

5. Public Finance of the Central Government

For 2007, central government finance continued to improve and recorded the largest budget surplus since fiscal year 1999. Revenue climbed by 5.6 percent led by surging tax revenue, while under prudent fiscal policy expenditure increased moderately by 1.5 percent over the previous year. As a result, budget surplus expanded steeply from the previous year's NT\$16.6 billion to NT\$79.6 billion.

Steady Growth in Central Government Revenue

Central government revenue increased by NT\$86.1 billion over the previous year to NT\$1,632.5 billion in 2007. This was mainly supported by an NT\$114.4 billion surge in tax revenue with income tax revenue, in particular, rising by NT\$75.5 billion over the previous year. Higher income tax revenue reflected corporate profit gains under the robust export-driven economic growth, as well as alternative minimum tax, which was launched in 2006 and accounted for NT\$15.0 billion in the revenue increase for 2007. Also contributing to tax revenue was the NT\$38.9 billion increase in securities transaction tax revenue, as stock markets turned active with a 43.2 percent growth in the total trading value of exchange- and OTC-listed stocks.

Total Revenue and Expenditure of the Central Government

Unit: NT\$ Billion

	Fiscal Year*									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007**
Total Revenue	1,251.5	1,228.6	2,030.8	1,417.2	1,304.7	1,320.9	1,368.2	1,464.5	1,546.4	1,632.5
(Ratio to GDP : %)	13.9	13.0	14.2	14.4	12.7	12.6	12.4	12.8	13.0	13.0
Total Expenditure	1,083.1	1,164.0	2,230.1	1,559.7	1,551.9	1,618.1	1,564.8	1,567.0	1,529.8	1,552.9
(Ratio to GDP : %)	12.1	12.3	15.6	15.8	15.1	15.4	14.1	13.7	12.9	12.3
Surplus/Deficit	168.4	64.6	-199.3	-142.5	-247.2	-297.2	-196.6	-102.5	16.6	79.6
(Ratio to GDP : %)	1.9	0.7	-1.4	-1.4	-2.4	-2.8	-1.8	-0.9	0.1	0.6
(Ratio to Total Expenditure : %)	15.5	5.5	-8.9	-9.1	-15.9	-18.4	-12.6	-6.5	1.1	5.1
Debt Repayment	103.9	118.0	193.4	122.2	55.5	46.5	56.1	64.1	65.0	6.0
Financing:	49.9	56.6	466.1	275.8	302.7	343.7	253.5	167.3	63.9	-
Debt Financing	49.9	56.6	466.1	275.8	244.4	300.8	253.5	167.3	63.9	-
Surplus of Previous Fiscal Years	-	-	-	-	58.3	42.9	-	-	-	-
Memorandum:										
Tax Dependency Ratio*** (%)	82.7	69.5	60.9	57.6	52.9	51.2	58.6	68.1	71.5	77.8
Debt Dependency Ratio**** (%)	4.6	4.9	20.9	17.7	15.7	18.6	16.2	10.7	4.2	-

Notes: * Effective 2001, the calendar year is adopted as the fiscal year. As a transition, fiscal year 2000 begins on July 1, 1999 and ends on Dec. 31, 2000, while the other fiscal years prior to 2000 run from July 1 of the preceding year to June 30 of the designated year.

** The figures for the year 2007 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. Directorate-General of Budget, Accounting and Statistics, Executive Yuan.
2. Department of Statistics, Ministry of Finance.

The significant increase in tax revenue led the tax dependency ratio to rise further from 71.5 percent in the previous year to 77.8 percent in 2007. Among the sources of revenue, taxes and the surpluses of public enterprises and public utilities led the others with respective shares of 74.0 percent and 16.6 percent in total revenue.

Moderate Increase in Central Government Expenditure

Central government expenditure increased moderately by NT\$23.1 billion over the previous year to NT\$1,552.9 billion in 2007. Leading the increase was an NT\$19.6 billion rise in national defense spending mainly for arms procurement purposes. In terms of the shares in total expenditure, education, science and culture, and social welfare were the top two categories, as they had always been for years, with respective shares of 19.9 percent and 19.7 percent. Ranking third and fourth were national defense and economic development with shares of 16.5 percent and 12.4 percent, respectively. The share of economic development successively declined, mainly because public construction spending was shifted to the special budget, which is exempt from the restrictions on financing sources and debt quotas. The special budget for the Expansion of Investment in Infrastructure Construction totaled NT\$75.9 billion in 2007.

