

THE GREAT OBFUSCATION - GERS- 2006

"The great masses of the people will more easily fall victim to a big lie than a small one."
Adolph Hitler. 'Mein Kampf' Chapter 10 1925.

"If you tell a lie big enough and keep repeating it, people will eventually come to believe it. The lie can be maintained only for such time as the State can shield the people from the political, economic and/or military consequences of the lie. It thus becomes vitally important for the State to use all of its powers to repress dissent, for the truth is the mortal enemy of the lie, and thus by extension, the truth is the greatest enemy of the State."

Josef Goebbels. Hitler's propaganda chief.

In May 2000 I wrote a paper called 'The Big Lie.' It was an exercise to establish the truth of the often repeated claims of the British Government that Scotland was too economically weak to stand on its own two feet. In fact the claim has been made numerous times that the English Taxpayers are subsidising the Scots. After months of painstaking research the results were astonishing to say the least. The reverse was actually true, it was Scotland that was substantially subsidising the rest of the UK. My paper was well received and over 22,000 downloads of the PDF file were recorded in total.

However this did not stop the subsidy myth being repeated by the Unionist Scottish Executive and Labour Politicians, both in Holyrood and Westminster in the form of the GERS report 2005 and I was retained by an Independent policy think tank and the newly formed Scottish Enterprise Party to verify the truth or otherwise of the GERS 2005 report. According to the GERS 2005 Report, Scotland was an economic basket case with a huge deficit which required £11.2 Billions annually from the UK exchequer to balance the books. I successfully demonstrated that the GERS report was seriously misleading and that Scotland actually contributed a Revenue surplus of £9.632 billions to the UK Treasury.

The many attempts to have "The Great Deception" published in the media proved to be fruitless. One Scottish Newspaper Editor informed me they had been instructed by the New Labour media department to kill my paper stone dead by stifling debate because debating it would be extremely damaging for Labour's chances in the 2007 Scottish Parliament elections. In the event Labour were defeated and my paper did have an important part to play in this defeat. Although New Labour controlled the Media through the use or should that be called misuse of advertising revenues, they could not control the Internet and my paper was widely disseminated amongst the nationalist and Pro Independence supporters where it was put to good use in refuting the many highly irresponsible and reprehensible Labour scare stories and outright lies. Well over 27,000 downloads of the PDF file have been recorded to date. The tables proved to be highly effective by SNP and SEP activists on the Doorsteps.

I sent copies to the Treasury and the compilers of the GERS report for their comments and received a reply from the Treasury admitting that I had used their statistics correctly and that I should take the matter of misuse of statistics directly to the GERS compilers. In other words they passed the buck. Eventually after a period of six weeks I did get a nine page reply from the Compilers of the GERS report which admitted that some of their methodologies were perhaps faulty and that they would change them for the next GERS report in which they have largely complied with my observations. However there are some even more questionable methodologies in the 2006/7 GERS report such as the 83% allocation of N Sea revenues to Scotland. More on this subject later.

Many attempts were made to refute the accuracy of my paper by both the Labour Party and unionist supporters alike and in every case the figures stood up to the severest testing. One London based economist retained by the Labour party contacted me about the accuracy of the Scottish Corporation tax figures and I sent him the research data culled from Companies House in Edinburgh, He later replied agreeing that my data was more reliable and accurate than the GERS data. This source was readily available to the GERS compilers, which they signally failed to use. As they also failed to use Commercial data readily available on the Internet such as official returns from the Offshore oil and gas industry. To date my report has stood the test of time and has been accepted as accurate. It should be noted that I put my professional reputation on the line. If anyone could prove my data and findings were wrong then my professional reputation as an Accountant would have been destroyed.

The British Government have made vast improvements in the online services available for researchers using the Internet over the past six years most of the data is now online. A far cry from the days of "The Big Lie" when information was hard copy paper and cost a small fortune to purchase from HM Stationery Office. The one major source of information has been this website : <http://www.hmrc.gov.uk/stats/> links from this website give additional information. I am using the UK Governments own statistics for comparison with the GERS report and where interpolation has been required the figures err on the conservative side giving the benefit of any doubt to the UK statistics.

In my original 'Big Lie' article North Sea Oil revenues were difficult to track down as the UK Government regarded these as special resources of the UK (Extra-Regio Territories) and not Scottish, even though the Oilfields are in Scottish waters, are policed by Grampian Police and supported by an Infrastructure, at NE Scottish Ratepayers and Council Tax payers expense without any financial support from Westminster. The UK government had created a new country named Extra Regio Territories in order to conceal the Oil revenues from the Scottish account. Accordingly I ignored this new creation and included the North Sea Oil revenues in the comparator. Following this UK Government convention, the 2005/6 GERS report compilers did likewise, thus North Sea Revenues were EXCLUDED from the allocation of revenues received from Scotland. However the GERS 2006/7 report does include the North Sea oil revenues for the very first time.

When the Scottish Parliament was established, the UK Government annexed 6000 square miles of Scottish Waters rich in Oil, Gas and Fish and transferred them to English jurisdiction without consulting the Scottish people. In these cases, I have re-allocated this areas Tax revenues to the Scottish Tax Revenues account under the original internationally recognized boundary. I have also re-allocated the Scottish operations proportion of the Corporation and other taxes paid by the International Oil Companies based in London whose taxes are credited to the London account. This will give a truer picture of Scotland's contribution to the UK Treasury. These taxes would naturally accrue to the Scottish treasury in any case if Scotland were independent.

