Recent Trends and Filing Overview of the Individual Income Tax

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I. Introduction

Individual income tax is levied or withheld at source on individuals who derive income from Taiwanese sources. The adoption of a progressive tax rate structure aligns with the 'ability-to-pay' principle and serves to redistribute wealth. Tax revenues are driven not only by economic conditions but are also influenced by tax system reforms, including adjustments to tax brackets, tax-exempt allowances, deductions, and the implementation of the consolidated housing and land income tax.

In recent years, the government has been committed to reducing the tax burden on low-income taxpayers. In 2018, the Income Tax Reform Program was introduced, raising the standard deduction and several special deductions to achieve the policy objective of lowering tax burdens and enhancing public welfare. Meanwhile, demographic changes—including declining fertility, population aging, and evolving household composition—have altered both the number and age distribution of dependents, thereby affecting the applicability of personal exemptions and deductions. This article examines developments in individual income tax revenue over the past decade and further analyzes tax bases, tax rates, total deductions, and the characteristics of taxpayers using annual income tax return data. It also compares the changes observed before and after the implementation of the 2018 income tax reform.

II. Trends in Individual Income Tax Revenue

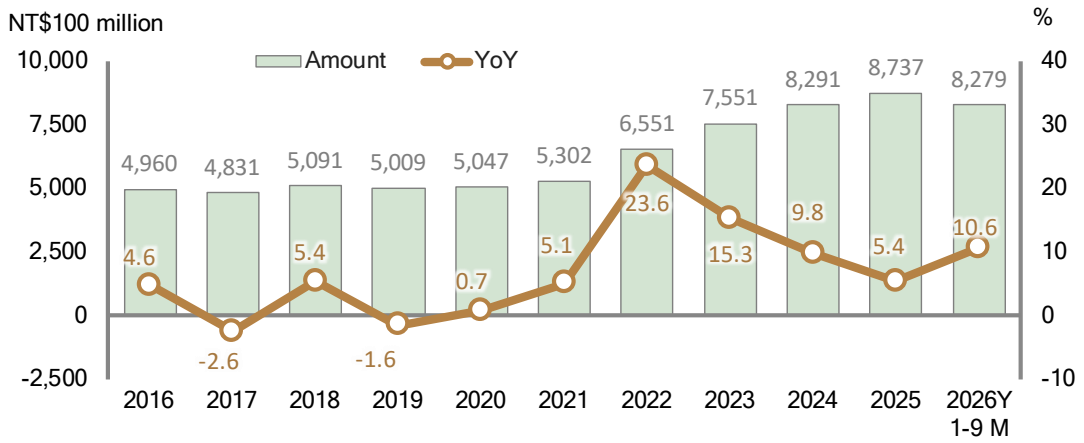
1. Individual income tax has consistently ranked among Taiwan's two largest sources of tax revenue, contributing more than 20% of total tax revenue

In recent years, individual income tax revenue has generally followed an upward trend, with two notable exceptions. In 2017, tax revenue declined due to disputes over royalty payments made by certain technology companies, which

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reduced royalty withholding tax collections. In 2019, revenue was affected by the implementation of the Income Tax Reform Program, which resulted in lower tax liabilities reported in annual tax returns and higher tax refunds. From 2021 to 2025, individual income tax revenue reached record highs for five consecutive years, driven primarily by rising wages, increased dividend distributions, and higher interest rates. Revenue reached NT$873.7 billion in 2025. Moreover, from 2022 to 2024, actual tax collections exceeded the budgeted amounts by more than NT$100 billion each year. Individual income tax has consistently accounted for more than one-fifth of total tax revenue. Over the past two decades, it has remained one of Taiwan's two largest sources of tax revenue, ranking second only to the profit-seeking enterprise income tax.

