

# The 2022 Budget of the Central Government : A Compendium

## Forward

Fiscal soundness is the foundation of national development. Thanks to the steadily growing economy that leads to stable increases of taxes and effective control over 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 for preventive measures and economic stimulus plans in the past two years, leading to an expansion of the overall deficit. However, as the global economy gradually recovered, taxes were higher than expected and the deficit has narrowed. The 2022 budget was planned with not only taking both revenue and expenditure into account, but also following the Public Debt Act and the Fiscal Discipline Act. It is expected to maintain a sound public finance, as well as develop a prosperous, inclusive, sustainable, and peaceful nation for the people.

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\$232.3 billion, NT\$4.6 billion (or 2%) higher than 2021.

- (2) Accelerating forward-looking scientific research and talents arrangement to build a digital country. The overall R&D expenditure amounts to NT\$165.2 billion, NT\$17.3 billion (or 11.7%) higher than 2021.
- (3) Implementing industrial transformation and promoting strategic position of the global economy. The overall expenditure amounts to NT\$28 billion, NT\$8.6 billion (or 44.2%) higher than 2021.
- (4) Enhancing educational environment to cultivate talents. The overall expenditure amounts to NT\$323.4 billion, NT\$16.6 billion (or 5.4%) higher than 2021.
- (5) Eradicating drugs to build a safe and peaceful society. The overall expenditure amounts to NT\$117.8 billion, NT\$4.2 billion (or 3.7%) higher than 2021.
- (6) Strengthening the social safety net to create a happy living environment. The overall expenditure amounts to NT\$4.7 billion, NT\$2.9 billion (or 152.7%) higher than 2021.
- (7) Creating a friendly nurturing environment to boost the birth rate. The overall expenditure amounts to NT\$86.4 billion, NT\$27.2 billion (or 46.2%) higher than 2021.
- (8) Completing long-term care system to realize a new blueprint for an aging society. The overall expenditure amounts to NT\$60.7 billion, NT\$7.8 billion (or 14.7%) higher than 2021.
- (9) Strengthening defense capabilities to ensure national security. The overall defense expenditure amounts to NT\$471.7 billion, NT\$23.3 billion (or 5.2%) higher than 2021.

(10) Stabilizing local government revenue and balancing the rural-urban development. The general allowance to local governments amounts to NT\$196.5 billion, NT\$7.2 billion (or 3.8%) higher than 2021. Together with the NT\$22.1 billion in centrally-funded tax revenues, the overall financial assistance from central government increases by NT\$29.3 billion (or 6%).

The revenue of the 2022 budget is estimated to be NT\$2,239.1 billion, which increases by NT\$185.7 billion (or 9%) compared with 2021. The expenditure is set at NT\$2,262.1 billion, which increases by NT\$126.2 billion (or 5.9%) compared with 2021. The growth of expenditure is less than that of revenue. The increase of expenditure has been put in priorities such as industrial transformation, technological innovation, caring for the disadvantaged, strengthening national defense, and the program in response to the declining birth rate. The deficit of NT\$23 billion, and the debt repayment of NT\$ 96 billion will be financed through borrowing of NT\$ 69 billion and the surplus from the previous fiscal year of NT\$ 50 billion. After taking into account the special budget, the overall deficit amounts to NT\$213.6 billion, and the borrowing totals is NT\$254.6 billion after adding the debt repayment and subtracting the surplus from the previous fiscal year. According to the Special Act for Prevention, Relief and Revitalization Measures for Severe Pneumonia with Novel Pathogens (Special Act for COVID-19), the borrowing of COVID-19 special budget is excluded from the Public Debt Act regulation. The total net financing need is equivalent to 8.7% of the expenditure, lower than the 15% loan cap and is 5.1 pp lower than 2021.

In terms of debt management, the debt outstanding is maintained at around NT\$5.3 trillion level before the outbreak of the pandemic. However, in order to mitigate the impact of COVID-19, the government has proposed a large-scale special budget since 2020, leading to an increase of the debt outstanding. As of the end of July 2021, the debt outstanding is estimated to be NT\$5,674.8 billion, NT\$276 billion higher than the end of May 2016 level. The overall debt outstanding remains under strict control despite the borrowing for COVID-19. Taiwan has ranked as the 4th most competitive economy in the 2021 World Competitiveness Yearbook released by the Institute for Management Development (IMD) as of June 17, 2021. Taiwan moves up 7 spots in the ranking mainly due to the significant improvement in the budget surplus to GDP ratio and debt to GDP ratio, demonstrating Taiwan's fiscal resilience. The outstanding debt is projected to be 32% of the 3-year-average GDP. It is below the 40.6% debt ceiling stipulated by Article 5 of the Public Debt Act and is 0.9 pp lower than that of 2021.

