Content

Title：	The Public Debt Act Ch
Date：	2013.07.10
Legislative：	1.Full text of thirteen Articles established and promulgated per the Order of President-Hua-Zong-Tze No. 10200131131 issued on July 10, 2013. 2.Full text of twelve Articles established and promulgated per the Order of President-Hua-Zong-Tze No. 8500014000 issued on January 17, 1996. 3.Article 4 amended and promulgated per the Order of President-Hua-Zong-(1)-Yi-Tze No. 8700112950 issued on June 10,1998. 4.Article 1, Article 2, Article 3, Article 4, Article 5, Article 6, Article 7, Article 8,Article 10, Article 11 and Article 12 amendedand promulgated per the Order of President-Hua-Zong-1-Yi-Tze No. 09100023620 issued on February 6, 2002.
Content：	

Article 1

This Act is specifically enacted to maintain the integrity of national finance, support national development needs, and regulate the public debt of the central government, special municipalities, counties (and county-level cities), and townships (and township-level cities).

Article 2ò ò

The competent authorities for public debt administration shall be the Ministry of Finance at the level of central government; the municipal government at the level of special municipality; the county (or county-level city) government at the level of county (or county-level city); and the township office at the level of township (or township-level city).

Article 3

The supervisory authorities for public debt shall be as follows:

1. The Executive Yuan shall supervise the public debt of special municipalities and counties (and county-level cities).

2. The county governments shall supervise the public debt of townships (and township-level cities) under their respective authority.

Article 4

The term "public debt" as used in this Act means the following forms of debt incurred by the central government, special municipalities, counties (and county-level cities), and townships (and township-level cities) in support of covering the expenditure on public affairs:

1. Central government bonds, treasury bills, domestic or foreign loans, and guaranteed liabilities.

2. Special municipality, county (or county-level city) government bonds, bills, and domestic or foreign loans.

3. Township (or township-level city) domestic or foreign loans.

The term " loans " as used in this Act means funds borrowed by the central government, special municipalities, counties (and county-level cities), and townships (and township-level cities) from a domestic or foreign source on a long-term or short-term basis, and funds borrowed by the same that are overdrawn or rescheduled. The term "loan cap" means debt incurred to make up the difference between the annual revenue and annual expenditure for a given fiscal year, and newly incurred debt under a Debt Service Fund other than new borrowings to roll over maturing debt under the same Fund.

Except as otherwise provided by law, public debt incurred by each level of government shall be for the purpose of financing capital expenditures.

The central government's debt under paragraph 1 does not include the debt incurred by the Central Bank for the purpose of monetary regulation and maintaining financial stability.

Special municipalities under this Act include counties to which the provisions for special municipalities apply mutatis mutandis as provided in Article 4, paragraph 2 of the Local Government Act.

Article 5

When aggregated, the forecasted amounts of outstanding public debt with a maturity of 1 year or more incurred by the central government, special municipalities, counties (and county-level cities), and townships (and township-level cities) under their respective general budgets, special budgets, and budgets allocated for the special funds other than enterprise funds and trust funds, may not exceed 50 percent of the average of nominal Gross Domestic Product (GDP) for the previous 3 fiscal years as published by the Directorate General of Budget, Accounting and Statistics (DGBAS) of the Executive Yuan; the distribution of the percentage shall be as follows:

1. For the central government it shall be 40.6 percent.

2. For special municipalities it shall be 7.65 percent.

3. For counties (and county-level cities) it shall be 1.63 percent.

4. For townships (and township-level cities) it shall be 0.12 percent.

The ratio of the forecasted amount of outstanding public debt with a maturity of 1 year or more incurred by a special municipality under subparagraph 2 of the preceding paragraph, less its forecasted amount of outstanding public debt as of 31 December 2012, to the average of nominal GDP for the previous 3 fiscal years may not exceed the combined total calculated under the following two subparagraphs:

1. : 0.62 percent; : 0.15 percent; : 0.15 percent; : 0.10 percent; : 0.10 percent; and : 0.10 percent.

2. The percentage distributable to that special municipality calculated on the basis of the weighted average ratio of self-financing resources to its annual revenue for the previous 3 fiscal years.

For individual special municipalities, the percentage distributable under subparagraph 2 of the preceding paragraph, and the ratio of the aggregated amounts of outstanding public debt with a maturity of 1 year or more that are eligible for borrowing before and after the 27 June 2013 amendment to this Article enters into force to the average of nominal GDP for the previous 3 fiscal years, shall be publicly announced every year by the Ministry of Finance.