Figure 1. Net Individual Income Tax Revenue in Recent Years



2. Withholding tax at source makes up 60–70% of total individual income tax revenue, led primarily by dividends or earnings

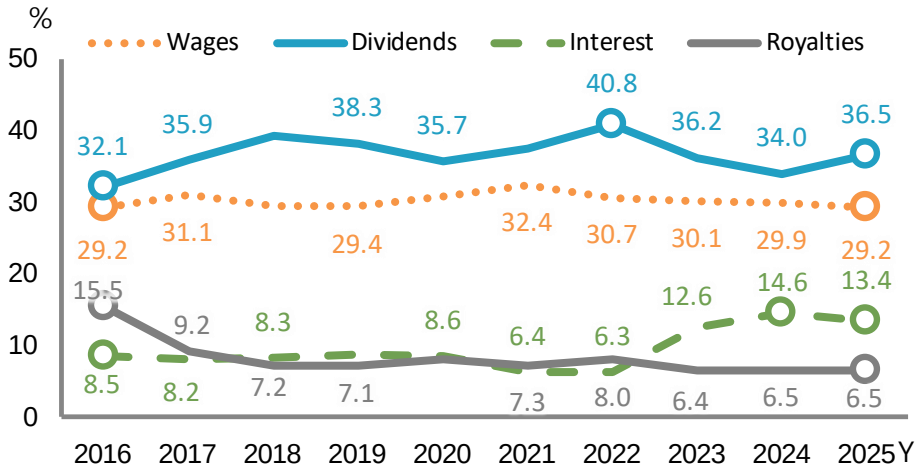
In Taiwan, individual income tax is primarily collected through three channels: withholding at source, tax payments made upon filing annual income tax returns, and tax payments on income derived from house and land transactions. Taxpayers whose annual household income exceeds the combined amount of exemptions and the standard deduction are required to file annual income tax returns. Consequently, annual tax return data also provide valuable information on taxpayers' income and filing characteristics.

Between 2016 and 2022, nearly 70% of individual income tax revenue was collected through withholding at source. Thereafter, the share declined to around 60%. In

2024, the withholding share fell further to 57.1%, mainly due to the implementation of the Controlled Foreign Corporation (CFC) rules in 2023, the robust housing market, both of which have led to an increased tax revenue from non-withholding sources. In 2025, the share recovered slightly to 62.1%.

In recent years, driven by increases in corporate profits and dividend distributions, withholding tax on dividends or earnings distributed to non-residents surpassed that on wages starting in 2015, reaching a record high of 40.8% in 2022, while the share of wage withholding declined to 29.2% by 2025. Over the past decade, interest withholding has largely ranked third; however, driven by successive interest rate hikes since 2022, its share has exceeded 10% over the past three years.

Figure 2. Shares of Withholding Tax Revenue by Major Income Type (%)



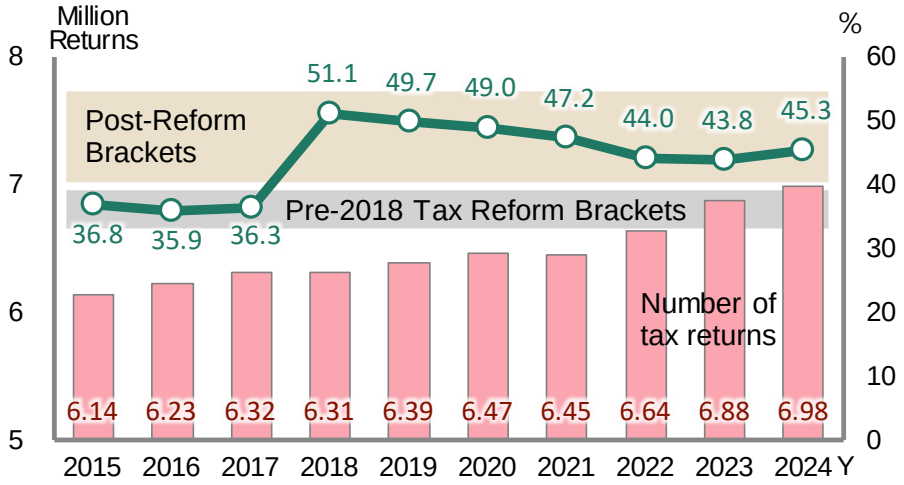
III. Tax Base and Tax Rates of Individual Income Tax

1. In 2024, tax-exempt filers accounted for 45% of all tax returns

In recent years, the number of individual income tax returns has generally grown steadily by 1% to 2% annually, except in 2018, when the implementation of tax reform measures led to a slight decline, and in 2021, when some taxpayers were unable to return to Taiwan due to the COVID-19 pandemic and consequently had their household registrations revoked. In 2022 and 2023, the number of returns increased by approximately 3% to 4%, driven by the restoration of household registration following the easing of the pandemic and the lowering of the legal age of majority under the Civil Code. In 2024, the total number of returns reached 6.98 million.

