

5. Public Finance of the Central Government

For the year 2011, central government revenue and expenditure grew by 11.6 percent and 4.8 percent, respectively. Overall, central government finances improved significantly as the deficit narrowed by 60 percent from the previous year to NT\$63.5 billion.

Marked Growth in Central Government Revenue

In 2011, central government revenue was NT\$1,671.4 billion, an increase of NT\$174.3 billion from the previous year. Tax revenue grew by NT\$121.0 billion, the biggest increase since 2006, while the revenue from surpluses of public enterprises and public utilities decreased by NT\$0.2 billion.

Of the components, tax revenue and surpluses of public enterprises and public utilities remained the two major sources of central government revenue in 2011, with contributing shares of 72.0 percent and 15.9 percent, respectively. Due to solid economic performance, income tax revenues from both individuals and profit-seeking enterprises grew considerably. On the other hand, the surpluses of public enterprises and public utilities have contributed to a smaller share of overall revenue in the past two years due to losses in some public enterprises.

Total Revenue and Expenditure of the Central Government

Unit: NT\$ Billion

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011*
Total Revenue	1,304.7	1,320.9	1,368.2	1,464.5	1,546.4	1,635.5	1,640.9	1,553.7	1,497.1	1,671.4
(Ratio to GDP : %)	12.5	12.3	12.0	12.5	12.6	12.7	13.0	12.4	11.0	12.1
Total Expenditure	1,551.9	1,618.1	1,564.8	1,567.0	1,529.8	1,552.0	1,617.7	1,714.8	1,655.9	1,734.9
(Ratio to GDP : %)	14.9	15.1	13.8	13.3	12.5	12.0	12.8	13.7	12.2	12.6
Surplus/Deficit	-247.2	-297.2	-196.6	-102.5	16.6	83.4	23.2	-161.1	-158.8	-63.5
(Ratio to GDP : %)	-2.4	-2.8	-1.7	-0.9	0.1	0.6	0.2	-1.3	-1.2	-0.5
Debt Repayment	55.5	46.5	56.1	64.1	65.0	6.0	65.0	65.0	66.0	66.0
Financing:	302.7	343.7	253.5	167.3	63.9	0	45.5	227.0	224.8	129.5
Debt Financing	244.4	300.8	253.5	167.3	63.9	0	0	164.5	224.2	129.5
Surplus of Previous Fiscal Years	58.3	42.9	0	0	0	0	45.5	62.5	0.6	0
Memorandum:										
Tax Dependency Ratio**(%)	52.9	51.2	58.6	68.1	71.5	77.9	76.8	61.3	65.4	69.4
Debt Dependency Ratio***(%)	15.7	18.6	16.2	10.7	4.2	0	0	9.6	13.5	7.5

Notes: * The figures for the year 2011 are preliminary estimates.

** Tax dependency ratio is defined as the ratio of annual tax revenue to total government expenditure.

*** Debt dependency ratio is defined as the ratio of annual issuance of government bonds and borrowing from banks to total government expenditure.

Sources: 1. DGBAS, Executive Yuan.

2. Department of Statistics, Ministry of Finance.

As tax revenue increased and government efforts to tap new financial resources continued, the ratio of tax revenue to government expenditure, denoted by the tax dependency ratio, increased to 69.4 percent in 2011 from 65.4 percent in 2010.

Increase of Central Government Expenditure Slower Than Revenue Growth

With the efforts undertaken to effectively control spending, central government expenditure rose by NT\$79.0 billion to NT\$1,734.9 billion in 2011. Central government expenditure grew at a slower pace than that of revenue, with respective growth rates of 4.8 percent and 11.6 percent. By category, economic development and social welfare accounted for the largest increases, growing by NT\$21.3 billion and NT\$21.2 billion, respectively.

In terms of share in total government expenditure, education, science and culture, and social welfare took up the biggest shares at 20.5 percent and 20.1 percent, respectively, followed by national defense with 16.4 percent.

In addition to general budget expenditures, the central government also allocated a total of NT\$198.6 billion as a special budget for expansionary public spending schemes and Typhoon Morakot disaster relief and reconstruction efforts. An additional budget of NT\$18.6 billion was set aside for adjustment to salaries of the military, civil servants, and teachers, as well as for the national health insurance program and medical subsidies.

