



International Tax Competitiveness Index 2021 FAQ

How should I compare the results in this *Index* to last year's results?

The scores published in last year's edition of this report can differ from the scores reported in this report due to both methodological changes and corrections made to previous years' data. Refer to Table 2 in the 2021 publication to see the ranks for 2019 and 2020 using the current methodology. If you are interested in ranks and scores going back to 2014 when this report was first published, please contact Daniel Bunn at dbunn@taxfoundation.org.

Does the *Index* account for the share of GDP a country raises in tax revenue?

No. The *Index* is concerned about how a tax system is structured; not how much revenue is raised by that system. A well-designed tax system could raise significant amounts of revenue or very little depending on the applicable rates and the size of the tax base. When policymakers are designing tax systems, they should care not just about the revenue raised, but also about *how* that revenue is raised. The *Index* is designed to help policymakers determine better ways to levy taxes rather than encourage high or low overall levels of tax revenue.

What variables are most important in determining the final score?

The variables and subcategories are all equally weighted. We do try not to tip the balance of the *Index* in one way or another as far as variable weights are concerned. Even with that design, though, some categories and subcategories are more highly correlated with the final score. The Individual Income Taxes category score is the most highly correlated with the final score while the Consumption Taxes category is the least correlated with the final score. Similarly, the subcategory "Real Property Taxes" is the most correlated with the final score among the subcategories, and the "Tax Treaties" subcategory has a slightly negative correlation with the final score. You can see those correlations in our README file under the heading "What drives the final score?" in our GitHub repository here: <https://github.com/TaxFoundation/international-tax-competitiveness-index/blob/master/README.md#what-drives-the-final-score>.

Is this *Index* meant to predict future economic growth or attractiveness for foreign direct investment (FDI)?

No. The *Index* is designed to help policymakers weigh the design of their tax systems against other systems with respect to the concepts of neutrality and competitiveness. Countries rank poorly on the *Index* if they levy particularly complex and distortive taxes or if they have high marginal tax rates relative to other OECD countries. Tax policy is an important element of determining a country's economic prosperity and attractiveness for investment; however, the *Index* is more about the design of a tax system overall and not specifically to be predictive about economic outcomes.

Can the *Index* be used as a tool to gauge future or proposed reforms?

Yes. If you are interested in how a country would rank based on different policy scenarios, please contact Daniel Bunn (dbunn@taxfoundation.org), who will be able to work with you to see how incorporating reform scenarios would impact the rankings in the *Index*.

Can I use the *Index* data in my own work?

Yes. Tax Foundation appreciates when other researchers can use data that we have collected in their own work. The usefulness of the *Index* is one of our goals in its design. A citation to Tax Foundation would be appreciated for any use, and all the data (including both source and final data) used in the *International Tax Competitiveness Index* are stored in our GitHub repository which can be accessed here: <https://github.com/TaxFoundation/international-tax-competitiveness-index>.