Before the 2018 tax reform, the share of tax-exempt filers (i.e. those with net taxable income equal to zero) remained below 40%. Following the reform, the share rose sharply to a peak of 51.1% in 2018. Thereafter, as income from dividends and interest increased, the share of tax-exempt filers declined and gradually stabilized. In 2024, tax-exempt filers accounted for 45.3% of all tax returns, meaning that approximately 3.17 million filing households had no individual income tax liability.

Figure 3. Number of Tax Returns and Share of Tax-Exempt Filers



Source: Statistics on Assessed Individual Income Tax Returns (tax year basis; 2024 figures are preliminary). Individual income tax data exclude tax-exempt income, separately taxed income (except dividends), and transfer income from the government or private sources. Accordingly, these data should not be interpreted as a direct measure of income inequality. This note applies to all subsequent figures and tables.

2. The highest income quintile accounted for 60% of gross income and contributed 97% of individual income tax payable

Employment income has consistently been the primary source of income over the years, accounting for about three-quarters of gross income in 2024, followed by dividend income. Together, the two sources account for nearly 90%. By income quintile, employment income accounted for 82% of gross income in the lowest income quintile, while dividend income represented nearly 20% of gross income in the highest income quintile, the largest share among all quintiles. Compared with 2019, both the highest- and lowest-income quintiles recorded a higher share of capital income, including dividends and interest, reflecting the strong stock market performance and higher interest rates in recent years. As a result, the share of employment income declined slightly in both quintiles.

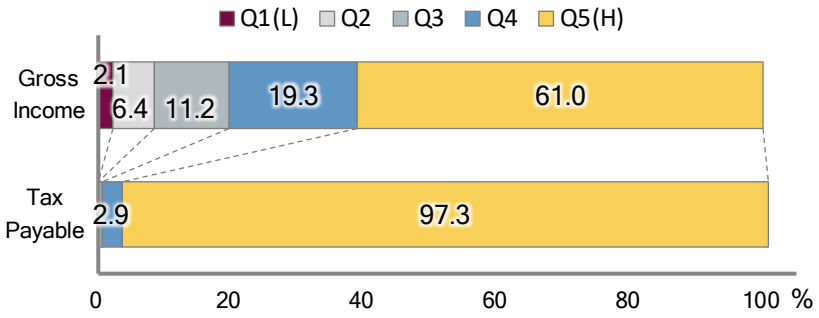
Figure 4. Share of Gross Income by Income Type and Income Quintile

Unit:%

Year	Quintile	Wages	Dividends	Interest
2019	Q1(L)	85.2	5.3	4.0
	Q5(H)	70.1	16.9	3.3
	Total	76.4	11.7	3.6
2024	Q1(L)	81.6	6.6	5.8
	Q5(H)	66.1	17.5	5.6
	Total	72.8	12.6	5.5

The top 20% income group accounted for 60% of gross income and contributed 97% of total individual income tax payable, while the remaining 80% of income groups combined account for less than 3% of the tax burden. This reflects the high reliance of individual income tax revenues on high-income groups, as well as the redistributive efficacy of the progressive tax system.

Figure 5. Structure of Gross Income and Tax Payable by Income Quintile, 2024



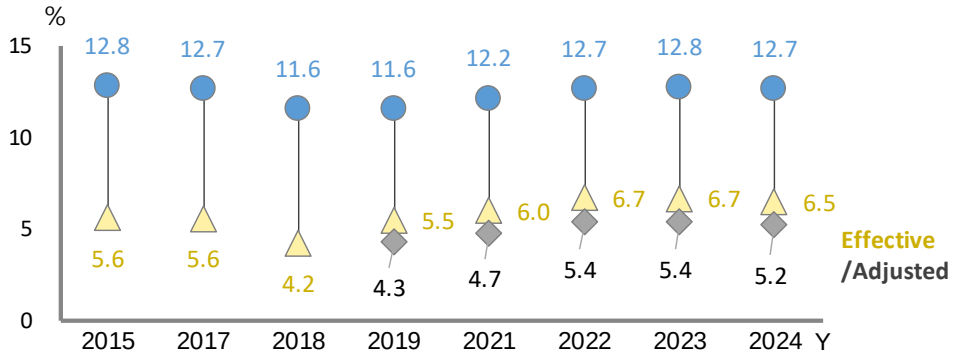
Explanation: Because tax payable is negative for the first and second income quintiles, the shares may total more than 100%.

