

FIFTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)

SENATE

S. No. 263

Introduced by Senator Antonio "Sonny" F. Trillanes IV

Explanatory Note

This bill seeks to equalize the purchasing power between the rich and the poor by not unduly depriving the latter of the use of the interests which their deposited funds earn from the banking system. If no deduction is made on the deposit of simple folks, more people may even put their money in these institutions and the banking industry will flourish. Consequently, more money will be available for the banks to invest in worthwhile projects, further boosting our economy.

Likewise, it is also provided in the fundamental law that:

"The State recognizes the indispensable role of the private sector, encourages private enterprises and provides incentives to needed investments¹".

With the exemption provided by this bill, people will no longer hesitate to avail of the services offered by banking institutions and consequently, money will be available for investments in productive projects.

In view thereof, approval of this bill is urgently recommended.


ANTONIO "SONNY" F. TRILLANES IV
Senator

¹ Section 20, Article II of the 1987 Philippine Constitution.

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S. No. 263

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AN ACT
EXEMPTING SAVINGS DEPOSITS AMOUNTING TO ONE HUNDRED THOUSAND PESOS OR LESS FROM WITHHOLDING TAX, AMENDING SECTION 21 (c) (1) OF THE NATIONAL INTERNAL REVENUE CODE, THEREBY, AND FOR OTHER PURPOSES

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 as the "*Small Deposits Exemption*
2 *Law*" and may be cited as such.

3
4 **SEC. 2. Statement of Policy.**- It is the policy of the State to promote social justice in all
5 phases of national development.

6 It is hereby declared a policy of the state to protect the low income depositors to help
7 them neutralize the effects of inflation by exempting them from the imposition of withholding
8 taxes so as to help maintain their purchasing power.

9
10 **SEC. 3. Definition of Term.** For the purposes of this Act these terms shall have the
11 following definitions:

12 a) "*Savings Deposits*" are deposits in banks which do not belong to the category of time
13 deposits and current accounts.

14 b) "*Small Deposits*" shall refer to savings deposits in any banking or quasi-banking
15 institutions amounting to one hundred thousand pesos (P100,000.00) or less per person.

16 c) "*Individual Tax Payment Scheme*" shall mean the process which shall require
17 individual taxpayers to pay taxes on interests earned by bank deposits directly to the BIR.

1 d) *“Withholding Tax”* shall refer to the amount being reserved for tax payment which is
2 deducted from the interest earned by bank deposits.

3
4 **SEC. 4. *Exemption.*** Upon the passage of this law, all Savings Deposits in any banking or
5 quasi-banking institutions amounting to ONE HUNDRED THOUSAND PESOS (P100,000.00)
6 or less shall be exempted from withholding taxes as required by the National Internal Revenue
7 Code.

8
9 **SEC 5. *Coverage.*** The benefits of this law shall be enjoyed only by natural persons as
10 defined by the Civil Code.

11
12 **SEC. 6. *Individual Payment of Taxes on Interests.*** Persons filing their Individual
13 Income Tax Returns shall be required to submit a Bank Certification as to the amount of their
14 deposits. Any certification reflecting one hundred thousand pesos or less shall be taxed
15 accordingly. They shall thereby be required to pay such amounts directly to the Bureau of
16 Internal Revenue or through the BIR’s Accredited Collecting Institutions.

17
18 **SEC. 7. *Penalty Clause.*** Failure of the Taxpayer to declare his interest income and to pay
19 corresponding tax thereon shall be penalized by a fine or imprisonment or both.

20
21 **SEC. 8. *Rules and Regulations.*** The Bureau of Internal Revenue and the Bangko Sentral
22 ng Pilipinas (BSP) shall provide for the implementing rules and guidelines for the proper
23 enforcement of the provisions of this law.

24
25 **SEC. 9. *Separability Clause.*** Any provisions contained in this law which shall be
26 declared unconstitutional or invalid shall not in any way affect the validity or force of the other
27 provisions.

1 **SEC. 10. *Repealing Clause.*** Any provisions of any laws, ordinances, Proclamations,
2 orders, rules and regulations to the contrary shall be considered repealed accordingly.

3

4 **SEC. 11. *Effectivity Clause.*** This law shall take effect fifteen days after its complete
5 publication in the Official Gazette or in at least two newspapers of general circulation.

Approved,