Recent Trends in Securities Transaction Tax and Securities Market Trading Behaviors

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I. Introduction

Securities transaction tax is Taiwan's fourth-largest tax revenue, behind profit-seeking enterprise income tax, individual income tax, and business tax. It is levied to transactions of securities other than government bonds. To promote the bond market, securities transaction tax on corporate and financial bonds has been suspended from 2010 to 2026. As a result, recent tax revenues have been heavily influenced by the stock market, also leading to significant volatility.

This paper first looks at the securities transaction tax revenue while analyzing movements in the Taiwan stock market, changes in total market capitalization, and the breakdown of traded products. It then examines these trends through three lenses: investment object, trading behavior, and investors. To analyze how Taiwan securities market trading patterns have shifted in recent years, this paper also explores emerging investment tools, such as Exchange Traded Funds (ETFs) and odd-lot trading, which has recently grown in popularity.

II. Overview of Securities Transaction Tax Revenue and Securities Market

1. Securities transaction tax hits consecutive highs over the past 3 years, but with sharp fluctuation

The securities market is highly sensitive to unexpected events and since securities transaction tax is levied on securities trading activities, its revenue fluctuates wildly. Over the 24-year period from 2002 to 2025, securities transaction tax revenues shrank by 30% in 2008 due to the global financial crisis, and by 36% in 2022 due to the war in Ukraine and inflation. On the upside, the three largest annual growth spikes occurred within the last six years. Driven by the boom in remote business and inflows of hot money, securities transaction tax revenue surged by 65% in 2020 and 83% in 2021, marking the highest and second-highest growth rates on record.

Fueled by the AI boom, securities transaction tax revenues hit consecutive record highs in 2024 and 2025. In the first half of 2026, its revenue reached NT$333.6 billion, already breaking the all-time record for a full year. Looking back at the past decade—a period with a more comparable economic and industrial structure—securities transaction tax revenue hit its lowest point in 2016 at NT$70.9 billion. This represents a 4.1-fold gap between the highest (2025) and lowest (2016) tax revenue (see Table 1).

Table 1. Securities Transaction Tax Revenue and Average Daily Trading Value of Taiwan Securities Market

Unit: NT$ 100 million

Year	Tax Revenue	Growth Rate (%)	Average Daily Trading Value	Year	Tax Revenue	Growth Rate (%)	Average Daily Trading Value
2002	768	20.2	995	2014	887	24.3	1,139
2003	693	-9.8	899	2015	820	-7.5	1,061
2004	841	21.5	1,094	2016	709	-13.6	894
2005	682	-18.9	890	2017	900	27.0	1,287
2006	900	31.9	1,171	2018	1,012	12.5	1,529
2007	1,289	43.3	1,683	2019	912	-9.9	1,408
2008	906	-29.7	1,181	2020	1,506	65.2	2,357
2009	1,060	16.9	1,391	2021	2,754	82.8	4,613
2010	1,046	-1.3	1,349	2022	1,756	-36.2	2,885
2011	940	-10.1	1,222	2023	1,973	12.4	3,348
2012	719	-23.5	928	2024	2,881	46.0	4,774
2013	714	-0.8	934	2025	2,928	1.6	4,894

Source: Dep. of Statistics, MOF; Taiwan Stock Exchange; Taipei Exchange.
Explanation: The years highlighted in red are the top three in terms of tax revenue and growth rate since 2002, while those highlighted in yellow are the three years with the lowest figures.

2. Starting in 2022, securities transaction tax has become Taiwan's fourth-largest tax revenue

Since 2002, securities transaction tax has accounted for 3% to 6% of total tax revenue. In 2021, driven by a surge in trading volume, this share climbed to 9.6%, marking the second-highest level in history (just below the record 14.0% set in 1990). In 2024 and 2025, the share held at 7.7%, which also represents a relatively high level. Since 2022, securities transaction tax has overtaken commodity tax to become the fourth-largest tax revenue in Taiwan, behind profit-seeking enterprise income tax, individual income tax, and business tax.

