

The 2023 Budget of the Central Government : A Compendium

Forward

Fiscal soundness is the foundation of country's long-term stability. Thanks to the steadily growing economy that leads to stable increases of taxes and tight control over ineffective government spending, our public finance has continued to improve for the past few years.

In response to the impact of the coronavirus disease (COVID-19), the special budget was proposed in the past two years, resulting in a shift from budget surpluses to deficits. However, as the economy performed well, taxes were higher than expected. The general budget (special budgets are not included) has had surpluses for the past five years since 2017, and the surpluses from 2018 to 2020 exceeded NT\$100 billion, and almost reached NT\$300 billion in 2021, causing the total deficit of general budget and special budget narrowed. The 2022 budget was planned not only following the Public Debt Act and the Fiscal Discipline Act, but also taking the spirit of zero-based budgeting into account. It is expected to maintain sound public finance, stay open to the world, enhance economic resilience, strengthen the social safety system, and safeguard national sovereignty.

The overall budget arrangement has contained all the key policies of the current administration, which include:

- (1) Accelerating public investment to strengthen key infrastructure. The overall infrastructure expenditure amounts to NT\$597.2 billion, NT\$145.7 billion (or 32.3%) higher than 2022.
- (2) Building scientific research and innovation capacity to create a prosperous future. The overall expenditure amounts to NT\$177.7 billion, NT\$18.4 billion (or 11.6%) higher than 2022.
- (3) Powering growth engine to enhance competitiveness. The overall expenditure amounts to NT\$31.6 billion, NT\$4.4 billion (or 15.9%) higher than 2022.
- (4) Promoting the net zero transformation to achieve environmental sustainability. The overall expenditure amounts to NT\$68.2 billion, NT\$29.6 billion (or 76.8%) higher than 2022.
- (5) Providing diverse educational resources to cultivate high-level talents. The overall expenditure amounts to NT\$348.8 billion, NT\$22.4 billion (or 6.9%) higher than 2022.
- (6) Eradicating drugs and combating crime to build a safe and peaceful society. The overall expenditure amounts to NT\$129.2 billion, NT\$12.8 billion (or 11%) higher than 2022.
- (7) Reviving national languages to enrich cultural depth. The overall expenditure amounts to NT\$45.7 billion,

NT\$4.7 billion (or 11.7%) higher than 2022.

- (8) Easing raising burden to create a friendly nurturing environment. The overall expenditure in response to the declining birth rate amounts to NT\$108.8 billion, NT\$28.2 billion (or 35%) higher than 2022.
- (9) Optimizing long-term care system to build health-and-sustainability lifestyles for the aging population. The overall expenditure amounts to NT\$64.9 billion, NT\$3.7 billion (or 6%) higher than 2022.
- (10) Strengthening defense capabilities to uphold national sovereignty. The overall defense expenditure amounts to NT\$586.3 billion, NT\$71.6 billion (or 13.9%) higher than 2022.
- (11) Improving local self-governing ability and balancing the rural-urban development. The general allowance to local governments amounts to NT\$214.6 billion, NT\$18.1 billion (or 9.2%) higher than 2022. Together with the NT\$43.3 billion in centrally-funded tax revenues, the overall financial assistance from central government increases by NT\$61.4 billion (or 11.9%)

The revenue of the 2023 budget is estimated to be NT\$2,556.5 billion, which increases by NT\$289.5 billion (or 12.8%) compared with 2022. The expenditure is set at NT\$2,719.1 billion, which increases by NT\$468 billion (or 20.8%) compared with 2022. In response to the domestic and foreign political and

economic situation, both the revenue and expenditure reached new highs. The increase of expenditure has been put in priorities such as expanding public investment, improving technology development, promoting net-zero carbon emissions transition, improving labor and health insurance finance, implementing policy response to declining birth rates, stabilizing power supply, preventing epidemic and strengthening military force. The deficit of NT\$162.6 billion, and the debt repayment of NT\$ 111 billion will be financed through borrowing of NT\$ 173.6 billion and the surplus from the previous fiscal year of NT\$ 100 billion. After taking into account the special budget, the overall deficit amounts to NT\$375.4 billion, which decreases by NT\$63.3 billion (or 14.4%) compared with 2022. The borrowing is NT\$386.4 billion after adding the deficit and the debt repayment and subtracting the surplus from the previous fiscal year. The total net financing need is equivalent to 13.2% of the expenditure, lower than the 15% loan cap and is 77.2 billion lower than 2022. It shows the government's determination to uphold fiscal discipline and to control the deficit meticulously while building a smart and resilient country.

In terms of debt management, the outstanding debt is projected to be 31% of the 3-year-average nominal GDP at the end of 2023, which is 0.8 pp lower than 2022 and below the 40.6% debt ceiling stipulated by Article

5 of the Public Debt Act. Debt management is important in maintaining government credit worthiness and stabilizing financial environment. Before the outbreak of the pandemic, the debt outstanding is maintained at around NT\$5.3 trillion level. To mitigate the impact of COVID-19, the government has proposed a large-scale special budget in 2020 and 2021, leading to an increase of the debt outstanding. As of the end of July 2022, the debt outstanding is NT\$5,753.8 billion, NT\$355 billion higher than the end of May 2016 level. Yet, the debt outstanding is NT\$186.5 billion lower than the end of May 2016 level if the COVID-19 related debt is excluded, suggesting that the government has strong debt management measures and the overall debt outstanding remains under strict control.

As for expenditure by function, Social Welfare expenditure of NT\$715.4 billion takes up the largest share of 26.3% ; Education, Science and Culture expenditure of NT\$496.2 billion takes the second place of 18.2%; Economic Development expenditure of NT\$483.1 billion takes the third of 17.8%; Defense expenditure of NT\$397.4 billion takes the fourth of 14.6%.

The expenditure increases of NT\$468 billion is mainly attributable to:

- (1) An increase of NT\$228.2 billion is Economic Development expenditure, mainly due to Highway Improvement Project, higher government contributions to the Housing Fund, the policy to ensure a stable

