REGULATORY FRAMEWORK FOR BUSINESS TRANSACTIONS (RFBT)

CPALE Concept Notes

SOCIAL SECURITY LAW

Source: REO Live (Atty. Kris), ReSA Lecture (Atty. Nicko), CPAR Lecture (Atty. Kid)

Topics Covered:

8. Law on Other Business Transactions
8.10. Social Security Law
8.10.1. Definitions
8.10.2. Scope and Coverage
8.10.3. Pension, Retirement, and Other Benefits
8.10.4. Exemptions from Tax, Legal Process, and Lien
8.10.5. Employee and Employer's Contributions
8.10.6. Contributions from Self-Employed Member
8.10.7. Remittance of Contributions
8.10.8. Method of Collection and Payment
8.10.9. Employment Records and Reports
8.10.10. Penal Clauses

Scope, Coverage, and Contributions

COMPULSORY COVERAGE

1. **All Private Employees Not More Than 60 years old and Their Employers** *(including Kasambahays or Domestic Helpers)*

- Effective Date of Coverage
  - Employee – First Day of Employment
  - Employer – First Day of His Operation

- Contributions:

As of	Employer's Share	Employee's Share	Total
2025	10%	5%	15%
2023-2024	9.5%	4.5%	14%
2021-2022	8.5%	4.5%	13%
2020 and earlier	8%	4%	12%

- Remittance of Contributions:
  - By the **employer** within *10 days after each calendar month*
  - With proper identification of the employer and employee
  - Must be made in **cash (preferred)**, checks, stamp, coupons, tickets, or other reasonable devices as adopted by the SSS
  - ***Penalty for Non-Remittance:***
    - 2% Monthly, paid by Employer

Prescription of Right to Institute Necessary Action against the Failure, Refusal, Willful Neglect of Employer to Remit

- *20 years* from *(as the case may be)*
  - The time delinquency is known, or
  - SSS assessment is made, or
  - The time the benefit accrues

2. **Self-Employed Individuals**

- Includes the following, but not limited to:
  - Self-employed professionals
  - Partners and single proprietors
  - Actors, actresses, directors, scriptwriters, and news correspondents (not falling in private employees)
  - Professional athletes, coaches, trainers, jockeys
  - Individual farmers and fisherman

- Effective Date of Coverage: ***Upon SSS Registration***

- Contributions:

As of 2025	15%
As of 2023-2024	14%
As of 2021-2022	13%
As of 2020 and earlier	12%

Fully shouldered by the self-employed individual

- Remittance of Contributions:
  - Monthly contributions are remitted ***quarterly*** *within the Last Day of the Month following the quarter*

3. **OFWs Not More Than 60 years old** *(Sea and land-based)*

- Contributions:

  General Rule:
  Treated as a Self-Employed Individual *(Fully shoulders)*

  XPN:
  - Bilateral Treaty or Labor Agreement with the Host Country *(for Land-Based OFWs)*

VOLUNTARY COVERAGE

Treated as Self-Employed Individual (Fully shoulders)

1. **Spouses FULLY managing household and family affairs**
   - Only those who *devote full time* to managing household and family affairs
   - If engaged in other vocation or employment – subject to compulsory coverage, not voluntary

2. **Filipino (permanent) immigrants**

3. **A member that has been separated from employment or ceases to be self-employed**

Monthly Pension and Dependent's Pension

Semester of Contingency (SOC)
Quarter of Contingency + Another Quarter Backwards
(6 months in total)

Credited Years of Service (CYS)

For Years up to 1984	No. of Calendar Years Covered from Membership
For 1985 to 2001	No. of Calendar Years with At Least 6 Months Contribution
For Years 2002 Onwards	$\frac{\text{Total Months with Contribution}}{12}$

Average Monthly Salary Credit (AMSC)
The higher between:
- AMSC of the Last 60 Months Before the SOC
- AMSC of All Months Before the SOC

- Excludes those allocated to Monetary Provident Fund (MPF)
- For computing purposes, the ***maximum applicable monthly salary credit is 20,000***

Maximum Monthly Salary Credit INCLUDING MPF

As of 2025	35,000
As of 2023-2024	30,000
As of 2021-2022	25,000
As of 2020 and earlier	20,000

MONTHLY PENSION

The highest of the following:

a. 300.00 + (20% of AMSC) + (2% of AMSC x [CYS – 10 yrs.])
b. 40% of AMSC
c. Minimum Monthly Pension – 1,000

CYS	Retirement	Disability
CYS < 10 years	-	1,000
CYS ≥ 10 years	1,200	1,200
CYS ≥ 20 years	2,400	2,400

- **Guaranteed Period:** 60 Months
- **Additional Benefit Allowance** *(on top of computed monthly pension):*
  - 1,000 per month, beginning 2017

Example:

Mr. Mel retired on April 2025, wherein he earned 30,000 in the last 60 months prior to the semester of retirement. He was able to contribute monthly from 1984 until retirement, except for the year 2004. Compute his total monthly pension.

