

# *International Tax Competitiveness Index* 2024 FAQ

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## **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 2024 publication to see the ranks for 2022 and 2023 using the current methodology. If you are interested in ranks and scores going back to 2014, when this report was first published, please contact Alex Mengden at [amengden@taxfoundation.org](mailto:amengden@taxfoundation.org).

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

No. The *Index* is concerned with how a tax system is structured, not how much revenue it raises. 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 try not to tip the balance of the *Index* 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 "Property 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 "Incentives" 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 than predicting 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 Alex Mengden ([amengden@taxfoundation.org](mailto:amengden@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 use data that we have collected in their own work. The usefulness of the *Index* is one of our goals. 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>.