

PERA FAQ

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I. Introduction to PERA

1. What is the objective of PERA?

PERA's objective is to promote capital market development and savings mobilization, to contribute to long-term fiscal sustainability through the provision of long-term financing, and to reduce the need for social pension benefits.

2. Who are the parties to a PERA?

There are 4 parties to a PERA, namely:

- Contributor (client)
- Administrator*
- Investment Manager (optional party)
- Custodian** - (can be a Cash Custodian or Securities Custodian).

*As of Jan 1, 2017, only BPI and BDO have been pre-qualified by BSP and accredited by BIR to act as PERA Administrators. ** As of Jan 1, 2017, only Land Bank has been accredited to act as a Cash Custodian

3. What is a Contributor?

A Contributor is a natural person who:

Establishes and contributes to a PERA 2. Has a Tax Identification Number (TIN) 3. Has the capacity to contract

4. What is a PERA Administrator?

A PERA Administrator is an entity which has been pre-qualified by the concerned Regulatory Authority (BSP, SEC or IC) and accredited by the Bureau of Internal

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Revenue (BIR), and is responsible for administering and overseeing the PERA of the Contributor. Only BPI and BDO have been pre-qualified by the BSP and accredited by the BIR.

5. What is an Investment Manager?

An Investment Manager is a regulated entity accredited by the concerned Regulatory Authority (BSP, SEC or IC), that is authorized by the Contributor to make investment decisions for his PERA.

6. What is a Custodian?

A Custodian is a separate and distinct entity unrelated to the Administrator, accredited by the BSP to take custody of PERA assets.

There are two types of Custodian:

- Cash Custodian – shall maintain custody of all funds in connection with PERA.
- Securities Custodian – shall maintain custody of all securities, evidence of deposits or other evidence of investment

7. How much can a Contributor invest in a PERA per year?

The maximum total contributor's PERA per calendar year should not exceed PHP 100,000 per year for non-OFs or PHP 200,000 per year for Overseas Filipinos.

8. Can a Contributor invest in different PERA products?

Yes. PERA Contributors who have opened their PERA, a PERA Administrator, can invest in PERA products such as UITFs, Mutual Funds, insurance pension products, government securities, stocks, etc. as long as these have been accredited by their respective regulators.

However, remember that each PERA Contributor can only contribute to a maximum total of PHP 100,000 or PHP 200,000 if he/she is an Overseas Filipino per calendar year regardless of the number of PERA products he/she is invested in.

9. Can a Contributor contribute more than the PHP 100K or 200K?

Contributions exceeding the allowed qualified contribution limits will not be accepted by the Administrator under the PERA account.

10. Can an employer contribute on behalf of an employee?

Yes, an employer may contribute on behalf of an employee up to the extent allowable to the Contributor. However, the contribution to the employee's PERA is in addition to, and not in lieu of the employer's contribution to the SSS and its obligation to pay retirement benefits to its employees under the Labor Code.

11. What are the benefits of an employer who contributes to his employees PERA?

On the part of the employer:

- the employer can claim the actual amount of Qualified Employer's Contribution as a deduction to his gross income but only to the extent of the employer's contribution that would complete the maximum allowable PERA contribution of an employee
- It shall likewise be exempt from withholding tax on compensation

On the part of the employee:

- the Qualified Employer's contribution to the employee's PERA shall not form part of the employee's taxable gross income, hence, exempted from the withholding tax on income (compensation or fringe benefits)

12. What are the tax incentives under PERA?

5% Tax Credit

Qualified Contributors shall be entitled to a tax credit in the amount of five percent (5%) of the aggregate Qualified PERA contributions made in one calendar year

For non-OFs, they shall be issued a Certificate of Entitlement to 5% tax credit. For self-employed Qualified Contributors, they shall be issued a PERA TCC by the BIR. The entitlement to 5% tax credit shall be allowed to be credited only against the Contributor's income tax liability.

For OFs, they shall be entitled to claim the 5% tax credit against any national internal revenue tax liabilities (excluding the Contributor's withholding tax liabilities as withholding agent)

Tax Exempt Investment Income

Investment income of the contributor consisting of all income earned from investments and reinvestments of his PERA assets in the maximum amount allowed is exempt from the following taxes:

- The final withholding tax on interest from any currency bank deposit, yield or any other monetary benefit from deposit substitutes and from trust funds, including depository bank under the expanded foreign currency deposit system
- The capital gains tax on the sale, exchange, retirement or maturity of bonds, debentures or other certificate of indebtedness
- The 10% tax on cash and/or property actually or constructively received from a domestic corporation, including a mutual fund company
- The capital gains tax on the sale, barter, exchange or other disposition of shares of stock in domestic corporation
- Regular income tax

Other Tax Incentives

- For Qualified Distributions made upon reaching 55 & 5, it is excluded from the gross income of the contributor and it is also not subject to income tax
- For Qualified Distributions made upon the death of the contributor, it will be excluded from the gross income of the heirs or beneficiaries and not subject to estate tax.

