

**29 May 2008**  
**News Release**  
**Refer to: Joel Gaborni**  
**(632) 688-7583**  
**Nina Bocalan-Zabella**  
**(632) 688-7582**

## **PERA Bill hurdles 3<sup>rd</sup> reading in House**

THE HOUSE OF REPRESENTATIVES early this week passed on third reading an improved version of a measure that will create an alternative pension fund and give tax breaks to its members.

The favorable action of the House on the proposed Personal Equity and Retirement Account (PERA) Bill immediately drew praises from Philippine Stock Exchange (PSE) officials who have been vigorously pushing for PERA's passage.

"We in the PSE look up to the PERA's establishment as a win-win and timely response to such concerns as the erosion of income of workers and the slowdown in capital market activity," said Mr. Francis Ed. Lim, PSE president and chief executive officer.

"In the midst of rising prices of goods and services, and given employers' constraints to hike workers' salaries, PERA's incentives will represent a welcome alternative," Mr. Lim explained. "Once enacted into law, PERA will reaffirm our lawmakers' commitment to help workers and employees adjust to economic difficulties."

Earlier, the Senate also passed on third reading its version of the PERA Bill. Sen. Edgardo Angara is the principal sponsor of the Senate version, while his son Rep. Juan Edgardo Angara is principal author of the House version.

Both versions of the PERA Bill seek to establish the legal and regulatory framework for the creation of a voluntary personal savings and investment plan as a means of providing financial security to PERA account holders during their retirement years. Employers may even contribute to the employee's PERA to the extent of the amount allowable to the contributor.

Under both Senate and House versions of the proposed PERA Bill, an individual PERA contributor will enjoy the following tax benefits:

- a tax credit equivalent to five percent of the member's PERA contribution;
- a tax exemption for the income from the PERA investments in the local capital markets;
- a tax deduction for employer contribution to the PERA account; and
- a tax exemption for the distribution of his or her PERA contribution.

A tax credit is a way of reducing the tax liability of the holder by treating the tax credit as a form of payment for taxes owed to the government.

“But not only workers, but also our capital market will benefit, because of the requirement in the proposed law that the PERA contributions should be invested only in ‘PERA Investment Products,’” Mr. Lim explained.

The allowable PERA Investment Products will include shares of stock of listed companies, exchange-traded funds, unit investment trust fund, mutual funds, annuity contract, insurance pension products and pre-need pension plans.

In the Senate version, the maximum PERA contribution qualified to enjoy the tax credit has been pegged at P50,000 for an individual and P100,000 for a couple.

In the House version, the maximum PERA contribution will amount to P100,000 for an individual contributor and to P200,000 for a couple.

At the urging of the PSE, the approved House Bill also added provisions for the grant of better incentives to overseas Filipinos. Under the House version, the maximum levels of contributions eligible to enjoy the tax credit have been pegged at P200,000 (for an individual overseas Filipino) and at P400,000 (for an overseas Filipino couple).

Aside from an individual citizen of the Philippines who is working or deriving an income from abroad, the House version defines an eligible overseas Filipino to include a person who has retained or re-acquired Philippine citizenship under Republic Act No. 9225, which is popularly known as the Dual Citizenship Law. The eligible overseas Filipino shall also include the legitimate spouse of an overseas Filipino, whether or not said spouse is of Filipino ancestry.

“It is our hope in the PSE that lawmakers from both Chambers of Congress will prioritize the process of refining both versions of the proposed PERA Bill in the bicameral conference committee,” Mr. Lim said.

###