Fiscal Reform Recommendations for the New Government

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The 16th President of the Republic of China (Taiwan) is scheduled to officially announce inauguration on May 20, 2024, and lead the new administration in implementing reforms to promote Taiwan's socio-economic development and national progress. Recognizing that "Public finance is the foundation of governance," it is essential not only to grasp the pulse of public sentiment for reform but also to meticulously respect professional expertise and solicit diverse opinions during the execution process.

By ensuring that our tax system remains progressive and adaptive, we can strive for continuous improvement. Constructing a fiscally disciplined, stable, and sustainable foundation is crucial for empowering various government agencies with robust logistical resources. This, in turn, will facilitate economic development, enhance public welfare, promote social equity, and safeguard national security. To this end, we propose four focused objectives for the new government's "fiscal reform":

1. **Promptly Convene a National Fiscal Reform Commission:** Given that Taiwan's last major systemic tax reform occurred over 15 years ago, it is imperative to establish an independent body, led by experts, to comprehensively review and adjust our tax system. This review should adapt to changes in society, economy, industry, and population structure.
2. **Reaffirm Fiscal Discipline as the Cornerstone of National Stability:** Fiscal discipline is central to sustainable development. We should minimize the normalization of special budgets unless necessitated by specific circumstances (such as national defense, economic crises, or major disasters). Additionally, leveraging big data for tax revenue forecasting and modifying budgetary laws can mitigate the technical challenges associated with tax estimation.
3. **Revise Outdated Tax Provisions:** Our tax system must keep pace

with evolving trends. Urgent reforms are needed to address outdated tax content or exemptions. Scientific data should guide policy adjustments, especially concerning the Global Minimum Tax (GMT) framework led by the OECD. Early preparation for potential Top-up Tax requirements will reduce the operational risks faced by businesses and prevent tax incentives from becoming mere rhetoric.

4. **Address Income Inequality and Facilitate Wealth Mobility:** Taiwan's income and wealth disparities remain significant. High-income individuals disproportionately benefit from capital gains. To promote fairness, we should implement policy tools that provide tax advantages to middle- and low-income earners, encouraging economic value sharing.

In addition to reviewing inflexible tax structures, the government should not solely rely on traditional tax incentives. Instead, we must explore multifaceted approaches, interdepartmental collaboration, and solutions that address societal needs while narrowing the wealth gap. Let us prioritize policies that empower our nation and its people.