

5. Public Finance of the Central Government

For the year 2013, with central government revenue increasing by 3.7 percent while expenditure contracted by 1.4 percent, overall central government finances remained in deficit for the fifth consecutive year, but the deficit narrowed to NT\$125.9 billion from NT\$214.1 billion in 2012.

Growth in Central Government Revenue

In 2013, central government revenue increased by NT\$62.1 billion to NT\$1,730.4 billion. Tax revenue remained the major source of central government revenue, followed by surpluses of public enterprises and public utilities, with respective shares of 70.4 percent and 14.5 percent of the total revenue.

The growth in central government revenue was mainly because the fees, fines and indemnities increased significantly by NT\$89.1 billion, resulting predominantly from the higher-than-expected total bid price for Taiwan's fourth generation (4G) mobile communication services. Of the components of tax revenues, income tax revenue decreased by NT\$15.0 billion, because of less profits made by enterprises in the prior year. Revenue from securities transactions tax decreased by NT\$0.5 billion over the previous year, affected by still weak local stock markets. However, business tax revenue

Total Revenue and Expenditure of the Central Government

Unit: NT\$ Billion

Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013*
Total Revenue	1,368.2	1,464.5	1,546.4	1,635.5	1,640.9	1,553.7	1,497.4	1,671.3	1,668.3	1,730.4
(Ratio to GDP ; %)	12.0	12.5	12.6	12.7	13.0	12.4	11.0	12.2	11.9	11.9
Total Expenditure	1,564.8	1,567.0	1,529.8	1,552.0	1,617.7	1,714.8	1,654.4	1,734.4	1,882.4	1,856.3
(Ratio to GDP ; %)	13.8	13.3	12.5	12.0	12.8	13.7	12.2	12.7	13.4	12.7
Surplus/Deficit	-196.6	-102.5	16.6	83.5	23.2	-161.1	-157.0	-63.1	-214.1	-125.9
(Ratio to GDP ; %)	-1.7	-0.9	0.1	0.6	0.2	-1.3	-1.2	-0.5	-1.5	-0.9
Debt Repayment	56.1	64.1	65.0	6.0	65.0	65.0	66.0	66.0	94.0	77.0
Financing:	253.5	167.3	63.9	0.0	41.8	226.1	224.2	129.1	308.1	202.9
Debt Financing	253.5	167.3	63.9	0.0	0.0	164.5	224.2	129.1	288.1	202.9
Surplus of Previous Fiscal Years	0.0	0.0	0.0	0.0	41.8	61.6	0.0	0.0	20.0	0.0
Memorandum:										
Tax Dependency Ratio**(%)	58.6	68.1	71.5	77.9	76.8	61.3	65.4	69.4	64.9	65.6
Debt Dependency Ratio***(%)	16.2	10.7	4.2	0.0	0.0	9.6	13.6	7.4	15.3	10.9

Notes: * The figures for 2012 and the previous years are final audit accounts; the figures for 2013 are final accounts.

** 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.

increased by NT\$12.9 billion, mainly owing to the growth in consumption. As a result, overall tax revenue decreased by NT\$4.0 billion over the previous year. Moreover, in terms of surpluses of public enterprises and public utilities, a decrease of NT\$11.4 billion was recorded for 2013, mainly caused by continuous losses in some public enterprises.

Reduction in Central Government Expenditure

Central government expenditure decreased by NT\$26.1 billion over the previous year to NT\$1,856.3 billion in 2013 after two consecutive years of increases. The contraction was primarily led by a decline of NT\$16.0 billion in general subsidies and other expenditure, resulting from a reduction in general and specific subsidies for local government units. The second largest decrease was a NT\$14.4 billion decline in national defense, mainly owing to less expenditure on barrack reconstruction. However, social welfare continued its expansion with an increase of NT\$19.0 billion because expenditure on the government's legal obligations for social insurance programs, such as subsidies for national pension, labor insurance, and national health insurance, grew.

In terms of share in total government expenditure, social welfare, and education, science and culture remained the top two categories, accounting for 23.7 percent and 19.2 percent, respectively, followed by national defense with 15.6 percent.

