

Scotland starts move towards beggar they neighbour tax ...

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As the [BBC in Scotland have reported](#):

The Scottish government is to unveil its plans on taking control of corporation tax.

Finance Secretary John Swinney will confirm a move to lower the headline rate of business tax and to give tax breaks to small firms.

Excluding north sea oil, corporation tax generated £2.6bn in revenue for Scotland in the year to 2010.

But Mr Swinney sees making a reduction in the charge as a way to add fresh revenue and attract new businesses.

Mr Swinney is a sadly deluded man.

I have explained why this policy [would not work for Northern Ireland, here](#). In Northern Ireland the argument for it is that the land border with the Republic justifies it. In Scotland there is no justification for it at all bar the economic madness of supply side neoliberalism that says if only government got out of the way then everything would be rosy in the world, the economy would flourish and the rivers would flow with milk and the land would be awash with honey.

Except there's no evidence for that. And wise people know it. As the BBC also note:

[T]he Institute of Chartered Accountants in Scotland said that changes to the rate of corporation tax - [the main rate currently stands at 26%](#) - could leave the government short of money to fund public services.

And as [PWC warned recently](#):

The implications of cutting Scotland's rate of corporation tax are "highly complex", PricewaterhouseCoopers (PwC) has warned.

PwC warned EU tax rules meant cutting corporation tax in Scotland would result in a reduction in the block grant, equivalent to the loss of revenue to Westminster.

PWC are right on this occasion. The rules are clear: pound for pound Scotland has to lose grant from Westminster to match corporation tax lost by cutting its rate so the only way it can win is if for reason no one can explain cutting the rate (which is already low, particularly given there aren't that many large companies left in Scotland) is going to suddenly increase the profits earned in Scotland.

Of course this is Laffer curve theory - theory which has never been proven to work for anyone but big business - who will gain from this move, you can be sure, just as throughout Scotland ordinary people will lose by having their services cut.

But it's worse than that. As the BBC also noted:

In addition, it could start a tit-for-tat war over corporation tax rates with the other home nations.

Too right it will. And at the very least the complexity of moving to Scotland will become enormous - because HMRC in the rest of the UK will not be challenging all relocations on the grounds that they are tax avoidance - and rightly so.

So we'll now have HMRC Scotland at war with HMRC England and Wales with HMRC in Northern Ireland potentially lobbing in its tuppence worth too.

Whilst the Tories will of course demand rate cuts for England too.

And where will this lead? To less funding to close the deficit, more cuts, an increase in the income and wealth gaps, more chaos in society and diminishing social cohesion. Which is just about the last range of outcomes we need right now.

The SNP's policy on this issue comes from the economics of the madhouse. The trouble is they plan to release the mayhem, that's intended to create on the UK economy. It's an act of gross irresponsibility on their part. But worst of all it's a betrayal of the ordinary people of Scotland to try to turn that country into a tax haven right now, at cost to those who need strong government and not business run amok with greed. I sincerely hope the people of Scotland turn on them in retribution. Because if there's any silver lining in this it's the fact that this must surely considerably increase Labour's chances north of the border.