



Causes of Recent Labor Income Tax Increase and Implications

Tax Analysis 1, Estimates and Tax Analysis Department Analyst Jiwon Park

Labor Income Tax Filing Status

- From 2014 to 2024, while national tax revenue increased by an annual average of 5.1%, labor income tax revenue increased by an annual average of 9.2%, drawing attention.
 - In particular, labor income tax revenue increased by 15.5% and 21.6% in 2021 and 2022, respectively, compared to the previous years, recording the highest growth rates in the last decade.
- According to year-end tax settlement filing data, from 2014 to 2023 (attribution years), the number of labor income filers increased by an annual average of 2.5%, while the determined tax amount for labor income increased by an annual average of 10.0%.
 - (Number of filers) Increased from 16.69 million in 2014 to 20.85 million in 2023, showing an annual average increase of 2.5% over 9-year period
 - (Total wages) Increased by 4.0–7.7% annually, with an annual average increase of 6.1%
 - 2021 and 2022 recorded the highest growth rates at 7.6% and 7.7%, respectively.
 - (Determined tax amount) Increased by 1.1–19.3% annually, with an annual average increase of 10.0%
 - While 2021 and 2022 showed strong growth at 19.3% and 12.2%, respectively, 2023 saw only a 1.1% increase due to the upward adjustment of the lower income tax bracket threshold*.

* Tax bracket threshold adjustment: KRW 12 million → 14M, KRW 46M → 50M

[Table 1] Trends in Labor Income Tax Filing Status (based on attribution year)

(10,000 persons, trillion won, %, %p)

		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Size	No. of filers	1,669	1,733	1,774	1,801	1,858	1,917	1,950	1,996	2,053	2,085
	Total wages	529	563	596	634	677	718	746	803	865	903
	Determined tax amount	25	28	31	35	38	41	44	53	59	60
	Effective tax rate	4.8	5.0	5.2	5.5	5.7	5.7	5.9	6.6	6.8	6.6
Growth rate	No. of filers	2.0	3.9	2.3	1.5	3.2	3.2	1.7	2.4	2.9	1.5
	Total wages	6.2	6.4	6.0	6.3	6.9	5.9	4.0	7.6	7.7	4.4
	Determined tax amount	14.0	11.2	9.2	12.6	10.3	7.3	7.5	19.3	12.2	1.1
	Effective tax rate	0.33	0.22	0.15	0.30	0.17	0.07	0.19	0.64	0.27	-0.22
YoY change	No. of filers	32.7	64.6	40.7	26.5	57.2	58.9	32.8	46.4	57.6	31.8
	Total wages	30.6	33.8	33.5	37.6	43.9	40.0	28.8	56.9	62.0	38.2
	Determined tax amount	3.1	2.9	2.6	3.9	3.6	2.8	3.1	8.5	6.4	0.6
	Effective tax rate	0.33	0.22	0.15	0.30	0.17	0.07	0.19	0.64	0.27	-0.22

Note: The number of filers represents those who reported total wages (including non-taxable income), and the effective tax rate indicates the ratio of determined tax amount to total wages.

Source: Adapted from National Tax Service, "National Tax Statistics Yearbook" for each year



Causes of Labor Income Tax Increase

Increase in High-Income Workers

- **Causes of the steady increase in labor income tax include nominal wage increases and the progressive tax rate system.**
 - Under a progressive tax rate system with fixed tax bracket thresholds, as nominal income increases, more workers move to higher brackets, gradually expanding tax revenue.
- **By income bracket, the increase in the number of workers earning total wages of over KRW 80M annually has driven labor income tax growth.**
 - As of 2023, workers with total wages exceeding KRW 80M (12.1% of all workers) accounted for 35.7% and 76.4% of total wages and labor income tax nationally.
 - Proportions of brackets at or below KRW 80M: 87.9% of filers, 64.3% of total wages, 23.6% of tax burden
 - Proportions of brackets exceeding KRW 80M: 12.1% of filers, 35.7% of total wages, 76.4% of tax burden
 - While the number of filers increased by an annual average of 2.5% from 2014 to 2023, those with total wages of KRW 80M or less increased by only 1.8%, while those with total wages exceeding KRW 80M increased by 10.5%.
 - Thus, the proportion of workers with total wages of KRW 80M or less decreased from 93.8% to 87.9% (a drop of 6.0%p), while that of workers with total wages exceeding KRW 80M increased from 6.2% to 12.1%.