The ratio of the forecasted amount of outstanding public debt with a maturity of 1 year or more incurred by a county (or county-level city) and a township (or township-level city) to the sum of annual expenditures under the general budget and the special budget of that county (or county-level city) and that township (or township-level city) may not exceed 50 percent and 25 percent, respectively.

The forecasted amounts of outstanding public debt referred to in the preceding four paragraphs do not include self-redeeming public debt that has been deliberated, reviewed, and approved by the Public Debt Administration Committee and then taken on by the central government, special municipalities, counties (and county-level cities), and townships (and township-level cities). However, when the source of the funding of the self-redeeming debt ceases to be available, the resulting debt shall be included in the forecasted outstanding public debt. In addition, each level of government shall fully disclose the amounts it intends to draw down for financing purposes from the various funds it has established.

The "self-redeeming public debt" referred to in the preceding paragraph means debt to be repaid with funds derived from operations in the future, or by way of specially allocated funding sources.

Where the central government is concerned, the loan cap set for the general budget and the special budget for a fiscal year may not exceed 15 percent of the sum of annual expenditures under the general budget and the special budget.

Where a special municipality, county (or county-level city), or township (or township-level city) is concerned, the loan cap set for the general budget and the special budget for a fiscal year may not exceed the combined total under the following two subparagraphs:

1. The average of the 15 percent of the sum of annual expenditures under the general budget and the special budget for each of the previous 2 fiscal years.

2. The figure obtained by multiplying the average under the preceding subparagraph by the average growth in the final accounts of self-financing resources for each of the previous 3 fiscal years.

Within 5 years from the time the 27 June 2013 amendment to this Act enters into force, the loan cap for a fiscal year applicable to a special municipality integrated or upgraded to the status of special municipality after 25 December 2010 may not exceed 20 percent of the sum of annual expenditures under the general budget and the special budget of that special municipality, and is not subject to the restrictions of the preceding paragraph.

With respect to the outstanding public debt with a maturity of less than 1 year incurred by the central government, special municipalities, counties (and county-level cities), and townships (and township-level cities) for purposes of balancing their treasury revenues and expenditures, the unsettled amount of such debt, where the central government is concerned, may not exceed 15 percent of the sum of annual expenditures under its general budget and special budget for the current fiscal year; where a special municipality, county (or county-level city), or township (or township-level city) is concerned may not exceed 30 percent of the sum of annual expenditures under its general budget and special budget for the current fiscal year.

When the public debt incurred by the central government, a special municipality, a county (or county-level city), or a township (or township-level city) exceeds the applicable loan cap set out in this Article, further borrowing shall not be approved until compliance with the loan cap has been restored.

Regulations governing the organization and operation regulations of the Public Debt Administration Committee shall be formulated by the central competent authority and filed with the Executive Yuan for review and approval.

Article 6

When the forecasted amount of outstanding public debt with a maturity of 1 year or more incurred by the central government, a special municipality, a county (or county-level city), or a township (or township-level city) reaches 90 percent of the loan cap set in paragraphs 1, 3, and 4, respectively of the preceding Article, in the case of the central

government, it shall draw up a debt improvement plan and an implementation schedule for that plan and submit them to the Legislative Yuan for review; in the case of a special municipality, county (or county-level city), or township (or township-level city), the debt improvement plan and implementation schedule shall be submitted to the Debt Administration Committee for deliberation and approval, and then to the supervisory authority for public debt for review.

In the debt improvement plan and implementation schedule proposed by the central government, special municipality, county (or county-level city), and township (or township-level city), newly incurred public debt taken on by the central government may not exceed the loan cap for the previous fiscal year without prior approval from the Legislative Yuan. The same restriction applies to a special municipality, county (and county-level city), and township (and township-level city) if without prior approval from the supervisory authority for public debt.

Article 7

Following approval from the Executive Yuan, the Ministry of Finance may dispatch personnel to audit the public debt of the special municipalities and counties (and county-level cities).

A county government may dispatch personnel to audit the public debt of the townships (and township-level cities) under its authority.

Article 8

When there is likelihood that a special municipality or county (or county-level city) will be unable to meet its debt service obligations, the Ministry of Finance may report to the Executive Yuan to impose restrictions on or suspend the borrowing of the special municipality or county (or county-level city).

When there is likelihood that a township (or township-level city) will be unable to perform its debt service obligations, the county government may

impose restrictions on or suspend the borrowing of the township (or township-level city).

