

NINETEENTH CONGRESS OF THE REPUBLIC OF THE PHILIPPINES Second Regular Session 23 JUL 17 P2:37

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**SENATE S. No.** 2308

Introduced by Senator MARK A. VILLAR

## AN ACT

## CREATING A TAX-FREE MINORS' DEPOSIT ACCOUNT, AMENDING FOR THE PURPOSE PRESIDENTIAL DECREE NO. 1158, AS AMENDED, OTHERWISE KNOWN AS THE NATIONAL INTERNAL REVENUE CODE

## **EXPLANATORY NOTE**

According to World Bank, only 25.0% of adult Filipinos are informed with fundamental financial concepts. The Philippines placed in the bottom 30 of 144 countries, based on the global research on financial literacy conducted by the Standard & Poor's Global Ratings. This information demonstrates the fact that financial literacy is still a work in progress for many Filipinos.

Financial literacy must start at an early age. Saving practices and preferences formed during childhood stay through adulthood, and being familiar with financial concepts impacts their financial decisions.

By fostering and educating financial literacy from an early age, long-term improvements in Filipino mindsets about savings and finance can be achieved. Tax-free savings and investments for children were established due to similar concerns overseas, like the United States and the United Kingdom.

<sup>&</sup>lt;sup>1</sup> Bangko Sentral ng Pilipinas Media and Research - Speeches. (n.d.). <a href="www.bsp.gov.ph">www.bsp.gov.ph</a>. <a href="https://www.bsp.gov.ph/SitePages/MediaAndResearch/SpeechesDisp.aspx?ItemId=993">https://www.bsp.gov.ph/SitePages/MediaAndResearch/SpeechesDisp.aspx?ItemId=993</a>

Thus, this bill seeks to incentivize minors to save their money in bank deposits. Interest income accruing to bank deposits, of whatever nature, held by minors shall be exempt from tax. The tax exemption covers deposits amounting to not more than One Hundred Thousand Pesos (Php 100,000.00), the average amount of Filipino deposit account. The proposed policy aims to develop a sustainable culture of financial literacy throughout the country.

In light of the foregoing, the approval of this bill is earnestly sought.

MARK A. VILLAR



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## AN ACT CREATING A TAX-FREE MINORS' DEPOSIT ACCOUNT, AMENDING FOR THE PURPOSE PRESIDENTIAL DECREE NO. 1158, AS AMENDED, OTHERWISE KNOWN AS THE NATIONAL INTERNAL REVENUE CODE

Be it enacted by the Senate and the House of Representatives of the Philippines in Congress assembled:

Section 1. Short Title. - This Act shall be known as the "Kiddie Savers Act".

Sec. 2. *Policy Statement.* – It is the policy of State to promote financial literacy and stability among its citizens. Further, the State shall promote a culture of long-term saving and investment. In line with this, the State shall create awareness regarding the importance of financial security and encourage the youth to learn more about good spending habits.

Sec. 3. *Tax Free Minor Deposit Accounts.* – Interest income accruing to bank deposits, of whatever nature, held by minors shall be exempt from tax: *Provided,* That such exemption shall only be used with respect to deposits opened and maintained in one banking institution so designated by the minor and/or the person exercising parental authority over him: *Provided further,* That the aggregate total of all deposit accounts held by a minor within the designated banking institution shall not exceed One Hundred Thousand Pesos (Php100,000.00): *Provided finally,* That in cases where the aggregate total shall exceed One Hundred Thousand Pesos (Php100,000.00), such excess shall be subject to tax.

- Sec. 4. *Account Name and Signatory.* The deposit accounts covered by this Act shall be opened and maintained under the name of the minor: *Provided,* That the person exercising parental authority over the minor may be named a signatory therein.
- Sec. 5. Withdrawals from Minor's Deposit Account. Withdrawals shall only be for expenses that will accrue to the benefit of the minor, the parameters of which shall be determined in the implementing rules and regulations of this Act.
- Sec. 6. *Source of Funds.* Any deposit made into the account shall only be from lawful sources available to the child. The aggregate total of deposits made by parents into the minor's deposit account shall be subject to a limit of Twenty Five Thousand Pesos (Php25,000.00) per parent. Should the aggregate total deposit per parent exceed such limit, then the whole account shall be taxable.
- Sec. 7. Amendment of National Internal Revenue Code. Section 24(B)(1) of Presidential Decree No. 1158, as amended up to Republic Act No. 9504, is hereby amended to read as follows:
  - (B) Rate of Tax on Certain Passive Income. –

. .

(1) *Interests, Royalties, Prizes, and Other Winnings.* – A final tax at the rate of twenty percent (20%) is hereby imposed upon the amount of interest from any currency bank deposit and yield or any other monetary benefit from deposit substitutes and similar arrangements;

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Provided, further, That interest income from long-term deposit or investment in the form of savings, common or individual trust funds, deposit substitutes, investment management accounts and other investments evidence by certificates in such form prescribed by the *Bangko Sentral ng Pilipinas* (BSP) shall be exempt from the tax imposed under this Subsection: *Provided, FURTHER*, That should the holder of the certificate pre-terminate the deposit or investment before the fifth (5<sup>th</sup>) year, a final tax shall be imposed on the entire income and shall be deducted and withheld by the depositary bank from the proceeds of the long-term deposit or investment certificate based on the remaining maturity thereof:

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2	PROVIDED, FINALLY, THAT THE FINAL TAX IMPOSED IN THIS SECTION
3	SHALL BE SUBJECT TO THE PROVISIONS OF THE KIDDIE SAVERS' ACT
4	Sec. 7. Implementing Rules and Regulations. – The Bureau of Internal Revenue
5	CBIR") and the Bangko Sentral ng Pilipinas (BSP"), shall formulate the necessary rules
6	and regulations for the effective implementation of this Act.
7	Sec. 8. Repealing Clause. – All laws, decrees, executive orders, issuances, rules
8	and regulations, or parts thereof inconsistent with the provisions of this Act are hereby
9	repealed or modified accordingly.
10	Sec. 9. Separability Clause. – If any provision or part of this Act shall be declared
11	invalid or unconstitutional, the remaining parts or provisions not affected shall remain ir
12	full force and effect.
13	SEC. 10. Effectivity Clause This Act shall take effect fifteen (15) days after its
14	publication in the Official Gazette or in two (2) newspapers of general circulation.

Approved,