[Table 2] Status of Number of Filers by Total Wage Scale

Total wages	2014-2023	2014		2023		2023-2014
	Growth rate ¹⁾ (%)	Filers(10,000)	Share(%)	Filers(10,000)	Share(%)	Difference in Share(%p)
Total	2.5	1,669	100.0	2,085	100.0	-
KRW 0-10M	-2.2	349	20.9	287	13.8	-7.2
KRW 10-20M	-4.8	401	24.0	256	12.3	-11.7
KRW 20-40M	5.0	467	28.0	727	34.8	6.8
KRW 40-60M	5.4	229	13.7	368	17.7	3.9
KRW 60-80M	5.5	120	7.2	194	9.3	2.1
KRW 80-100M	9.5	50	3.0	114	5.4	2.5
KRW 100-200M	11.1	47	2.8	122	5.8	3.0
KRW 200-300M	14.4	3	0.2	11	0.5	0.3
Over KRW 300M	12.7	2	0.1	7	0.3	0.2
Less than KRW 80M	1.8	1,566	93.8	1,832	87.9	-6.0
Over KRW 80M	10.5	103	6.2	253	12.1	6.0

Note: 1) Annual average growth rate from 2014 to 2023

Source: Adapted from National Tax Service, "National Tax Statistics Yearbook" for each year

- The growth rate of taxpayers with total wages of KRW 80M or less in 2021 and 2022 was 1.1% and 1.7% respectively, similar to 2020 (1.2%), but that of taxpayers in the over KRW 80M bracket increased significantly from 6.7% in 2020 to 14.7% and 13.2% in 2021 and 2022, respectively, substantially increasing total wages and tax liability growth rates compared to previous periods.
- From 2014 to 2023, the determined tax amount for earned income increased by KRW 34.4T, with 84% (KRW 28.9T) occurring in the over KRW 80M income bracket, and it increased by KRW 13.1T in this bracket in 2021 and 2022 alone.

[Table 3] Growth in Filers, Total Wages, and Tax Liability by Total Wage

Growth in	Total Wage	2015	2016	2017	2018	2019	2020	2021	2022	2023	2014-2023 ¹⁾
Filers (%)	KRW 80M or less	3.2	1.7	0.6	2.5	2.8	1.2	1.1	1.7	0.9	1.8
	Over KRW 80M	13.6	10.9	12.3	10.5	6.8	6.7	14.7	13.2	6.4	10.5
	Total	3.9	2.3	1.5	3.2	3.2	1.7	2.4	2.9	1.5	2.5
Total wages (%)	KRW 80M or less	4.3	4.3	3.8	5.6	5.6	2.3	2.9	4.5	3.5	4.1
	Over KRW 80M	13.2	10.8	13.6	10.3	6.7	8.1	18.6	14.3	6.0	11.2
	Total	6.4	6.0	6.3	6.9	5.9	4.0	7.6	7.7	4.4	6.1
Tax liability (%)	KRW 80M or less	8.2	6.1	6.3	7.3	9.0	1.3	8.2	6.5	-1.8	5.6
	Over KRW 80M	12.8	10.8	15.6	11.6	6.6	10.1	23.7	14.2	2.0	11.8
	Total	11.2	9.2	12.6	10.3	7.3	7.5	19.3	12.2	1.1	10.0
Tax liability (KRW T)	KRW 80M or less	0.7	0.6	0.6	0.8	1.0	0.2	1.0	0.9	-0.3	5.5
	Over KRW 80M	2.1	2.0	3.3	2.8	1.8	2.9	7.5	5.6	0.9	28.9
	Total	2.9	2.6	3.9	3.6	2.8	3.1	8.5	6.4	0.6	34.4

Note: 1) Indicates annual average growth rate or increase in tax liability during the relevant periods

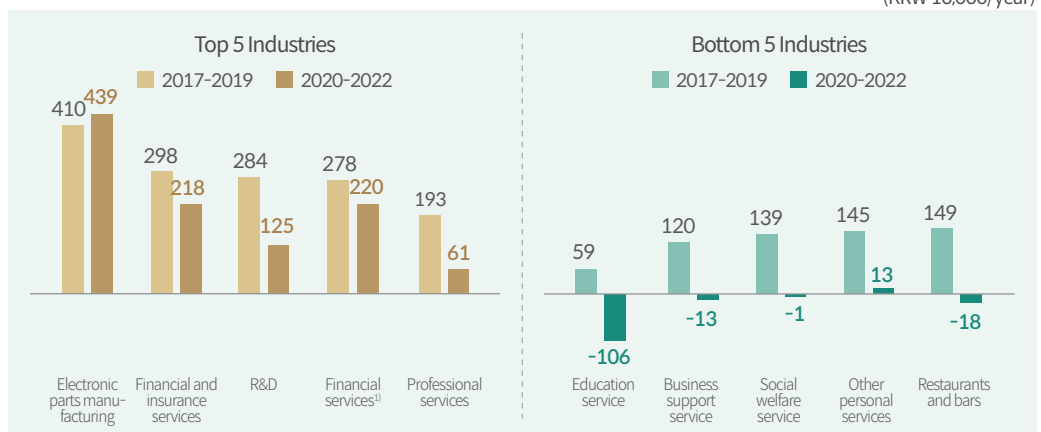
Source: Adapted from National Tax Service, "National Tax Statistics Yearbook" for each year

Nominal Wage Increases and Wage Gap Expansion

▪ Additionally, nominal wage increases and wage gap expansion have contributed to middle-to-upper income workers gradually moving into higher tax brackets, further amplifying the recent growth in the earned income tax.