In my paper on the GERS 2005/6 report I wrote "I am still not satisfied that I have gained a true picture of North Sea Oil and Gas revenues as I am certain some of these have been allocated to the Gross operating surplus and Crown Estates Income. In this event, they may well be understated for the Scottish North Sea Tax revenues, but I have found it next to impossible at present to penetrate the veil of obfuscation from HM Treasury that surrounds this heading." That statement remains essentially true even now. It would appear that the British Government are unwilling to allow the people of Scotland to know the full extent of their purloined wealth. The U.K. Government use the figure of 8.5% (Red Book 2006) to express the percentage of Scottish Populace to the U.K. Population as a whole, and I have used this percentage in Annex A where it was impossible to ascertain the correct percentage. (Comparator of Taxation Revenue and Percentages). It should be Noted that the least ambiguous site was HM Revenue and Customs whose data was well laid out and easy to follow. The worst site being the Treasury where a great deal of fossicking through a myriad of papers, tables and documents was necessary. Hence the title "The Great Obfuscation".

In fact I have a great deal of sympathy for the GERS compilers, if they had half the frustration I endured in ferreting out the Treasury statistics that I experienced, then they must have been tearing their hair out. The essential data was there all right but was buried under many menus and sub, sub, sub menus. It took me over four hours in one instance to find what I was looking for. One major headache was re-allocating the £57 Billions of "Other Expenditures" which included the amounts paid via the Barnett Formula to the Scottish Government, The Welsh Assembly and the Northern Ireland Assembly. Figures From the Scottish and Welsh Governments were readily available but the Northern Ireland Government must have had leprechauns from the Treasury compiling their figures. I got there in the end but it would have been nice to have had one summary document instead of rummaging through over 36 different reports. It took me over a fortnight just to break down the £57 Billions into the correct sub headings. It should be noted that substantial sums have been spent on the infrastructure for the London Olympics in 2012. I suspect there has been a gross overspend which the Labour Government are attempting to cover up to conceal their ineffable incompetence, Millennium dome anyone?

GENERAL NOTES and OBSERVATIONS

I respectfully suggest you print off a copy each of Annex A and B to cross check with the figures. It will make this section easier to follow. It was interesting to note the disparity between Income tax receipts in Scotland and those of the S. E. of England. Scotland's Share of the Income tax and National Insurance Contributions is 7.05% and 8.04% respectively which reflects the lower Incomes of Scots in general and this disparity is growing wider each year.

HM Revenue and Customs figures strongly suggest that there are a higher proportion of Scots, whose earnings fall below the minimum Tax level and therefore pay no tax at all, than in the rest of the U.K. A pointer to the relative levels of poverty in Scotland. Another anomaly is the number of people of pensionable age who continue to work, this would naturally be expected of Hill Farmers and Crofters whose incomes are desperately low, but it extends right across the board. In the U.K. the average number of Pensioners working is 6.8% of all pensioners. (6.6% in 2005) However in Scotland the ratio is 9.86% an increase over the 9.4% in 2005.

Also Included in the figures are Council Tax and Business rates, as quite properly these are taxes to be taken into account. Council Tax at 8.98% is higher than the population percentage of 8.5%. I have reasons to suspect that this figure includes the Social protection account which has been used to pay the council tax bills of those on benefits.

Business rates are even higher at 9.47% a slight drop from 2005 when it was 9.6%. One would expect Rural areas to have higher charges than Urban areas, but this does not account for the difference, which may occur due to the high costs of providing the infrastructure for the Oil Industry on the East and North East coasts, but is more likely in the Central belt, to be the result of Labour Councils mismanagement, inefficiencies and profligacy. In these cases, businesses are merely regarded as convenient cash cows to be milked as and when needed

Before we reach the concluding part, it would be a good idea to acquaint oneself with the various taxes and so would you please turn to APPENDIX A at the back and I will take you on a quick tour. Please note that when I refer to One Billion, I am talking about one thousand million, NOT the old convention of one million million.

VALUE ADDED TAX

We start first of all with our old friends from HM Revenue and Customs and the most easily recognized Tax of all: Value Added Tax. Scotland's share being £7.488 Billion or 9.68% of the Total. One would expect it to be lower than this due to the lower levels of personal spending in Scotland, as is reflected in the GERS report which only highlights Household expenditures at 8.5% and does not include Business VAT contributions. However this 9.68% distortion is due to the fact that VAT is charged on Bottled Whisky and hydrocarbon Fuels as soon as they leave the Distillery bonded stores or the Refinery gates. It should be noted that Scotland has a higher production ratio in these commodities. Therefore GERS comes in at 8.5% in line with the Population percentage.

It should be noted that there is a major disagreement between the GERS figures and the HMRC Statistics. The GERS figure for the UK are £87,728 Billions whereas the figure in Table T1:2 of the HM Revenue and customs statistics shows only £77,360 giving a variance of £10,368 Millions. This begs the question "Which set of figures is the correct one?" I have erred on the side of caution and have taken the HM Revenues and Customs cash receipts figures to be the correct ones.

Since the above was written I have been informed by e-mail :

"Dear Niall.

First, let me reassure you that both figures are in fact correct, but they compiled using different assumptions. The UK figures of £77.4 billion (as published by HMRC and Table C6 of the Budget Report) are cash receipts only. The VAT calculations used in the National Accounts and in the GERS report are total VAT receipts on an accruals basis.