3. Average tax rate stands at 11%–13% over the past decade, while effective tax rate halves to 4%–7%

Over the past decade, the average tax rate for individual income tax ranged between 11% and 13%. However, after taking into account exemptions and deductions, the effective tax rate was halved, ranging from 4% to 7%. Notably, in 2018, tax relief measures—including increases in standard/special deductions and the implementation of dividend tax credits—pushed the effective tax rate down to a record low of 4.2%, representing a decline of 1.4 percentage points from 2015. Beginning in 2019, taxpayers were allowed to deduct either the special deduction

for employment income or necessary employment-related expenses[1]. In addition, from 2021 to 2024, rising employment and dividend incomes moved more taxpayers into higher tax brackets, leading to an increase in the effective tax rate.

Figure 6. Average vs. Effective Tax Rates



Explanation: Average tax rate = Tax payable / Net income; Effective tax rate = Tax payable / Gross Income. Both include separately taxed dividends. Since 2018, the numerator excludes dividends tax credit.

IV. Overview of Total Deductions

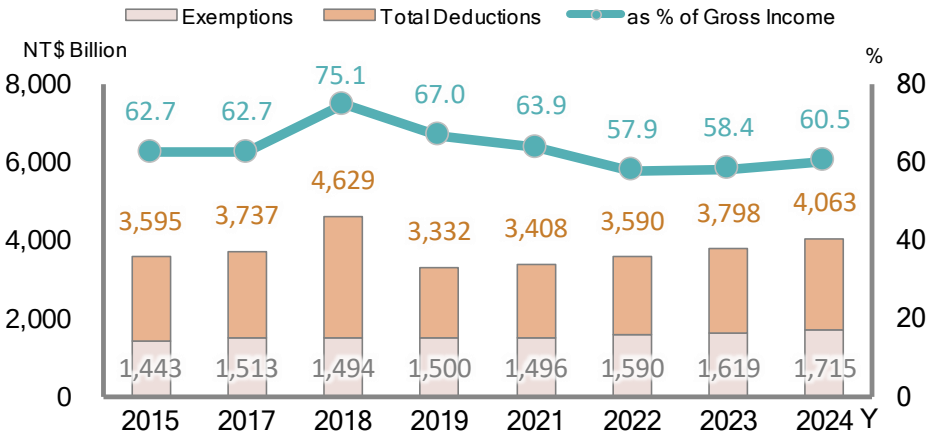
1. Total deductions maintain a moderate upward trend, accounting for around 60% of gross income in 2024

In 2018, the standard deduction was increased by NT$30,000, while the special deductions for employment income and disability were each raised by NT$72,000, and the special deduction for pre-school children was increased by NT$95,000. As a result, total deductions reached NT$4.6 trillion, up 23.9% from the previous year, accounting for a record high of 75% of gross income. Beginning in 2019, the special deduction for employment income or necessary employment-related expenses have been deducted directly in the calculation of employment income, resulting in a marked decline in total deductions. In 2024, total deductions amounted to NT$4.1 trillion, representing about 60% of gross income[2]. Regardless of the definition used before or after 2019, total deductions have maintained a steady upward trajectory, effectively easing taxpayers' overall tax burden.

[1] Employment income equals gross salary revenue minus necessary expenses, which reduces the gross income denominator compared to previous years. If calculated using the pre-2019 definition (where expenses were included in employment income), the adjusted effective tax rate from 2019 to 2024 ranges between 4.3% and 5.4%, which remains consistently lower than historical levels.

[2] If calculated using the pre-2019 baseline (incorporating special deduction for employment income or necessary employment-related expenses into total deductions), total deductions for 2019 through 2024 would range between NT$4.7 trillion and NT$5.7 trillion, accounting for 66.1% to 74.2% of gross income.