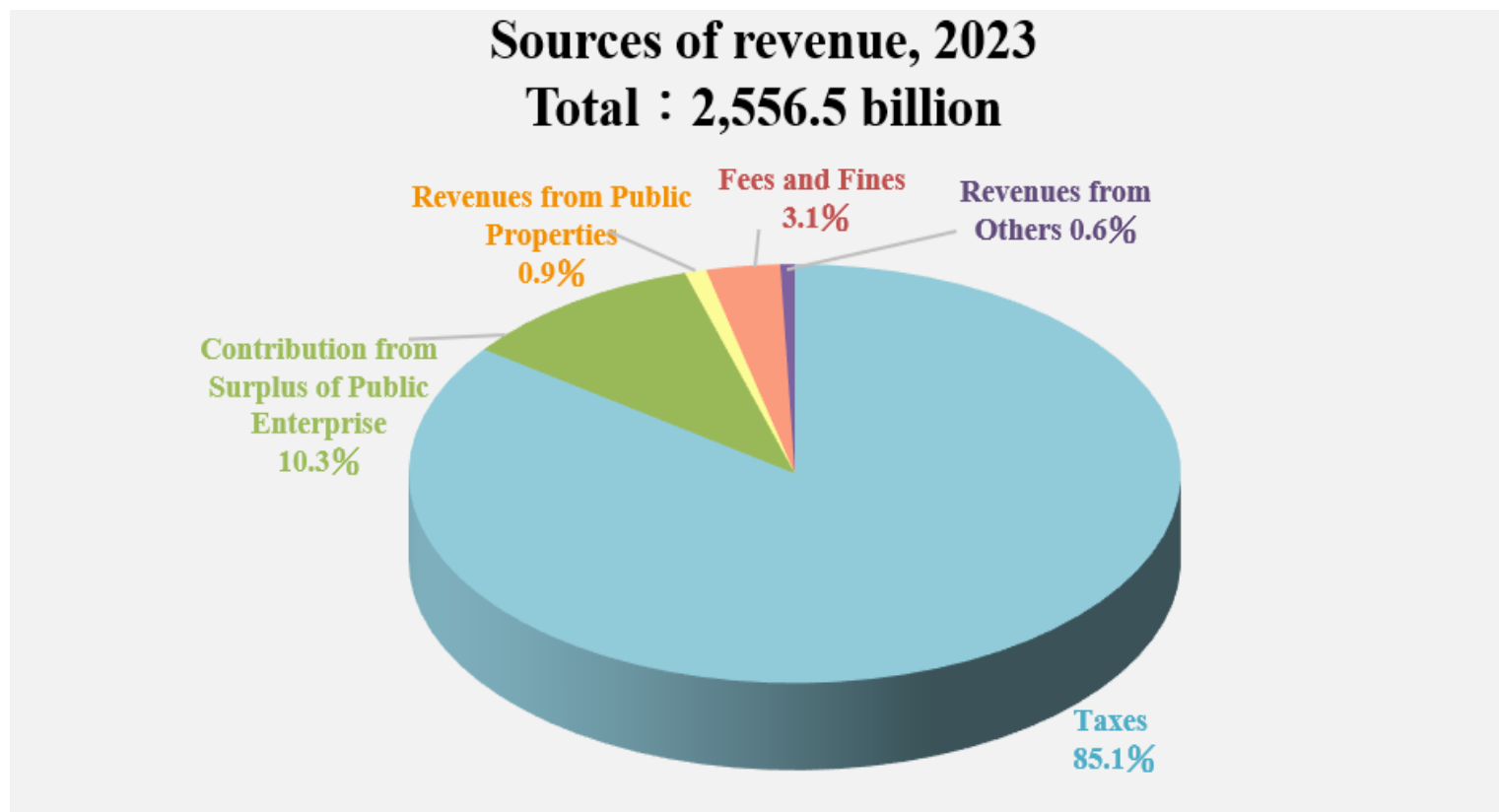
power supply, and increasing capital for Taoyuan International Airport Corporation.

- (2) An increase of NT\$115 billion in Social Welfare expenditure, mainly due to prevention for COVID-19, the policy countering declining birth rates, government contributions to the Labor Insurance Fund and National Health Insurance Fund.
- (3) An increase of NT\$47.4 billion in Education, Science and Culture expenditure, mainly due to the policy countering declining birth rates, Science Research Project, Development of National Languages Program, and Net Zero Transformation Project.
- (4) An increase of NT\$40.2 billion in Defense expenditure, mainly due to further procurement of weaponry and combat equipment.

The government predicts that the GDP in 2023 will reach up to NT\$24.1 trillion, equivalent to US\$805.4 billion; the GDP per capita will be US\$34,485 and the economic growth rate will be 3.1%. Meanwhile, domestic prices maintain stable, with a slight CPI inflation of 1.7%. All these indicators demonstrate that the Budget has managed to pursue a balance between economic development and fiscal soundness.

Analysis of Revenue and Expenditure

1. Revenue



Composition and Changes of Revenue

NT\$ Billion

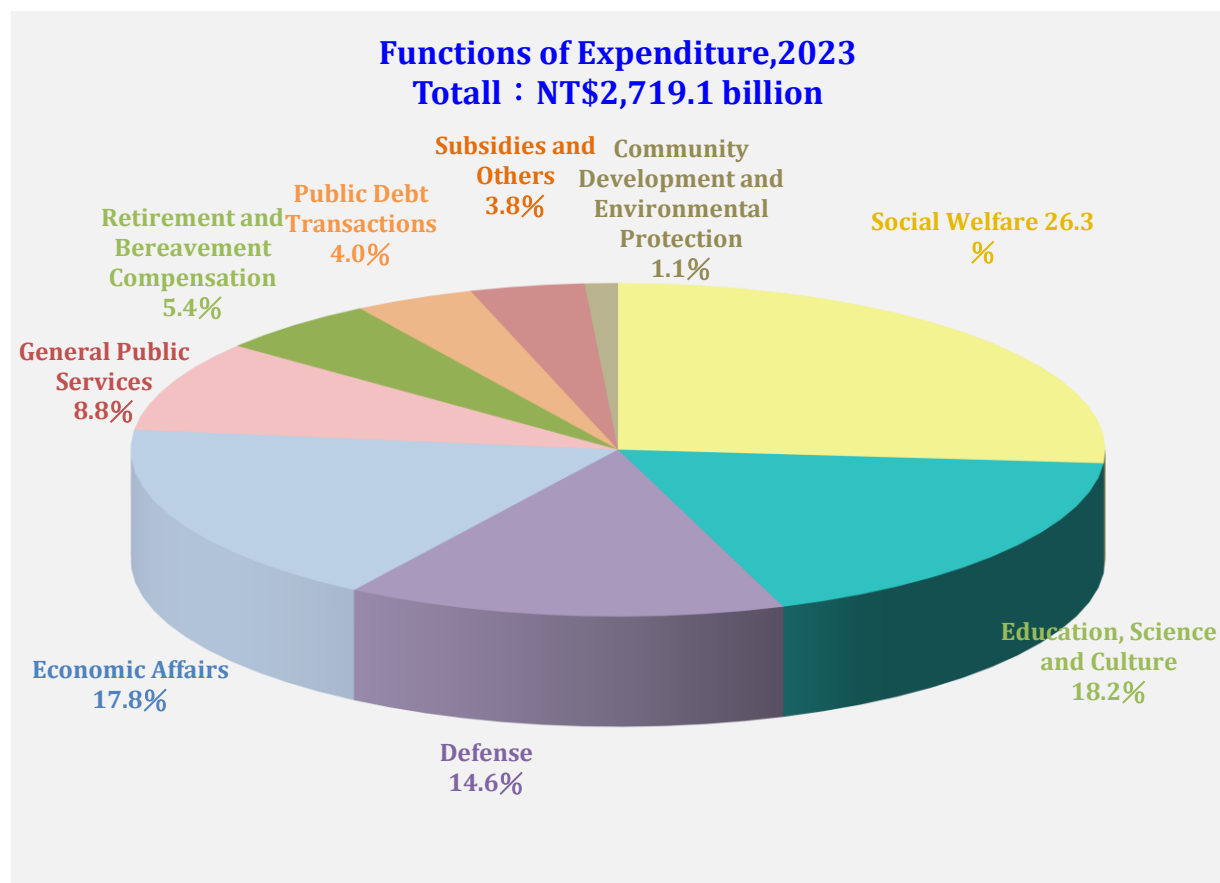
Item	2023		2022		Change	
	Amount	%	Amount	%	Amount	%
Total	2,556.5	100.0	2,267.0	100.0	289.5	12.8
1. Taxes	2,174.9	85.1	1,903.8	84.0	271.1	14.2
Income Taxes	1,417.9	55.5	1,108.2	48.9	309.7	27.9
Business Taxes	268.8	10.5	262.0	11.6	6.8	2.6
Commodity Taxes	140.1	5.5	165.2	7.3	-25.1	-15.2
Customs Duties	136.1	5.3	133.5	5.9	2.6	1.9
2. Contribution from Surplus of Public Enterprise	263.6	10.3	249.2	11.0	14.4	5.8
3. Fees and Fines	78.5	3.1	76.5	3.4	2.0	2.6
4. Revenues from Public Properties	24.3	0.9	24.8	1.1	-0.5	-2.2
5. Revenues from Others	15.2	0.6	12.7	0.5	2.5	19.3