One of the main differences is in the way VAT refunds to central governments departments, to local authorities and to some public corporations are scored on the balance sheets. In the Budget Report calculations, these appear as an Accounting Adjustment and are classified as other taxes and revenues. In GERS and the National Accounts these are included in the total VAT figure with a corresponding reduction in other taxes and royalties. In addition, the presentation in the Budget Report shows the accruals adjustment separated out, whereas GERS and the National Accounts present all figures on an accruals basis. The same figures appear in both presentations, but in different places. The GERS presentation is better as it assigns all the VAT components to the VAT revenue stream.

You will note that in both presentations, the total UK receipts are identical (£519.7 billion in Table C6 of the Budget Report for 2006-07 and £519.7 billion in Table 4.1 – page 32 – of GERS).

I hope this is helpful. Please get in touch if you require any further clarification.

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" that both figures are in fact correct, but they compiled using different assumptions." Assumptions based on the estimated figures of the 2006/7 Budget Report cannot be compared to hard data from the HM Revenue and customs statistics database which are more reliable. As a professional Accountant I am very, very wary when I encounter any form of 'Creative Accounting.'

When an Accountant does an audit of a Company's annual accounts, he verifies the actual cash receipts and expenditures NOT THE COMPANY BUDGET! The Budget is useful only in establishing the Company's performance. In the case of UK PLC that performance is dire and abysmal.

HYDROCARBON OILS

Hydrocarbon Oils at £4,122 Billions or 16.01% is more properly an Excise duty than a tax. Excise Duty is payable when the Fuels leave the Refinery gate and the high percentage reflects the dominant position of the Grangemouth Refinery in the UK. There are also large imports of refined fuels from places like Rotterdam in addition from UK refineries further south. Duty is payable when the fuels are offloaded into the storage tanks in the many outlying ports such as Stornaway, Lerwick, Kirkwall et al. The Duty is then charged to the end user when it is uplifted. It should be noted that GERS only allocates £1.958 or 8.3% of Duty to Scotland and this could well be the result of the Refineries owners having their head offices in London where the excise duties are paid, thus distorting the true picture. Certainly in an Independent Scotland these revenues would be paid to the Scottish exchequer so to correct this anomaly I have calculated the fuel duty from the production figures and the reported duties paid at the various ports.

TOBACCO DUTY

Tobacco Duty at £982 Million or 12.05% is more than the national average, but reflects the increased level of imports into Scotland, where it should be noted there is only a low level of manufacturing compared to the rest of the UK. This figure may alter in later years because of the ban on smoking in public places causing more people to give up smoking. The GERS figure is £981 Million or 12% which is in line with my own findings.

ALCOHOL DUTIES

The HM Revenue and Customs list the alcohol duties under four separate headings : Spirits £2.256 Billions of which Scotland's share is £839 Millions or 37.29%. This reflects the high output of Whisky and other spiritous distilling in Scotland. Beer £3.072 of which Scotland's share is £408 Million or 13.28% again reflects the fact that Scotland produces more than her population percentage would suggest. Just under one half is exported either to the rest of the UK or overseas.. Wine and made wine £2.385 of which Scotland's share is £196 or 8.22% may well be overstated even though large quantities of wine are imported into Scottish ports. Cider and Perry £200 million of which Scotland's share is £15 Million or 7.5% most of which is imported from the Rest of the UK but there is some from the EU. For some unfathomable reason the GERS Report lumps the four separate duties together at £7.914 Billions of which Scotland is credited with £768 Millions or 9.7%. However on investigation this figure is a gross underestimate of Alcohol production in Scotland which produces over 39% of all spirits distilled in the UK. It should be noted that the Scotch Whisky Association reported paying £756 Millions alone in the same period.

I have broken the GERS figures down for comparison which are : Spirits £2.228 Billions of which Scotland's share is £216 Millions or 9.7%. This is a gross underestimate so I referred to the figures produced by the Scotch Whisky industry I have arrived at a fair calculation of the duty generated. However this is still understated as Much of the production is credited to the London account by the fact of the head offices being located there. Beer £3.035 of which Scotland's share is £294 Million or 9.7% . Wine and made wine £2.455 of which Scotland's share is £238 or 9.7%. Cider and Perry £197 of which Scotland's share is £19 Million or 9.7%.

BETTING AND GAMING

The UK total is £1.391 Billion of which Scotland's share is £ 121 Million or 8.7% slightly over the population average. GERS however gives the figure for the UK Betting, Gaming and the Lottery account as only £961 Millions , a major discrepancy with the HM Revenue and Customs official figures which in my view are an accurate representation and compare closely to figures available elsewhere from the industry itself. £431 Millions have been lost or misplaced by the GERS compilers which casts serious doubt on the accuracy of their work. The GERS figure for Scotland is £95 millions or 9.90%. Well short of the true figure of £121 Millions.

CUSTOMS DUTIES & AGRICULTURAL LEVIES.

This heading is missing in the GERS report but can be located in Table 4:1 by logical deduction under the heading of "Other taxes on income and wealth." Why could the GERS compilers not stick to the HM Revenue and Customs layout? This leads me to the unpalatable premise that this is an exercise in deliberate obfuscation intended to hide the true state of Scottish finances from the people of Scotland. After the publishing of the McCrone report which revealed the blatant lies and misinformation given to the people of Scotland for countless years even century's, is it any wonder that the Scots no longer believe anything the UK Government tells us? More on this topic later. Let us continue.

AIR PASSENGER DUTY.

Air Passenger Duty represents £88 Million of receipts which is above the national level at 9.06%. In my opinion this is overstated as most air travel takes place from English airports not Scottish. However this anomaly may be down to the excessively high charges imposed on travelers using the Highlands and Islands airports.

INSURANCE PREMIUM TAX.

