

## 5. Public Finance of the Central Government

For the year 2012, with central government revenue contracting by 0.3 percent while expenditure increased by 8.6 percent, overall central government finances remained in deficit for the fourth consecutive year, and the size of the deficit increased to NT\$215.9 billion from NT\$63.1 billion in 2011.

### Slight Decline in Central Government Revenue

In 2012, central government revenue decreased by NT\$4.2 billion to NT\$1,667.1 billion. Tax revenue was the major source of central government revenue, followed by surpluses of public enterprises and public utilities, with respective shares of 73.3 percent and 15.7 percent of the total revenue.

Among different types of taxes, income tax revenue increased by NT\$45.5 billion, mainly bolstered by rising corporate dividend distribution in 2011. However, revenue from securities transactions tax decreased by NT\$22.1 billion from the previous year, affected by a plunge in local stock markets amid an economic slowdown. As a result, overall tax revenue increased by a mere NT\$18.7 billion over the previous year. In terms of surpluses of public enterprises and public utilities, a decrease of NT\$2.4 billion was recorded for 2012, mainly caused by continuous losses in some public enterprises. Moreover, revenues from others sharply declined by NT\$43.6 billion owing to a higher base in the

### Total Revenue and Expenditure of the Central Government

Unit: NT\$ Billion

Year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012*
Total Revenue	1,320.9	1,368.2	1,464.5	1,546.4	1,635.5	1,640.9	1,553.7	1,497.4	1,671.3	1,667.1
(Ratio to GDP : %)	12.3	12.0	12.5	12.6	12.7	13.0	12.4	11.0	12.2	11.9
Total Expenditure	1,618.1	1,564.8	1,567.0	1,529.8	1,552.0	1,617.7	1,714.8	1,654.4	1,734.4	1,883.0
(Ratio to GDP : %)	15.1	13.8	13.3	12.5	12.0	12.8	13.7	12.2	12.7	13.4
Surplus/Deficit	-297.2	-196.6	-102.5	16.6	83.5	23.2	-161.1	-157.0	-63.1	-215.9
(Ratio to GDP : %)	-2.8	-1.7	-0.9	0.1	0.6	0.2	-1.3	-1.2	-0.5	-1.5
Debt Repayment	46.5	56.1	64.1	65.0	6.0	65.0	65.0	66.0	66.0	94.0
Financing:	343.7	253.5	167.3	63.9	0.0	41.8	226.1	224.2	129.1	309.9
Debt Financing	300.8	253.5	167.3	63.9	0.0	0.0	164.5	224.2	129.1	288.1
Surplus of Previous Fiscal Years	42.9	0.0	0.0	0.0	0.0	41.8	61.6	0.0	0.0	21.8
Memorandum:										
Tax Dependency Ratio**(%)	51.2	58.6	68.1	71.5	77.9	76.8	61.3	65.4	69.4	64.9
Debt Dependency Ratio***(%)	18.6	16.2	10.7	4.2	0.0	0.0	9.6	13.6	7.4	15.3

Notes: \* The figures for the year 2012 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, MOF.

previous year resulting from the huge surplus of NT\$39.0 billion from the National Stabilization Fund set up by the Executive Yuan.

As the increase in government expenditure outpaced that in tax revenue, the ratio of tax revenue to government expenditure, denoted by the tax dependency ratio, dropped to 64.9 percent in 2012 from 69.4 percent in 2011.

### Expansion in Central Government Expenditure

Central government expenditure increased by NT\$148.6 billion over the previous year to NT\$1,883.0 billion in 2012. Leading the increase was a NT\$71.9 billion rise in social welfare expenditure, mainly owing to mounting expenditure on legal obligations such as subsidies for social insurance programs and less-advantaged people in response to social transformation. The second largest increase was an extra NT\$46.8 billion spent on economic development, primarily aimed at promoting economic development via infrastructure projects such as mass rapid transit systems.

In terms of share in total government expenditure, social welfare and education, science and culture were the top two categories, accounting for 22.3 percent and 19.1 percent, respectively, followed by national defense with 16.1 percent. The share of social welfare in total expenditure exceeded that of education, science and culture for the first time since 2007 and ranked first among all categories. Ranking fourth was economic development spending with a share of 14.0 percent, rising from the previous year's 12.5 percent.