Total Revenue and Expenditure of the Central Government by Category

Unit: NT\$ Billion

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011*
Total Revenue	1,304.7	1,320.9	1,368.2	1,464.5	1,546.4	1,635.5	1,640.9	1,553.7	1,497.1	1,671.4
Taxes	820.1	828.5	916.6	1,067.8	1,094.3	1,208.7	1,242.9	1,051.6	1,082.4	1,203.4
Surpluses of Public Enterprises and Public Utilities	250.7	326.5	282.2	243.4	289.1	271.5	253.4	318.7	265.1	264.9
Fees, Fines and Indemnities	123.3	77.8	76.1	79.0	79.0	81.1	83.1	78.1	81.5	81.0
Revenues from Government-owned Monopolies	0.3	0	0	0	0	0	0	0	0	0
Proceeds from Sales of Properties and Recalled Capital	73.9	65.7	70.3	52.6	58.5	51.3	40.0	53.7	46.7	64.0
Others	36.4	22.4	23.0	21.7	25.5	22.9	21.4	51.6	21.4	58.1
Total Expenditure	1,551.9	1,618.1	1,564.8	1,567.0	1,529.8	1,552.0	1,617.7	1,714.8	1,655.9	1,734.9
General Administration	162.3	167.3	164.1	165.5	167.3	168.2	173.0	168.8	170.2	176.4
National Defense	225.2	227.7	248.9	248.5	237.1	256.7	282.4	291.2	276.8	284.2
Education, Science and Culture	267.0	300.2	302.1	301.5	303.1	308.7	310.4	326.4	342.7	356.4
Economic Development	291.2	295.5	248.9	247.0	197.0	193.3	201.3	244.4	195.8	217.1
Social Welfare	262.2	284.4	279.8	285.7	303.3	305.1	298.4	320.2	327.6	348.8
Community Development & Environmental Protection	23.4	28.7	24.8	25.2	20.4	19.4	13.5	21.4	9.0	6.6
Retirement & Compassionate Aid	124.3	125.4	123.1	130.5	134.7	134.6	133.8	133.4	134.5	138.5
Interest Payments	152.2	144.6	127.1	117.9	125.2	124.0	117.4	116.7	109.8	111.7
General Subsidies and Other Expenditure	44.1	44.3	46.0	45.2	41.7	42.1	87.5	92.3	89.5	95.2

Note: * The figures for the year 2011 are preliminary estimates.

Sources: 1. DGBAS, Executive Yuan.

2. Department of Statistics, Ministry of Finance.

In sum, the ratio of central government expenditure to GDP rose from 12.2 percent in the previous year to 12.6 percent, while the ratio of the fiscal deficit to GDP fell to 0.5 percent.

Reduced Needs for Debt Financing

In 2011, the fiscal deficit shrank significantly to NT\$63.5 billion. A much smaller deficit along with NT\$66.0 billion in debt principal repayment represented a reduced need for financing. The central government raised the needed NT\$129.5 billion through issuing government bonds and borrowing from banks. The debt dependency ratio, measured by the ratio of annual government bond issuance and borrowing from banks to total government expenditure, decreased to 7.5 percent in 2011.

Continued Increase in Outstanding Debt Obligations

The general budget and the special budget combined to require debt financing from government bond issuance and borrowing from banks. At the end of 2011, the total outstanding debt of the central government was NT\$4,769.1 billion, increasing significantly by NT\$230.1 billion over the previous year-end. The ratio of outstanding central government debt to GDP also rose to 34.7 percent.

Public Debt of the Central Government

Unit: NT\$ Billion

	End of Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011*
Outstanding Debt	28,493	31,247	33,621	35,499	36,230	37,186	37,791	41,278	45,390	47,691
(Ratio to GDP ; %)	27.4	29.2	29.6	30.2	29.6	28.8	29.9	33.1	33.3	34.7

Note: * The figures for the year 2011 are preliminary estimates.

Sources: 1. DGBAS, Executive Yuan.

2. Ministry of Finance.