Total revenue for 2023 is projected to be NT\$2,556.5 billion, NT\$289.5 billion (or 12.8%) higher than 2022, and is comprised of five major sources:

- (1) **Taxes.** 85.1% of revenue comes from taxes, which goes up from NT\$1,903.8 billion in 2022 to NT\$2,174.9 billion in 2023, an increase of NT\$271.1 billion (or 14.2%). The increase is mainly from higher Income Taxes of NT\$309.7 billion.
- (2) **Contribution from Surplus of Public Enterprise.** 10.3% of revenue is contributed from the business special fund and equity investments, which goes up from NT\$249.2 billion in 2022 to NT\$263.6 billion in 2023, an increase of NT\$14.4 billion (or 5.8%). The increase is mainly due to higher cash dividend from YangMing Marine Transport Corporation of NT\$9.4 billion, and contributions from Central Bank of NT\$5 billion.
- (3) **Fees and Fines.** 3.1% of revenue derives from fees and fines, which goes up from NT\$ 76.5 billion in 2022 to NT\$78.5 billion in 2023, an increase of NT\$2 billion (or 2.6%). The increase is mainly from higher automobile fuel charges of NT\$1.5 billion.
- (4) **Revenue from Public Properties.** 0.9% of revenue stems from public properties, which goes down from NT\$ 24.8 billion in 2022 to NT\$24.3 billion in 2023, a decrease of NT\$0.5 billion (or 2.2%). The decrease is mainly due to lower contributions of liquidation remaining property from Taiwan Chung Hsing Paper Corporation of NT\$0.5 billion.

(5) Revenue from Others. 0.6% of revenue comes from others, which goes up from NT\$12.7 billion in 2022 to NT\$15.2 billion in 2023, a increase of NT\$2.5 billion (or 19.3%). The increase is mainly from higher refunds of the Fund of Rebuilding Old Quarters for Military Dependents of NT\$2.5 billion.