Figure 7. Exemptions & Deductions as % of Gross Income

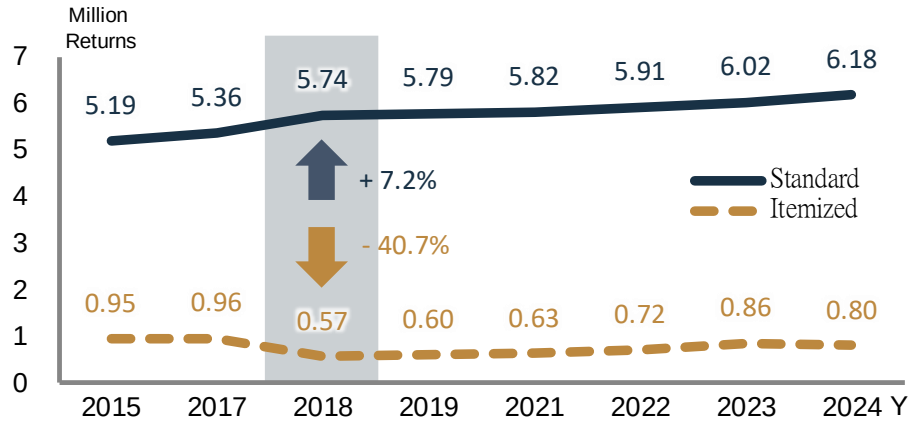


Explanation: Total Deductions = Exemptions + Deductions (General Deductions [Standard & Itemized] + Special Deductions).

2. Nearly 90% of tax return filers opt for the standard deduction; medical and maternity expenses account for the largest share of itemized deductions at nearly 30%

General deductions consist of the standard deduction and itemized deductions. Most taxpayers claimed the standard deduction. Following the substantial increase in the standard deduction in 2018, the number of tax returns claiming the standard deduction rose from 5.19 million (84% of all returns) in 2015 to 5.74 million (91%) in 2018. In 2024, 88.5% of all tax returns claimed the standard deduction. By income quintile, about 97% of taxpayers in the lowest income quintile claimed the standard deduction, compared with 67% in the highest income quintile.

Figure 8. Number of Tax Returns Claiming the Standard and Itemized Deductions



By itemized deduction category, total itemized deductions amounted to NT$295.4 billion in 2024, of which medical and maternity expenses accounted for the largest share at NT$86.5 billion, or 29% of the total. The composition of itemized deductions differed markedly across income groups. Among the lowest income quintile, medical and maternity expenses and mortgage interest accounted for about 70% of total itemized deductions. In contrast, among the highest income quintile, itemized deductions were concentrated in National Health Insurance (NHI) premiums and charitable donations.

Table 1. Share of Itemized Deductions by Category, 2024

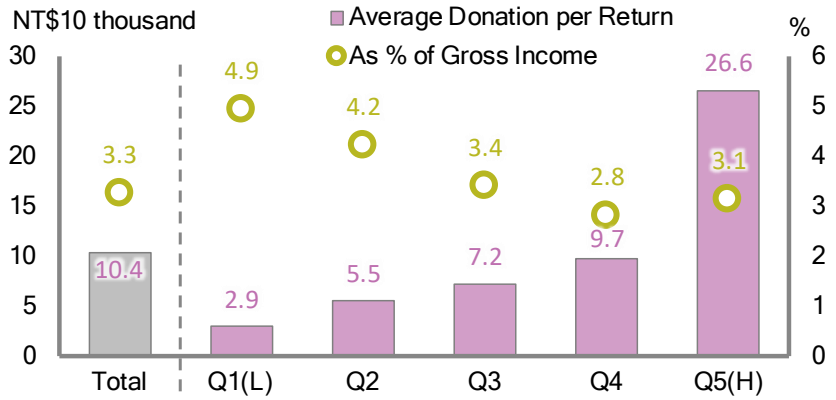
Unit:%	Total	Q1(L)	Q2	Q3	Q4	Q5(H)
Total	100.0	100.0	100.0	100.0	100.0	100.0
Medical and Maternity	29.3	47.1	35.5	30.7	26.7	18.9
Mortgage Interest	21.9	27.2	28.8	25.9	22.6	13.1
Non-NHI	17.0	15.6	18.7	19.9	19.5	13.3
NHI	17.7	7.8	10.9	14.0	18.4	27.3
Donation	13.8	2.0	5.7	9.1	12.6	26.9

3. The top 20% of income quintile accounted for about half of charitable donations and special deductions for savings and investment

