194

---

INTRODUCED BY THE HONORABLE MAR ROXAS

---

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.

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.

Indeed, the government is called upon and obligated to develop in the Filipino people sufficient awareness and understanding of the importance of savings and the necessity to start the habit of saving as soon as possible. Sans savings, people will not enjoy the remaining years of their lives due to the uncertainties and insecurities that will plague them. It is always best to save and plan, to lay the groundwork at the earliest time possible, for the future.

This proposed measure seeks to introduce the Personal Retirement Account (PERA) which we hope will be accepted as an essential and valuable tool in encouraging savings for our people's retirement years. 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.

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 minimal 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.

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.

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

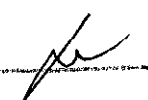


M A R ROXAS  
Senator

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

7 JUL -5 19:48

SENATE  
S. No. 1194

RECEIVED BY: 

---

INTRODUCED BY THE HONORABLE MAR ROXAS

---

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:*

1 SECTION 1. *Title.* – This Act shall be known as the "Personal Equity and Retirement  
2 Account (PERA) Act of 2007."

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

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

8 a. "*Retirement Account*" or the "*Trust*" refers to the trust created or organized by an  
9 individual, known as "*trustor*," for his exclusive use and benefit upon and during  
10 his retirement, in which said trustor retains only the equitable ownership of the  
11 funds he deposits therein as savings, as well the income thereof from investments  
12 of said fund;

- 1           b. "Trustee" is a bank accredited by the Bangko Sentral ng Pilipinas (BSP) designated  
2           by the trustor to administer and manage the retirement account and hold legal  
3           title to the trust until the retirement of the trustor or the termination of the trust  
4           as provided in this Act;
- 5           c. "*Trustor*" is the contributor or depositor to the fund creating or organizing a  
6           retirement account, as well as the funds annually or regularly increasing and  
7           augmenting the deposited capital as authorized under this Act;
- 8           d. "*Year*" means every taxable year under the National Internal Revenue Code;
- 9           e. "*Notify*" means to send notice in writing;
- 10          f. "*Portfolio*" refers to the record or list of investments made by the trustee for and  
11          in behalf of the trustor;
- 12          g. "*Tax*" refers to the income tax as defined under the National Internal Revenue  
13          Code;
- 14          h. "*Penalty*" means the sum to be paid by the individual contributor for early  
15          withdrawals of any part of the account held by the trustee-bank;
- 16          i. "*Tax Code*" means the National Internal Revenue Code; and
- 17          j. "*Beneficiaries*" mean all the heirs and assigns who shall succeed to all the rights,  
18          under the law, acquired by the contributor in and through his retirement account.

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

23           A married couple may create, organize or open a joint retirement account with an  
24          initial deposit of not more than Forty Thousand Pesos (P40,000.00). No individual or

1 married couple may open a retirement account with an amount more than what is required  
2 under this Act.

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

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

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

- 15      a. All transactions, whether by way of sale, purchase or otherwise, handled by either  
16      the trustor himself or the trustee-bank, shall be made at the price which those  
17      investments might reasonably be expected to fetch in the open market;
- 18      b. Investments made by a trustor shall be supervised by the trustee;
- 19      c. A trustor's cash contribution and any other cash by way of interest, income and  
20      others held by the trustee shall be held in pesos and other legal tender in the  
21      Philippines and deposited in the account of the trustor;

- 1 d. The trustee shall account for any amount representing income, penalties and taxes  
2 applicable on the contribution of the trustor in accordance with the provisions of  
3 this Act and the Tax Code;
- 4 e. Investments may be made only by way of cash or shares of stocks;
- 5 f. An investment portfolio shall be presented to the trustor by the trustee whenever  
6 necessary;
- 7 g. No part of the trust fund shall be invested in life insurance contracts;
- 8 h. The trustee shall notify the trustor of every investment made and income earned  
9 on the latter's behalf.

10 **SEC. 7. *Maximum Annual Contributions*** – The maximum annual contribution or  
11 deposit for the establishment of a retirement account shall in no case exceed 10% of the  
12 monthly gross wage in the case of an individual trustor or 15% in the case of a married  
13 couple. The maximum contribution may be adjusted from time to time to such amount that  
14 the Secretary of Finance may determine.

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

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

1 c. Only one spouse is covered by a employer-sponsored retirement plan but the  
2 combined adjusted gross income is not more than Three Hundred Thousand Pesos  
3 (P300,000.00).

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

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

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

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

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

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

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

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

Approved,