Insurance premium Tax is a nice little earner for the Chancellor. Although the national population percentage is used, I believe the revenues raised £202 Million, 8.73% are understated due to the strength of the Scottish insurance companies. Again this may be a distortion due to Head office returns in London. I did not have the time to study each Scottish Insurance Company's annual returns at Companies House which would have given me a much more accurate picture.

LANDFILL TAX.

Landfill Tax at £81 Million (10.07%) is slightly higher than the national average. However independent figures are available for Scotland and I have used them. The GERS report allocates £75 million (9.10%) which is not too far off the mark.

CLIMATE CHANGE LEVY.

Another nice little earner for the Chancellor. This supposedly 'Green' tax is nothing more than another devious ploy to raise revenue to plug the ever growing hole in the National Accounts. From independent statistics the Scottish share figure is £65 Millions or 9.13%. The GERS compilers state the figure to be £73 Millions or 10.5% which is far too high.

AGGREGATES LEVY.

Due to there being a higher production of aggregates in Scotland the revenues collected £49 Millions (15.26%) are higher than the norm. The GERS compilers obviously had access to the same data. .

INCOME TAX.

Our old nemesis Hector the Tax Inspector holds out the HM Revenue and Customs collection sack and takes £10,111 Millions from Scottish hip pockets or 7.05% of all UK Income Taxes. The GERS figures are broadly in line. As mentioned earlier, this is an indicator of the relative Wealth of Scotland compared to the UK as a whole. If we take the Treasury Population figure of 8.5% as being accurate, then this would indicate that wages and Salaries are some 16% lower in Scotland than they are in England.

NATIONAL INSURANCE CONTRIBUTIONS

National Insurance Contributions which are effectively a Tax, Contributed £7.014 Billion pounds or 8.04%. This heading reveals the same disparity in earning power of The Scots as opposed to the English levels. See my earlier comment on the facing page. The GERS figures are slightly higher at £7,464 Billion or 8.20%

CORPORATION TAXES (Non North Sea)

Non North Sea Company Corporation Taxes follow on at £4.322 Billion pounds or 12.01% of the UK Total. This is higher due to the relative profitability of Scottish Companies and firms and is especially true of Banking, Finance and Insurance. It should be noted that the GERS report shows a figure of £3.019 or 8.1% which again as in years previous is far too low, considering that the Royal Bank of Scotland and The Bank of Scotland between them paid £3.51 Billions in Corporation tax. Are the authors of GERS seriously telling us that only the Royal Bank of Scotland and the Bank of Scotland were the only Companies to pay Corporation tax? According to data for the top 500 Scottish Companies (Scotsman Newspaper) The top 500 companies made taxable profits of £24.4 Billion on which yielded Corporation Tax revenues of £7.32 Billions of which £3.857 Billions is credited to the North Sea Oil account. The remaining balance of £3.463 does not take any account of Corporation taxes paid by smaller Scottish companies. The smaller companies quite significant share of Corporation Taxes is in the region of around £859 Millions. http://www.hmrc.gov.uk/stats/corporate_tax/table11_1.pdf

CAPITAL GAINS TAXES

Capital Gains Taxes at £309 Millions or 8.1% is a reflection of the slowdown in the Scottish housing and property market which has still to catch up with inflated S E England prices. It should be noted that the GERS Report shows £308 Millions or 8.1% more or less the figure I have used.

INHERITANCE TAXES.

Inheritance Taxes at £297 Millions or 8.3% of the UK total are 22% higher than the figure of £228 Millions in GERS. Again I have used the more reliable data in the HM Revenue & Customs database which gives regional breakdowns.

STAMP DUTIES

Stamp Duties account for £664 Millions or 4.96% actual which is well below the UK average, reflecting lower house prices in Scotland and that Scots have fewer opportunities for amassing wealth. However the GERS report shows £686 Millions or 5.1%. It may well be the case that Stamp duties paid by the Scottish Financial sector on Bonds, shares and other transactions are credited to the London account because Edinburgh one of Europe's foremost Financial centres does not have a Stock Exchange. Therefore the Scottish Stamp Duties are understated.

VEHICLE EXCISE DUTIES.

Now we come to the other Taxes and Government receipts which will complete this tour, taxes such as Vehicle Excise Duty of £403 Million Pounds or 7.84% slightly below the UK average reflecting the duty paid on new vehicles and Road Fund Duty. However due to the considerable number of Company vehicles purchased out with Scotland by Companies registered outside Scotland, but used on Scottish roads, the vehicle excise duty is clearly understated. The GERS figure at £400 Millions is broadly in line with my findings.

BUSINESS RATES

Business Rates of £1.884 Billion Pounds or 9.47% are a regressive tax on small and medium sized profitable businesses. They are abnormally high in Scotland, because the mostly Labour local Authorities have never implemented the Standard Business Rate Laws brought in by the last Conservative government. Too many Labour Councils regard the Business sector as a milk cow to be exploited ruthlessly to make good their shortfalls in local taxation. The GERS figure at £1.833 Billion or 9.25 is slightly lower than mine by £51 Millions which may be explained by using estimated figures.

COUNCIL TAXES.

Council Taxes of £2,006 Billion pounds or 8.98% reflect the costs of Council services in Scotland. The GERS report tells us the Council Taxes figure is much lower at £1.812 Billion or 8.1%. I have used the figures produced by the Councils in their audited accounts which I regard as accurate.

OTHER TAXES AND ROYALTIES

Other Taxes and Royalties of £515 Million Pounds or 8.63%. GERS states £492 or 8.2% This difference may be down to the use of estimates.

