

NINETEENTH CONGRESS OF THE )  
REPUBLIC OF THE PHILIPPINES )  
*First Regular Session* )



'22 JUL 19 P 6 :40

SENATE  
S. B. No. 771

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Introduced by Senator SONNY ANGARA

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

EXPLANATORY NOTE

Republic Act No. 9505 or the Personal Equity and Retirement Account (PERA) Act was signed into law in 2008. This law, which my father and I worked on during the 14<sup>th</sup> Congress, establishes a framework wherein banks offer long-term savings plans coupled with, sound investment options that enjoy tax incentives—all designed to help Filipinos achieve a comfortable and financially secure retirement.

The scheme seeks to encourage Filipinos to save and prepare for their retirement by giving PERA holders several tax incentives, including an income tax credit equivalent to five percent (5%) of the total PERA contribution and tax-exemption of investment earnings from PERA savings. 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 provide Filipinos an alternative option for their retirement plans other than the ones available under the Government Service Insurance System (GSIS), the Social Security System (SSS) or the Pag-IBIG Fund. However, despite being passed more than a decade ago, the PERA law was formally launched by the *Bangko Sentral ng Pilipinas* (BSP) only on December 16, 2016.

While PERA's launching is a welcome development, more Filipinos need to be enticed into saving and investing into their future. According to the BSP's 2022

Consumer Expectations Survey, while there are more households with savings compared to the last quarter of 2021, it noted that almost half or 45 percent of these households kept their savings at home. These households stated that their savings are for emergencies, health and medical expenses, retirement, education, and business capital and investment. It is a must that Filipinos place their hard-earned finances in secure banks or financial institutions including proper investment vehicles.

Hence, this proposed bill aims to make PERA more attractive by increasing the maximum allowed annual contributions entitled to tax incentives from P100,000 to P200,000 (up to P400,000 for Overseas Filipino Workers (OFWs)). Instead of a five-percent (5%) income tax credit, this bill proposes to treat PERA contributions as deductions from gross income. Hopefully, with such changes, more Filipinos would be encouraged to invest in PERA, which will not only foster savings but also promote 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**  
77



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

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

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

14           A Contributor has the option to contribute more than the  
15 maximum amount prescribed herein: *Provided,* That the excess shall  
16 no longer be [~~entitled to a tax credit of five percent (5%)~~] **ALLOWED**

1           **AS DEDUCTION FROM GROSS INCOME, AS PROVIDED IN**  
2           **SECTION 8 OF THIS ACT.**

3           The Secretary of Finance may adjust the maximum contribution  
4           from time to time, taking into consideration the present value of the  
5           said maximum contribution using the Consumer Price Index as  
6           published by the [~~National Statistics Office~~] **PHILIPPINE**  
7           **STATISTICS AUTHORITY**, fiscal position of the government and  
8           other pertinent factors.”

9           **SEC. 2.** Section 8 of Republic Act No. 9505 is hereby amended to read as  
10          follows:

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

25          **SEC. 3.** *Implementing Rules and Regulations.* – The Bureau of Internal  
26          Revenue (BIR) shall issue the implementing rules and regulations regarding all  
27          aspects of tax administration relating to PERA: *Provided,* That individuals earning  
28          purely compensation income, as defined in Section 32 (A)(1) of the National Internal  
29          Revenue Code (NIRC), as amended, derived from sources within the Philippines, the  
30          income tax on which has been correctly withheld under the provisions of Section 79  
31          of the NIRC, as amended, and will be a Contributor to a PERA are still not required  
32          to file an income tax return but are subject to substituted filing: *Provided further,*

1 That the BIR shall issue the necessary rules and regulations in relation to this matter  
2 such that correct taxes are withheld and/or collected: Provided finally, That the  
3 failure of the concerned agencies to promulgate the said rules and regulations shall  
4 not prevent the implementation of this Act upon its effectivity.

5 **SEC. 4. *Separability Clause.*** – If any portion or provision of this Act is  
6 subsequently declared invalid or unconstitutional, other provisions hereof which are  
7 not affected thereby shall remain in full force and effect.

8 **SEC. 5. *Repealing Clause.*** – All other laws, acts, presidential decrees,  
9 executive orders, presidential proclamations, issuances, rules and regulations, or  
10 parts thereof which are contrary to or inconsistent with any of the provisions of this  
11 Act are hereby repealed, amended, or modified accordingly.

12 **SEC. 6. *Effectivity.*** – This Act shall take effect fifteen (15) days after its  
13 publication in the *Official Gazette* or in a newspaper of general circulation.

*Approved,*