As fewer taxpayers claimed itemized deductions, both the number of tax returns claiming charitable donation deductions and the total amount claimed have generally declined in recent years. In 2024, 393,270 tax returns[3] claimed charitable donation deductions, totaling NT$40.9 billion. This was equivalent to an average donation of NT$104,000 per return, representing only 3.3% of the gross income of those claiming the deduction, well below the statutory ceiling of 20% of gross income for donations to educational, charitable, and other eligible organizations. By income quintile, the highest income quintile accounted for 51% of the total amount of charitable donation deductions, with an average donation of NT$265,946 per return—9.0 times that of the lowest income quintile (NT$29,389).

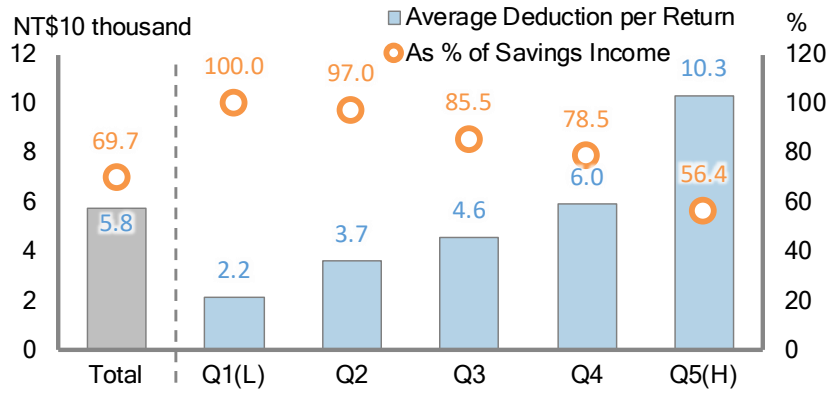
[3] Excludes donations made by individuals who did not or were not required to file individual income tax returns, as well as those who opted for the standard deduction.

Figure 9. Charitable Donation Deductions by Income Quintile, 2024



With rising interest rates, both the amount of the special deduction for savings and investment and savings income reported in 2024 increased. The ratio of the deduction claimed to savings income was 69.7%, indicating that nearly 30% of savings income remained subject to tax. By income quintile, almost all savings income in the lowest income quintile was effectively exempt from taxation. The highest income quintile accounted for 44.1% of the special deduction for savings and investment claimed, with an average deduction of NT$103,419 per return.

Figure 10. Special Deduction for Savings and Investment by Income Quintile, 2024



4. Special deductions for pre-school children and long-term care show growth, with the highest income quintile benefiting the most

The special deduction for pre-school children is intended to reduce the tax burden of raising young children. Both the number of tax returns claiming the deduction and the total amount claimed increased between 2013 and 2017, but subsequently declined in line with falling birth rates. The share of tax returns claiming the deduction fell from a peak of 10.1% in 2016 to below 9% in each of the past four

years. In 2024, following the expansion of eligibility and deduction amounts, together with the removal of the income eligibility restriction, the total amount claimed reached NT$128.5 billion.

The special deduction for long-term care is designed to alleviate the tax burden on households caring for family members with physical or mental disabilities. Reflecting population aging, both the number of tax returns claiming the deduction and the total amount claimed have increased steadily. In 2024, they reached record highs of 400,000 returns and NT$51.8 billion, representing increases of 26.8% and 28.5%, respectively, compared with 2019.

By income quintile, the highest income quintile accounted for around one-third of both the number of claims and the total amount claimed for each of these two deductions. This mainly reflects the larger number of pre-school children and long-term care dependents within households in the highest income quintile.