Table 2. Securities Transaction Tax Revenue Share of Total Tax Revenue and Compare to the Budget

Unit: NT$ 100 million

Year	Share of Total Tax Revenue (%)	Surplus /Deficit Taxes	Achievement Rate (%)	Year	Share of Total Tax Revenue (%)	Surplus /Deficit Taxes	Achievement Rate (%)
2002	6.3	88	112.9	2014	4.5	16	101.8
2003	5.5	-237	74.5	2015	3.8	-120	87.2
2004	6.1	-74	92.0	2016	3.2	-180	79.8
2005	4.4	-275	71.2	2017	4.0	-77	92.1
2006	5.6	10	101.2	2018	4.2	20	102.0
2007	7.4	438	151.4	2019	3.7	-217	80.8
2008	5.1	-311	74.5	2020	6.3	442	141.5
2009	6.9	-160	86.8	2021	9.6	1,554	229.5
2010	6.4	-174	85.7	2022	5.4	-12	99.3
2011	5.3	-204	82.2	2023	5.7	422	127.2
2012	4.0	-546	56.9	2024	7.7	794	138.1
2013	3.9	-250	74.1	2025	7.7	234	108.7

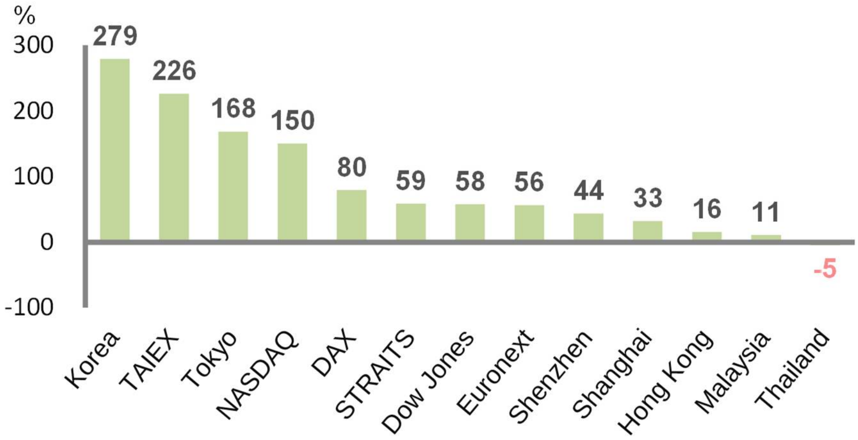
Source: Dep. of Statistics, MOF.

In terms of budget performance over the past 24 years, securities transaction tax fell short of budget amounts in 14 of those years, while meeting or exceeding targets in the other 10 years. The biggest surplus occurred in 2021, when tax revenue exceeded the budget by NT$155.4 billion, reaching an achievement rate of 230%. In 2012, the proposal of reinstating the capital gains tax on securities with global market volatility caused trading volume to freeze. As a result, securities transaction tax revenue missed the budget by NT$54.6 billion, with an achievement rate of only 56.9%. This underscores that the stock market is influenced by the global economy and investors' sentiment, which significantly complicates the process of forecasting the securities transaction tax budget (see Table 2).

3. TAIEX index rose over 2-fold in the past three and a half years, slightly behind Korea but far outperforming most other economies

Driven by the AI boom, global stock markets have generally enjoyed a period of prosperity, particularly those heavily weighted toward tech stocks. From 2022 to June 2026, the Korea stock market grew 2.8-fold, Taiwan (TAIEX) surged 2.3-fold, and the Tokyo (Nikkei) rose 1.7-fold, making them the top three gainers among major securities markets. Meanwhile, markets in Germany (DAX), New York (Dow Jones), Euronext, and China/Hong Kong saw gains ranging from 20% to 80%. On the other hand, markets in Malaysia and Thailand delivered weaker performances due to domestic political uncertainty (see Figure 1).

