REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE
Quezon City

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December 18, 2020

REVENUE MEMORANDUM CIRCULAR NO. 139-2020

SUBJECT : Guidelines on Utilization of 5% Tax Credit Prescribed under PERA Act of 2008

TO : All Internal Revenue Officials, Employees and Others Concerned

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This Circular is hereby issued to prescribe the guidelines on the utilization of the Five Percent (5%) tax credit prescribed under the incentive provisions of Republic Act No. 9505, otherwise known as the Personal Equity and Retirement Account (PERA) Act of 2008.

For the guidance of all qualified contributors, PERA administrators, revenue personnel of the Bureau of Internal Revenue (BIR) and other stakeholders, the following policies and procedures, in the form of Question and Answer, shall be complied by:

Q1 : **What document will evidence the 5% tax credit?**

A1 : The name of the document is the PERA Tax Credit Certificate (PERA TCC) containing security features to ensure its authenticity.

Q2 : **Who shall request for the issuance of PERA TCC and to whom it shall be applied?**

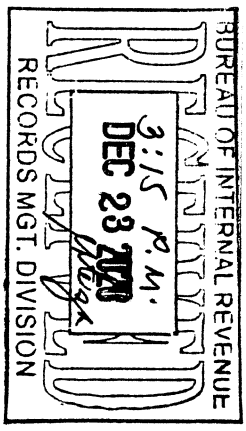
A2 : Qualified contributors shall directly request for the issuance of PERA TCC from the PERA Administrator to whom they have placed their contributions. In cases of employers who contribute a share to the account of their qualified employee, only the qualified employee can request for the issuance of PERA TCC. The PERA Administrator shall release the PERA TCC to the qualified contributors or their authorized representatives.

Q3 : **What internal revenue taxes shall be paid by the qualified contributor using the PERA TCC? What BIR Forms shall be accomplished by a qualified contributor in filing the tax returns and payment of the applicable taxes?**

A3 : The PERA TCC shall be applied against the internal revenue taxes and BIR Forms to be accomplished shall depend on the source of income of the qualified contributor from which the savings or contributions to his or her account where derived from.

Source of Income of Qualified Contributor	Kind of Internal Revenue Tax	BIR Form No.	Description of BIR Form
1. Income derived purely from business/profession or both from employment and practice of profession/business	Quarterly Income Tax	1701Q	Quarterly Income Tax Return for Individuals, Estate and Trusts
	Annual Income Tax	1701	Annual Income Tax Return (AITR) for Individuals, Estates and Trusts
2. Income derived purely from employee's compensation	Income tax withheld by employer	• Not applicable – if employee availed and qualified for substituted filing of AITR • 1700 – If not qualified for substituted filing	
3. Income derived purely from abroad by an Overseas Filipino	Any national internal revenue tax liabilities except taxes withheld by them as withholding agents.	The applicable BIR form can be asked from the nearest BIR office or downloaded from the BIR website at www.bir.gov.ph	

In case of changes in the contributor's source of income during the taxable year, the PERA TCC shall contain such restrictions prescribing the type of taxes upon which the said certificate shall be applied to, based on the contributor's status/classification as indicated in the annual report of the PERA Administrator. Accordingly, the applicable internal revenue taxes shall be paid and the corresponding BIR forms to be accomplished as follows:



Status/Classification of Qualified Contributor	Kind of Internal Revenue Tax	BIR Form No.	Description of BIR Form
1. Employee to Mixed income earner (i.e., an employee with business/profession)	Quarterly Income Tax	1701Q	Quarterly Income Tax Return for Individuals, Estate and Trusts
	Annual Income Tax	1701	Annual Income Tax Return for Individuals (including MIXED Income Earner), Estates and Trusts
2. Overseas Filipino to Self-employed (with	Quarterly Income Tax	1701Q	Quarterly Income Tax Return for Individuals, Estate and Trusts

business/profession in the Philippines)	Annual Income Tax	1701A	Annual Income Tax Return for Individuals Earning Income PURELY from Business/Profession

Q4 : How will the qualified contributor accomplish the tax return using the PERA TCC?

A4 : The amount of the PERA TCC shall be indicated in tax return as deduction from the tax due of the contributor. Specifically, indicate the phrase "5% PERA TCC" and its corresponding amount in the boxes provided for in the line item of the tax return which states the phrase "Other Tax Credits/Payments (specify)" located immediately after the line item stating "Tax Due".