Table 2. Special Deductions for Pre-school Children and Long-term Care Overview

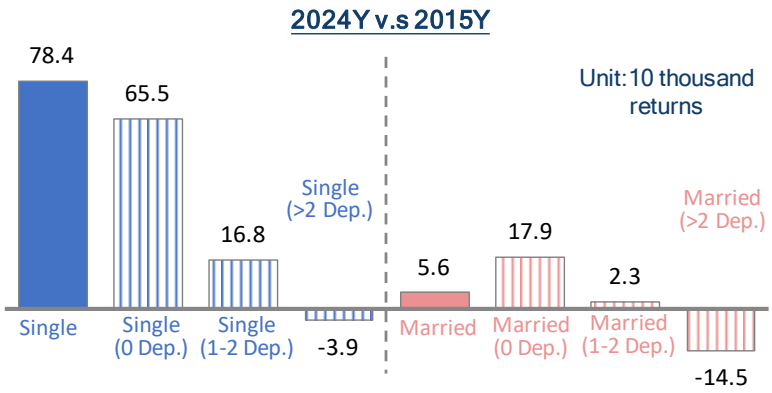
	Pre-school Children		Long-term Care	
	Tax Returns (10 thousand)	Amount (NT$ Billion)	Tax Returns (10 thousand)	Amount (NT$ Billion)
2019 Y	60.3	92.04	31.4	40.28
2023 Y	49.4	73.35	35.3	45.69
2024 Y	60.6	128.50	39.9	51.77
Q1(L)	6.1	13.14	2.9	3.66
Q3	10.4	21.74	6.5	8.15
Q5(H)	21.0	45.32	15.2	20.56
	% of Total Tax Returns	% of Gross Income	% of Total Tax Returns	% of Gross Income
2019 Y	9.4	1.9	4.9	0.8
2023 Y	7.2	1.1	5.1	0.7
2024 Y	8.7	1.9	5.7	0.8
Q1(L)	4.4	9.5	2.1	2.6
Q3	7.5	2.9	4.6	1.1
Q5(H)	15.0	1.1	10.9	0.5
Share by Income Quintile (%)				
2024 Y	100.0	100.0	100.0	100.0
Q1(L)	10.1	10.2	7.3	7.1
Q3	17.2	16.9	16.3	15.7
Q5(H)	34.7	35.3	38.2	39.7

V. Household Composition and Age Profile of Taxpayers

1. Single filers accounted for nearly three-fifths of all tax returns, while the focus of family responsibilities has gradually shifted from "young" to the "elderly"

Individual income tax return data also reflect changes in household composition[4]. In 2024, the number of single filers reached a record high of 4.00 million, an increase of 784,000 over the past nine years, raising their share of all tax returns to a record 57.4%. The largest increase was among single filers without dependents, which grew by 655,000 during the same period. Compared with the overall increase of 841,000 tax returns, this means that nearly 8 out of every 10 additional returns were filed by single filers without dependents. This trend is partly attributable to the lowering of the legal age of majority under the Civil Code, which increased the number of young independent taxpayers. Meanwhile, the number of taxpayers supporting more than 2 dependents declined regardless of marital status, reflecting the continuing trend toward smaller household size.

Figure 11. Changes in the Number of Tax Returns by Household Status of Taxpayers



The total number of dependents[5] has declined year by year. Among dependents, the elderly and those under 18 years of age exhibited an opposing trend—the former rising while the latter declined—accounting for 27.1% and 37.0% of all dependents in 2024, respectively. By income quintile, taxpayers in the lowest income quintile consistently claimed an average of around 0.3 dependents per return over the years, with those under 18 constituting the majority at 57%. In

[4] Individual income tax filing statistics for 2024 covered approximately 16.54 million individuals, representing over 70% of Taiwan's total population.

[5] The number of dependents excludes the primary taxpayer and spouse. Due to data definition constraints, "elderly" here refers to individuals aged 70 and over; "under 18 years of age" refers to those under 20 years of age prior to 2022.

