

Taiwan balance budget by 2010

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- “Budget balanced by 2010”
- How? Raise **tax burden** – the ratio of tax revenue to GDP – to 15% from 13.8% in 2006
- OECD tax burden is more than 20%
- Tax reforms — **minimum corporate tax** of 10 to 12% and a minimum tax of 20% for wealthy individuals

Future reforms

- Adjust the level of inheritance and gift taxes, but ...
- shelving a plan to raise value-added tax
- A divided Taiwan parliament had put off a decision on the government's budget for this year until March
- Economists generally thought that it is tough to balance the budget by 2011

Good signs?

- Budget deficit as a percentage of GDP had been falling
- Public debt only 33% of GDP (not high)
- Much bigger problem: structure of financial sector and the performance of weak banks