INTEREST & DIVIDENDS

Interest and Dividends of £631 Millions or 9.99%. The GERS figure is almost the same at £628 or 9.9%.

GROSS OPERATING SURPLUS AND CROWN ESTATE RENTS

Gross operating Surplus and Crown estate rents and Income of £2.101 Billion or 9.72%. GERS uses the figure of £2.757 Billion or 12.30%. I have reason to believe that Crown Estates way-leave rights over the Seabed are included in GERS whereas I have correctly allocated them to the N Sea account.

OTHER REVENUES & ACCOUNTING ADJUSTMENTS.

The UK treasury and the GERS report the Sum of £1,812 Billions. The Scottish share is £155 Millions or 8.55%. GERS on the other hand allocates £403 Millions or 22.2% to Scotland which cannot be justified even by the methodology used. The compilers need to try harder. They appear to have taken my criticism to heart in "The Great Deception", to quote "In my view its sloppy accounting practice having (£2.135) Billions held in a suspense account. (In other words we don't know where to put it!)"

EXTRA REGIO TERRITORIES (NORTH SEA)

This section had been completely omitted from all the earlier GERS reports until this year. For the very first time North sea Oil revenues are included even though some very questionable methodologies have been used. GERS has aggregated the Scottish and English oil and gas fields together as a single geographical area of which 83% is allocated to the Scottish account. The highly respected Professor Kemp of Aberdeen University has set the share of total production at 97.1%. However I have decided to err on the side of caution by setting the share at 95%. Perhaps the GERS Civil Service compilers are setting a marker in the sand on behalf of the UK Treasury in anticipation of Scotland becoming Independent?

North Sea Companies Corporation Taxes are next at £3.857 Billions or 95.0% of the Oil and Gas Sectors. GERS gives the figure of £3.370 Billions or 83%. They are broadly in agreement with mine. The Corporation tax figures I have used are those taken from Companies House Annual returns for Companies with registered interests in the Scottish Oilfields. It should be noted that many of these Companies have their head offices in London and the payments of Corporation Tax are credited to the London Account by the Treasury, Not Scotland! I have used the UKOOA annual report where clarification was necessary. This source was used for the primary figures:

http://www.hmrc.gov.uk/stats/corporate_tax/table11_1.pdf

Petroleum Revenue Tax at £2.047 Billion also represents 95.0% as being the Scottish Sector. Source:

http://www.hmrc.gov.uk/stats/tax_receipts/table-1-2.pdf

North Sea Supplementary charge at £2,667 Billions is also reckoned to be 95.0% Scottish Sector. GERS again is broadly in line even after allowing for their highly questionable 83% methodology : Source:

http://www.hmrc.gov.uk/stats/corporate_tax/table11_11.pdf

Oil Licences and Royalties come out at £57 Millions. GERS uses the same base figure but only Credits 83% to Scotland.

Finally the Crown estates seabed way-leave rights charges at £827 Millions of which Scotland's share is £786 Millions or 95.0%. Crown estates Way-leave rights are not insignificant as I have seen one UK Government document stating that £1.3 Billions has been raised this way from 1978 to 2003.

This brings us to the totals and at this point the figures have a story to tell. The total UK Taxation Revenues for the year to the 5th April 2007 were £516.662 Billion pounds. Now let us assume that figure is 100% of the total Taxation. Scotland with 8.5% of the population contributed £54.680 Billion Pounds or 10.58% of the total UK Tax revenues.

The population percentage formula would assume that Scotland would contribute only £43.916 Billion pounds. In fact Scotland did much better by actually contributing an extra £10.764 Billions to the revenue pot. Even GERS shows a Revenue Surplus of £5.711 based on the population percentage which actually increases when the correct North Sea percentage of 95% is used. GERS then gives a surplus of £7.593 Billions which is a great improvement from the previous year when the figures were creatively massaged to show a DEFICIT of £11.2 Billions. That's some turnaround in just ONE YEAR!

Far from England subsidising Scotland as the Unionists and their tame media poodles keep lecturing us, the reverse is true. Scots are subsidising the rest of the UK. Later on we shall see that the GERS report also understates the amount of Government expenditure both in the UK and in Scotland, presenting the case that Scotland proportionately contributes less to the exchequer yet consumes proportionately more of the national treasury to the tune of £9 Millions.

THE GERS EXPENDITURE ANALYSIS.

The main source for my Information has come from the UK treasury website statistics Url Namely :

http://www.hm-treasury.gov.uk/economic_data_and_tools/finance_spending_statistics/pes_publications/pespub_pesa06.cfm
(You will need to cut and paste this link in your browser)

Other publications have been used for reference and these are listed at the foot of the appendices which follow this report. The GERS Report still makes a great fuss about identifiable and non identifiable spending in Scotland and how difficult it is to define these two grey areas. After spending eight weeks reviewing Government statistics, as in last years report, I was not surprised at how few grey areas do exist. Those that exist can mostly be calculated using logic and common sense. Therefore I have left out these two headings contained in the GERS report which in my opinion are used for obfuscation of the true facts. Actually the phrase "Smoke and Mirrors" comes to mind as being more appropriate.

GENERAL PUBLIC SERVICES.

The GERS report gives the Scottish figure of £1,417 Millions, whereas the actual figure is £1,439 Millions giving a variance of £22 Million pounds. However the Difference in the UK actual figures and the figures used by GERS is more marked. There is a variance of £9,490 Millions (£9.48 Billions) This balance can be accounted for by major capital projects in London of which nearly £2 billions is accounted for by early spending on the 2012 Olympics.