As for expenditure by function, Social Welfare expenditure of NT\$601.8 billion takes up the largest share of 26.6% ; Education, Science and Culture expenditure of NT\$456.1 billion takes the second place of 20.1%; Defense expenditure of NT\$354.7 billion takes the third of 15.7%; Economic Development expenditure of NT\$260.7 billion takes the fourth of 11.5%.

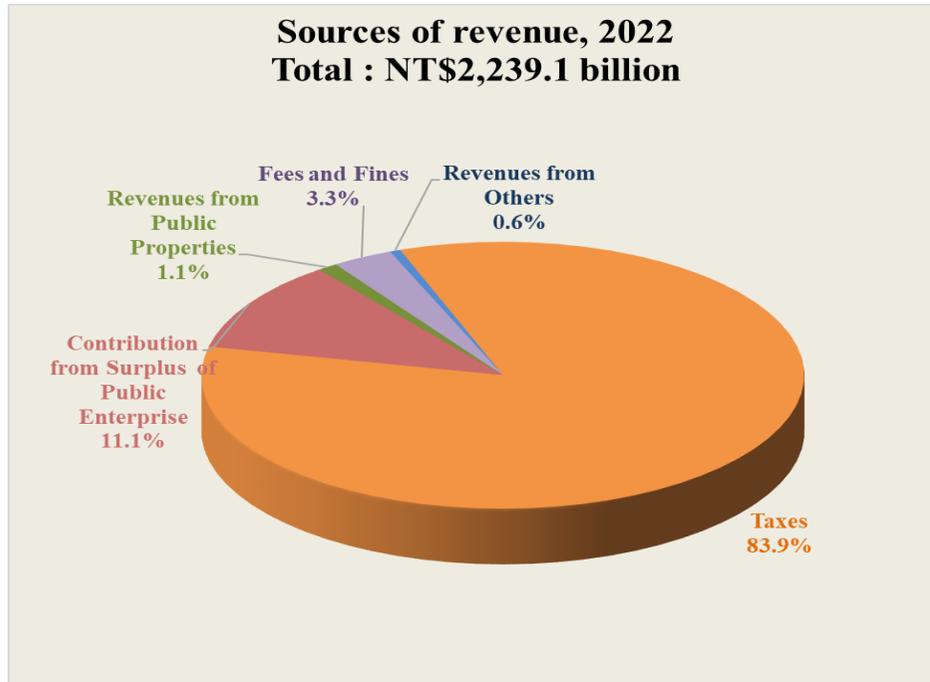
The expenditure increases of NT\$126.2 billion is mainly attributable to:

- (1) An increase of NT\$43 billion in Social Welfare expenditure, mainly due to the policy countering declining birth rates, higher government contributions to the Labor Insurance Fund, and prevention for COVID-19.
- (2) An increase of NT\$36.9 billion in Education, Science and Culture expenditure, mainly due to the policy countering declining birth rates, Science Research Project, and R&D in military material.
- (3) An increase of NT\$13.4 billion in Subsidies and Others, mainly due to higher subsidy to local governments.
- (4) An increase of NT\$12.9 billion in Economic Development expenditure, mainly due to increases of government contributions to Sustainable Development Fund, the Fund of Redressing Damage to Farmers by Agricultural Import, and the spendings on infrastructures.

The government predicts that the GDP in 2022 will reach NT\$22.5 trillion, equivalent to US\$808.3 billion; the GDP per capita will reach US\$34,523 and the economic growth will be 3.7%. Meanwhile, domestic prices maintain stable, with a moderate CPI inflation of 0.9%. All these indicators demonstrate that the Budget has managed to pursue a balance between economic development and fiscal soundness under the severe challenge of the pandemic.

