

## 5. Public Finance of the Central Government

For 2008, central government finance remained in surplus for the third straight year at NT \$19.5 billion. However, the figure represented a large decline from the NT\$83.4 billion recorded in 2007, as revenue remained largely unchanged, while expenditure increased by 4.4 percent over the previous year.

### Slight Increase in Central Government Revenue

In 2008, central government revenue increased by a mere NT\$4.8 billion over the previous year to NT\$1,640.3 billion. Taxes were the most important source of revenue, followed by surpluses of public enterprises and public utilities, with respective shares of 75.8 percent and 15.5 percent of total revenue. Among different categories of taxes, revenue from securities transaction taxes decreased by NT\$38.3 billion from the previous year, affected by a major plunge in local stock markets during the second half of 2008. Revenue from commodity taxes declined by NT \$20.1 billion, as car sales were sluggish and the government lowered commodity taxes on gasoline and diesel fuel for half a year to stabilize prices. Nevertheless, income tax revenue surged by NT\$94.4 billion, bolstered by a robust 5.7 percent economic growth in 2007. As a

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### Total Revenue and Expenditure of the Central Government

Unit: NT\$ Billion

	Fiscal Year*									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008**
Total Revenue	1,228.6	2,030.8	1,417.2	1,304.7	1,320.9	1,368.2	1,464.5	1,546.4	1,635.5	1,640.3
(Ratio to GDP ; %)	13.0	13.6	14.4	12.7	12.6	12.4	12.8	13.0	12.9	13.3
Total Expenditure	1,164.0	2,230.1	1,559.7	1,551.9	1,618.1	1,564.8	1,567.0	1,529.8	1,552.0	1,620.8
(Ratio to GDP ; %)	12.3	14.9	15.8	15.1	15.4	14.1	13.7	12.8	12.3	13.1
Surplus/Deficit	64.6	-199.3	-142.5	-247.2	-297.2	-196.6	-102.5	16.6	83.4	19.5
(Ratio to GDP ; %)	0.7	-1.3	-1.4	-2.4	-2.8	-1.8	-0.9	0.1	0.7	0.2
Debt Repayment	118.0	193.4	122.2	55.5	46.5	56.1	64.1	65.0	6.0	65.0
Financing:	56.6	466.1	275.8	302.7	343.7	253.5	167.3	63.9	0	45.5
Debt Financing	56.6	466.1	275.8	244.4	300.8	253.5	167.3	63.9	0	0
Surplus of Previous Fiscal Years	0	0	0	58.3	42.9	0	0	0	0	45.5
Memorandum:										
Tax Dependency Ratio*** (%)	69.5	60.9	57.6	52.9	51.2	58.6	68.1	71.5	77.9	76.7
Debt Dependency Ratio**** (%)	4.9	20.9	17.7	15.7	18.6	16.2	10.7	4.2	0	0

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

\*\* The figures for the year 2008 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.

result, overall tax revenue continued to increase, rising by NT\$34.3 billion over the previous year. In terms of surpluses of public enterprises and public utilities, a decrease of NT\$18.0 billion was recorded for 2008, as contributions made by the CBC and some state enterprises declined.

Despite an increase in tax revenue, expenditure also expanded. Hence, the tax dependency ratio of the central government fell from 77.9 percent in the previous year to 76.7 percent in 2008.

### Adequate Increase in Central Government Expenditure

Central government expenditure increased by NT\$68.8 billion over the previous year to NT\$1,620.8 billion in 2008. Leading the increase was the NT\$45.4 billion rise in general subsidies and other expenditure. This expenditure was partly allocated to the Taipei and Kaohsiung municipalities to ensure that their funding remained sufficient after the revision of the Local Government Act. It also included the NT\$20.0 billion to enhance the financial structures of local governments. The second largest increase was the extra NT\$25.7 billion spent on national defense, mainly for arms procurement purposes. In addition, economic development increased by NT\$12.0 billion as a result of the government's infrastructure projects and higher construction costs.