To be fair I have applied the population ratio to the adjusted balance after deductions for purely London capital expenditure and have applied the same percentage to the two major HMRC Offices at East Kilbride and Cumbernauld which have a UK wide remit unlike GERS which appears to allocate the whole costs of these offices to the Scottish account. I have identified more realistic figures which are £736 Millions for General Public Services from Central and Scottish Government expenditures plus £150 Millions for HM Revenue and Customs and DSS/DWP office running expenses. This comes to a total of £886 Millions directly attributable to the Scottish account, the remaining £553 Millions being attributable to Central Government and London Capital projects such as Crossrail.

INTERNATIONAL SERVICES.

The GERS report gives the figure of £518 Millions, whereas I compute the figure to be £506 Millions. GERS uses a UK budget estimate of £6,144 Millions when the actual expenditure was a more modest £5,875 Millions. GERS has overstated this heading by £269 Millions, a not inconsiderable sum. The actual Scottish share is £506 Millions (8.61%) GERS at £518 Millions (8.43%) is only £12 Millions over

DEBT INTEREST.

The GERS report gives the figure of £2,145 Millions or 8.45%, whereas the actual figure is £2,414 or 8.44% Millions which is broadly in line with my findings. It is arguable considering that Scotland has had a balance of payments surplus, decade upon decade that Scotland should bear any part of this debt burden. However as this is a grey area, an adjusted economic population percentage has been applied.

DEFENCE LESS COSTS OF TRIDENT,

The GERS report gives the figure of £2,729 Millions or 8.44%, which also charges the entire cost of the Trident system to Scotland, when in fact it is a UK wide commitment. In actual fact the correct figure is £954 Millions or 3.5% . The true defence spending in Scotland on Air bases, Barracks, ports and the Army pay centre in Glasgow, training areas and ranges is a modest £556 Millions. Add to this the proportionate share of the Servicemen's pay and allowances, £267 Millions, Pensions and other services £131 Millions we arrive at £954 Millions. If we add the Trident proportion of £99 Millions the total becomes £1,053 Millions far short of the £2,752 Millions which is the proportionate share of the UK defence expenditures which includes £1.64 Billions for the wars in Afghanistan and Iraq. To be scrupulously fair I have applied the population ratio of 8.5% as defence is a UK wide commitment.

The GERS compilers have obviously taken the population plus Trident to arrive at their figure. Most of the so called unidentifiable expenditure is amply documented as being spent in SE England and Wales.

TRIDENT NUCLEAR DETERRENT FORCE.

The GERS report includes the True Trident costs of £1.167 Billion in the general Defence expenditures whereas the actual figure is £99 Millions per the Scottish population ratio.

PUBLIC ORDER AND SAFETY.

The GERS report overstates with their figure of £2,292 Millions, whereas the actual figure is £1,817.5 Millions giving a variance of £(474.5) Million pounds. I have a suspicion that once again part of the total UK costs of Public order and safety have been applied to the Scottish account as happened in the last GERS report. This ignores the fact that Scotland has her own Legal and courts system. I am convinced the costs of Security for the Coulport Nuclear Storage facility and protection of the Royal family in Scotland are included here. In reality these should be a charge pro rata on the UK population as a whole.

ENTERPRISE AND ECONOMIC DEVELOPMENT.

The GERS report gives the figure of £1,002 Millions, whereas the actual figure is £1,017 Millions or 10.19% giving a variance of (£15) Millions. It should be noted that there is a large variance between the GERS UK Figure of £6,923 Millions and the actual UK spend of £9,982 Millions giving a variance of £3,059 Millions! This can be easily explained as the GERS compilers are using budget estimates whereas I have used the actual figures.

SCIENCE AND TECHNOLOGY.

The GERS report gives the figure of £285 Millions or 9.49%, whereas the actual figure is £242 Millions or 8.7% giving a variance of £43 Millions. Again this suggests that the Treasury have made cutbacks when it became apparent that the Budget was facing a massive overspend. £43 Millions lost to developing scientific research and new technologies such as renewables.

EMPLOYMENT POLICIES.

The GERS report gives the figure of £299 Millions or 8.74 %, whereas the actual figure is £300 Millions or 19.4% giving a variance of £92 Millions.

AGRICULTURE, FISHERIES AND FORESTRY.

The GERS report gives the figure of £678 Millions or 13.34%, whereas the actual figure is £712 Millions or 13.87% giving a variance of £(34) Millions. However there is yet again a marked difference in the UK figures used. GERS tells us the Budgeted UK spend was £5,082 Millions whereas the actual spend was slightly higher at £5,184 which is £102 Millions greater than GERS.

TRANSPORT.

The GERS report gives the Scottish figure of £2,563 Millions or 12.89%, whereas the actual figure is £2,564 Millions or 12.02% giving a variance of (£1) Million. GERS have obviously used the same sources as I did but yet again there is this unexplained variance in the UK figures. GERS gives the UK Figure as £19,885 Millions, yet the actual spend was £21,331 a gap of £1,446 Millions.

Both of these figures are suspect as there appears to be an substantial element representing investment into transport infrastructures in London which has been allocated to the Scottish account. The often used argument that transport infrastructure improvements are of benefit to the UK as a whole does not wash with me. What about the new Aberdeen bypass? That will be of benefit to visitors from London so why not allocate part of the costs to the London account? From independent sources the actual transport spend in Scotland is around £1,343 Millions.

ENVIRONMENT PROTECTION.

