

## More accurate tax estimates needed

By Chen Ting-an 陳聽安 and Joe Chen 陳國樑 /

Fri, Apr 27, 2018 - Page 8

On Feb. 4, a petition was submitted on the Public Policy Participation Network Platform, urging the government to refund excess taxes to the public. As a sufficient number of signatures were gathered in only three weeks, the petition became a formal proposal that the government had to respond to by Wednesday, although that date was later extended until June 25.

It was reported that the Executive Yuan held a coordination conference at the Ministry of Finance's Fiscal Information Agency on Friday last week, at which experts and academics were invited to help clarify the dispute.

The proposal asks the central government to refund excess tax revenue collected between 2014 and last year in the form of a one-time payment of NT\$22,000 (US\$741) per capita, which would cost a total of more than NT\$500 billion.

However, following the logic of the person proposing the tax refund, there should not be a one-time fixed refund of NT\$22,000 per person; rather every person should make a one-time fixed additional tax payment of NT\$15,000.

According to data from the National Treasury Administration's Debt Management Division, the central government's outstanding debt with a maturity of one year or longer rose from NT\$5.1466 trillion in 2013 (final audit account) to NT\$5.4996 trillion in last year's budget, an increase of NT\$353 billion.

The increased outstanding debt implies that the government has used up not only the more than NT\$500 billion excess tax revenue that the proposal claims the government has collected, but also all other tax revenue, non-tax revenue and the revenue from surpluses of public enterprises collected during the four-year period.

Yet, the total sum of these revenues did not make ends meet, as the government had to borrow another NT\$353 billion by issuing bonds.

If "excess taxes" have been collected and should be refunded to taxpayers, then government budget deficits that have been financed by bond issuance should also be paid by the general public as the budget serves the public.

How can we rob future generations like this?

Dividing the total increase in outstanding debt of NT\$353 billion by the total population of 23 million would mean every Taiwanese, regardless of age, should pay an additional one-time tax payment of NT\$15,000.

Once we understand the crux of the issue, we can see that the premise for the idea that excess tax revenue should be returned to the public is that there must be a tax surplus and is not a matter of whether excess taxes have been collected.

If there is fiscal surplus, that means that the annual revenues exceed annual expenditures. The money that has not been spent should of course be "returned" to the public, although deciding how to return it also requires some care and caution.

When implementing policies, the government relies on its budget. If annual revenues exceed annual expenditures, there is room for more policies to be implemented. By adding supplementary or special budgets, the surplus could be spent on necessities, such as social or economic development or paying outstanding debts so that future generations do not have to worry about them.

It could also be redistributed to low and lower-middle income groups to achieve the greatest social welfare benefit.

If nothing is done, tax collection will lose its legitimacy, but if taxes are to be refunded to taxpayers, it should not be a fixed refund per person.

Taiwanese should not want a situation in which there are demands for tax refunds every year despite fiscal difficulties, nor should they want the executive branch to muddle along year after year without improving.

Here are a few suggestions for how to deal with the situation.

First, people should stop using the phrase "excessive tax collection" to avoid misunderstanding and confusion.

Second, tax revenues should be estimated based on tax ranges, while the national budget should be planned based on the medians of these tax ranges.

Third, tax revenue estimates should be discussed by the ministry and the Directorate-General of Budget, Accounting and Statistics.

Fourth, when real tax revenues exceed budgeted revenue, administrative responsibility should be assigned for underestimating tax revenue to correct the mindset of the governmental finance and accounting bodies in charge of making such estimates.

Fifth, the government should recruit more staff and set up more equipment for the Legislative Yuan's Budget Center, enabling it to conduct independent estimates of national tax revenues.

Sixth, the government should encourage academic institutions and non-governmental think tanks to conduct tax revenue estimates.

Seventh, the Budget Act (預算法) should be amended so that when annual expenditures are greater than annual revenues and tax revenues exceed estimates, the total balance is redistributed to a fund specifically set up to pay off public debt.

By paying more attention to the discrepancy between tax revenues and the government's budgets, there would be fewer calls for tax refunds based on misunderstandings, and public distrust in the ministry's "improper use" of "excessive tax collection" would also subside.

*Chen Ting-an is an emeritus professor at National Chengchi University. Joe Chen is an associate professor at the school's public finance department.*

Translated by Chang Ho-ming

**Published on Taipei Times :**

<http://www.taipeitimes.com/News/editorials/archives/2018/04/27/2003692065>

Copyright © 1999-2018 [The Taipei Times](#). All rights reserved.