Semester of Contingency

January to June 2025 *(Occurred April 2025)*

Credited Years of Service (CYS)

For Years up to 1984	1
For 1985 to 2001 (meets req.)	17
For Years 2002 onwards (2002-03, 2005-24)	22
Total CYS	**40**

Average Monthly Salary Credit

Maximum of 20,000

MONTHLY PENSION:

a. 300.00 + (20% of AMSC) + (2% of AMSC x [CYS – 10 yrs.])
300.00 + (20% x 20,000) + (2% x 20,000) x [40yrs – 10yrs.])
*= **16,300***

b. 40% of AMSC
40% x 20,000
*= **8,000***

*c. Minimum Monthly Pension – **2,400** (CYS ≥ 20 years)*

Total Monthly Pension

Highest between a, b, c	16,300
Additional Benefit Allowance	1,000
Total Monthly Pension	**17,300**

DEPENDENT'S PENSION

On top of the member's monthly pension

The higher between:
- 10% of the Monthly Pension, or
- 250.00

- *Applicable **only** to the following contingencies:*
  - Death of the Member
  - Permanent Total Disability of the Member
  - Retirement of the Member
- Limited to a ***Maximum of 5 Dependents***
  - Preference is as to age – from the youngest to oldest
  - Preference is also given to legitimate over illegitimate children, regardless of age
    (legitimate will occupy the list first)
- **Qualifications of Dependents**
  - Not aged more than 21 years old
    - *XPN: Not capable of taking care of himself*
  - Not married
  - Not gainfully employed

Example:

Mr. River, a retired member, had the following children:
Anne – 24 years old
Bob – 21 years old, insane
Carla – 19 years old, married to Tommie
Danny – 18 years old, gainfully employed
Elle – 16 years old
Fiona – 15 years old
Gina – 11 years old, illegitimate
Henry – 10 years old, illegitimate
Josh – 8 years old

Who are the 5 qualified for dependent pension?

Qualified Dependents as to Preference
- Josh – youngest among the legitimate
- Fiona – second youngest among the legitimate
- Elle – third youngest among the legitimate
- Bob – not capable of taking care of himself
- Henry – youngest among the illegitimate

Excluded:
- Anne – more than 21 years old
- Carla – already married
- Danny – already gainfully employed
- Gina – failed to belong in the top 5 (pak!)

Retirement Benefits

Either of the following:
- Monthly Pension, or
- Lum Sum Retirement Benefit

Requisites for Monthly Pension Benefit
- At least 120 monthly contributions prior to the SOC, and
- Aged 60 years old who are not employed nor self-employed, or aged 65 years old *(assumed as unemployed)*

If not met, may still avail of the **Lump Sum Retirement Benefit** as long as no longer employed and will not continue paying contributions
- Equal to *all his contributions plus interest* as determined by the SSS

Death of a Retired or Disabled Member

With Primary Beneficiaries	Primary Beneficiaries receive ***Monthly Pension***
Without Primary Beneficiaries, only Secondary Beneficiaries	Secondary Beneficiaries receive a ***Lump Sum***
Without Primary and Secondary Beneficiaries	Forms part of the Member's Estate

Primary Beneficiaries
- Dependent spouse
- Dependent legitimate children
- Dependent illegitimate children *(only to 50% share of LC)*
  ***XPN**: 100% share is there are no legitimate children*

Secondary Beneficiaries
- Dependent parents
- Any other person designated by the member as secondary beneficiary

Formula for Lump Sum for Secondary Beneficiaries:
- Monthly Pension x *Remaining* of the Guaranteed Period *(60 mos.)*

Death Benefits

Requisite: Must have not retired nor disabled
(must have died as an active member still contributing)

Paid AT LEAST 36 monthly contributions	
With Primary Beneficiaries	Primary Beneficiaries receive ***Monthly Pension***
Without Primary Beneficiaries, only Secondary Beneficiaries	Secondary Beneficiaries receive a ***Lump Sum***

Formula for Lump Sum: Monthly Pension x 36 months

Paid for less than 36 monthly contributions
(applies also to permanent total disability benefits with less than 36 monthly contributions)

Primary or secondary beneficiaries are entitled to whichever is higher between:
- Monthly Pension x No. of Monthly Contributions
- Monthly Pension x 12 months

