

How best to use excess taxes

Written by Taipei Times Editorial
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In her New Year's Day speech, President Tsai Ing-wen (蔡英文) said she had instructed the Executive Yuan to propose measures that would allow low-income people to benefit from the nation's economic growth, as the economy has steadily risen over the past two years and tax revenues have exceeded government targets.

"This is just like a profitable company, which should make it a priority to share those profits with its employees, and a nation should do likewise," Tsai said on Tuesday during her first-ever New Year's Day address.

The idea immediately drew criticism from the Chinese Nationalist Party (KMT) legislative caucus, which labeled it a politically motivated move designed to help Tsai's 2020 re-election bid.

Any attempt by the DPP administration to shore up voter support before the next elections — especially after the party's big losses in the Nov. 24 nine-in-one elections — and help low-income households as the economy seems to be slowing would doubtless be interpreted as political maneuvering, but redistributing wealth is better done later than never — as long as it truly benefits the needy.

However, two issues need to be addressed before Tsai's idea is implemented: First, extra tax revenue does not necessarily translate into a fiscal surplus. Second, before higher-than-expected tax revenue can be passed on to low-income people, the government must clearly define who is eligible and how the money would be accessed.

Although excess tax revenue totaled NT\$365.2 billion (US\$11.83 billion at the current exchange rate) from 2014 to 2017, according to Ministry of Finance statistics, the central government's balance sheet continues to show a deficit. National debt reached NT\$5.3 trillion as of November last year and would total NT\$22 trillion if the government's NT\$17 trillion in unfunded liabilities — including public and military retirement pensions, national health and labor insurance programs, and road subsidies — were counted.

Even though a local tax reform alliance has over the past two years been calling on the

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government to return tax money to the public, excess taxes are not truly excess, but a discrepancy between actual tax revenue and the budgeted revenue estimated by the government.

The higher-than-expected revenue should prompt the government to reflect on its errors, understand how the discrepancy happened and correct future tax revenue estimates. The government should prioritize using any excess tax revenue to pay off public debt, rather than returning tax money to low-income people. Paying down debts would provide the nation with an extra cushion for external risks.

The idea of redistributing excess tax money to Taiwanese is still in the discussion phase, Executive Yuan spokeswoman Kolas Yotaka said last week, but local media reports have speculated that the government is mulling the possibility of distributing “red envelopes” to the needy.

Giving money to the needy raises the question of whether a one-time handout or a subsidy program, as part of the central government’s budget, would best address the perennial financial problems of low-income earners.

Helping the disadvantaged and people with a low income should not simply be a spontaneous government campaign. Any plan to lighten the economic burden on low-income earners is welcomed, but the government must be prudent in its approach.

The government might also consider whether excess tax revenues could be rerouted to fund long-term care services, used to help small and medium businesses or directed to rural and remote areas so that their wealth gap with urban areas could be narrowed.

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