# Analysis of Revenue and Expenditure

## 1.Revenue



## Composition and Changes of Revenue

NT\$ Billion

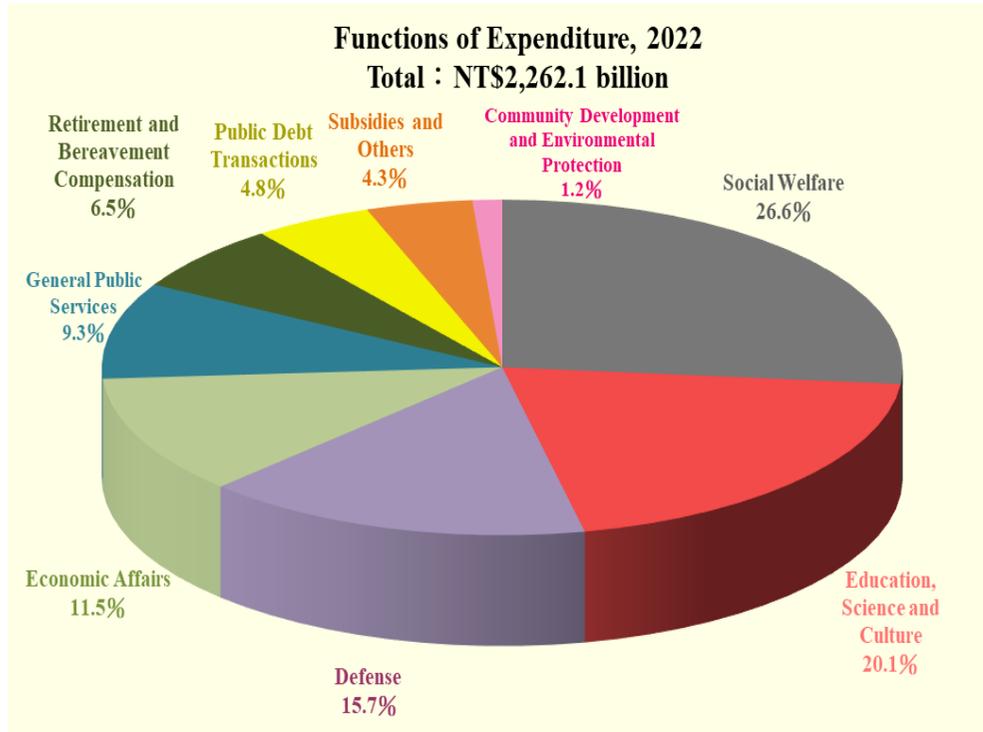
Item	2022		2021		Change	
	Amount	%	Amount	%	Amount	%
Total	2,239.1	100.0	2,053.4	100.0	185.7	9.0
1. Taxes	1,878.8	83.9	1,678.5	81.7	200.3	11.9
Income Taxes	1,098.2	49.0	974.9	47.5	123.3	12.6
Business Taxes	255.0	11.4	247.9	12.1	7.1	2.9
Commodity Taxes	165.2	7.4	160.6	7.8	4.6	2.9
Customs Duties	133.5	6.0	120.8	5.9	12.7	10.5
2. Contribution from Surplus of Public Enterprise	248.5	11.1	241.6	11.8	6.9	2.9
3. Fees and Fines	75.4	3.3	79.0	3.8	-3.6	-4.5
4. Revenues from Public Properties	23.8	1.1	32.2	1.6	-8.4	-25.8
5. Revenues from Others	12.6	0.6	22.1	1.1	-9.5	-43.1

Total revenue for 2022 is projected to be NT\$2,239.1 billion, NT\$185.7 billion (or 9%) higher than 2021, and is comprised of five major sources:

- (1) **Taxes.** 83.9% of revenue comes from taxes, which goes up from NT\$1,678.5 billion in 2021 to NT\$1,878.8 billion in 2022, an increase of NT\$200.3 billion (or 11.9%). The increase is mainly from higher Income Taxes of NT\$123.3 billion and Securities Transactions Taxes of NT\$48.9 billion.
- (2) **Contribution from Surplus of Public Enterprise.** 11.1% of revenue is contributed from the business special fund and equity investments, which goes up from NT\$241.6 billion in 2021 to NT\$248.5 billion in 2022, an increase of NT\$6.9 billion (or 2.9%). The increase is mainly due to higher contributions from Central Bank of NT\$9.8 billion.
- (3) **Fees and Fines.** 3.3% of revenue derives from fees and fines, which goes down from NT\$ 79 billion in 2021 to NT\$75.4 billion in 2022, a decrease of NT\$3.6 billion (or 4.5%). The decrease is mainly due to lower franchise revenues collected from frequency and integrated network businesses of NT\$1.4 billion.
- (4) **Revenue from Public Properties.** 1.1% of revenue stems from public properties, which goes down from NT\$ 32.2 billion in 2021 to NT\$23.8 billion in 2022, a decrease of NT\$8.4 billion (or 25.8%). The decrease is mainly from the drop in proceeds of public land sales of NT\$7 billion.
- (5) **Revenue from Others.** 0.6% of revenue comes from others, which goes down from NT\$22.1 billion in 2021 to NT\$12.6 billion in 2022, a decrease of NT\$9.5 billion (or 43.1%). The decrease is mainly due to

lower refunds of the Fund of Rebuilding Old Quarters for Military Dependents of NT\$7.6 billion.

