

Headline	Saving for retirement? try PERA		
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Saving for retirement? try PERA

Lack of money is the root of all evil, according to the famous author Mark Twain.

So while living young, wild and free, let's not forget one crucial thing: saving money for retirement.

Many people, especially the millennials who are years away from reaching retirement age, do not feel the urgency of saving money for retirement. The PERA Act of 2008 should entice even the millennials to start building up their retirement fund. Under the PERA Act of 2008, contributions to the PERA, including the income from contributions are given tax incentives.

The PERA Act of 2008 is a provident personal savings plan known as the Personal Equity and Retirement Account or PERA. To be a contributor, the law requires contributors be of legal age and must have a tax identification number or TIN.

Up to a maximum of five PERA accounts can be created. However, the aggregate maximum contribution a contributor can make in a year is P100,000 or P200,000 in case of an overseas Filipino, as defined under the

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PERA Act of 2008.

On the contribution, the contributor is given an income tax credit equivalent to five percent of his total PERA contribution. Moreover, all income earned from the investments and reinvestments of the contribution are tax exempt.

Please note that if the contributor is an employee, the employer can make the contributions to the employee's PERA to the amount allowable (i.e. P100,000 per year).

Under existing revenue issuances, the employer's contribution to the PERA of the employee shall not form part of the employee's taxable income. Hence, the employer's contribution are not subject to withholding tax on compensation. Moreover, the employer is allowed to claim the amount contributed as a deduction from gross income for tax purposes.

To avail of the tax incentives under the PERA Act of 2008, the PERA administrator plays a crucial role. The PERA administrator must be accredited by the Bureau of Internal Revenue (BIR) and must comply with the following requirements:

1. It possesses adequate systems and technological capabilities and the necessary technical expertise and personnel to ensure the proper recording of PERA transactions.
2. It is duly registered with the BIR.
3. It regularly files tax returns as required by law.
4. It has no unpaid final and executory national internal revenue tax assessment.

Under existing revenue issuances, the administrator is tasked to submit a certification of the actual total amount of qualified PERA contribution to the BIR within 45 days from the close of the taxable year.

The PERA processing office of the BIR shall then issue a confirmation of the contributor's entitlement to five percent tax credit to the contributor's employer. The confirmation shall

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serve as authority for the employer to adjust the withholding tax on the employee's compensation income.

Unfortunately, there are only two PERA administrators who have pre-qualified and been accredited by the BIR as of date. We can only surmise that the responsibilities imposed on the administrator deter many entities from applying for accreditation. Note that aside from overseeing the PERA account, the administrator has the responsibility of reporting the contributions to the PERA account, computing the values of investments, educating the contributor, enforcing PERA contributions and withdrawal limits, collecting appropriate taxes and penalties for the government, securing BIR Income Tax Credit Certificates for the contributor, consolidating reports on all investments, income, expenses and withdrawals on the account and ensuring that PERA contributions are invested in accordance with guidelines promulgated by regulatory authorities.

Things should change for the better with the recent issuance of Revenue Memorandum Order (RMO) 28-2017, dated April 25, 2017 streamlining the number of reports required to be submitted by PERA administrators to the PERA processing office of the BIR.

Under RMO 28-2017, the number of reports to be submitted by a PERA administrator to the PERA processing office of the BIR is significantly reduced from 15 to three, as follows:

1. Quarterly report on PERA transaction.
2. Alpha list per employer of employees making qualified PERA contributions and the actual total amount of qualified PERA contribution.
3. Quarterly report on PERA distributions and early withdrawals.

The issuance of RMO 28-2017 should entice more qualified entities to apply for accreditation as PERA administrator. Hopefully, the BIR and other regulatory agencies will continue to fine tune the regulations to make it easier for the administrator to perform its functions.

The attitude of Filipinos towards saving money is at most lukewarm. Several studies have shown that Filipinos are not very keen on preparing for the future and most Filipinos do not even have their own retirement plan. Hopefully, the PERA Act of 2008 will entice more Filipinos to save for retirement. Increasing the number of accredited administrator will definitely help in making PERA accessible to more Filipinos.

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