- Recent wage increases concentrated in high-wage industries and large-scale businesses have intensified the earned income tax growth trend.
- When comparing the real wage¹⁾ increases by industry between 2017–2019 and 2020–2022, the top five industries showed rising real wages, while the bottom five generally experienced declining real wages.
- The expansion of special payments by companies due to improved corporate performance since 2021 appears to have contributed to real wage increases for middle-to-upper income workers and widening wage gaps between industries.

[Figure 1] Comparison of Real Wage Increase per Person by Industry (2017–2019 vs. 2020–2022)
(KRW 10,000/year)



Note: 1. Comparison of annual average real wage increases between 2017–2019 and 2020–2022 for top and bottom five industries²⁾

1) "Financial services" refer to industries that directly provide financial products and services, while "Financial and insurance services" refer to industries that support financial services or intermediate transactions of financial products.

Source: Adapted from the Ministry of Employment and Labor, "Establishment Labor Survey"

1) Real wage per person = (Nominal wage per person/Consumer Price Index) × 100

2) Comparison of wage increases for top and bottom five industries selected in Lee & Oh (2023), "Analysis of Wage Gap Expansion between Industries", Bank of Korea Tax Statistics Monthly, pp.3–16.

- **The changes in the proportion of each income bracket within the total wages nationally show that income brackets with increasing shares of total wages are gradually moving upward.**
 - During the analysis period, while the income shares of lower income brackets decreased, those of higher income brackets increased.
 - Income brackets over KRW 60M in 2015; brackets over KRW 80M in 2016–2020; and over KRW 100M from 2021 showed increasing income shares.
 - During the analysis period, the income share mainly increased in the over KRW 80M bracket, where the proportion of taxpayers increased from 6.2% in 2014 to 12.1% in 2023, the income share increased from 23.4% to 35.7%, and the proportion of tax liability also increased from 66.0% to 76.4%.

[Table 4] Income Share of Each Income Bracket in Annual Total Wages (Year-Over-Year) (%p, %)

Total Wages	2015	2016	2017	2018	2019	2020	2021	2022	2023	Accum.	ETR ¹⁾ 2023
Total	-	-	-	-	-	-	-	-	-	-	6.6
KRW 0–10M	0.0	-0.4	-0.4	-0.2	-0.2	0.0	-0.1	-0.2	-0.1	-1.6	0.0
KRW 10–20M	-0.6	-0.6	-1.0	-1.1	-1.8	-0.6	-0.4	-0.6	-0.4	-7.1	0.1
KRW 20–40M	-0.6	0.2	0.2	0.7	1.6	-0.3	-1.5	-1.2	-0.6	-1.6	0.8
KRW 40–60M	-0.8	-0.4	-0.3	0.0	0.4	0.0	-0.5	0.0	0.3	-1.3	3.0
KRW 60–80M	0.4	0.0	-0.2	-0.3	-0.2	-0.1	-0.4	-0.1	0.3	-0.7	5.2
KRW 80–100M	0.6	0.5	0.7	0.3	0.2	0.2	-0.1	0.1	0.3	2.8	7.6
KRW 100–200M	0.8	0.4	0.5	0.6	0.0	0.4	1.9	1.5	0.3	6.4	13.1
KRW 200–300M	0.1	0.1	0.2	0.1	0.0	0.2	0.5	0.2	0.0	1.4	22.2
KRW 300–500M	0.1	0.0	0.0	0.1	0.1	0.1	0.2	0.1	0.1	0.8	27.1
KRW 500M–1B	0.0	0.0	0.1	0.0	0.0	0.1	0.1	0.1	0.0	0.5	31.6
Over KRW 1B	0.0	0.0	0.3	-0.2	0.0	0.1	0.3	0.0	-0.1	0.4	38.2

Note: Ratio of tax liability to total wage by total wage scale

Source: Adapted from National Tax Service, “2024 National Tax Statistics Yearbook” for each year

Conclusion and Implications

- **Earned income tax revenue has increased due to factors including inflation, real income increases, and wage gap expansion, which led middle-to-upper income workers to move into higher income brackets with higher effective tax rates.**
 - However, in 2023, the effective tax rate declined slightly as the threshold amounts for lower tax brackets were adjusted upward, resulting in a marginally slower growth rate in earned income tax revenue.
- **Going forward, tax burden equity and acceptability must be enhanced by comprehensively examining the equity and burden level of the tax structure, considering inflation rates, real income growth rates, and the impact of tax burden on work incentives.**