## 2. Expenditure



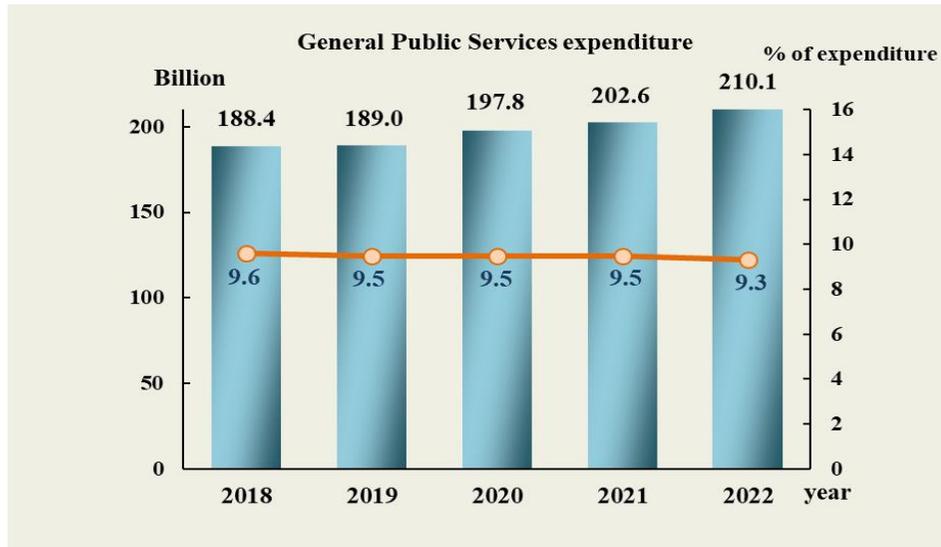
## Composition and changes of Expenditure

NT\$ Billion

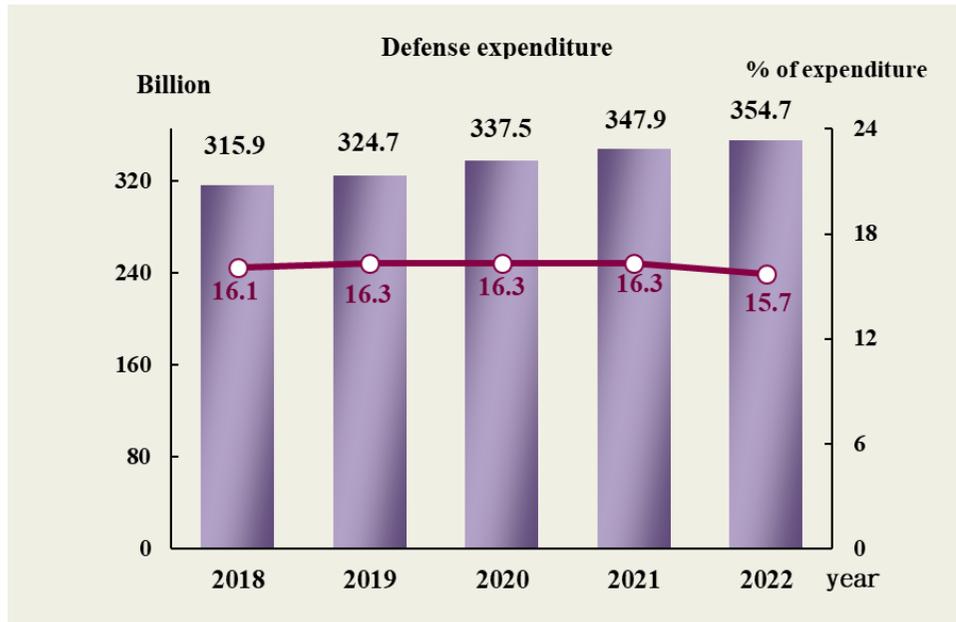
Item	2022		2021		Change	
	Amount	%	Amount	%	Amount	%
Total	2,262.1	100.0	2,135.9	100.0	126.2	5.9
1.General Public Services	210.1	9.3	202.6	9.5	7.5	3.7
2.Defense	354.7	15.7	347.9	16.3	6.8	2.0
3.Education, Science and Culture	456.1	20.1	419.2	19.6	36.9	8.8
4.Economic Affairs	260.7	11.5	247.8	11.6	12.9	5.2
5.Social Welfare	601.8	26.6	558.8	26.2	43.0	7.7
6.Community Development and Environmental Protection	27.4	1.2	21.1	1.0	6.3	29.6
7.Retirement and Bereavement Compensation	146.5	6.5	147.1	6.9	-0.6	-0.4
8.Public Debt Transactions	108.0	4.8	108.0	5.0	-	-
9.Subsidies and Others	96.8	4.3	83.4	3.9	13.4	16.0