### Total Revenue and Expenditure of the Central Government by Category

Unit: NT\$ Billion

Year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012*
Total Revenue	1,320.9	1,368.2	1,464.5	1,546.4	1,635.5	1,640.9	1,553.7	1,497.4	1,671.3	1,667.1
Taxes	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	1,222.1
Surpluses of Public Enterprises and Public Utilities	326.5	282.2	243.4	289.1	271.5	253.4	318.7	264.8	264.7	262.3
Fees, Fines and Indemnities	77.8	76.1	79.0	79.0	81.1	83.1	78.1	81.6	81.1	108.1
Proceeds from Sales of Properties and Recalled Capital	65.7	70.3	52.6	58.5	51.3	40.0	53.7	46.7	64.0	60.1
Others	22.4	23.0	21.7	25.5	22.9	21.4	51.6	21.9	58.1	14.5
Total Expenditure	1,618.1	1,564.8	1,567.0	1,529.8	1,552.0	1,617.7	1,714.8	1,654.4	1,734.4	1,883.0
General Administration	167.3	164.1	165.5	167.3	168.2	173.0	168.8	170.2	176.4	176.1
National Defense	227.7	248.9	248.5	237.1	256.7	282.4	291.2	276.8	284.2	303.4
Education, Science and Culture	300.2	302.1	301.5	303.1	308.7	310.4	326.4	342.7	356.2	359.3
Economic Development	295.5	248.9	247.0	197.0	193.3	201.3	244.4	194.5	217.1	263.9
Social Welfare	284.4	279.8	285.7	303.3	305.1	298.4	320.2	327.4	348.5	420.4
Community Development & Environmental Protection	28.7	24.8	25.2	20.4	19.4	13.5	21.4	9.0	6.6	15.9
Retirement & Compassionate Aid	125.4	123.1	130.5	134.7	134.6	133.8	133.4	134.5	138.5	138.2
Interest Payments	144.6	127.1	117.9	125.2	124.0	117.4	116.7	109.8	111.7	114.5
General Subsidies and Other Expenditure	44.3	46.0	45.2	41.7	42.0	87.5	92.3	89.5	95.2	91.3

Note: \* The figures for the year 2012 are preliminary estimates.

Sources: 1. DGBAS, Executive Yuan.

2. Department of Statistics, MOF.

In sum, the ratio of central government expenditure to GDP rose from 12.7 percent in the previous year to 13.4 percent. The ratio of the fiscal deficit to GDP also moved up from 0.5 percent in 2011 to 1.5 percent, partly reflecting the economic slowdown in 2012.

### Greater Demand for Debt Financing

The demand for debt financing increased in 2012 in line with the widening fiscal deficit. The NT\$215.9 billion fiscal deficit and a NT\$94.0 billion debt principal repayment combined to represent a need for the central government to finance NT\$309.9 billion for 2012. Of this amount, NT\$288.1 billion was raised through issuing government bonds and borrowing from banks, while the remaining NT\$21.8 billion was financed with surpluses from previous fiscal years. The debt dependency ratio, i.e. the ratio of annual government bond issuance and borrowing from banks to total government expenditure jumped from 7.4 percent to 15.3 percent in 2012.

### 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. The total outstanding debt of the central government increased by NT\$247.0 billion over the previous year end, amounting to NT\$5,011.6 billion at the end of 2012. Furthermore, the ratio of outstanding central government debt to GDP rose from the previous year's 34.8 percent to 35.7 percent in 2012.

### Public Debt of the Central Government

Unit: NT\$ Billion

End of Year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012*
Outstanding Debt	3,124.7	3,362.1	3,549.9	3,623.0	3,718.6	3,778.8	4,127.4	4,538.0	4,764.6	5,011.6
(Ratio to GDP : %)	29.2	29.6	30.2	29.6	28.8	29.9	33.1	33.5	34.8	35.7

Note: \* The figures for the year 2012 are preliminary estimates.

Sources: 1. DGBAS, Executive Yuan.

2. Department of Statistics, MOF.