The government's continuous spending-cut efforts led the ratio of central government expenditure to GDP to drop further to 12.3 percent in 2007. The ratio of budget surplus to GDP also rose to 0.6 percent, marking improvement for four consecutive years.

Total Revenue and Expenditure of the Central Government by Category

Unit: NT\$ Billion

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007*
Total Revenue	1,251.5	1,228.6	2,030.8	1,417.2	1,304.7	1,320.9	1,368.2	1,464.5	1,546.4	1,632.5
Taxes	858.8	772.9	1,280.7	841.5	820.1	828.5	916.6	1,067.8	1,094.3	1,208.7
Surpluses of Public Enterprises and Public Utilities	239.9	284.1	442.4	335.8	250.7	326.5	282.2	243.4	289.1	271.6
Fees, Fines and Indemnities	34.9	29.1	103.0	72.5	123.3	77.8	76.1	79.0	79.0	81.1
Revenues from Government-owned Monopolies	37.4	35.9	77.3	57.5	0.3	—	—	—	—	—
Proceeds from Sales of Properties and Recalled Capital	60.5	91.9	88.4	80.9	73.9	65.7	70.3	52.6	58.5	50.9
Others	20.0	14.7	39.0	29.0	36.4	22.4	23.0	21.7	25.5	20.2
Total Expenditure	1,083.1	1,164.0	2,230.1	1,559.7	1,551.9	1,618.1	1,564.8	1,567.0	1,529.8	1,552.9
General Administration	112.7	134.6	234.9	167.0	162.3	167.3	164.1	165.5	167.3	168.2
National Defense	257.1	263.2	343.3	237.7	225.2	227.7	248.9	248.5	237.1	256.7
Education, Science and Culture	184.8	202.7	367.6	257.2	267.0	300.2	302.1	301.5	303.1	309.0
Economic Development	126.5	172.5	356.4	277.1	291.2	295.5	248.9	247.0	197.0	193.3
Social Welfare	150.2	157.6	411.0	293.3	262.2	284.4	279.8	285.7	303.3	305.6
Community Development & Environmental Protection	15.8	19.2	39.6	22.3	23.4	28.7	24.8	25.2	20.4	19.4
Pensions & Survivors' Benefits	139.8	129.3	195.4	122.0	124.3	125.4	123.1	130.5	134.7	134.6
Interest payments	63.5	80.3	249.6	151.2	152.2	144.6	127.1	117.9	125.2	124.0
Others	32.7	4.6	32.3	31.9	44.1	44.3	46.0	45.2	41.7	42.1

Note: * The figures for the year 2007 are preliminary estimates.

Sources: 1. Directorate-General of Budget, Accounting and Statistics, Executive Yuan.
2. Department of Statistics, Ministry of Finance.

Steep Decrease in Debt Financing Demand

After deducting NT\$60 billion debt repayment from the central government's NT\$79.6 billion fiscal surplus for 2007, the remaining surplus was still large at NT\$73.6 billion. Therefore, despite the NT\$135.0 billion debt raising plans in the budget, no actual debt financing demand occurred during 2007.

Moderate Decrease in Debt Burdens

Although the general budget of the central government for 2007 did not require any debt financing, the special budget still relied on bond issuance and borrowing as financing sources. Total outstanding debt of the central government continued to increase by NT\$98.5 billion over the previous year-end to NT\$3,723.6 billion at the end of 2007. Nevertheless, the ratio of outstanding central government debt to GDP dropped to 29.6 percent, indicating better fiscal conditions with lighter debt burdens.

Public Debt of the Central Government

Unit: NT\$ Billion

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007*
Outstanding Debt	1,369.4	1,312.8	2,450.5	2,759.4	2,849.4	3,124.7	3,362.2	3,550.5	3,625.2	3,723.6
(Ratio to GDP : %)	15.3	13.9	24.4	28.0	27.7	29.7	30.4	31.0	30.5	29.6
Government Bonds	1,078.0	1,024.9	1,362.8	1,682.9	1,939.1	2,318.8	2,543.8	2,831.0	3,046.0	3,199.7
Borrowing from Banks	291.4	287.9	1,087.7	1,076.5	910.3	805.9	818.4	719.5	579.2	523.9

Note: * The figures for the year 2007 are preliminary estimates.

Sources: 1. Directorate-General of Budget, Accounting and Statistics, Executive Yuan.
2. Ministry of Finance.