The expenditure of 2022 is expected to be NT\$2,262.1 billion, NT\$126.2 billion (or 5.9%) higher than 2021. The composition and changes of expenditures by function are briefly presented as follows.

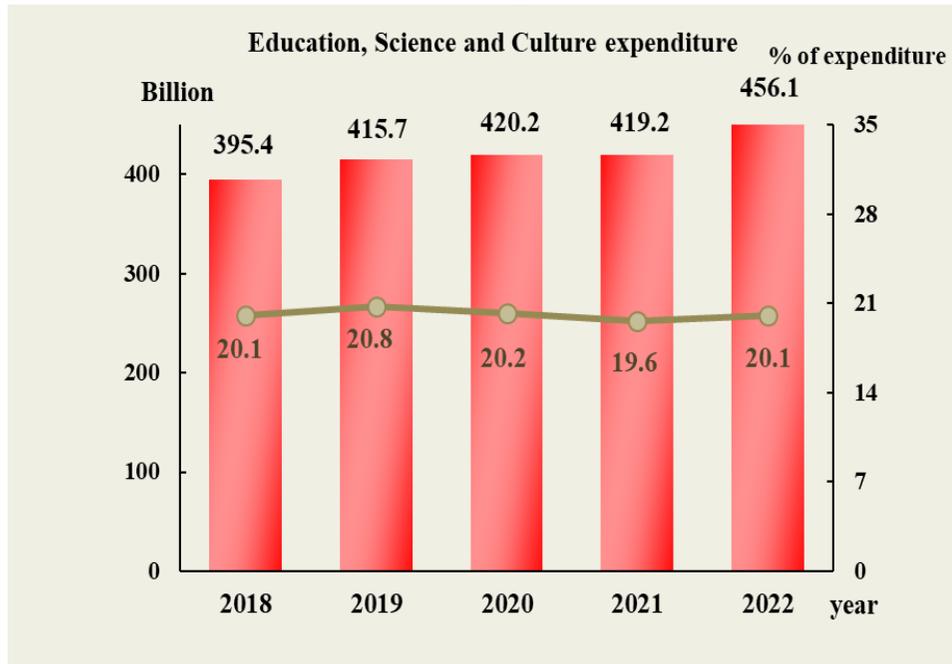
(1) General Public Services expenditure is expected to be NT\$210.1 billion (or 9.3% of total), NT\$7.5 billion (3.7%) higher than the 2021 level.



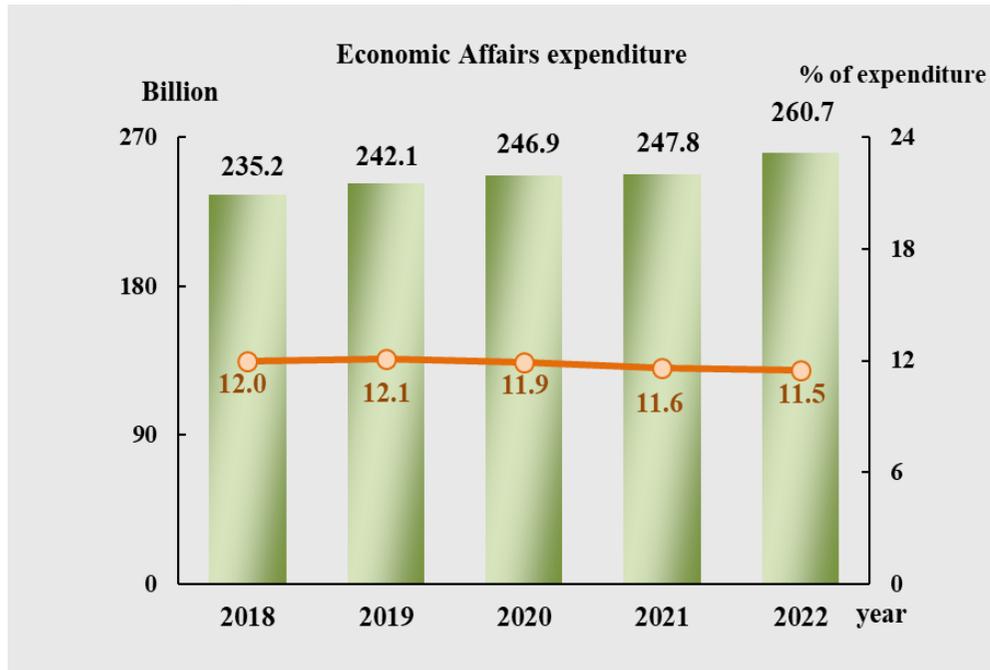
(2) Defense expenditure is expected to be NT\$354.7 billion (or 15.7% of total), NT\$6.8 billion (2%) higher than the 2021 level.