The GERS report gives the Scottish figure of £904 Millions or 9.91%, whereas the actual figure is £516.5 Millions or 5.59% giving a variance of £387.5 Millions. This could well mean that there is an underspend caused by treasury cutbacks. I have a question mark about the amount actually spent in Scotland and it might be a good idea for an SNP member of Parliament to ask a question in the house to verify the actual amount spent in Scotland as it would appear that monies intended for Scottish Flood defenses etc have been diverted to the rest of the UK.

HOUSING AND COMMUNITY AMENITIES.

The GERS report gives the Scottish figure of £1,395 Millions or 12.29%, whereas the actual figure is £1,396 Millions or 12.14% giving a variance of (£1) Million. The GERS UK Figure of £11,347 Millions is £155 slightly under the actual spend of £11,502 Millions.

HEALTH.

The GERS report gives the Scottish figure of £9,108 Millions or 9.66%, whereas the actual figure is £9,843 Millions or 10.24% giving a overspend for the year of £(735.2) Millions. There is an element of PPP/PFI of £565 Millions entered into by the previous administration without due regard to the long term cost which would have been better spent on front-line staff and patient care.

RECREATION, CULTURE AND RELIGION.

The GERS report gives the Scottish figure of £1,349 Millions or 11.8%, whereas the actual figure is £1,288 Millions or 11.41% giving a variance of £61 Millions. It should be noted that a sizeable proportion of the Scottish figure has actually been diverted by the Treasury and spent on Olympic and other training facilities in England which it is argued are of benefit to Scottish Athletes. From all sources I compute that the true spend in Scotland is £784 Millions or 6.95%

EDUCATION.

The GERS report gives the Scottish figure of £6,932 Millions or 9.69%, whereas the actual figure is £6,933 Millions or 9.52% giving a variance of (£1) Million. It should be noted that there is a sizeable amount of PPP/PFI interest payments in this figure from contracts very unwisely entered into by the last Labour/Liberal Democrat administrations. It will be thirty years before this onerous burden is finally discharged

TRAINING.

The GERS report gives the Scottish Figure of £175 Millions whereas I make it £174 giving a variance of £1 Million probably caused by the rounding errors endemic in the Excel program used by the GERS Compilers. However there is an even more serious variance. GERS Gives the UK Budget figure of £2,111 Millions when in actuality only £1,966 Millions was actually spent in the year giving an underspend of £145 Millions. Is this another instance like the flood defences, of the Treasury short changing Scotland yet again?

SOCIAL PROTECTION.

The GERS report gives the Scottish figure of £16,183 Millions or 9.16%, whereas the actual figure is greater at £16,444 Millions or 9.29% giving a variance of (£261) Millions. This figure is unacceptably high reflecting the higher than average numbers of people on Incapacity benefit in Scotland. This is something which needs addressing.

EU TRANSACTIONS.

The GERS report gives the figure of £(350) Millions, which agrees with my research.

NOTES ON APPARENT DISCREPANCIES.

There are a number of arithmetical discrepancies between the statistical figures I have used and the same figures used by GERS. This is most probably due to the @Round function of the Excel spreadsheet used. There is a well known work around for this bug. However there is a marked difference in the totals. GERS uses the Budget figures of £523.723 Billions whereas the actual cash spend was far larger at £544.363 Billions a margin of £20.64 Billion. No wonder the Chancellor had to borrow money on the World's money markets to make up the shortfall. The Scottish people are now coming to realize that the "Prudent stewardship" of Gordon Brown was nothing of the sort but yet another BIG LIE spun by the Labour spin machine.

COMMENTS

I Made the following comments in "The Great Deception". However they are worth repeating. The GERS report tells us nothing useful about how an Independent Scotland would be able to run her own affairs. It does demonstrate that the present UK administration is bloated and cumbersome. An example of big government in action. For example the UK's PAYE and NIC System is very inefficient requiring 48.3 pence in every pound collected for its internal administration.

An Independent Scotland needs to consider more Radical Taxation methods and I am firmly in favour of a 'The Flat Tax' system wherein both Tax and National Insurance contributions (A tax by any other name) are combined. Its simplicity makes it very cost effective to collect (less than 5p in the £) and coupled with a personal allowance of £12,000 p.a. It would at a single stroke take 250,000 Scottish taxpayers out of the loop. One single rate of 30 pence in the pound on all earnings over the personal allowance is easy to administer both by the Government and the Employer.

Another idea would be for Scotland to become both a Free Trade area and an offshore tax haven which linked to the highly successful Financial services sector in Edinburgh would create a powerful and stable economy. Naturally, Scotland could not be a member of the EU as the Eurozone rules forbid Free trade areas and offshore Tax havens.

In Conclusion in the light of the statistics cited above, there can be no doubt at all why Scotland could not go it alone as an independent nation just as Norway and the other smaller European nations have done. We can give our citizens a higher quality of life whilst investing part of the Oil revenues into an Oil Fund for future generations to enjoy the benefits from. Norway developed a fund in 1996 and it has since grown to £194 Billions in just eleven years. Just think what an independent Scotland could do with a similar fund instead of having it purloined by the Westminster Government which has received some £249 Billions since 1975 and if Scotland remains in the union then Westminster will ultimately receive £1,194 Billions for the entire life of the North Sea oil fields.

Our pensioners could have pensions based on 60% of average earnings on which they can live in Dignity without the demeaning means testing for poverty. Schools that can invest in new buildings, equipment and teachers without incurring the crippling debts of PPP/PFI which will have to be paid by our grandchildren far into the future. A properly funded and run Health Service, free to all which does not ration healthcare by postcode or age. Again free of the PPP/PFI fiscal drain which benefits the private companies and fat cat financiers, not the Patients, the poorest of whom are ruthlessly exploited for profit in their hours of need.

