

Is Secrecy of Bank Deposits A Thing of the  
Past? — An Analysis of R.A. No. 1405 and  
P.D. No. 1156

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The Article presents a study on Republic Act (R.A.) No. 1405 entitled "An Act Prohibiting Disclosure of or Inquiry Into Deposits With Any Banking Institution and Providing Penalty Therefor." The said law required for secrecy in matters of bank deposits conducted with any banking institution in the Philippines. The primary purpose of the law was geared toward strengthening the trust in investing in banking institutions, which was said to result in a favorable economic environment. Along with the rules, exceptions were included in which disclosure was made possible. However, the subsequent promulgation of Presidential Decree (P.D.) 1156 brought doubts as to the policy of secrecy due to the fact that for the purpose of taxation, the mantle of secrecy imposed by R.A. No. 1405 had to be abandoned. Due to the new law, changes were resulted largely on Bank investments and in the matters of imposing appropriate tax and the interest brought about by it. The Author notes that the difficulty between the two laws begins at the procedure for claiming a tax credit or refund during instances when tax withheld is greater than the total income tax due. From this, the Author provides a discussion on the possible results on the matter and concludes that due to P.D. 1156, a depositor-taxpayer is granted a choice of making an indirect yet truthful disclosure of assets in the bank, or to forgo the tax credit accorded to him.