Article 9

When any of the circumstances listed below applies to the central government, a special municipality, a county (or county-level city), or a township (or township-level city), with the exception of the central government, which is to be supervised by the Control Yuan as required by law, the supervisory authority for public debt shall order correction or repayment within a certain period of time. If correction or repayment is not made within the prescribed time period, the supervisory authority for public debt may, in addition to reducing or suspending distribution of the centrally-funded tax revenues to the violating government, refer the Minister of Finance, or the mayor of the special municipality, county (or county-level city), or township (or township-level city), as the case may be, for disciplinary proceedings:

1. Engagement in over-borrowing in violation of Article 5, paragraph 1, subparagraph 1, or paragraph 3, 4, 7, 8, 9, or 10 of the same article.

2. Continuation of the taking on of debt in violation of an order of restriction on or suspension of borrowing under the preceding Article.

3. Failure to allocate funds in its budget for debt repayment pursuant to the debt service coverage ratio set out in Article 12, paragraph 1.

After the 27 June 2013 amendment to this Act enters into force, a violator of Article 5, paragraph 1, subparagraph 1, or paragraph 3, 4, 7, 8, 9, or 10 of the same Article will be exempted from the restrictions and dispositions under the preceding paragraph, provided that there is no increase in the accumulated outstanding public debt.

Article 10

A competent authority for public debt administration shall prepare a monthly public debt statement and file the statement with its supervisory authority for recordation, and shall also disclose the information relevant to public debt in its government's final accounts report. Matters to be disclosed in the final accounts reports shall be prescribed and publicly

announced by the Ministry of Finance.

When filing its final accounts report with the competent auditing authority, a municipal government and a county (or county-level city) government shall also submit to the Ministry of Finance the information relevant to public debt as disclosed in the final accounts report referred to in the preceding paragraph. In addition, the county government shall, within 1 month after the townships (and township-level cities) under its authority have filed their final accounts reports with the legislative body, compile the information relevant to public debt as disclosed in those final accounts reports and submit the compiled information to the Ministry of Finance.

When the competent auditing authority files with the legislative body an audit report on final accounts, the municipal government and the county (or county-level city) government shall also submit to the Ministry of Finance the information relevant to public debt as disclosed in the audit report.

The Ministry of Finance shall compile the information relevant to public debt incurred by the central government, special municipalities, counties (and county-level cities), and townships (and township-level cities) and publish the compiled information in the government gazette; the Ministry shall also disclose on the governmental website the aforementioned information and the public debt information prepared in accordance with the standards of international organizations.

Article 11

To step up debt management and improve the efficiency of financial allocation, the central government and special municipalities may respectively set up a Debt Service Fund to handle fund raising, repayment of maturing debts, repayment of debts early in part or in full, conversion of high-interest debts to low-interest debts, and deal with other matters relevant to financial operations.

The sources of funds for the Debt Service Fund referred to in the preceding paragraph are as follows:

1. Funds allocated in the general budget and the special budget every year for repayment of debt.

2. Principal and interest set aside to recall bonds that have past the statutory deadline for redemption.

3. Interest and operating income generated from the Debt Service Fund.

4. Other relevant income.

To meet the need for principal repayment or debt exchange, the Debt Service Fund may, on the precondition that there will be no increase in the existing debt, raise funds in support of its operations by the issuance of government bonds, borrowing from financial institutions, and receiving funds on loan from the accounts of other special funds.

The Debt Service Fund referred to in paragraph 1 shall be used for the following purposes:

1. To repay the principal of outstanding debt.

2. To repay the principal, interest, and fees associated with the raising of funds under the preceding paragraph.

3. To cover administrative and general expenses.

4. To cover other relevant expenses.

The Debt Service Fund may be used to pay the interest on debt and related fees listed under the general budget and the special budget.

Article 12

For the purpose of stepping up debt management, the central government and special municipalities shall allocate at least 5 percent of tax revenues of the current fiscal year for repayment of principal on debt, and the counties (and county-level cities) and townships (and township-level cities) shall allocate at least 1 percent of the forecasted amount of outstanding public debt for the preceding fiscal year calculated pursuant to Article 5, paragraph 4 for repayment of principal on debt. If a portion

	of the principal repayment is to be covered by borrowing, that portion shall be counted toward the loan caps for a fiscal year as prescribed in Article 5, paragraphs 7 to 9.
	On the basis of close examination of the annual revenue collection, the central government, special municipalities, counties (and county-level cities), and townships (and township-level cities) may increase the amount of principal repayment in addition to the original amount allocated for the repayment of the principal in their respective budgets for the current fiscal year.
	Article 13 The date for enforcement of this Act shall be set by the Executive Yuan.

Data Source：Ministry of Finance, R.O.C. Laws and Regulations Retrieving System