

## 5. Public Finance of the Central Government

For the year 2016, central government revenue slightly increased by 0.5%, whereas central government expenditure expanded by 2.4%, causing the overall central government deficit to increase to NT\$45.0 billion from NT\$10.1 billion in 2015.

### Mild Growth in Central Government Revenue

In 2016, central government revenue grew by NT\$9.9 billion or 0.5% to NT\$1,895.6 billion. Of its various components, tax revenue remained the major source, with a share of 80.9% of the total revenue, exhibiting growth of NT\$68.7 billion or 4.7% from the previous year and registering a record-high level. The increase was mainly attributable to adjustments in tax schemes and the deferred effect of income tax.

Surpluses of public enterprises and public utilities, accounting for 12.2% of the total revenue, slightly decreased by NT\$6.0 billion or 2.5% in 2016. Fees, fines and indemnities fell significantly by NT\$35.1 billion or 29.2%, primarily owing to the effect of a higher base in revenue from the second auction of 4G mobile-phone service licenses in the previous year.

### Total Revenue and Expenditure of the Central Government

Unit: NT\$ Billion

Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016*
Total Revenue	1,635.5	1,640.9	1,553.7	1,497.3	1,671.3	1,668.3	1,730.5	1,726.4	1,885.7	1,895.6
(Ratio to GDP : %)	12.2	12.5	12.0	10.6	11.7	11.4	11.4	10.7	11.3	11.1
Total Expenditure	1,552.0	1,617.7	1,714.8	1,654.4	1,734.4	1,882.4	1,855.9	1,853.5	1,895.8	1,940.6
(Ratio to GDP : %)	11.6	12.3	13.2	11.7	12.1	12.8	12.2	11.5	11.3	11.3
Surplus/Deficit	83.5	23.2	-161.1	-157.1	-63.1	-214.1	-125.4	-127.1	-10.1	-45.0
(Ratio to GDP : %)	0.6	0.2	-1.2	-1.1	-0.4	-1.4	-0.8	-0.8	0.0	-0.2
Debt Repayment	6.0	65.0	65.0	66.0	66.0	94.0	77.0	64.0	66.0	73.0
Financing:	0.0	41.8	226.1	224.2	129.1	308.1	202.4	191.1	76.1	118.0
Debt Financing	0.0	0.0	164.5	224.2	129.1	288.1	202.4	191.1	76.1	118.0
Surplus of Previous Fiscal Years	0.0	41.8	61.6	0.0	0.0	20.0	0.0	0.0	0.0	0.0
Tax Dependency Ratio (%)**	77.9	76.8	61.3	65.4	69.4	64.9	65.6	72.5	77.3	79.0
Debt Dependency Ratio (%)***	0.0	0.0	9.6	13.6	7.4	15.3	10.9	10.3	4.0	6.1

Notes: \* The figures for 2015 and the previous years are final audit accounts; the figures for 2016 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 government expenditure.

Sources: 1. Department of Statistics, MOF.

2. DGBAS, Executive Yuan.

## Modest Increase in Central Government Expenditure

Central government expenditure rose by NT\$44.8 billion or 2.4% to NT\$1,940.6 billion in 2016. Of total expenditure, social welfare and education, science & culture remained the largest two categories, accounting for 23.7% and 19.7%, respectively, followed by national defense and economic development with respective shares of 15.9% and 13.7%.

Social welfare expenditure expanded by NT\$20.7 billion or 4.7%, mainly because the government set aside expenditures to address the shortfalls of mandatory outlays for the national health insurance program and the national pension fund. Meanwhile, expenditure on economic development increased by NT\$8.1 billion or 3.1%, mostly related to the disbursements of more capital to the Export-Import Bank and of more funds to transportation infrastructure projects. Furthermore, expenditure on general administration grew by NT\$2.6 billion or 1.5%, principally resulting from the purchases of land lots for New Taipei Judiciary Park and increased expenses for alternative military service.