Figure 1. Performance of Major International Securities Market Indices (June 2026 vs. 2022)

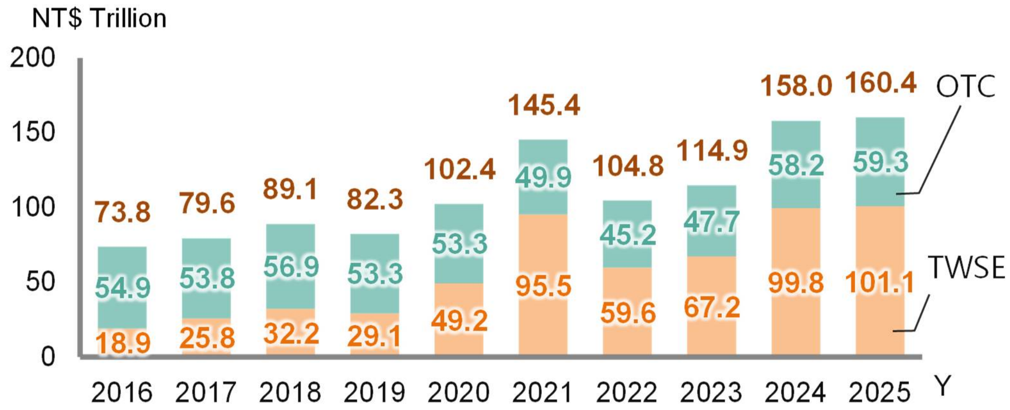


Source: WFE Focus monthly statistics.

4. Trading value of TWSE topped NT$100 trillion for the first time in 2025, expanding 4.3-fold over 9 years

Driven by regulatory easing, the reduction of day-trading tax rates, and the introduction of intraday odd-lot trading, combined with the impressive rally of tech heavyweights in recent years, the total securities trading value of listed and OTC securities grew 1.2-fold between 2016 and 2025. Notably, trading value on the TWSE expanded 4.3-fold, breaking the NT$100 trillion for the first time in 2025, while the OTC market saw a modest increase of only 8% (see Figure 2).

Figure 2. TWSE and OTC Trading Value



Source: Taiwan Stock Exchange, Taipei Exchange.

Due to its massive bond scale, the OTC market still accounted for 37% of the total securities trading value in 2025, though this share has halved since 2016. Since 2024, the TWSE's share has grown to over 60%. Stocks and bonds make up the bulk of products, together accounting for over 90% of the total value. Meanwhile, thanks to regulatory easing on product types and rapidly growing acceptance, ETFs have seen their share of trading value climb to around 6% over the past two years (see Table 3).

Table 3. TWSE and OTC Trading Value Structure – By Market and Product

Unit: %

Year Market/Product	2016	2018	2020	2022	2024	2025
Total	100.0	100.0	100.0	100.0	100.0	100.0
TWSE	25.6	36.1	48.0	56.9	63.2	63.0
OTC	74.4	63.9	52.0	43.1	36.8	37.0
Total	100.0	100.0	100.0	100.0	100.0	100.0
Stock	29.6	42.4	56.4	67.7	73.1	74.1
Bond	67.3	54.1	39.6	28.6	19.9	19.6
ETF	2.3	2.4	3.2	3.0	6.3	5.8
Other	0.8	1.0	0.8	0.7	0.6	0.4

Source: Taiwan Stock Exchange, Taipei Exchange.
Explanation : Bonds include government bonds, financial bonds, corporate bonds, and foreign currency bonds. ETF stands exchange traded funds. Other includes beneficiary securities, ETNs, TDRs, and closed-end funds.

III. Investment Object

1. Semiconductor stocks surged in price and trading volume, accounting for one-third of the total

Both Taiwan's capital market and its industrial structure are heavily concentrated in the high-tech sector, with high-tech stocks accounting for 60% to 70% of the overall trading value—reaching 77.3% in 2025. Among these, the top three sectors were semiconductors at 30.7%, electronic parts/components at 17.2%, as well as computer and peripheral equipment at 11.0%. This was mainly due to the global acceleration of AI infrastructure, which spurred a surge in related business opportunities, ultimately driving up stock prices and trading volumes in these industries (see Table 4).

