

Paseo de Coro

Hello, PRA!

By Fernando Fajardo

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Hello, everyone. Happy Easter! Last Thursday, my friend Paul, a foreigner who is now a longtime resident in Cebu, sent to me the following e-mail.

“A good friend of mine, Swiss national, decided to leave his broken marriage and to migrate to the Philippines as a retiree. He became a participant of the retirement program of the PRA and now holds a Special Resident Retiree’s [Visa](#) (SRRV). He complied with the program’s requirement and paid US \$10,000 for a time [deposit](#). This time deposit was supposed to be withdrawn after one year so long as he had invested an equivalent or higher amount in the Philippines. My friend trusted the PRA that all will be fine and straight. He lives together with his Filipino fiancée whom he plans to marry as soon as his divorce in Switzerland will have become formal res judicata in November 2011. So far so good.

“But then happened some rather-strange things, namely

“The ‘Confirmation of Time Deposit,’ issued by Chinabank, indicates an interest rate of 1.0000 percent p.a., value date March 10, 2010, and contains the following statement of the [bank](#): At maturity we will pay: Principal US \$10,000, plus interest US \$100 less withholding tax US \$7.54, total 10.093.02. This document was duly signed.

“Then, the said bank issued a ‘Certificate of Retiree’s Deposit’ dated Aug. 18, 2010, wherein it coolly states: principal amount HS \$10,000, value date March 10, 2010, rate 0.05 percent p.a.

“It further states that: This certification is issued upon the request of the Philippine Retirement Authority in connection with the application of the abovementioned retiree for a Special Resident Retiree’s Visa (SRRV)

“Thus my friend, a trusting participant of the retiree program was afterwards deprived of 95 percent of his confirmed interest rate, a whopping US \$95. Isn’t that petty? Is that legally correct?

“Nonetheless, my friend made good use of his time in pursuing his project to buy a parcel of land. For this purpose, he established together with his Filipino fiancée a corporation under Philippine law and had it acquire a lot in Cebu. He also hired an architect in Cebu City for the design and later construction of his “dream house.” Beginning of construction is planned after his divorce in November this year. He also executed a last will stipulating that his Filipino fiancée (and later wife) will inherit his 40 percent shares of the corporation and thus all its [assets](#). Isn’t this a perfect example how foreigners, apart from spending their monthly [pension](#) for their local subsistence, contribute their share to the Philippine economic well-being? Does

this not ideally comply with the PRA's main goal? One should think so, but in reality it does not. The new general manager of PRA, Mr. Beredigno Atienza, had some other ideas and imposed very strict requirements pertaining to what shall be acknowledged as an investment under their rules. Thus, when my friend requested the release of his time deposit, he got the following information from the regional PRA office:

“Withdrawal of your [dollar deposit](#)

(\$ 10,000) has a procedure to follow and there are requirements before the money can be withdrawn. And depending on the investment that you entered into. The only investment by PRA is (1) purchase of condominium unit, (2) entering into a long-term lease of a property or a house and lot, (3) purchase of proprietary shares in a golf club and each has their own checklist of requirements.

“As it later turned out, this information is neither quite complete nor quite correct. Under the new rules the long-term lease of a property (which could also be a parcel of land) is no longer acknowledged by PRA and the long-term lease of a house and lot is acknowledged only when the lot is titled. Therefore the actual possible investments under PRA rules are as follows: (1) purchase or long-term lease (min 20 years) of a condominium unit, (2) long-term lease (min 20 years) of a house on a titled lot and (3) purchase of property shares of a golf club.

“This sounds like options but in reality for most foreign retirees they are not. First, purchasing or leasing a condominium is not an eligible option for many retirees, because condominiums are found in cities only, and many prefer to rather live in the quieter country side. And those who indeed prefer city life must have the necessary income and carry plenty of cash. In Cebu, for instance, one will hardly find a decent condo for less than 5 million or rather more. Second, a long-term lease of a house and lot is de facto no option either, because (a) in the country side, most people build for their own use and not for long-term lease and (b) most people build on their untitled Tax-Dec lots, and (c) foreigners usually prefer to construct their home according to their own ideas and demands rather than to lease an existing house. Third, very few of these retirees are active golfers. In fact I know a lot of foreigners residing in the Philippines, but none of them is a golfer.

“I am maliciously tempted to suppose that it is exactly the purpose of these options to be restricted to an extent that a great part of the participants will necessarily fail complying, and consequently the time deposit cannot be withdrawn and remains deposited until doomsday. Or is there a good and logical reason for these restrictions that I might have failed to recognize? Anyway, even if a foreign retiree's investment indeed complies with the PRA's rules and he decides to withdraw his US \$10,000 time deposit, he then has to pay a fee equivalent to US \$500 per annum which means that at the end of the day he will have paid back the withdrawn amount by the backdoor in 20 installments.”

My point in posting this e-mail from Paul is this: Are we really serious in attracting foreigners to retire in the country? Hello, Philippine Retirement Authority!

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