In terms of share of total central government expenditure, education, science and culture, and social welfare were the top two categories, as they had been for years, with respective shares of 19.2 percent and 18.5 percent. Ranking third and fourth were national defense and

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

Unit: NT\$ Billion

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008*
Total Revenue	1,228.6	2,030.8	1,417.2	1,304.7	1,320.9	1,368.2	1,464.5	1,546.4	1,635.5	1,640.3
Taxes	772.9	1,280.7	841.5	820.1	828.5	916.6	1,067.8	1,094.3	1,208.7	1,243.0
Surpluses of Public Enterprises and Public Utilities	284.1	442.4	335.8	250.7	326.5	282.2	243.4	289.1	271.5	253.5
Fees, Fines and Indemnities	29.1	103.0	72.5	123.3	77.8	76.1	79.0	79.0	81.1	83.1
Revenues from Government-owned Monopolies	35.9	77.3	57.5	0.3	0	0	0	0	0	0
Proceeds from Sales of Properties and Recalled Capital	91.9	88.4	80.9	73.9	65.7	70.3	52.6	58.5	51.3	40.0
Others	14.7	39.0	29.0	36.4	22.4	23.0	21.7	25.5	22.9	20.7
Total Expenditure	1,164.0	2,230.1	1,559.7	1,551.9	1,618.1	1,564.8	1,567.0	1,529.8	1,552.0	1,620.8
General Administration	134.6	234.9	167.0	162.3	167.3	164.1	165.5	167.3	168.2	170.9
National Defense	263.2	343.3	237.7	225.2	227.7	248.9	248.5	237.1	256.7	282.4
Education, Science and Culture	202.7	367.6	257.2	267.0	300.2	302.1	301.5	303.1	308.7	310.4
Economic Development	172.5	356.4	277.1	291.2	295.5	248.9	247.0	197.0	193.3	205.3
Social Welfare	157.6	411.0	293.3	262.2	284.4	279.8	285.7	303.3	305.1	299.7
Community Development & Environmental Protection	19.2	39.6	22.3	23.4	28.7	24.8	25.2	20.4	19.4	13.5
Retirement & Compassionate Aid	129.3	195.4	122.0	124.3	125.4	123.1	130.5	134.7	134.6	133.7
Interest Payments	80.3	249.6	151.2	152.2	144.6	127.1	117.9	125.2	124.0	117.4
General Subsidies and Other Expenditure	4.6	32.3	31.9	44.1	44.3	46.0	45.2	41.7	42.1	87.5

Note: \* The figures for the year 2008 are preliminary estimates.

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

2. Department of Statistics, Ministry of Finance.

economic development with shares of 17.4 percent and 12.7 percent, respectively.

The central government expanded infrastructure investment to boost domestic demand and promote economic growth in 2008. For this purpose, in addition to a markup of the general budget, it set aside NT\$130.0 billion in special budget for the Expansion of Investment in Infrastructure Construction with NT\$105.4 billion of the amount specified as subsidy for the construction spending of local governments.

As a result, the ratio of central government expenditure to GDP rose to 13.1 percent in 2008. This was also the third straight year for the central government to post a budget surplus, although its ratio to GDP dropped to 0.2 percent.

### Moderate Increase in Debt Burdens

After deducting NT\$65.0 billion debt repayment from the NT\$19.5 billion fiscal surplus, the central government faced a shortfall of NT\$45.5 billion for its 2008 budget. As the entire shortfall was made up by the accumulated surpluses of previous years, no debt financing was needed for the general budget.

For the special budget, however, the central government still relied on bond issuance and borrowing as financing sources. Total outstanding debt of the central government continued to increase, rising by NT\$64.3 billion over the previous year-end to NT\$3,787.9 billion at the end of 2008. Moreover, as GDP growth remained largely flat in 2008, the ratio of outstanding central government debt to GDP increased from the previous year's 29.5 percent to 30.6 percent, indicating a moderate increase in debt burdens.

### Public Debt of the Central Government

Unit: NT\$ Billion

	End of Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008*
Outstanding Debt	1,312.3	2,450.1	2,759.1	2,849.3	3,124.7	3,362.2	3,550.5	3,625.2	3,723.6	3,787.9
(Ratio to GDP ; %)	13.9	24.4	28.0	27.7	29.7	30.4	31.0	30.4	29.5	30.6

Note: \* The figures for the year 2008 are preliminary estimates.

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