As the decrease in government expenditure was larger than that in tax revenue, the ratio of tax revenue to government expenditure, denoted by the tax dependency ratio, rose to 65.6 percent in 2013 from 64.9 percent in 2012.

Total Revenue and Expenditure of the Central Government by Category

Unit: NT\$ Billion

Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013*
Total Revenue	1,368.2	1,464.5	1,546.4	1,635.5	1,640.9	1,553.7	1,497.4	1,671.3	1,668.3	1,730.4
Taxes	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	1,218.1
Surpluses of Public Enterprises and Public Utilities	282.2	243.4	289.1	271.5	253.4	318.7	264.8	264.7	262.5	251.1
Fees, Fines and Indemnities	76.1	79.0	79.0	81.1	83.1	78.1	81.6	81.0	108.2	197.3
Proceeds from Sales of Properties and Recalled Capital	70.3	52.6	58.5	51.3	40.0	53.7	46.7	64.0	60.1	52.2
Others	23.0	21.7	25.5	22.9	21.4	51.6	21.9	58.2	15.4	11.7
Total Expenditure	1,564.8	1,567.0	1,529.8	1,552.0	1,617.7	1,714.8	1,654.4	1,734.4	1,882.4	1,856.3
General Administration	164.1	165.5	167.3	168.2	173.0	168.8	170.2	176.4	176.2	172.7
National Defense	248.9	248.5	237.1	256.7	282.4	291.2	276.8	284.2	303.4	289.0
Education, Science and Culture	302.1	301.5	303.1	308.7	310.4	326.4	342.7	356.2	358.9	355.9
Economic Development	248.9	247.0	197.0	193.3	201.3	244.4	194.5	217.1	263.9	258.3
Social Welfare	279.8	285.7	303.3	305.1	298.4	320.2	327.4	348.5	420.1	439.1
Community Development & Environmental Protection	24.8	25.2	20.4	19.4	13.5	21.4	9.0	6.6	15.9	15.9
Retirement & Compassionate Aid	123.1	130.5	134.7	134.6	133.8	133.4	134.5	138.5	138.3	132.8
Interest Payments	127.1	117.9	125.2	124.0	117.4	116.7	109.8	111.8	114.5	117.4
General Subsidies and Other Expenditure	46.0	45.2	41.7	42.0	87.5	92.3	89.5	95.1	91.2	75.2

Note: * The figures for 2012 and the previous years are final audit accounts; the figures for 2013 are final accounts.

Sources: 1. DGBAS, Executive Yuan.

2. Department of Statistics, MOF.

In sum, the ratio of central government expenditure to GDP declined from 13.4 percent in the previous year to 12.7 percent. The ratio of the fiscal deficit to GDP also decreased from 1.5 percent in 2012 to 0.9 percent in 2013.

Less Demand for Debt Financing

The demand for debt financing decreased in 2013 in line with the shrinkage of the fiscal deficit. The NT\$125.9 billion fiscal deficit and a NT\$77.0 billion debt principal repayment combined to represent a need for the central government to finance NT\$202.9 billion for 2013. This amount was wholly raised through issuing government bonds and borrowing from banks. The debt dependency ratio (i.e., the ratio of annual government bond issuance and borrowing from banks to total government expenditure) declined from 15.3 percent to 10.9 percent in 2013.

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\$153.3 billion over the previous year end, amounting to NT\$5,164.0 billion at the end of 2013. Furthermore, the ratio of outstanding central government debt to GDP declined slightly from the previous year's 35.6 percent to 35.5 percent in 2013.

Public Debt of the Central Government

Unit: NT\$ Billion

End of Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013*
Outstanding Debt	3,362.1	3,549.9	3,623.0	3,718.5	3,778.7	4,127.2	4,537.7	4,764.0	5,010.7	5,164.0
(Ratio to GDP : %)	29.6	30.2	29.6	28.8	29.9	33.1	33.5	34.8	35.6	35.5

Note: * The figures for 2012 and the previous years are final audit accounts; the figures for 2013 are final accounts.

Sources: 1. DGBAS, Executive Yuan.

2. National Treasury Administration, MOF.