Table 4. TWSE and OTC Trading Value Structure – By Industry

Unit: %

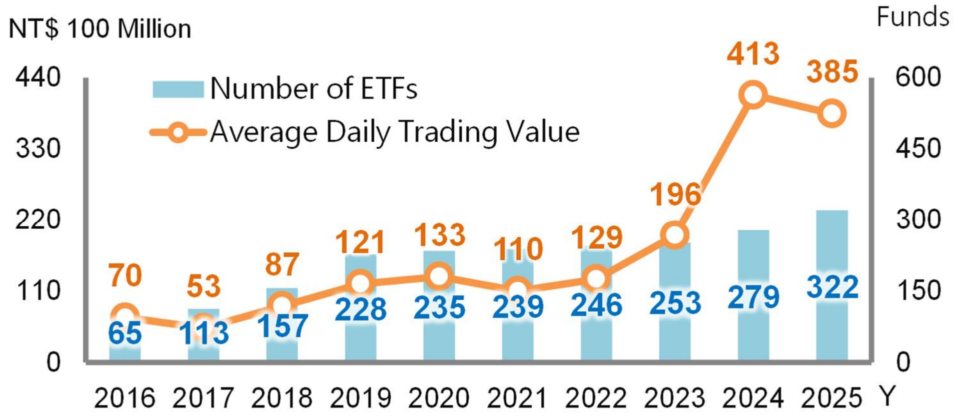
Industry	2016	2017	2021	2023	2024	2025
Total	100.0	100.0	100.0	100.0	100.0	100.0
High-Tech (1)	64.4	72.8	60.9	70.4	71.8	77.3
Semiconductors	19.5	25.1	35.1	28.7	28.6	30.7
Electronic Parts/Components	7.3	10.2	9.2	11.6	10.6	17.2
Computer and Peripheral Equipment	7.9	6.5	3.7	17.1	13.1	11.0
Optoelectronics	10.7	16.4	7.3	4.0	5.5	4.2
Other Electronics	9.9	8.4	3.4	3.8	8.9	8.3
Communications Technology and Internet	9.1	6.2	2.3	5.1	5.1	6.0
Electric Machinery	3.8	3.5	1.4	4.5	6.1	4.0
Finance and Insurance	6.6	4.6	2.6	2.3	3.0	3.3
Shipping	1.0	1.1	18.3	4.2	4.2	2.9
Biotechnology and Medical Care	5.6	2.4	2.0	4.2	1.8	1.6
Chemical	1.0	1.5	1.5	1.5	0.9	1.1
Plastic	2.4	2.4	1.5	0.5	0.5	1.0
Iron and Steel	1.1	0.9	4.2	1.1	0.9	0.8

Source: Taiwan Stock Exchange, Taipei Exchange.
Note: (1) Self-defined.

2. ETFs diversify, with daily trading value averaging around NT$40 billion over the past two years

With benefits such as risk diversification and low transaction costs, combined with the rise of passive investing, ETFs have gradually become favored among investors. Since 2024, the rollout of high-dividend, monthly-payout, and actively managed ETFs has sparked a trading frenzy, driving an increase in average daily trading value. In 2025, the number of publicly offered ETFs was 322, with daily trading value averaging NT$38.5 billion—representing a 4.0-fold and 4.5-fold growth, respectively, compared to 2016 (see Figure 3).

Figure 3. Number and Average Daily Trading Value of ETFs



Source: Taiwan Stock Exchange, Taipei Exchange.

Leveraged and inverse ETFs saw their market share spike after they were introduced, together accounting for three-quarters of the trading value in 2016. However, this share gradually declined after the tax cut on day trading. In 2020, the share of vanilla futures ETFs peaked at 16%, driven by pandemic-induced market anxiety that boosted trading in VIX-tracking products. In recent years, the share of bond ETFs has risen significantly, fueled by high U.S. Treasury yields and expectations of interest rate cuts. Other ETFs have benefited from the bullish market, with a growing number of market index trackers and high-dividend products driving the share of other products above 50% in 2025 (see Table 5).