2. Expenditure



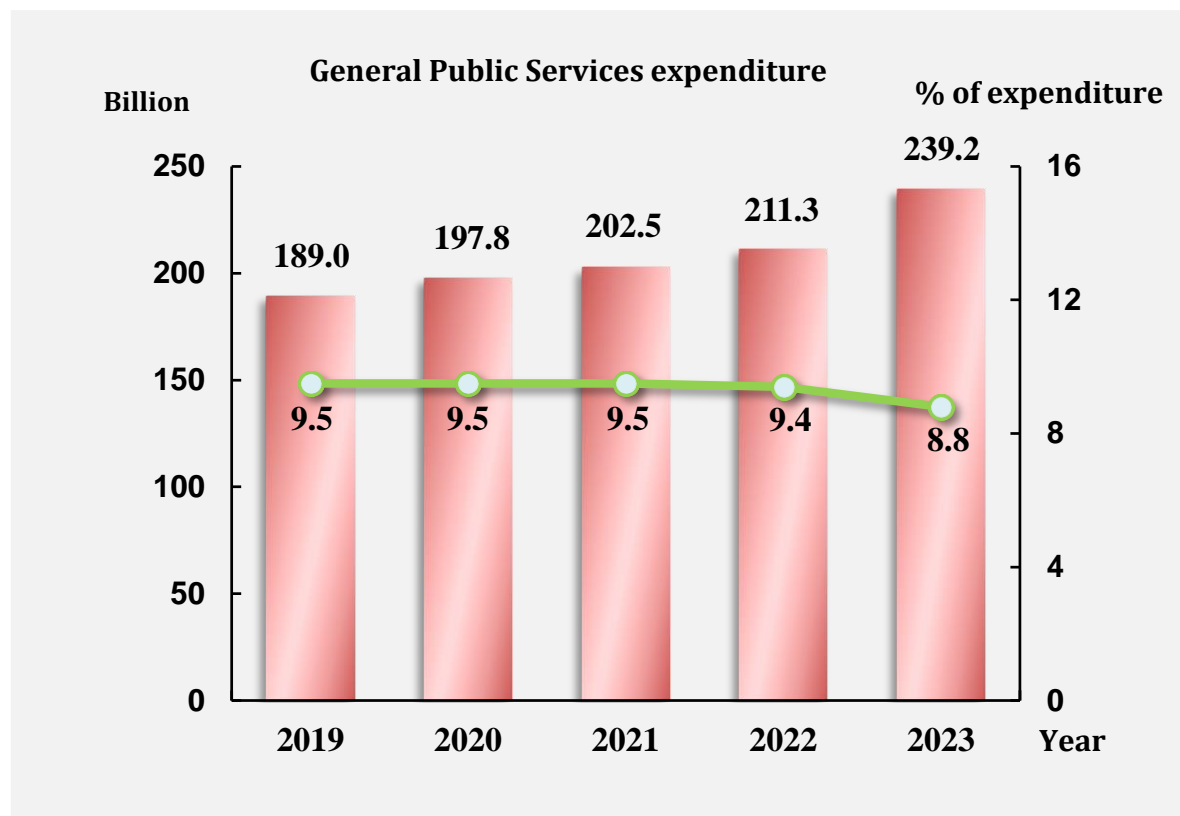
Composition and changes of Expenditure

NT\$ Billion

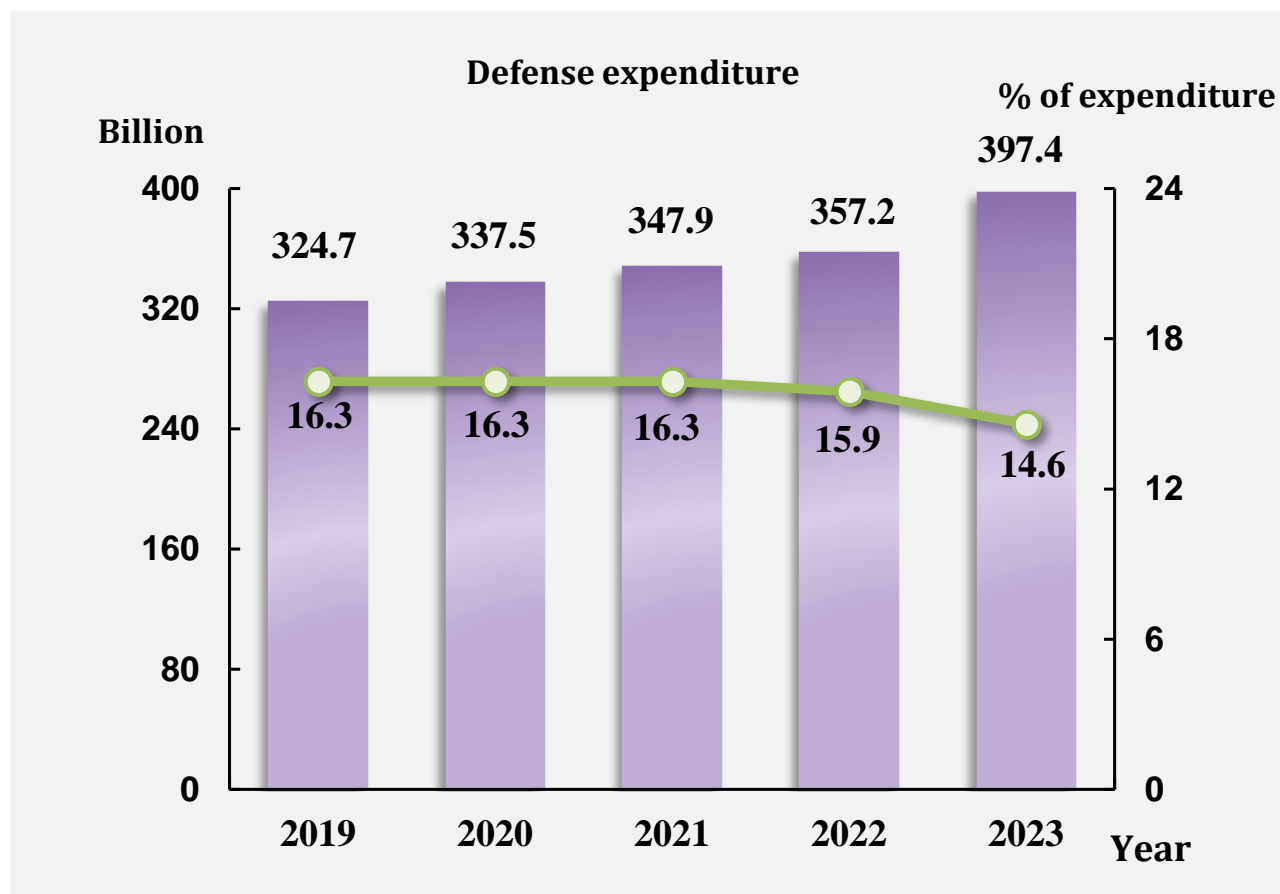
Item	2022		2021		Change	
	Amount	%	Amount	%	Amount	%
Total	2,719.1	100.0	2,251.1	100.0	468	20.8
1.General Public Services	239.2	8.8	211.3	9.4	27.9	13.2
2.Defense	397.4	14.6	357.2	15.9	40.2	11.3
3.Education, Science and Culture	496.2	18.2	448.8	19.9	47.4	10.6
4.Economic Affairs	483.1	17.8	254.9	11.3	228.2	89.6
5.Social Welfare	715.4	26.3	600.4	26.7	115	19.1
6.Community Development and Environmental Protection	29.6	1.1	26.5	1.2	3.1	11.6
7.Retirement and Bereavement Compensation	148.2	5.4	147.5	6.5	0.7	0.5
8.Public Debt Transactions	107.8	4.0	107.8	4.8	–	–
9.Subsidies and Others	102.2	3.8	96.7	4.3	5.5	5.6

The expenditure of 2023 is expected to be NT\$2,719.1 billion, NT\$468 billion (or 20.8%) higher than 2022. The composition and changes of expenditures by function are briefly presented as follows.

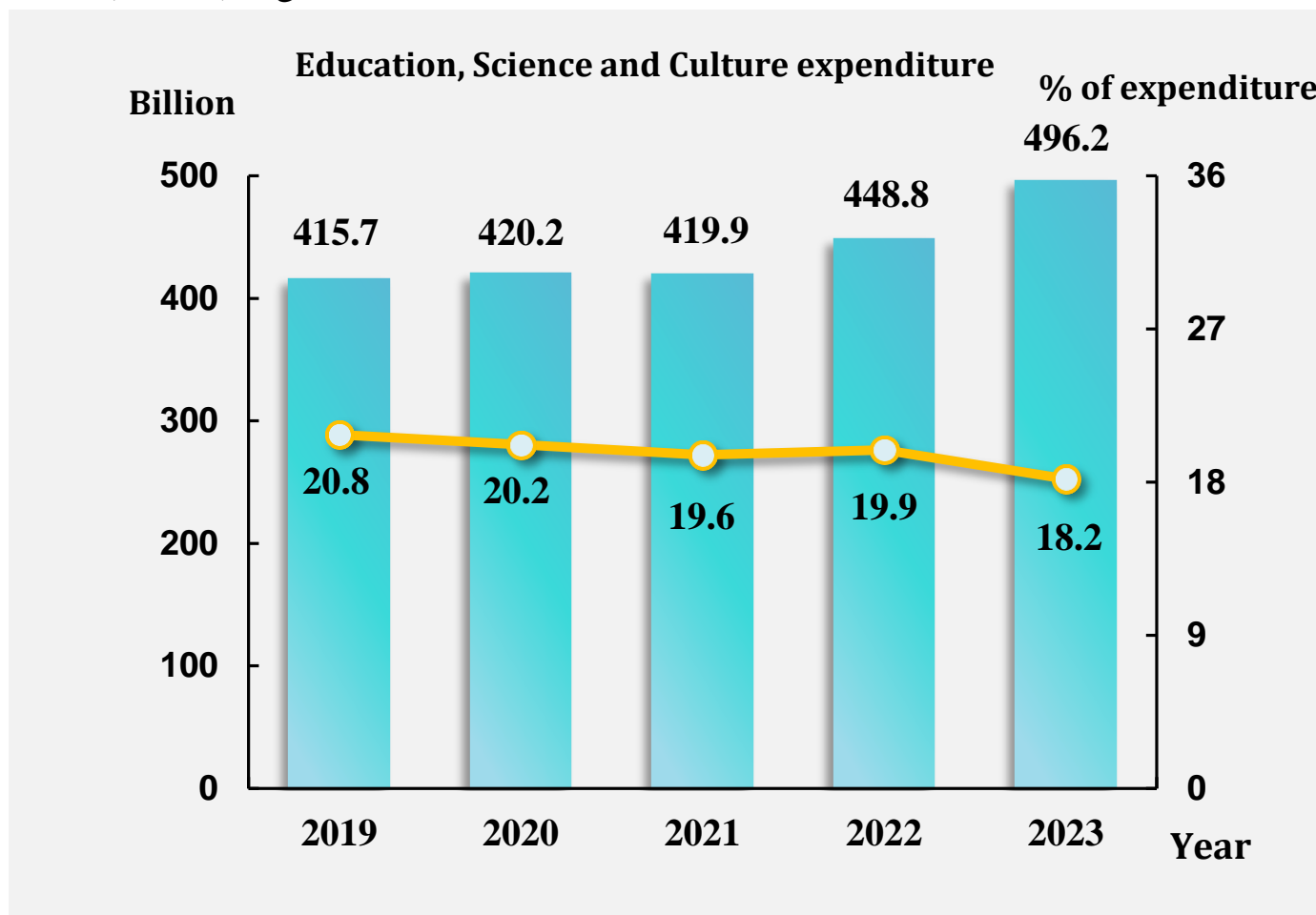
(1) General Public Services expenditure is expected to be NT\$239.2 billion (or 8.8% of total), NT\$27.9 billion (13.2%) higher than the 2022 level.