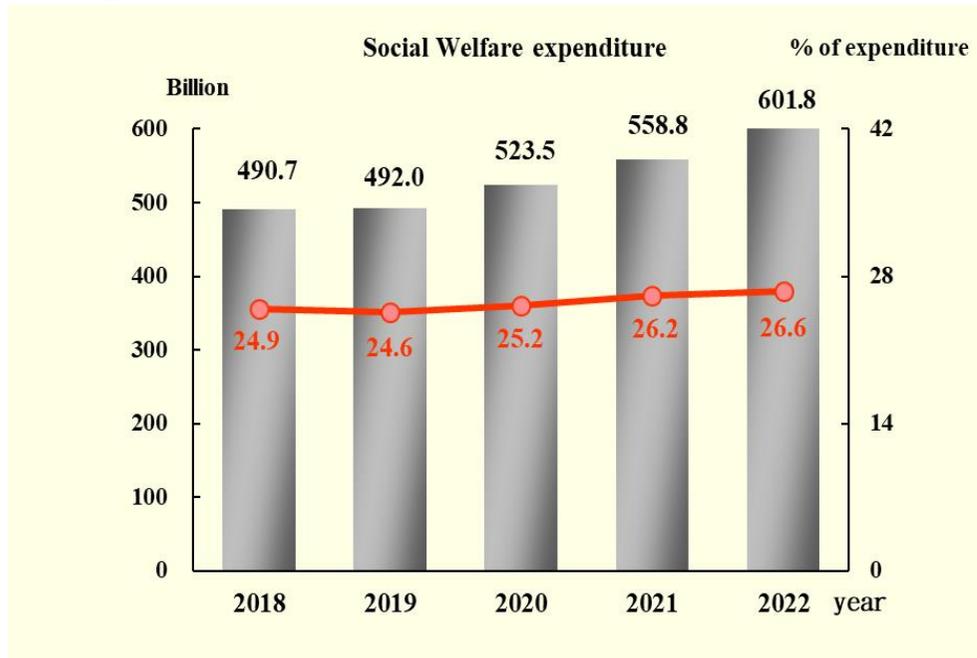
(3) Education, Science and Culture expenditure is expected to be NT\$456.1 billion (or 20.1% of total), NT\$36.9 billion (8.8%) higher than the 2021 level.



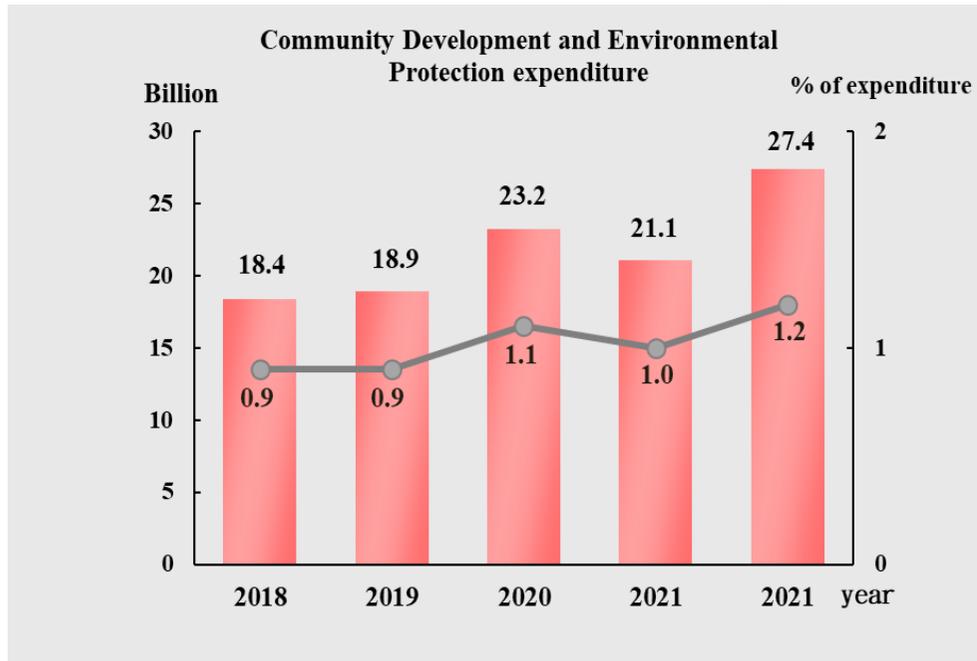
(4) Economic Affairs expenditure is expected to be NT\$260.7 billion (or 11.5% of total), NT\$12.9 billion (5.2%) higher than the 2021 level.



