

Scotland is being shafted by dodgy data from Westminster...

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The Scottish government is just about to enter into a black hole of Westminster's making. That this is the case is hardly surprising. It has been forecast for a long time by those with an interest in the detail of Scottish taxation policy. Now, though, even the BBC is realising that not all is right with the devolved Scottish taxation system, and its correspondent Douglas Fraser [has written about the issue](#). He did so under the title 'The devil's in the detail' but he would have been better off using mine because as he noted:

So when you hear or read there's a £1bn black hole facing the Scottish government, take special care. ...

The culprit looks more like dodgy data. And that's the price to be paid when you set up a largely new system of devolved taxation.

Fraser goes into a long-winded explanation. He could, in practice, have saved much of his effort by saying what is really happening. And that is that increasingly the Scottish government is being told that it must spend the supposed tax revenues raised in Scotland and not the sums apportioned to it by the rest of the UK. The problem with this is that it so happens that the new data, still of dubious quality, suggests an amount less than that previously attributed. And, given that the Scottish government is duty-bound to balance its budget, and is not, in contrast to Westminster, able to run deficits that can be managed either by the issue of new currency, or the borrowing of funds, then what is going to result is a new round of devolved austerity for Scotland. The consequence will be that the people of Scotland will suffer real cuts in spending, and simply because dubious estimates of what is, or is not, Scottish taxation revenue are being used to guarantee that the rest of the UK will benefit whilst Scotland suffers.

For those, like me, who have long pointed out the dubious nature of Scottish taxation statistics none of this is a surprise. As I have long argued, the [Government Expenditure and Revenue Scotland \(GERS\)](#) report has always contained substantial numbers of estimates when, with the expenditure of some effort and some cash, much better data could have been collected. But, without as yet a proper statistical agency, and without

Revenue Scotland (which is the branch of HM Revenue & Customs that runs tax in Scotland) even being able, as yet, to identify who is actually Scottish resident, let alone have any idea how much VAT is really collecting the country, that process of estimation which has always, in my opinion, produced data of dubious quality, continues, but now at real cost of the Scottish people.

If you want the boring analysis, read Douglas Fraser. Let me, instead, get to the nub of it. There are several real issues that are going to have major consequences here. First, in the current febrile political atmosphere it is not going to take long for people to realise that what is going on is an exercise in being shafted by Westminster. As a gift from the Tories to the Scottish independence movement, few could be better. I very strongly suspect that the backlash and anger will be significant.

Second, I do sincerely hope that at long last the demands for better data will become stronger, be heard, and be acted upon. If Scotland is to manage its own affairs than it has to have the data to do so and it has been denied it to date.

Third, the partial devolution that shackles Scotland has to end. I have given evidence at Holyrood on the absurdity of, for example, devolving income tax to Scotland but not devolving corporation tax, so that those persons who divert their income from self-employment into companies can immediately and directly harm the revenue of the Scottish government without a Scottish minister having any power to control the process. There are many such examples. You cannot run an economy with control of a tiny part of the tax system.

Fourth, nor can you run the tax system of the economy without control of its currency, its interest rates and its central bank. To pretend otherwise is just wrong. Scotland is being reduced to the economic status of the giant local authority, but will be blamed for failure to deliver core services that are way beyond those that any local authority is required to supply in the UK, and which are absolutely core to the very well-being of the people of the country. And yet the Scottish government has been denied the tools that it needs to deliver those services appropriately, including the necessary ability to manage the rough and smooth not just of economic reality, but also of dodgy data, that is going to have real impact on the ground on ordinary people.

Fifth, I suspect interest in modern monetary theory will grow.

And sixth, calls for a proper tax system for Scotland might grow as well. I have [put some thought into that issue](#).

But what cannot happen is that what is proposed will work well: that is an impossibility. And what that proves is that all that debate, over such a long period, over the dubiousness of Scottish economic data is suddenly proving to be very relevant indeed. I strongly suspect some people should have paid a little more attention to the issue a lot earlier than they did. But it's not too late: the demand for real reform has to begin now.