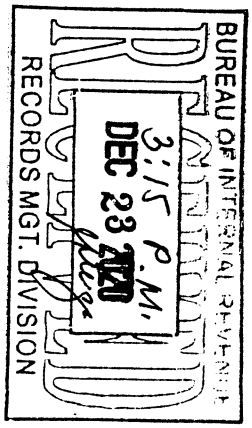
In case the amount of PERA TCC exceeds the tax due, net of the creditable taxes, the excess shall not be considered a refund but the same shall be eligible for the issuance of PERA TCC.

Q5 : Where will the tax return be filed and the corresponding tax be paid?

A5 : The accomplished tax return shall be filed using the eBIRForm facility and the tax due, if any, shall be paid using the available modes of payment of the BIR. The duly received hard copies of the tax returns, together with copy/ies of the PERA TCC and the other prescribed attachments, shall be submitted to the Revenue District Office (RDO) where the contributor is duly registered, pursuant to the existing revenue guidelines and procedures.

Q6 : How can an employer utilize the PERA TCC in computing the withholding tax of the qualified contributor-employee?

A6 : Upon receipt of the PERA TCC from the PERA Administrator, the qualified contributor-employee shall submit the same to his or her employer. The employer shall apply the amount of the PERA TCC in the annual year-end adjustments for computing the net withholding tax due of the qualified contributor-employee.



If the total tax actually withheld and remitted to the BIR is more than the difference between the total tax due and the gross amount of PERA TCC, the excess shall be refunded to the qualified contributor-employee. However, if the gross amount of the PERA TCC shall exceed the total tax due, the excess shall be carried over and deducted from the withholding tax of the qualified contributor-employee in the next taxable year. On the other hand, the total amount actually withheld and remitted to the BIR shall be refunded by the employer to the qualified contributor-employee.

Q7 : What will the employer do with the PERA TCC submitted by the qualified contributor-employee?

A7 : The employer shall keep the submitted PERA TCC and produce the same when requested for inspection or verification by authorized BIR revenue personnel.

Further, the applicable details of the certificate shall be indicated in the column provided for the purpose in the prescribed Annual Alphabetical List of Employees, including the Certificate of Compensation Payment/Tax Withheld for Compensation Payment With or Without Tax Withheld (BIR Form No. 2316) of the qualified contributor-employee.

Q8 : How will the employer's contribution to the share in the qualified contributor-employee be declared as deduction from its income?

A8 : For employers with share in its employee's PERA contribution, the employer's share not exceeding the total amount actually contributed may be reflected in the income tax return as deductible expense from its gross sales. For uniformity, the phrase "Share in Qualified Employee's PERA Contribution" shall be used as the account name.

Q9 : What shall be the liabilities of a qualified contributor who shall use a spurious PERA TCC for the payment of his or her internal revenue taxes?

A9 : Without prejudice to the filing of appropriate criminal charges, the qualified contributor who uses spurious PERA TCC shall be liable to pay the amount utilized with 50% penalty for fraud and 12% interest per annum.

Q10 : How shall the BIR validate the availments of PERA TCCs?

A10 : For purposes of validating the availments of PERA TCCS, the Chief, Audit Information Tax Incentives & Exemption Division (AITIED) shall transmit to the concerned Office in the Information Systems Group (ISG) a list of taxpayers who are qualified contributors who have been issued PERA TCCs. The concerned ISG Office shall generate a report containing, among others, the qualified contributors who have deducted the amounts of PERA TCCs in their tax returns, including those deductions but without the corresponding information from the AITIED list. Copies of this report shall be transmitted to Chief, AITIED and the Chief, Collection Section of the concerned Revenue District Office.

The Collection Section of the RDO shall perform the following procedures:

a. Collate the tax returns and attachments filed by the qualified contributors under their jurisdiction.

b. Validate the correctness of the computations in the tax returns.

c. Based on the list received from the concerned ISG Office, validate the PERA TCC(s) attached to the tax return.

d. Encode in the ePERA system the validated amount of utilized PERA TCC within ten (10) days from the date of the tax return was filed in the eBIRForm facility.

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In cases of non-availability of the online filing facility and the manual filing of tax returns should be made with the RDO (e.g., ONETT transactions), the validated amount of utilized PERA TCC shall be encoded immediately upon receipt of the tax return.

e. Send written notice to the qualified contributors for the collection of the tax deficiency and penalties, if any, by reason of wrongful computation of taxes or by reason of the use of spurious PERA TCC.

All are enjoined to give this Circular a wide publicity as possible. The provisions of these Circular shall take effect immediately.

CAESAR R. DULAY
Commissioner of Internal Revenue

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