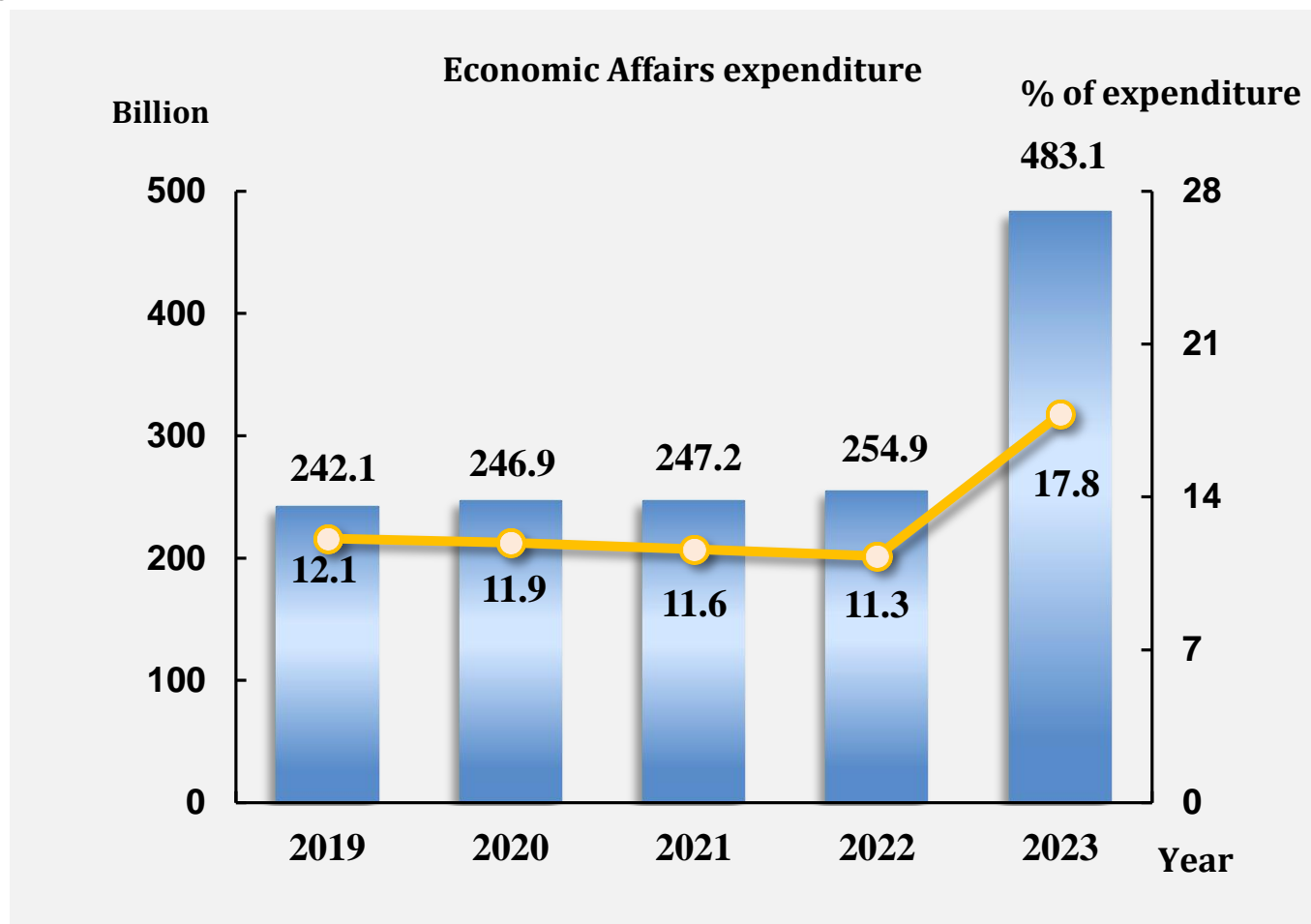
(2) Defense expenditure is expected to be NT\$397.4 billion (or 14.6% of total), NT\$40.2 billion (11.3%) higher than the 2022 level.



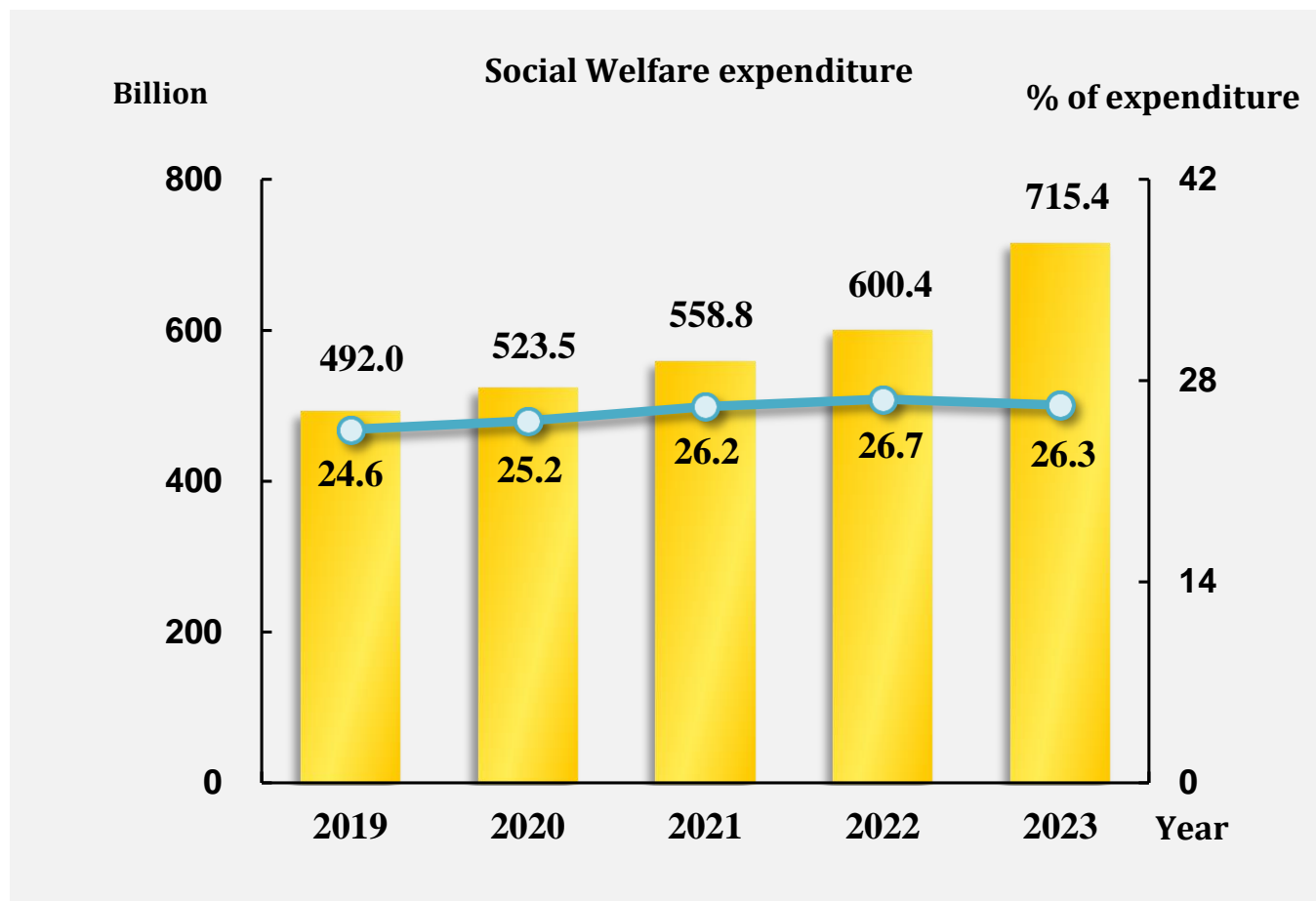
(3) Education, Science and Culture expenditure is expected to be NT\$496.2 billion (or 18.2% of total), NT\$47.4 billion (10.6%) higher than the 2022 level.



