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SENATE

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S.B. No. 1272

Introduced By Senator Manuel "Lito" M. Lapid

EXPLANATORY NOTE

According to the Bangko Sentral ng Pilipinas, 8 out of 10 households have no deposit accounts. Of the existing deposit accounts, only 6 out of 10 earn interest. This reveals an alarming practice of failure to either save or to invest savings in interest-earning accounts. The 2013 Asia-Pacific MasterCard Index of Financial Literacy shows that Filipinos have little knowledge on saving and investment instruments or good practices therefor.

Surveys show that 3 out of 4 Filipino children are unaware of any kind of investment tool, including bank deposits. The Bangko Sentral ng Pilipinas ("BSP") has launched several programs in an attempt to address this issue. In 2011, the BSP, in partnership with several banks, launched a Kiddie Account Program that pegged the initial deposit for savings account at Php100, making the same easily affordable for children. Early this year, the BSP partnered with the Department of Education ("DepEd") to launch a campaign to teach students the value of saving and to teach them practices to promote saving.

Long-term changes in Filipino mindsets regarding finances will be attained by promoting and teaching financial literacy at a young age. Similar concerns in foreign countries, such as the United States and the United Kingdom, caused the institution of tax free savings and investments for children. These provide good models to be emulated in our country.

The proposed measure seeks to incentivize minors to save their money in bank deposit accounts by increasing the rate of return realized therefrom through the exemption of such accounts from applicable taxes. The tax exemption covers deposits amounting to not more than One Hundred Thousand Pesos (Php100,000), the average amount of a Filipino deposit account. The proposed measure hopes to create a sustainable culture of financial literacy in the country.

The undersigned sponsor urges the passage of the present measure.


MANUEL "LITO" M. LAPID
Senator 

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AN ACT
CREATING A TAX FREE MINORS' DEPOSIT ACCOUNT,
AMENDING FOR THE PURPOSE SECTION 24(B)(1) OF PRESIDENTIAL DECREE
NO. 1158, AS AMENDED, OTHERWISE KNOWN AS THE
NATIONAL INTERNAL REVENUE CODE

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

1 **SECTION 1.** *Short Title.* - This Act shall be known and cited as the
2 "**Kiddie Savers Act of 2013.**"

3
4 **SEC. 2.** *Policy Statement.* - It is the policy of the State to promote fiscal
5 literacy and stability at the individual and household level. Further, the State shall
6 create a culture of long-term saving and investment. In line therewith, the State shall
7 ensure that the youth are brought up with an awareness of the importance of fiscal
8 security and are equipped with the habits necessary to attain the same.

9
10 **SEC. 3.** *Tax Free Minor Deposit Accounts.* - Interest income accruing to
11 bank deposits, of whatever nature, held by minors shall be exempt from tax: *Provided,*
12 That such exemption shall only be used with respect to deposits opened and
13 maintained in one banking institution so designated by the minor and/or the person
14 exercising parental authority over him: *Provided further,* That the aggregate total of all
15 deposit accounts held by a minor within the designated banking institution shall not
16 exceed One Hundred Thousand Pesos (Php100,000): *Provided finally,* That in cases
17 where the aggregate total shall exceed One Hundred Thousand Pesos (Php100,000),
18 such excess shall be subject to tax.

1 **PROVIDED, FINALLY, THAT THE FINAL TAX IMPOSED IN THIS**
2 **SECTION SHALL BE SUBJECT TO THE PROVISIONS OF THE**
3 **KIDDIE SAVERS' ACT OF 2013.**
4

5 **SEC. 8. *Implementing Rules and Regulations.*** - The Bureau of Internal
6 Revenue ("BIR") and the Bangko Sentral ng Pilipinas ("BSP"), shall formulate the
7 necessary rules and regulations for the effective implementation of this Act.
8

9 **SEC. 9. *Repealing Clause.*** - All laws, decrees, executive orders, issuances,
10 rules and regulations, or parts thereof inconsistent with the provisions of this Act are
11 hereby repealed or modified accordingly.
12

13 **SEC. 10. *Separability Clause.*** - If any provision or part of this Act shall be
14 declared invalid or unconstitutional, the remaining parts or provisions not affected shall
15 remain in full force and effect.
16

17 **SEC. 11. *Effectivity Clause.*** - This Act shall take effect fifteen (15) days after
18 its publication in the Official Gazette or in two (2) newspapers of general circulation.

Approved,