



TAX LAW FOR BUSINESS  
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## **Implementing rules of PERA**

ANY person who has the capacity to contract and possesses a tax identification number may contribute to the Personal Equity and Retirement Account under the Pera Act of 2008.

Pera refers to the voluntary retirement account established by and for the exclusive use and benefit of the contributor. The contribution to the Pera may be invested in bust fund, mutual fund, annuity contract, insurance pension products, pre-need pension plan, shares of stock and other securities listed and traded in a local exchange, exchange-traded bonds or any other investment product or outlet.

The maximum annual Pera contribution by Filipino citizen is P100,000 per year. For an overseas Filipino worker, the maximum yearly amount that can be contributed is P200,000.

The contributor is given an income- tax credit equivalent to 5 percent of the total Pera contribution made in one calendar year. The employer of the qualified employee contributor may also contribute for its employees to the extent of the amount allowable.

Three years after the law was enacted, the Bureau of Internal Revenue (BIR) has finally issued its implementing rules and regulations. The tax treatments of the Pera contributions under Revenue Regulations 17-2011 are as follows:

### **For employee/self-employed qualified Pera contributor**

The qualified contributor shall be entitled to a tax credit in the amount of 5 percent of the aggregate qualified Pera contributions made in one calendar year. The excess of the maximum allowed contribution per year shall not be included for purposes of computing the 5-percent tax credit. In order to claim the 5-percent tax credit, the employer of the qualified contributor shall secure from the BIR (Audit Information Tax Incentives and Exemption Division) the employee's Pera tax-credit entitlement. Said certificate shall serve as the authority of the employer to automatically adjust the withholding tax on the employee's compensation income.

For self-employed qualified contributors including overseas Filipinos, an application for the Pera Tax Credits Certificate (Pera-TCC) must be filed with the concerned division of the BIR not later than 90 days following the end of the calendar year.

The 5-percent tax credit for an employee or self-employed worker shall be creditable only against the employee-contributor's income-tax liability. For an overseas Filipino contributor, the 5-percent tax credit shall be allowed as credit against internal revenue tax liabilities (excluding withholding tax liabilities). But this tax credit shall not be refundable or transferable.

### **For qualified employer's contribution to the employee's Pera**

The employer can claim the actual amount of its qualified employer's contribution as deduction from gross income but only to the extent of the employer's contribution that would complete the maximum allowable Pera contribution of an employee. As illustrated in the regulations, if the employee has already contributed to Pera for the year amounting to P60,000 and the employer has also contributed P60,000 to the same, the employer can only claim as deduction the amount of P40,000, which is the amount needed to complete the maximum allowable Pera contribution. This is not taxable to the employee.

### **Tax treatment of the Pera investment income**

The investment income of the contributor consisting of all income earned from the investments and reinvestments of the Pera assets in the maximum amount allowed is exempt from the following taxes as may be applicable:

1. Final withholding tax on interest from any currency bank deposit, yield or any other monetary benefit from deposit substitutes and from trust funds and similar arrangements, including a depository bank under the expanded foreign-currency deposit system;
2. Capital-gains tax on the sale, exchange, retirement or maturity of bonds, debentures or other certificates of indebtedness;
3. Ten-percent tax on cash and/or property dividends actually or constructively received from a domestic corporation, including a mutual-fund company;
4. Capital-gains tax on the sale, barter, exchange or other disposition of shares of stock in a domestic corporation;
5. Regular income tax.

However, the non-income taxes relating to the investment income of the Pera account shall remain imposable such as:

1. Percentage taxes;
2. Value-added tax;

3. Stock transaction tax on the sale, barter, or exchange of shares of stock listed and traded through the local stock exchange or through initial public offering; and

4. Documentary stamp tax.

The qualified Pera distributions received by the contributor shall be excluded from the gross income and shall not be subject to income tax. The same shall be excluded from the gross income in the hands of the contributor's heirs or beneficiaries, as the case may be, and shall not be subject to estate tax. However, early withdrawals made other than those instances allowed by law shall be subject to the corresponding tax and/or penalty.

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