Table 5. ETFs Trading Value Structure

Unit: %

Year Market/Product	2016	2018	2020	2022	2024	2025
Total	100.0	100.0	100.0	100.0	100.0	100.0
Leveraged	50.3	52.3	33.9	27.9	14.7	16.3
Inverse	25.2	11.6	14.3	13.9	2.3	3.7
Vanilla futures	5.2	4.7	15.7	1.3	0.3	1.2
Bonds	-	15.7	13.1	7.3	33.5	23.6
Actively Managed	-	-	-	-	-	3.9
Other	19.3	15.7	23.1	49.6	49.3	51.3

Source: Taiwan Stock Exchange, Taipei Exchange.
Explanation: ETF stands for Exchange Traded Fund. The number of ETFs refers to those that were traded during the year, including funds that have been delisted.

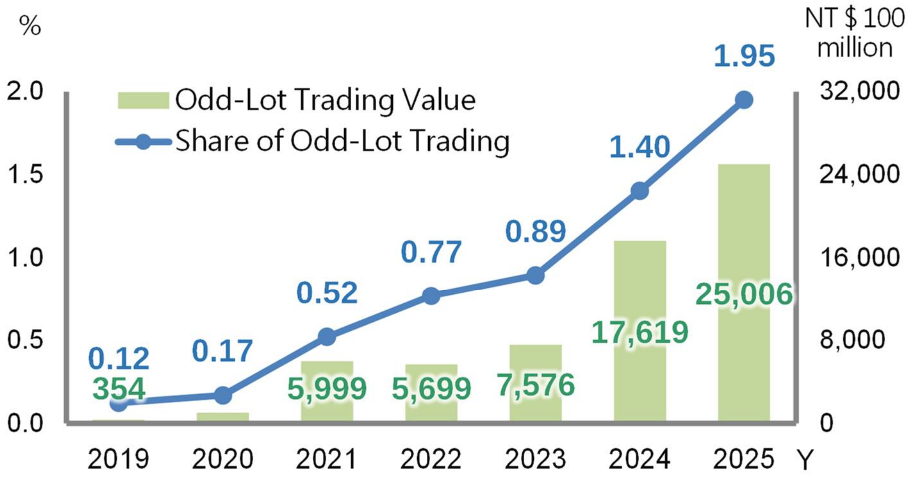
IV. Trading Behavior

1. Since the introduction of intraday odd-lot trading, its trading value and number of transactions rose 70x and 50x in 6 years

To give retail and budget-conscious investors more ways to participate in the capital market, Taiwan has offered odd-lot trading for years. In October 2020, intraday odd-lot trading was introduced, with matching intervals gradually shortened over time to reduce wait times and boost transaction efficiency.

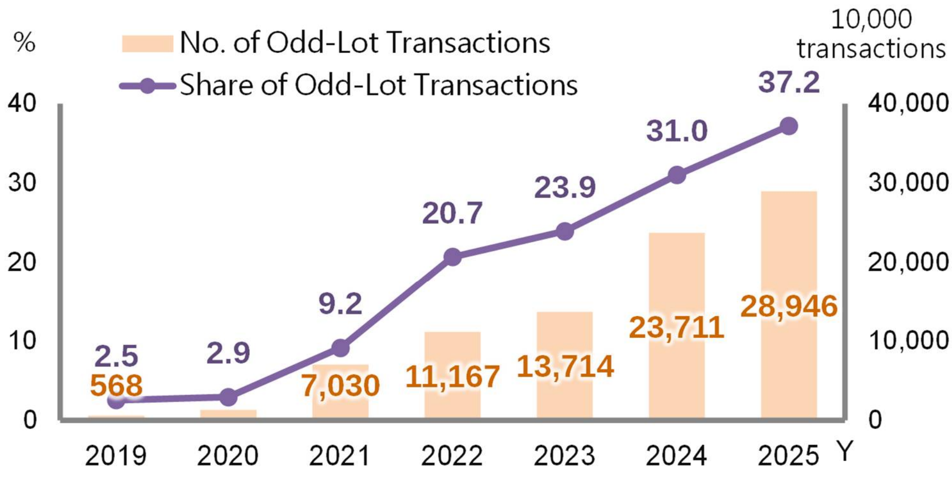
In 2025, odd-lot trading value reached NT$2.5 trillion—accounting for 2.0% of the total value—marking a 3.2-fold increase from 2021 and a 70-fold jump from 2019, before intraday trading was introduced. The number of transactions followed a similar trend: just 5.68 million odd-lot transactions were executed in 2019, compared to 289 million in 2025 (representing 37% of all transactions)—a 50-fold growth. These figures highlight both the rapid rise in odd-lot trading and growing participation (see Figures 4 and 5).