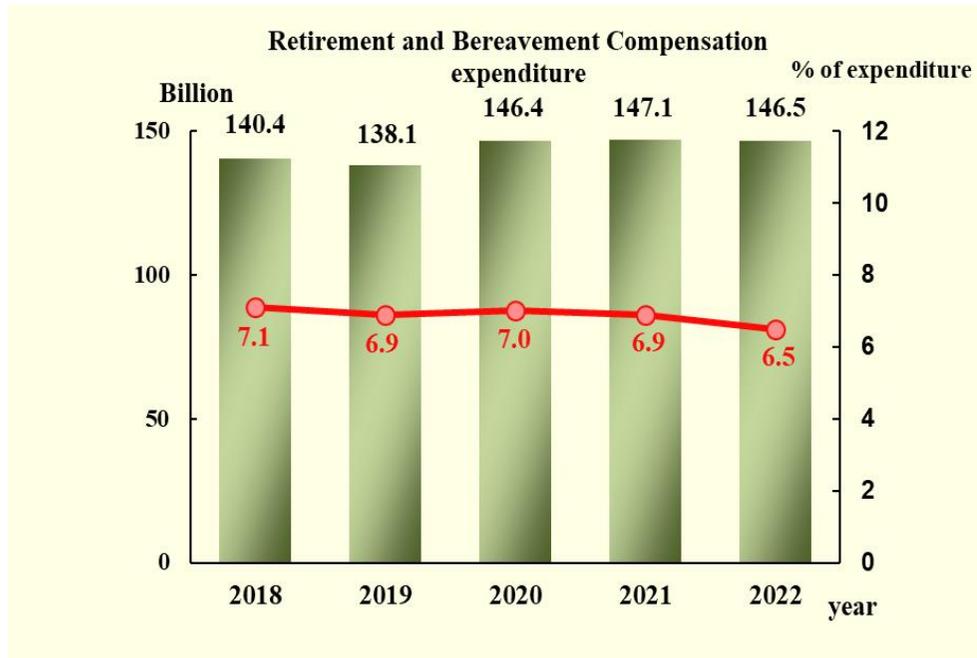
(5) Social Welfare expenditure is expected to be NT\$601.8 billion (or 26.6% of total), NT\$43 billion (7.7%) higher than the 2021 level.



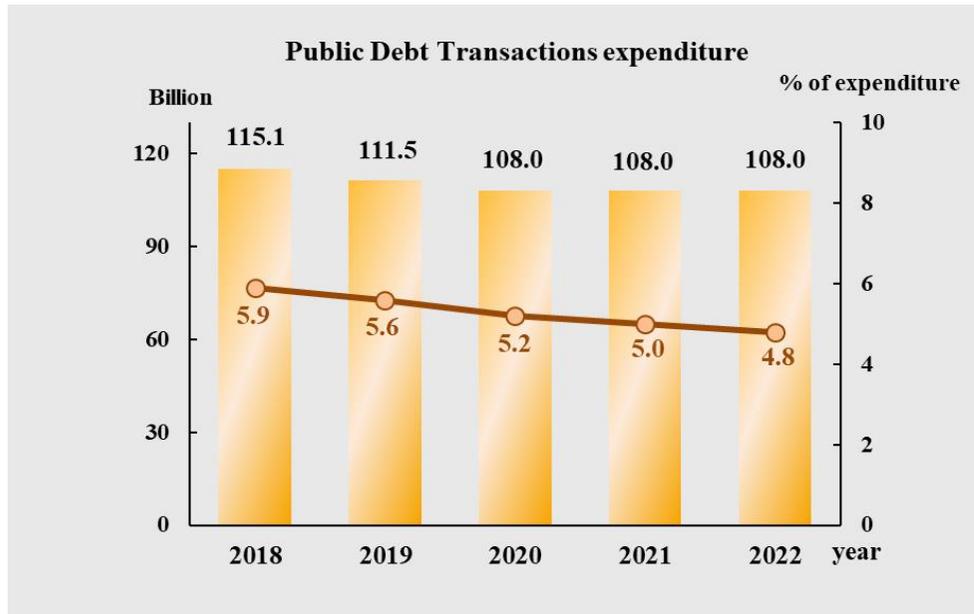
(6) Community Development and Environmental Protection expenditure is expected to be NT\$27.4 billion (or 1.2% of total), NT\$6.3 billion (29.6%) higher than the 2021 level.