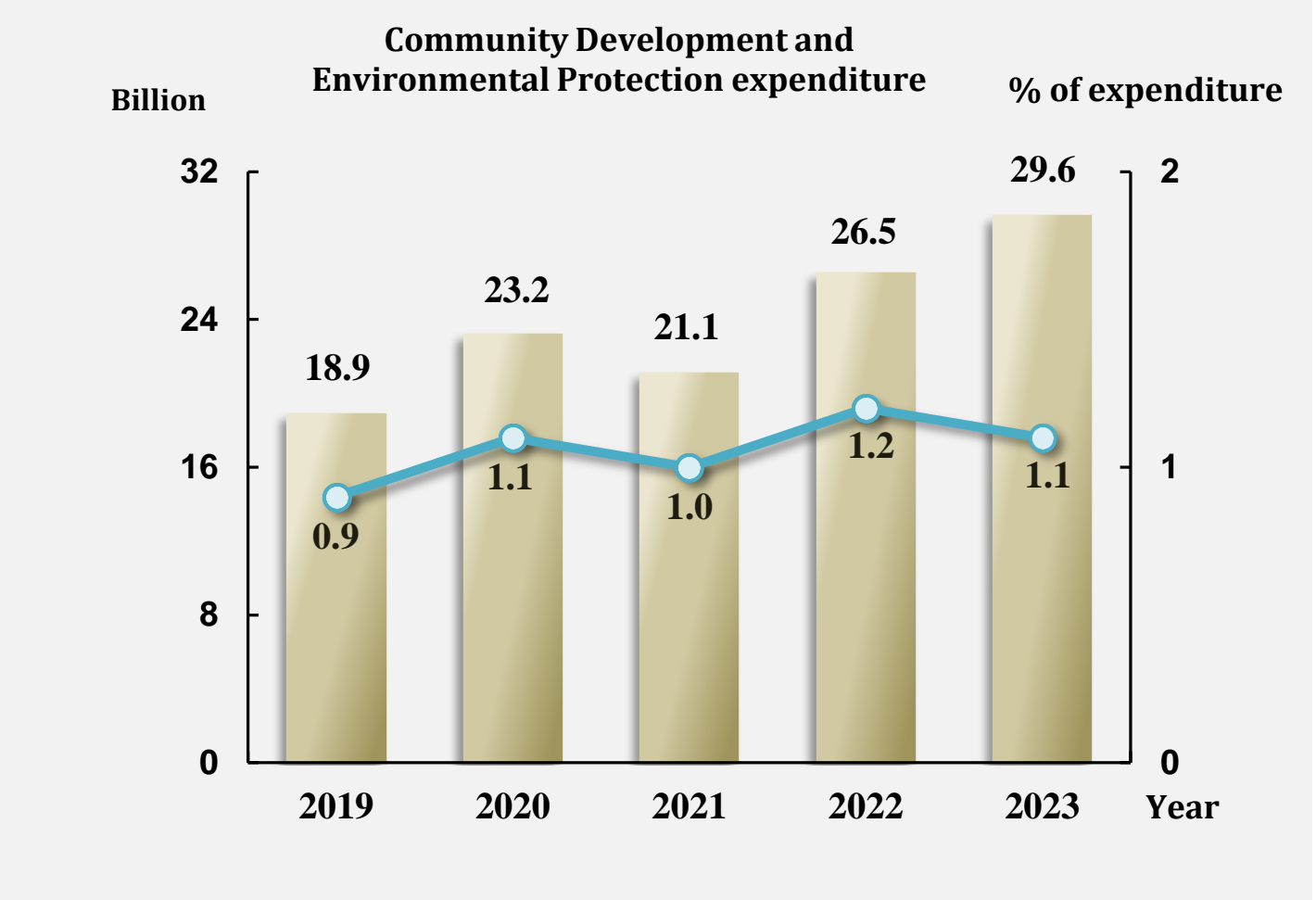
(4) Economic Affairs expenditure is expected to be NT\$483.1 billion (or 17.8% of total), NT\$228.2 billion (89.6%) higher than the 2022 level.



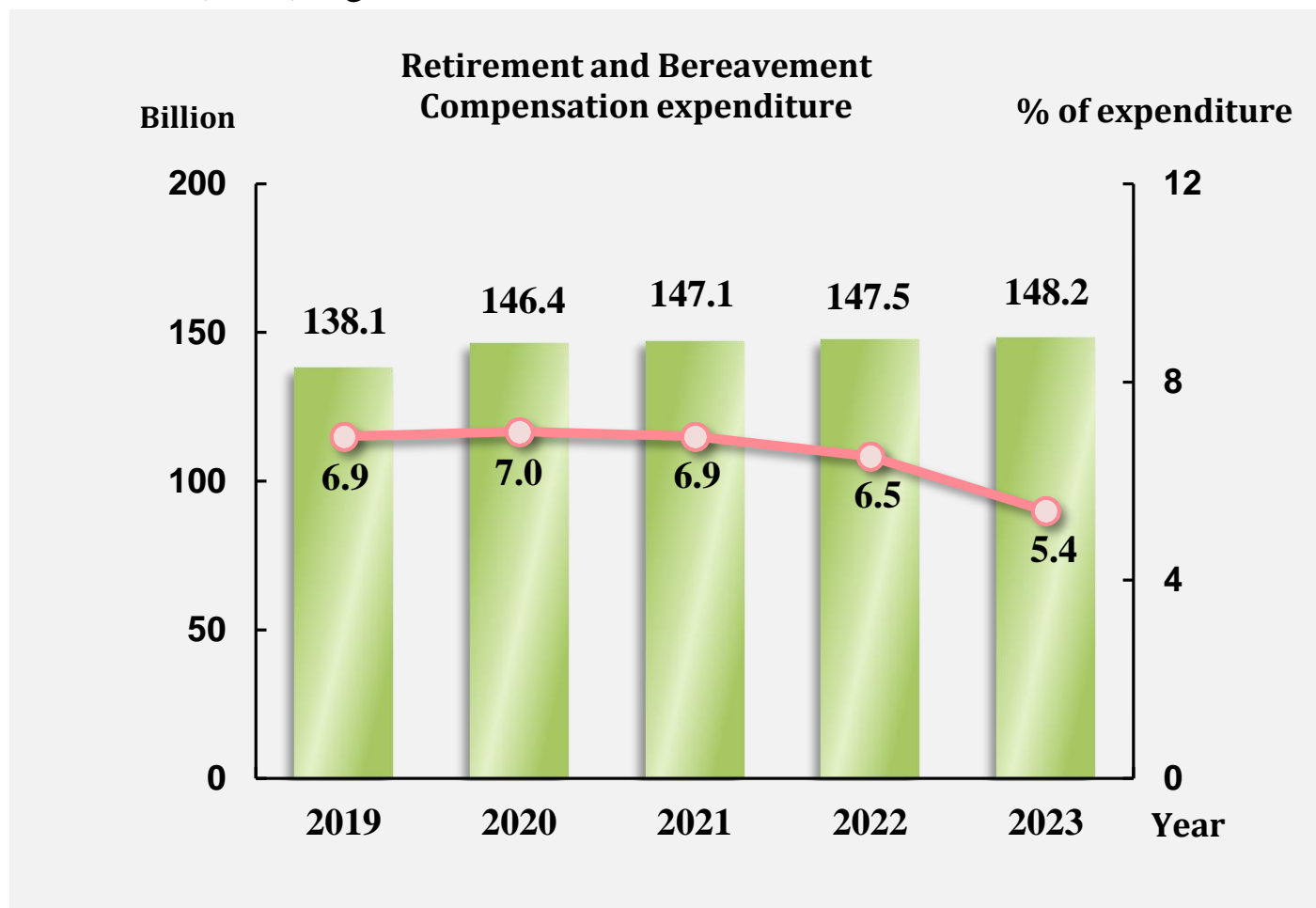
(5) Social Welfare expenditure is expected to be NT\$715.4 billion (or 26.3% of total), NT\$115 billion (19.1%) higher than the 2022 level.