13. What is a Qualified PERA Distribution?

Qualified Distribution is the distribution of the PERA assets upon Contributor's:

- Reaching the age of 55 and made Qualified Contributions for at least 5 years (non- consecutive)
- Death, irrespective of the age of the Contributor or yearly Contributions made

14. What is the penalty for an early withdrawal of PERA?

In case the Contributor withdraws from PERA prior to reaching 55 years old or 5 yearly contributions, the Contributor shall pay the following early withdrawal penalties:

- The five percent (5%) tax credit availed by the Contributor for the entire period of PERA;
- A flat rate of twenty percent (20%) based on the total income earned by said account from the time of its opening/creation up to the time of withdrawal.

15. Are there exemptions from early withdrawal penalties?

Yes, the following situations will not be subject to Early Withdrawal Penalty:

- Immediate transfer of proceeds to another Qualified/Eligible PERA investment Product and/or another Administrator within 2 working days from the withdrawal
- For payment of accident or illness-related hospitalization in excess of thirty (30) days – needs a duly notarized doctor's certificate

For payment to a Contributor who has been subsequently rendered permanently totally disabled as defined under the Employees Compensation Law or Social Security System Law – needs certification from pertinent government agency

II. BPI PERA

16. What are the available BPI PERA products?

We are offering four (4) BPI PERA UITFs namely:

- BPI PERA Money Market Fund – a money market fund
- BPI PERA Government Bond Fund – a bond fund
- BPI PERA Corporate Income Fund – a balanced fund
- BPI PERA Equity Fund – an equity fund.

The BPI PERA Money Market Fund and the BPI PERA Government Bond Fund are for clients with at least a moderate risk profile while the BPI PERA Corporate Income Fund and the BPI PERA Equity Fund are for clients with an aggressive risk profile.

17. How much do I need to invest in the BPI PERA UITFs?

Clients can open a PERA and invest in the BPI PERA UITFs for as low as PHP 1,000 (exclusive of fees).

18. What do I need to open a BPI PERA?

- A BPI savings or checking account to serve as a settlement account.
- A valid government ID
- A Tax Identification Number (TIN)
- A copy of the Income Tax Return or any document that can validate the TIN.
- IDs of Beneficiaries (if any)

19. What are the additional requirements for an OF?

- Overseas Employment Certificate issued by the Philippine Overseas Employment Administration (POEA)
- Any official document showing that he will earn or has earned income in a foreign country in the year of the PERA contribution.

20. What are the additional requirements for an individual who has retained or reacquired his Philippine citizenship under RA 9225 or the Citizenship Retention and Reacquisition Act of 2003?

- Identification certificate issued by the Bureau of Immigration, to prove his reacquisition of Philippine citizenship
- Any official document showing that he will earn or has earned income in a foreign country in the year of the PERA contribution.

21. What if the OF cannot open a PERA, can his/her spouse open a PERA in his/her behalf?

Yes, if an OF cannot open a PERA, the spouse can open a PERA in the OFs behalf, with the OF's consent and must submit the following:

- Marriage certificate attesting marriage with the OF.
- Sworn certification that the spouse is opening a PERA for and in behalf of the OF who has not availed of the benefits under the PERA Act
- Supporting documents attesting OF status (POEA Overseas Employment Certificate and official documents showing income earned or will be earning in a foreign country).

22. What if the OF cannot open a PERA, can his/her child open a PERA in his/her behalf?

Yes, if an OF cannot open a PERA, his/her child can open a PERA in the OFs behalf, with the OF's consent and must submit the following:

- The birth certificate attesting that he/she is the child of the OF
- Sworn certification that the child is opening a PERA for and in behalf of the OF who has not availed of the benefits under the PERA Act, or the spouse of the OF has not availed of the benefits under the PERA Act
- Supporting documents attesting OF status (POEA Overseas Employment Certificate and official documents showing income earned or will be earning in a foreign country).

23. How will I get my tax credit of 5%?

The Certification of Entitlement to 5% Tax Credit for Employee-Contributor or the PERA Tax Credit Certificate (TCC) will be released to the PERA Administrator who will in turn transmit it to the PERA Contributor. The BIR has yet to issue a detailed procedure on the processing and utilization of the tax credit.

24. What are the fees that are related to PERA?

For BPI as PERA Administrator, we have an administrator's fee of one percent (1%) of the amount contributed. This is to compensate the PERA Administrator for servicing the PERA account of the Contributor which includes the submission of reports. There are also transactional and annual fees from the Cash Custodian as well as trust fees from the respective PERA UITFs. The accredited PERA Individual Administrator will explain all the related fees to PERA.