Figure 4. Odd-lot Trading Value and Share



Source: Taiwan Stock Exchange, Taipei Exchange.
Explanation: Odd-lot trading limited to ETFs and stocks.

Figure 5. Odd-lot Trading Volume and Share

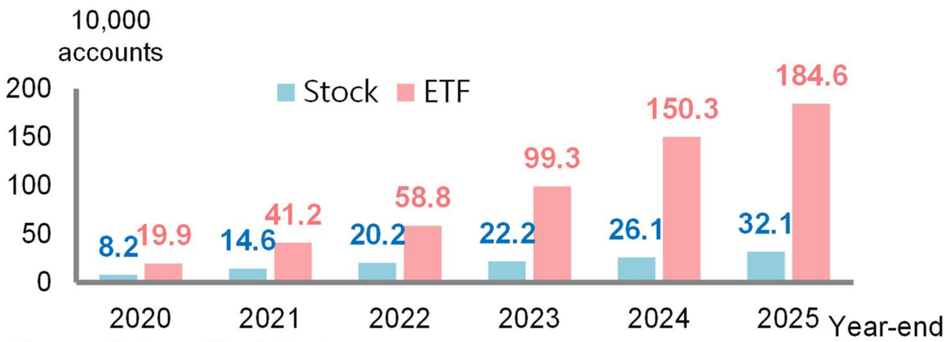


Source: Taiwan Stock Exchange, Taipei Exchange.
Explanation: Odd-lot trading limited to ETFs and stocks.

2. Fixed-term fixed-amount investments become more popular, ETF growth outpace stocks

To help investors build steady, long-term investments in the securities market, the government introduced fixed-term fixed-amount investments for stocks and ETFs in 2017. Looking at the top 10 investment targets by number of trading accounts, ETFs and stocks reached 1.85 million and 321,000 accounts respectively by the end of 2025. ETF trading accounts surged 8.3-fold compared to the end of 2020, outpacing the 2.9-fold increase of stocks (see Figure 6).

Figure 6. Number of Trading Account among Top 10 Fixed-term Fixed-amount Investment Targets



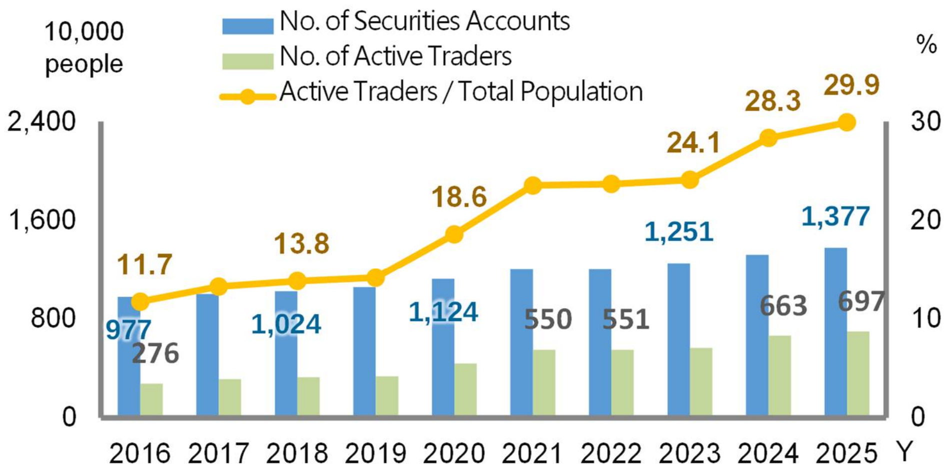
Source: Taiwan Stock Exchange.
Explanation: Data are as of Dec. of each year.

