

5. Public Finance of the Central Government

For the year 2014, central government revenue decreased by 0.2 percent, whereas central government expenditure contracted by 0.1 percent, causing the overall central government deficit to widen slightly to NT\$127.7 billion from NT\$125.4 billion in 2013.

Decrease in Central Government Revenue

In 2014, central government revenue decreased by NT\$4.2 billion to NT\$1,726.3 billion. Of its various components, tax revenue remained the major source, with a share of 77.8 percent of the total revenue, registering a marked growth of 10.3 percent from the previous year. The increase was mainly attributable to the growing profits of enterprises, solid domestic demand, and the upward adjustment of the business tax rate for banking and insurance industries.

Surpluses of public enterprises and public utilities, accounting for 14.0 percent of the total revenue, decreased by NT\$10.0 billion in 2014. The decline was mostly because the government's budget for revenue from Taiwan Sugar Corporation's capital reduction contracted in 2014. Fees, fines and indemnities decreased significantly by NT\$113.6 billion, primarily owing to a higher base effect resulting from the fees that the national treasury received from the 4G mobile-phone service license auction amounting to NT\$118.7 billion in 2013.

Total Revenue and Expenditure of the Central Government

Unit: NT\$ Billion

Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014*
Total Revenue	1,464.5	1,546.4	1,635.5	1,640.9	1,553.7	1,497.4	1,671.3	1,668.3	1,730.5	1,726.3
(Ratio to GDP : %)	12.2	12.2	12.2	12.5	12.0	10.6	11.7	11.3	11.4	10.7
Total Expenditure	1,567.0	1,529.8	1,552.0	1,617.7	1,714.8	1,654.4	1,734.4	1,882.4	1,855.9	1,854.0
(Ratio to GDP : %)	13.0	12.1	11.6	12.3	13.2	11.7	12.1	12.8	12.2	11.5
Surplus/Deficit	-102.5	16.6	83.5	23.2	-161.1	-157.0	-63.1	-214.1	-125.4	-127.7
(Ratio to GDP : %)	-0.8	0.1	0.6	0.2	-1.2	-1.1	-0.4	-1.5	-0.8	-0.8
Debt Repayment	64.1	65.0	6.0	65.0	65.0	66.0	66.0	94.0	77.0	64.0
Financing:	167.3	63.9	0.0	41.8	226.1	224.2	129.1	308.1	202.4	191.7
Debt Financing	167.3	63.9	0.0	0.0	164.5	224.2	129.1	288.1	202.4	191.7
Surplus of Previous Fiscal Years	0.0	0.0	0.0	41.8	61.6	0.0	0.0	20.0	0.0	0.0
Memorandum:										
Tax Dependency Ratio (%)**	68.1	71.5	77.9	76.8	61.3	65.4	69.4	64.9	65.6	72.5
Debt Dependency Ratio (%)***	10.7	4.2	0.0	0.0	9.6	13.6	7.4	15.3	10.9	10.3

Notes: * The figures for 2013 and the previous years are final audit accounts; the figures for 2014 are final accounts.

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

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

Sources: 1. Department of Statistics, MOF.

2. DGBAS, Executive Yuan.

Contraction in Central Government Expenditure

Central government expenditure reduced slightly by NT\$1.9 billion to NT\$1,854.0 billion. In terms of share in total expenditure, social welfare, and education, science & culture remained the largest two categories, accounting for 22.2 percent and 19.7 percent, respectively. In addition, national defense and economic development made up 15.7 percent and 14.5 percent, respectively.

Social welfare expenditure decreased by NT\$27.0 billion, mainly because the budget for subsidizing insufficient funds for the national pension fund contracted in 2014. Furthermore, the decline in the budget for subsidizing the national health insurance fees for labors' dependents also played a role. Economic development expenditure increased by NT\$10.7 billion, largely owing to the expansion in infrastructure projects implemented by the government. Meanwhile, expenditures on education, science & culture and national defense increased by NT\$9.1 billion and NT\$2.4 billion in 2014, respectively.

