

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

NINETEENTH CONGRESS
Third Regular Session

HOUSE BILL No. **11309**



Introduced by Representative CAMILLE A. VILLAR

**AN ACT GRANTING TAX EXEMPTION TO MINORS' DEPOSIT ACCOUNT,
AMENDING FOR THE PURPOSE THE NATIONAL INTERNAL REVENUE
CODE OF 1997, AS AMENDED, AND FOR OTHER PURPOSES**

Explanatory Note

Financial literacy means the ability to understand basic principles of business and finance.¹ It is the knowledge and skills needed to make important financial decisions.²

In the recently concluded Bangko Sentral ng Pilipinas (BSP) 5th Financial Education Stakeholders Expo held on November 21, 2022, the then BSP Governor cited a World Bank finding that only twenty-five percent (25%) of adult Filipinos are knowledgeable on basic financial concepts. He added that in a global study by Standard & Poor's [S&P Global Ratings], the Philippines scored in the bottom 30 of 144 countries surveyed on financial literacy.³

This Representation believes that a lot of benefits can be had in instilling financial literacy at an early age. Toward this end, this bill seeks to grant tax exemption on interest income derived from kiddie savers accounts with the intent of encouraging saving and investment at a young age. It is the hope of this Representation that children can learn the value of saving, delayed gratification, responsible money management, thriftiness and discipline.

¹ <https://dictionary.cambridge.org/us/dictionary/english/financial-literacy>

² https://finance.ec.europa.eu/consumer-finance-and-payments/financial-literacy_en

³ <https://www.bsp.gov.ph/SitePages/MediaAndResearch/SpeechesDisp.aspx?ItemId=993#:~:text=The%20World%20Bank%20found%20that,countries%20surveyed%20on%20financial%20literacy>

Hence, the approval of this measure is urgently sought.

Camille Villar
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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 Financial Literacy Act”.

Sec. 2. *Policy Statement.* – It is the policy of State to promote financial literacy and culture of long-term saving and investment among its citizens. In line with this, the State shall create awareness regarding the importance of financial literacy 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 income 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 the minor: *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, as amended.* – Section 24(B)(1) of the National Internal Revenue Code, as amended, 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 (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 maturity thereof:

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PROVIDED, FINALLY, THAT THE FINAL TAX IMPOSED IN THIS SECTION SHALL BE SUBJECT TO THE PROVISIONS OF THE "KIDDIE SAVERS FINANCIAL LITERACY ACT".

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

Sec. 8. *Repealing Clause.* - All laws, decrees, executive orders, issuances, rules and regulations, or parts thereof inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

Sec. 9. *Separability Clause.* - If any provision or part of this Act shall be declared invalid or unconstitutional, the remaining parts or provisions not affected shall remain in full force and effect.

SEC. 10. *Effectivity Clause.* - This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in two (2) newspapers of general circulation.

Approved,