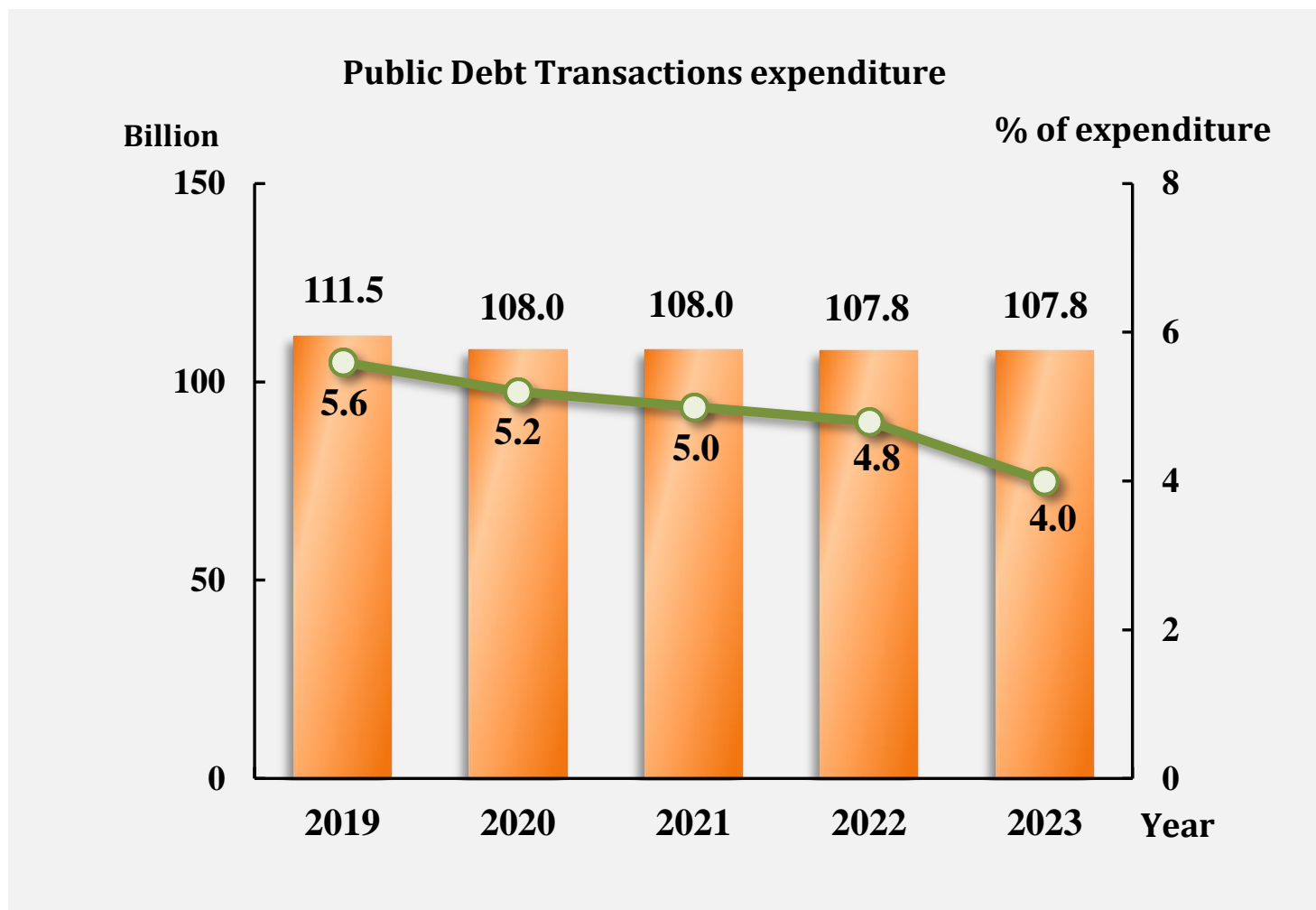
(6) Community Development and Environmental Protection expenditure is expected to be NT\$29.6 billion (or 1.1% of total), NT\$3.1 billion (11.6%) higher than the 2022 level.