Rising Tax Dependency

The tax dependency ratio, defined as the ratio of annual tax revenue to total central government expenditure, rose from 65.6 percent in 2013 to 72.5 percent in 2014, indicating that tax revenue grew faster than central government expenditure.

Lessening Debt Dependency

The fiscal deficit rose slightly to NT\$127.7 billion in 2014. This, combined with debt repayment,

Total Revenue and Expenditure of the Central Government by Category

Unit: NT\$ Billion

Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014*
Total Revenue	1,464.5	1,546.4	1,635.5	1,640.9	1,553.7	1,497.4	1,671.3	1,668.3	1,730.5	1,726.3
Taxes	1,067.8	1,094.3	1,208.7	1,243.0	1,051.6	1,082.4	1,203.4	1,222.1	1,218.0	1,343.4
Surpluses of Public Enterprises and Public Utilities	243.4	289.1	271.5	253.4	318.7	264.8	264.7	262.5	251.0	241.0
Fees, Fines and Indemnities	79.0	79.0	81.1	83.1	78.1	81.6	81.0	108.2	197.3	83.7
Proceeds from Sales of Properties and Recalled Capital	52.6	58.5	51.3	40.0	53.7	46.7	64.0	60.1	52.3	43.7
Others	21.7	25.5	22.9	21.4	51.6	21.9	58.2	15.4	11.9	14.5
Total Expenditure	1,567.0	1,529.8	1,552.0	1,617.7	1,714.8	1,654.4	1,734.4	1,882.4	1,855.9	1,854.0
General Administration	165.5	167.3	168.2	170.8	168.8	170.2	176.4	176.2	172.7	174.2
National Defense	248.5	237.1	256.7	282.4	291.2	276.8	284.2	303.4	289.0	291.4
Education, Science & Culture	301.5	303.1	308.7	310.3	326.4	342.7	356.2	358.9	355.7	364.8
Economic Development	247.0	197.0	193.3	203.6	244.4	194.5	217.1	263.9	258.3	269.0
Social Welfare	285.7	303.3	305.1	298.4	320.2	327.4	348.5	420.1	438.9	411.9
Community Development & Environmental Protection	25.2	20.4	19.4	13.5	21.4	9.0	6.6	15.9	15.9	16.2
Retirement & Compassionate Aid	130.5	134.7	134.6	133.8	133.4	134.5	138.5	138.3	132.8	134.6
Interest Payments	117.9	125.2	124.0	117.4	116.7	109.8	111.8	114.5	117.4	115.1
General Subsidies and Other Expenditure	45.2	41.7	42.0	87.5	92.3	89.5	95.1	91.2	75.2	76.8

Note: * The figures for 2013 and the previous years are final audit accounts; the figures for 2014 are final accounts.

Sources: 1. Department of Statistics, MOF.
2. DGBAS, Executive Yuan.

represented that the central government needed to finance NT\$191.7 billion for 2014.

With respect to the debt dependency ratio, defined as the ratio of revenues from government bonds and borrowing to total central government expenditure, it declined from 10.9 percent in the previous year to 10.3 percent in 2014, primarily because the demand for debt financing decreased in 2014 in line with the shrinkage of debt repayment.

The total outstanding debt of the central government increased by NT\$210.5 billion to NT\$5,373.9 billion at the end of 2014. However, the ratio of outstanding central government debt to GDP declined from 33.9 percent in 2013 to 33.4 percent in 2014, reflecting higher growth in domestic production.

Public Debt of the Central Government

Unit: NT\$ Billion

End of Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014*
Outstanding Debt	3,549.9	3,623.0	3,718.5	3,778.7	4,127.2	4,537.7	4,764.0	5,010.7	5,163.4	5,373.9
(Ratio to GDP : %)	29.4	28.7	27.7	28.7	31.8	32.1	33.3	34.1	33.9	33.4

Note: * The figures for 2013 and the previous years are final audit accounts; the figures for 2014 are final accounts.

Sources: 1. Department of Statistics, MOF.

2. DGBAS, Executive Yuan.