Permanent Disability Benefits

- The additional benefit allowance (1,000) also applies for the monthly pension of a permanently disabled member, PLUS a 500 supplemental allowance (***Total of 1,500 Additional Allowance***)

Paid AT LEAST 36 monthly contributions	
Permanent Total Disability	Member is entitled to receive a ***monthly pension*** (plus additional allowance)
Permanent Partial Disability	Member is entitled to receive a ***monthly pension***, but *subject to a maximum period* • If the applicable period is *less than 12 months*, the pension is given as a ***lump sum*** instead

Permanent Total Disabilities

- Complete Loss of Sight of Both Eyes
- Loss of Two Limbs At or Above the Ankle or Wrist
- Permanent Complete Paralysis of Two Limbs
- Brain Injury resulting to Incurable Imbecility or Insanity
- Such other causes as approved by the SSS

Permanent Partial Disability

Disability	Maximum Period
One thumb	10 months
One index finger	8 months
One middle finger	6 months
One ring finger	5 months
One little finger	3 months
One big toe	6 months
One hand	39 months
One arm	50 months
One foot	31 months
One leg	46 months
One ear	10 months
Both ears	20 months
Hearing of one ear	10 months
Hearing of both ears	50 months
Sight of one eye	25 months

- Member must present himself for examination upon notice by the SSS ***at least once a year***, or else the pension will be suspended

Paid for less than 36 monthly contributions	
Permanent Total Disability	*Primary or secondary beneficiaries are entitled to whichever is higher between:* • Monthly Pension x No. of Monthly Contributions • Monthly Pension x 12 months
Permanent Partial Disability	• Same computation and maximum periods as to that of if paid at least 36 monthly contributions, but will be multiplied as well to the ***Percentage Degree of Disability*** *(No. of Months ÷ 75, rounded to the next higher integer)* • Will always be a percentage of the lump sum benefit *(Even if applicable period is at least 12 months)*

Example (Permanent Partial Disability):
One Arm = Maximum Period of 50 Months

- 50 months ÷ 75 = 67%
- Benefit = Lump Sum x 67%

Upon Re-employment

Re-employment Period	*Considered as?*
Within 1 year from receipt of lump sum benefit	The Same Member
Beyond 1 year from receipt of lump sum benefit	New Member

- Monthly pension and dependents' pension, upon re-employment or resumption of self-employment, shall be suspended

Funeral Benefits

Paid AT LEAST 36 monthly contributions	20,000 to 60,000
Paid for less than 36 monthly contributions	12,000 fixed

Formula for Paid AT LEAST 36 monthly contributions

- (20,000 + [0.5% x No. of Monthly Contributions x AMSC])

Sickness Benefits

- Allowance Equivalent to *90% of his Average Daily Salary Credit (ADSC)*

Average Daily Salary Credit (ADSC):

$$\frac{\text{Sum of 6 Highest Monthly Salary Credits within 12-months prior the SOC}}{180}$$

- **Payment**
  - If employed – paid by his employer
  - If unemployed – paid by the SSS
- **REQUISITES:**
  - Paid *AT LEAST 3 monthly contributions* in the past 12 months prior the SOC
  - Confined for *more than 3 days* in a hospital or elsewhere

Conditions applicable to Hospital Confinement

- Not more than 120 days per calendar year
- Not more than 240 days for each confinement
- Claim for benefit or reimbursement must be filed within *1 year from the **last** day of confinement*
- Claim for reimbursement must be adjudicated by the SSS within 2 months from receipt
  - Upon lapse of 1 month from the 2-month period (from the 4th month), ***a 1% interest*** will apply onwards

Conditions applicable to Confinement Elsewhere

- Not more than 120 days per calendar year
- Not more than 240 days for each confinement
- Claim for benefit or reimbursement must be filed within *1 year from the **first** day of confinement*
- Claim for reimbursement must be adjudicated by the SSS within 2 months from receipt
  - Upon lapse of 1 month from the 2-month period (from the 4th month), ***a 1% interest*** will apply onwards
- If sickness happened *outside* the work premises:
  - Employee must notify his employer within ***5 days from confinement***
    - If unemployed or self-employed, notify directly to the SSS
  - Employer must notify SSS within ***5 days from employee's notice***
- If sickness happened *within* the work premises:
  - Employee ***does not need to notify employer***, but employer must still notify the SSS within 5 days from confinement

Rules as to Reimbursement to Employer

On-time Notification	100% Reimbursed
No Notification	None reimbursed
Delayed Notification	Only 10 days backwards from the date of notice will be reimbursed

Maternity Leave Benefits and Unemployment Insurance

MATERNITY LEAVE BENEFIT

Requisite: Must have paid *AT LEAST 3 monthly contributions* in the preceding 12 months before the SOC

- For the availment of additional 30 days without pay, a **written notice** must be sent to the employer *45 days before the end of the original maternity leave*
  - XPN: Medical emergency *(subsequent notice will suffice)*

UNEMPLOYMENT INSURANCE
(or Involuntary Separation Benefits)
50% of AMSC, for a maximum period of 2 months

Requisites:
- Not over than 60 years old
- Paid *AT LEAST 36 monthly contributions*, 12 of which came from the preceding 18 months before the unemployment
- Only claimed once every 3 years

If multiple compensable contingencies concurred (ex. maternity, sickness, and unemployment), ***only the HIGHEST benefit*** shall be applied, not combined.