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

Unit: NT\$ Billion

Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016*
Total Revenue	1,635.5	1,640.9	1,553.7	1,497.3	1,671.3	1,668.3	1,730.5	1,726.4	1,885.7	1,895.6
Taxes	1,208.7	1,243.0	1,051.5	1,082.3	1,203.5	1,222.1	1,218.0	1,343.4	1,465.1	1,533.8
Surpluses of Public Enterprises and Public Utilities	271.5	253.4	318.8	264.8	264.7	262.5	251.0	241.0	238.0	232.0
Fees, Fines and Indemnities	81.1	83.1	78.1	81.6	81.0	108.2	197.3	83.7	120.3	85.2
Proceeds from Sales of Properties and Recalled Capital	51.3	40.0	53.7	46.7	64.0	60.1	52.3	43.7	49.3	26.6
Others	22.9	21.4	51.6	21.9	58.1	15.4	11.9	14.6	13.0	18.0
Total Expenditure	1,552.0	1,617.7	1,714.8	1,654.4	1,734.4	1,882.4	1,855.9	1,853.5	1,895.8	1,940.6
General Administration	168.2	170.8	168.8	170.2	176.4	176.2	172.7	174.2	177.1	179.7
National Defense	256.7	282.4	291.2	276.8	284.2	303.4	289.0	291.4	305.4	309.3
Education, Science & Culture	308.7	310.3	326.4	342.7	356.2	358.9	355.7	364.5	379.4	382.7
Economic Development	193.3	203.6	244.4	194.5	217.1	263.9	258.3	269.0	258.6	266.7
Social Welfare	305.1	298.4	320.2	327.4	348.5	420.1	438.9	411.8	439.7	460.4
Community Development & Environmental Protection	19.4	13.5	21.4	9.0	6.6	15.9	15.9	16.1	15.9	17.5
Retirement & Compassionate Aid	134.6	133.8	133.4	134.5	138.5	138.3	132.8	134.6	138.4	146.8
Obligations	124.0	117.4	116.7	109.8	111.8	114.5	117.4	115.1	111.7	113.2
General Subsidies and Other Expenditure	42.0	87.5	92.3	89.5	95.1	91.2	75.2	76.8	69.6	64.3

Note: \* The figures for 2015 and the previous years are final audit accounts; the figures for 2016 are final accounts.

Sources: 1. Department of Statistics, MOF.

2. DGBAS, Executive Yuan.

## Widening Fiscal Deficit

The fiscal deficit, defined as expenditure minus revenue, increased to NT\$45.0 billion in 2016. This, combined with debt repayment, represented that the central government needed to finance NT\$118.0 billion for 2016.

## Rising Tax Dependency and Debt Dependency

The tax dependency ratio, defined as the ratio of annual tax revenue to total central government expenditure, rose from 77.3% in 2015 to 79.0% in 2016, indicating that tax revenue grew faster than central government expenditure.

With respect to the debt dependency ratio, defined as the ratio of revenues from government bonds and borrowing to total central government expenditure, it rose from 4.0% in the previous year to 6.1% in 2016, largely reflecting the increase in demand for debt financing in line with the expansion of the fiscal deficit.

## Lessening Debt-to-GDP Ratio

The total outstanding debt of the central government grew by NT\$47.9 billion to a record-high level of NT\$5,344.7 billion at the end of 2016. However, the ratio of outstanding central government debt to GDP decreased slightly from 31.6% in 2015 to 31.2% in 2016, reflecting higher output growth.

### Public Debt of the Central Government

Unit: NT\$ Billion

End of Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016*
Outstanding Debt	3,718.2	3,778.1	4,126.3	4,536.5	4,750.9	4,996.6	5,146.6	5,275.9	5,296.8	5,344.7
(Ratio to GDP : %)	27.7	28.7	31.8	32.1	33.2	34.0	33.8	32.7	31.6	31.2

Note: \* The figures for 2015 and the previous years are final audit accounts; the figures for 2016 are final accounts.

Sources: 1. Department of Statistics, MOF.

2. DGBAS, Executive Yuan.