

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

Thirteenth Congress
First Regular Session

House Bill No. 2881



Introduced by Honorable Catalino V. Figueroa

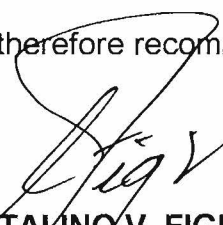
EXPLANATORY NOTE

The importance of savings as a means of economic growth cannot be underscored. It is in savings that generates the broad base of ingestible funds and in turn, are responsible for business formation, industrial build-up, employment and income creation, among others. Because of this reasons, a culture of mass savings needs to be evolved if the Philippines is to become a Newly-Industrialized Country by the year 2005.

The evolution of a culture of mass savings however usually takes time especially if would be savers were not provided a saving-friendly environment which necessitates the removal or minimization of stumbling blocks to savings and consequently to economic growth.

One of the perceived blocks to savings is the twenty percent (20%) final withholding tax on interest income earned which is applied on a universal basis thus preventing individuals whose savings does not exceed Five Thousand Pesos (P5,000.00) per year.

Therefore, the approval of this bill is therefore recommended.


CATALINO V. FIGUEROA

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AN ACT
TO ENCOURAGE SAVINGS MOBILIZATION BY GRANTING TAX
PRIVILEGES TO SMALL DEPOSITORS

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

SECTION 1. Declaration of Policy. – It is the declared policy of the State to encourage savings mobilization to enhance the efforts towards economic growth.

SECTION 2. Definition of Terms. – For purposes of this Act, the following terms are defined:

- a) Small Depositors – any individual with an aggregate annual savings account not exceeding Five Hundred Thousand Pesos (P500,000.00) per year.
- b) Tax Privileges – refers to the tax credit or tax refund that maybe availed of by small depositors, pursuant to the terms and conditions specified in Section 3 hereof.

SECTION 3. Tax Privileges – Small depositors shall be entitled to use the twenty percent (20%) final withholding tax paid on their interest income as a tax credit for their income tax liability or a refund thereof in the event that there are no other income tax liabilities. This entitlement shall be subject to the following conditions:

- 1) The amount of deposits on an aggregate basis, shall not exceed Five Hundred Thousand Pesos (P500,000.00) per year; and
- 2) The depositor shall present a sworn statement from the depository bank attesting to the amount of deposit and the payment of the twenty percent (20%) final withholding tax.

SECTION 4. Repealing Clause – All laws, executive orders, rules and regulations inconsistent with or contrary to this Act, are hereby deemed repealed or amended accordingly.

SECTION 5. Separability Clause – If any provision of this Act shall be unconstitutional or invalid, the other provisions not otherwise affected shall remain in full force and effect.

SECTION 6. Effectivity Clause – This Act shall take effect after fifteen (15) days from its publication in at least two (2) newspapers of national circulation.

Approved,