(7) Retirement and Bereavement Compensation expenditure is expected to be NT\$146.5 billion (or 6.5% of total), NT\$0.6 billion (0.4%) lower than the 2021 level.



(8) Public Debt Transactions expenditure is expected to be NT\$108 billion (or 4.8% of total), the same level as that of 2021.



(9) Subsidies and Others expenditure is expected to be NT\$96.8 billion (or 4.3% of total), NT\$13.4 billion (16%) higher than the 2021 level.



### 3. Financing Need

#### Composition and Changes of Financing Need

NT\$ Billion

Item	2022	2021	Change
	Amount	Amount	Amount
1. Deficit	23.0	82.5	-59.5
2. Debt Repayment	96.0	85.0	11.0
3. Financing Need	119.0	167.5	-48.5
(1) Borrowing	69.0	167.5	-98.5
(2) Surplus from the Previous Years	50.0	-	50.0

The 2021 Budget is expected to result in a deficit of NT\$23 billion. Debt repayment is set at NT\$96 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\$119 billion, which will be financed through borrowing of NT\$ 69 billion and the surplus from the previous fiscal year of NT\$ 50 billion. After taking into account the

NT\$185.6 billion borrowing of special budget, the total financing need is expected to be NT\$254.6 billion. According to the Special Act for Prevention, Relief and Revitalization Measures for Severe Pneumonia with Novel Pathogens, the borrowing of COVID-19 special budget is excluded from the Public Debt Act regulation. The total net financing need is equivalent to 8.7% of the expenditure, lower than the 15% loan cap and is in compliance with the Fiscal Discipline Act.

At the end of 2020, the public debt incurred by the central government was NT\$5,537.4 billion. Taking into account the estimates of borrowings and debt repayments in the 2022 and 2021 budgets, the central government outstanding debt is projected to be NT\$6,419.7 billion at the end of 2022, which is 32% 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\$863.2 billion has been accumulated at the end of 2020.

## Composition of Public Debt

December 31, 2020

NT\$ Billion

Government Level	General Fund			Non-profit Special Fund			Total of Non Self-redeeming debt extending more than 1 year
	Extending more than 1 year		Maturing within 1 year	Extending more than 1 year		Maturing within 1 year	
	Self-redeeming	Non Self-redeeming		Self-redeeming	Non Self-redeeming		
Total	37.6	6,384.5	245.7	395.8	16.1	194.2	6,400.6
Central Government	-	5,537.4	125.0	184.9	-	190.7	5,537.4
Local Government	37.6	847.1	120.7	210.9	16.1	3.5	863.2

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 2020 Central Government Financial Statement, as of the end of June 2021, the actuarial present value of these future contingent obligations are estimated to be NT\$15,419.5 billion for the central government and NT\$2,795 billion for the local government, which total NT\$18,214.5 billion for all levels of government.

## Future Contingent Obligations

June 30, 2021

NT\$ Billion

Item	Total	Central Government	Local Government
Total	18,214.5	15,419.5	2,795
1. Unfunded Pension For Public Service (before 1995)	3,763.5	2,576.4	1,187.1
2. Public Service Pension Fund (after 1995)	2,726.7	1,134.4	1,592.3
3. Labor Insurance	10,708.7	10,708.7	
4. Civil Servant and Public School Faculty Insurance	94.1	94.1	
5. National Pension Insurance	789.3	789.3	
6. Military Personnel Insurance	38.4	38.4	
7. Farmer Health Insurance	78.2	78.2	
8. Arrears incurred by local governments in the overdue health insurance premium and preferential deposit interest for retirees of public service	15.6		15.6

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.