Exemptions

Tax Exemption
- All SSS funds, assets, properties, income, contributions, and documents are ***exempt*** from all taxes, fees, charges, and assessments (national or local)
  - Includes supplies, equipment, and papers necessary for SSS operations
- No tax law applies to SSS unless it explicitly states that SSS is included
- Any unpaid tax assessment against SSS is ***null and void*** unless expressly authorized by law.

Protection from Legal Process
- SSS benefit payments are *not subject* to attachment, garnishment, levy, or seizure under any legal or equitable process.
  - XPN: To satisfy debts of covered employees to the SSS

Employment Records and Reports

Required Report

	By the Employer	**By a Self-Employed**
When?	Immediately	Within **30** ***days*** from the effective date of coverage
Contents	His employees' • Name • Age • Civil status • Occupation • Salaries • Dependents	As to his: • Name • Age • Civil status • Occupations • Average monthly net income • Dependents
*If Contingency already occurred **without** such records* • *Death* • *Sickness,* • *Disability* • *60 yrs. old*	Employer shall ***pay to the SSS the damages*** equivalent to the benefits to which said employee would have been entitled XPN *(No Liability)*: Contingency occurred *within 30 days from employment*	The ***SSS shall not pay him*** the corresponding benefit XPN *(Entitled to Benefits)*: Contingency occurred *within 30 days from effective date of coverage*

- Reports shall be kept confidential unless a court issues a subpoena duces tecum

- Decisions of SSS officials as to the determination of the benefits are ***presumed correct*** unless proven otherwise.
- Employers must submit an *Annual Register of New and Separated Employees*, and file the required monthly and annual reports
- Employers must require new hires to present an SSS registration number, but prior-issued numbers remain valid, and the issuance of registration numbers does not exempt employers from compliance obligations
- Prior to issuing any annual business license or permit, LGUs shall require submission of **Certificate of SSS Coverage and Compliance**, which shall be *issued by the SSS within 5 working days from the receipt of request*

Penal Clauses

Offense	**Description** (Key Act)	**Penalty**
False statements or documents	Falsification, misrepresentation, or use of falsified ***records*** in claims, loans, or benefits	***Imprisonment***: Prison Correccional *(Medium to Maximum Periods)* AND ***Fine***: Not More than 5,000
Fraudulent claims or loans	Obtaining or attempting to obtain benefits, loans, or payments through ***fraud*** *(without being entitled thereto, with intent to defraud)*	***Imprisonment:*** 6 years and 1 day to 12 years AND ***Fine:*** 5,000 to 20,000
Theft or misuse of stamps or other devices	Selling, transferring, using, or altering any stamp, coupon, ticker, book, or other device	***Imprisonment:*** 6 years and 1 day to 12 years AND/OR ***Fine:*** 5,000 to 20,000
Forgery or tampering	Altering, forging, counterfeiting, or using tampered stamps, cards, devices, or materials ***for collection or payment of any contribution***	***Imprisonment:*** 6 years and 1 day to 12 years AND/OR ***Fine:*** 5,000 to 20,000
Failure to comply with Social Security Act and its IRR	Refusal or failure to ***comply with required provisions and rules*** to the Commission *(catch-all)*	***Imprisonment:*** 6 months to 1 year AND/OR ***Fine:*** 500 to 5,000
Failure to register and/or remit the contributions	***Not registering employees*** (or of the self-employed) or failing to remit contributions	***Imprisonment:*** 6 years and 1 day to 12 years AND ***Fine:*** 5,000 to 20,000
Malversation of funds	***Misuse, misappropriation, or allowing misuse*** of system funds or property by any SSS employee	***Art. 217 of the Revised Penal Code*** *(Perpetual Disqualification and Fine equal to the funds malversed or property embezzled)*
Employer's failure to remit	Failure to remit employee contributions by the employer ***within 30 days from being due***, *when it was already deducted from their compensation*	***Art. 315 of the Revised Penal Code – Estafa or Swindling*** *(Criminal Penalties and Civil Liability for Unpaid Amounts)*