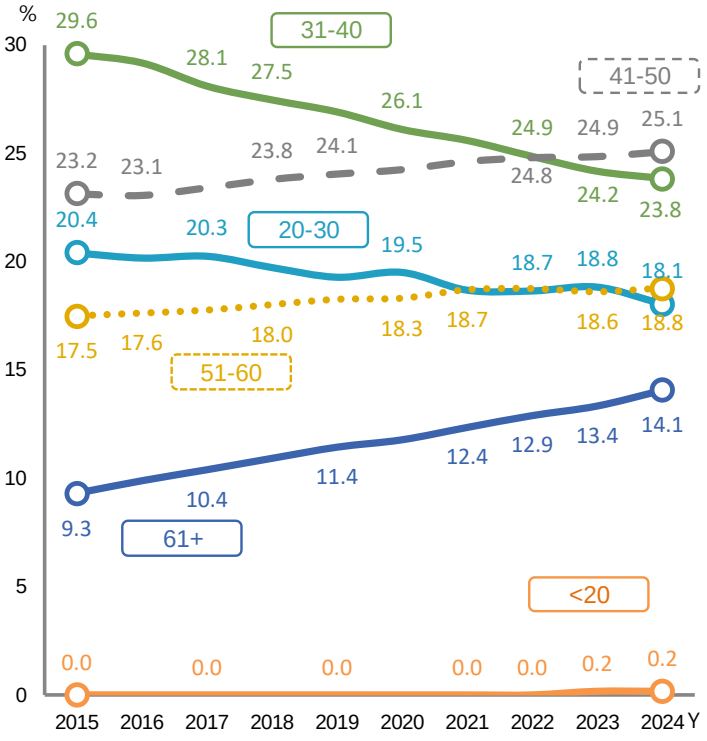
contrast, taxpayers in the highest income quintile claimed an average of 2.0 dependents per return, with the elderly and youth age cohorts each representing around 30%.

2. **Significant aging in taxpayer demographics; 41–50 age group becomes the primary revenue source for individual income tax**

By age group, taxpayers aged 31–50 have traditionally been the main contributors to individual income tax revenue, reflecting both their large population size and high labor force participation rates. Among them, those aged 31–40 previously accounted for the largest share, representing more than one-quarter of all taxpayers. However, amid declining birth rates and the shrinking core working-age population, taxpayers aged 41–50 have become the largest group, accounting for 25.1% of all tax returns in 2024, while the share of taxpayers aged 20–30 has gradually fallen to below 20%.

As both the labor force and wealth holders continue to age, the number of taxpayers aged 61 and over increased by 410,000 over the past 9 years, accounting for 49% of the overall increase in tax returns. In other words, nearly half of every 10 additional taxpayers was aged 61 or above. In 2024, this age group represented 14.1% of all tax returns. The number of taxpayers under the age of 20 was also affected by the lowering of the legal age of majority under the Civil Code, which brought about a structural change in filing eligibility among younger individuals. Consequently, taxpayers under age 20 accounted for 0.2% of all tax returns in both 2023 and 2024.

Figure 12. Taxpayers by Age Group



VI. Conclusion

Individual income tax revenue has maintained steady growth despite economic fluctuations and tax policy changes, reaching a record NT$873.7 billion in 2025, marking the fifth consecutive year of record-high collections. The 2018 tax reform marked a critical turning point, leading to a substantial increase in the proportion of tax-exempt filers, accounting for 45% of all tax returns in 2024, while the top 20% of income earners accounted for 60% of gross income and contributed 97% of total individual income tax payable. Over the past decade, the effective tax rate, after taking personal exemptions and deductions into account, remained between 4% and 7%. Following the 2018 reform, the bottom 40% of income earners faced an effective tax rate of zero, reflecting the redistributive effect of the progressive tax system and the impact of tax reduction measures.

In 2024, total deductions amounted to approximately 60% of gross income, helping to reduce taxpayers' effective tax burden. Nearly 90% of tax returns claimed the standard deduction, while medical and maternity expenses accounted for the largest share of itemized deductions. Owing to greater financial capacity and tax planning opportunities, the top 20% of income earners accounted for about half of all charitable donation deductions and special deductions for savings and investment. Claims for the special deduction for long-term care continued to increase, reaching record highs of 400,000 returns and NT$51.8 billion in 2024. Meanwhile, the total amount claimed under the special deduction for pre-school children exceeded NT$100 billion, underscoring the government's commitment to supporting long-term care needs and easing the financial burden of families with young children.

Single filers accounted for a record 57.4% of all tax returns in 2024. Moreover, nearly 8 out of every 10 additional taxpayers over recent years were single filers without dependents, reflecting the growing prevalence of single-person households and smaller family sizes. Population aging has also reshaped the profile of dependents: taxpayers aged 70 and over accounted for 27% of all dependents in 2024, up 8.2 percentage points over the past decade, while the share of dependents under the age of 18 declined to 37%. At the same time, taxpayers aged 41–50 have become

the largest contributors to individual income tax revenue. As Taiwan continues to face declining birth rates, population aging, and the rise of single-person households, maintaining a resilient tax base while strengthening policy support for family caregiving and long-term care will remain a key priority for future tax policy.