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**SENATE** 

s.B. No.1272

RECL. HRY: Ji

### 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

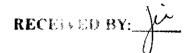
## SIXTEENTH CONGRESS OF THE REPUBLIC ) OF THE PHILIPPINES )

First Regular Session

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#### **SENATE**

s.b. No1272



## Introduced By Senator Manuel "Lito" M. Lapid

# 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:

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

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

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Tax Free Minor Deposit Accounts. - Interest income accruing to **SEC. 3.** 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): Provided finally, That in cases where the aggregate total shall exceed One Hundred Thousand Pesos (Php100,000), such excess shall be subject to tax.

1	SEC. 4. Account Name and Signatory The deposit accounts covered by		
2	this Act shall be opened and maintained under the name of the minor: <i>Provided,</i> That		
3	the person exercising parental authority over the minor may be named a signatory		
4	therein.		
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6	SEC. 5. Withdrawals from Minor's Deposit Account Withdrawals shall		
7	only be for expenses that will accrue to the benefit of the minor, the parameters of		
. 8	which shall be determined in the implementing rules and regulations of this Act.		
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10	<b>SEC. 6.</b> Source of Funds Any deposit made into the account shall only be		
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11	from lawful sources available to the child. The aggregate total of deposits made by		
12	parents into the minor's deposit account shall be subject to a limit of Twenty Five		
13	Thousand Pesos (Php25,000) per parent. Should the aggregate total deposit per parent		
14	exceed such limit, then the whole account shall be taxable.		
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16	SEC. 7. Amendment of National Internal Revenue Code Section 24(B)(1)		
17	of Presidential Decree No. 1158, as amended up to Republic Act No. 9504, is hereby		
18	amended to read as follows:		
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20	(B) Rate of Tax on Certain Passive Income. –		
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22	(1) Interests, Royalties, Prizes, and Other Winnings. – A final tax at the rate of		
23	twenty percent (20%) is hereby imposed upon the amount of interest from		
24 25	any currency bank deposit and yield or any other monetary benefit from		
25	deposit substitutes and similar arrangements;		
26 27	xxx xxx xxx		
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29	Provided, further, That interest income from long-term deposit or		
30	investment in the form of savings, common or individual trust funds,		
31	deposit substitutes, investment management accounts and other		
32	investments evidence by certificates in such form prescribed by the Bangko		
33	Sentral ng Pilipinas (BSP) shall be exempt from the tax imposed under this		
34	Subsection: Provided, [finally,] FURTHER, That should the holder of the		

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certificate pre-terminate the deposit or investment before the fifth (5th)

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

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39 40 41 maturity thereof:

1 2 3 4	PROVIDED, FINALLY, THAT THE FINAL TAX IMPOSED IN THIS SECTION SHALL BE SUBJECT TO THE PROVISIONS OF THE KIDDIE SAVERS' ACT OF 2013.		
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.		
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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.		
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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.		
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17	SEC. 11.	Effectivity Clause This Act shall take effect fifteen (15) days after	
18	its publication in the	ne Official Gazette or in two (2) newspapers of general circulation.	
	Approved,		