V. Investors

1. Number of securities accounts and active traders hit record highs, with half of new investors coming from the younger and older groups

Driven by recent bullish sentiment and regulatory easing, both the number of securities accounts and active traders have grown. By the end of 2025, the cumulative number of securities accounts reached 13.77 million, with 6.97 million accounts trading that year—both hitting all-time highs. Active traders accounted for about 30% of the total population, a sharp 18.2 percentage points increase from 2016 (11.7%), showing that more people invest through securities market (see Figure 7).

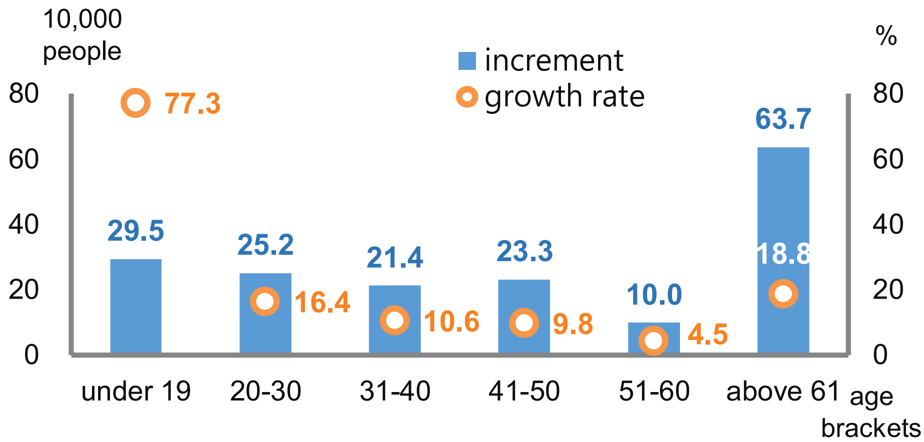
Figure 7. Number of Securities Accounts and Active Traders



Source: Taiwan Stock Exchange.

Looking at changes in securities accounts over the past three years, the number of securities accounts grew by 1.73 million. The 61-and-older group saw the largest gain, adding 637,000 accounts. The under-19 group recorded the fastest growth rate at 77.3%. These two age groups added 932,000 accounts—accounting for over half of total growth—highlighting a clear trend where new market entrants were concentrated in the younger and older age groups (see Figure 8).

Figure 8. Changes in Securities Accounts Over the Past 3 Years - By Age Group



Source: Taiwan Stock Exchange.
Explanation: Comparison between Dec. 2022 and Dec. 2025.

VI. Conclusion

Driven by the AI boom and Taiwan electronic manufacturers being deeply integrated into the US tech supply chain, the Taiwan stock market has surged in both price and trading volume. Securities transaction tax revenue set back-to-back record highs in 2024 and 2025, and broke the annual historical record early in the first half of 2026. Since 2022, securities transaction tax has overtaken commodity tax to become the fourth-largest tax revenue, growing in both importance and impact. Fueled by the AI surge, the TAIEX Index rose over 2-fold from 2022 through June 2026—slightly behind Korea, but far outperforming most other economies.

In 2025, trading value on the TWSE broke NT$100 trillion for the first time. Fueled by the expansion of AI infrastructure, high-tech stocks accounted for 77.3% of the total. As risk diversification and passive investing rises in popularity, the average daily trading value of ETFs has held at around NT$40 billion over the past two years. Following the bull market, market-cap-weighted and high-dividend ETFs have replaced leveraged products as the new market favorites.

Driven by measures such as intraday odd-lot trading and shorter matching intervals, odd-lot trading value for stocks and ETFs surged 70-fold over a six-year period. The popularity of fixed-term, fixed-amount investments has also grown significantly: over the past five years, the number of trading accounts in ETFs jumped 8.3-fold, far outpacing the 2.9-fold increase in stocks. By the end of 2025, both the number of securities accounts and active traders hit record highs. New market entrants were concentrated in the under-19 and 61-and-older age groups, which together accounted for 54% of the overall increase in the past three years. The under-19-year old new investors had the highest growth rate across all age groups at 77.3%.