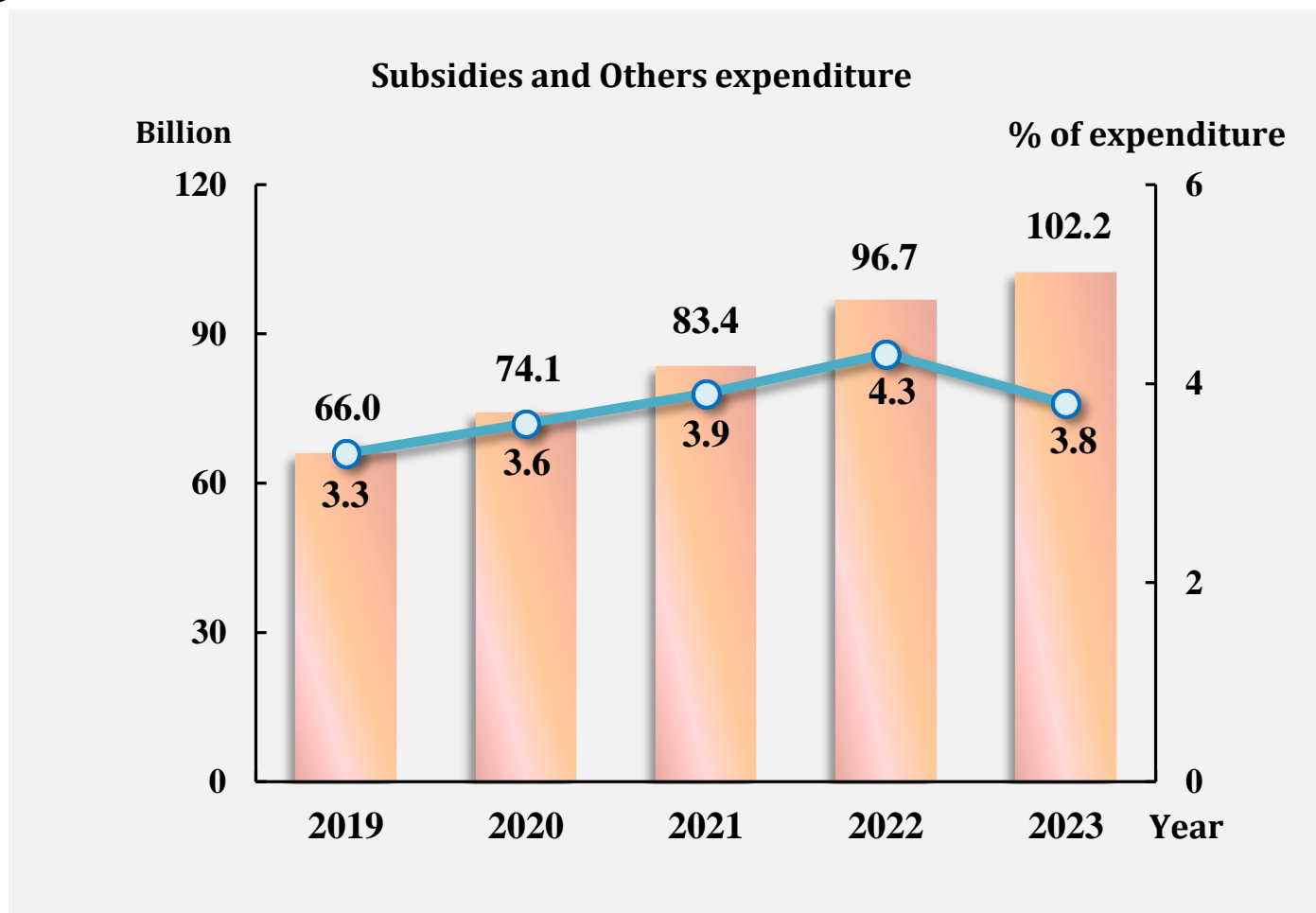
(7) Retirement and Bereavement Compensation expenditure is expected to be NT\$148.2 billion (or 5.4% of total), NT\$0.7 billion (0.5%) higher than the 2022 level.



(8) Public Debt Transactions expenditure is expected to be NT\$107.8 billion (or 4% of total), the same level as that of 2022.



(9) Subsidies and Others expenditure is expected to be NT\$102.2 billion (or 3.8% of total), NT\$5.5 billion (5.6%) higher than the 2022 level.



3. Financing Need

Composition and Changes of Financing Need

Item	2023	2022	NT\$ Billion
	Amount	Amount	Change
1.Deficit(Surplus)	162.6	-15.9	-
2.Debt Repayment	111.0	96.0	15.0
3. Financing Need	273.6	80.1	193.5
(1)Borrowing	173.6	44.0	129.6
(2)Surplus from the Previous Years	100.0	36.1	63.9

The 2023 Budget is expected to result in a deficit of NT\$162.6 billion. Debt repayment is set at NT\$111 billion or 5.1% of tax revenue. This is in compliance with Article 12 of the Public Debt Act, which requires the central government allocate at least 5% to 6% of tax revenue for repayment of principal on debt. As a result, the financing need is expected to be NT\$273.6 billion, which will be financed through borrowing of NT\$ 173.6 billion and the surplus from the previous fiscal year of NT\$ 100 billion. After taking into account the NT\$212.8 billion borrowing of special budget, the total financing need is expected to be NT\$386.4 billion. The total net financing need is equivalent to 13.2% of the expenditure, lower than the 15% loan cap

and is in compliance with the Fiscal Discipline Act.

At the end of 2021, the public debt incurred by the central government was NT\$5,709.7 billion. Taking into account the estimates of borrowings and debt repayments in the 2023 and 2022 budgets, the central government outstanding debt is projected to be NT\$6,674.8 billion at the end of 2023 which is 31% of the 3-year-average GDP. It is below the 40.6% debt ceiling stipulated by Article 5 of the Public Debt Act. As for the public debt incurred by local governments, NT\$841.5 billion has been accumulated at the end of 2021.

Composition of Public Debt
December 31, 2021

Government Level	General Fund			Non-profit Special Fund			NT\$ Billion
	Extending more than 1 year		Maturing within 1 year	Extending more than 1 year		Maturing within 1 year	Total of Non Self-redeeming debt extending more than 1 year
	Self-redeeming	Non Self-redeeming		Self-redeeming	Non Self-redeeming		
Total	34.4	6,535.3	210.5	481.9	15.9	177.9	6,551.2
Central Government	-	5,709.7	115.0	210.5	-	174.6	5,709.7
Local Government	34.4	825.6	95.5	271.4	15.9	3.3	841.5

Note: 1.The figures of central government general and non-profit special funds are final audit accounts; figures of local government are final accounts.

2.The figures for local government public debt are from statistics posted on the website of National Treasury Administration, Ministry of Finance.

By definition of the Public Debt Act, the above-mentioned public debts are non-self-redeeming public debts with maturity of 1 year or above incurred by government through the general budgets, special budgets, and special funds other than business special funds or trust funds.

Meanwhile, in response to the increasing concerns with future contingent obligations, the central government started to disclose these items in the Financial Statement from 2009 onwards. According to the latest updated estimates based on the 2021 Central Government Financial Statement, as of the end of June 2022, the actuarial present value of these future contingent obligations are estimated to be NT\$15,397.4 billion for the central government and NT\$2,723.3 billion for the local government, which total NT\$18,120.7 billion for all levels of government.

Future Contingent Obligations

June 30, 2022

NT\$ Billion

Item	Total	Central Government	Local Government
Total	18,120.7	15,397.4	2,723.3
1. Unfunded Pension For Public Service (before 1995)	3,613.1	2,454.3	1,158.8
2.Public Service Pension Fund (after 1995)	2,591.7	1,041.9	1,549.8
3.Labor Insurance	10,819.4	10,819.4	-
4.Civil Servant and Public School Faculty Insurance	88.6	88.6	-
5.National Pension Insurance	881.2	881.2	-
6.Military Personnel Insurance	35.7	35.7	-
7.Farmer Health Insurance	76.1	76.1	-
8.Arrears incurred by local governments in the overdue health insurance premium and preferential deposit interest for retirees of public service	14.9	0.2	14.7

The above-mentioned disclosures are mainly the social insurance or employee pension provided by the government to secure retirement of various groups such as military personnel, civil servants and teachers, laborers, farmers, fishermen, and citizens with no job. These future contingent obligations are either statutory spending in the future, which must be provided for by annual budgets, or possible payments for underfunded social insurances, which could otherwise be compensated by premium adjustments or other pension reforms. They are distinct from the public debts raised to finance deficits, which are governed by the Public Debt Act.