Our Young people anxious to own their first home can apply to Housing Associations that can build the type of houses people want to live in. To build truly social housing not Labour's Stalinist monobloc, soul-less concrete deserts of the past.

Crofters and hill farmers who are the sturdy backbone of our rural communities can receive aid which stops the depopulation of our rural areas. Thus ensuring the land is worked and contributes to the economy which it does not do under the current Westminster and EU policies. Fishermen can rely on properly supported Fishing conservation measures which will preserve stocks ensuring they have a living and more importantly, stocks for their children and grandchildren to fish in the future, protected by a small but efficient Navy, Army and Air Force.

Businessmen will be able to develop a vibrant economy for the benefit of all Scots, by having a business friendly regime of lower business rates and small taxes and in turn can increase the wealth of the nation by trading with the entire world through innovative means such as a Scottish Freeport. This is something that great thinker Adam Smith envisaged centuries ago and something we Scots can make a reality through efficient communications by Land, Air and Sea will facilitate this trade. Communications planned and implemented by Scots not some dis-interested foreign government.

Ladies and Gentlemen of Scotland, the Future lies in your hands. Have I made a the case that our Government have continuously deceived us for many years about Scotland's Oil and Gas resources as revealed by the McCrone Report recently released. Then the GERS figures which purport to show Scottish finances cannot support Independence. Josef Goebbels "BIG LIE" is revealed, do YOU personally still believe it?

Signed. Niall Aslen.
Friday, August 29, 2008
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Sources used in compiling this article which includes 1,500+ pages of various publications are as follows:
The GERS Report itself :

<http://www.scotland.gov.uk/Publications/2008/06/18170334/0>

HM Revenue and Customs Website
<http://www.hmrc.gov.uk/stats/>

http://www.hm-treasury.gov.uk/economic_data_and_tools/finance_spending_statistics/pes_publications/pespub_pesa06.cfm
(Note. You may have to cut and paste this link into your browser.)

UKOOA Annual Report 2007 <http://www.ukooa.co.uk/issues/economic/econ07/index.cfm>

Insider magazine and the Scotsman Newspaper Business pages..

Economic Outlook. Regional contributions to UK Public finances. Oxford University.

Adam Smith Institute Briefing note: A Flat tax for the UK by Richard Teather.

APPENDIX A.

U.K. Treasury / GERS Comparitor Taxation Figures 2006/07.

Description of Tax.	U.K. Whole	Percent	Scotland	Percent	GERS UK FIG	GERS	Percent
	£ Millions	%	£ Millions	%	£ Millions	£ Millions	%
Value Added Taxation	£77,360	100	£7,488	9.68%	£87,728	£7,449	8.5%
Hydrocarbon Oils	£25,740	100	£4,122	16.01%	£23,585	£1,958	8.3%
Tobacco	£8,149	100	£982	12.05%	£8,146	£981	12%
Spirits (Inc Whisky)	£2,256	100	£839	37.19%	£2,228	£216	9.7%
Beer	£3,072	100	£408	13.28%	£3,035	£294	9.7%
Wine and made wine	£2,385	100	£196	8.22%	£2,455	£238	9.7%
Cider and perry	£200	100	£15	7.5%	£197	£19	9.6%
Betting, Gaming & Lottery	£1,391	100	£121	8.7%	£961	£95	9.9%
Customs Duties & Agricultural levies	£2,325	100	£198	8.52%	£2,992	£248	8.3%
Air Passenger Duty	£971	100	£88	9.06%	£1,112	£94	8.5%
Insurance Premium Tax	£2,314	100	£202	8.73%	£2,305	£195	8.5%
Landfill Tax	£804	100	£81	10.07%	£825	£75	9.1%
Climate Change levy	£712	100	£65	9.12%	£696	£73	10.5%
Aggregates levy	£321	100	£49	15.26%	£324	£50	15.4%
Total Customs & Excise	£128,000	100	£14,854	11.6%	£136,589	£11,985	8.8%
Income Taxes Net of Tax Credits	£143,327	100	£10,111	7.05%	£141,142	£10,338	7.3%
National Insurance Contributions	£87,273	100	£7,014	8.04%	£90,976	£7,464	8.2%
Corporation Taxes (Non North Sea)	£44,308	100	£4,322	9.75%	£37,156	£3,019	8.1%
Capital gains Taxes	£3,813	100	£309	8.1%	£3,812	£308	8.1%
Inheritance Taxes	£3,545	100	£297	8.38%	£3,618	£228	6.3%
Stamp Duties	£13,392	100	£664	4.96%	£13,393	£686	5.1%
Total Inland Revenue	£295,658	100	£22,717	7.68%	£290,097	£22,043	7.6%
Vehicle Excise Duties	£5,139	100	£403	7.84%	£5,139	£400	7.8%
Business Rates	£19,904	100	£1,884	9.47%	£19,904	£1,833	9.2%
Council Taxes	£22,340	100	£2,006	8.98%	£22,340	£1,812	8.1%
Other Taxes and Royalties	£5,965	100	£515	8.63%	£5,965	£492	8.2%
Interest and Dividends	£6,318	100	£631	9.99%	£6,318	£628	9.9%
Gross Operating Surplus and Crown Estate Rents	£21,625	100	£2,101	9.72%	£22,452	£2,757	12.3%
Other Revenues & Accounting adjustments	£1,812	100	£155	8.55%	£1,812	£403	22%
Total Other Taxation	£83,103	100	£7,695	9.26%	£83,930	£8,325	9.9%
Extra Regio Territories (North Sea)							
Corporation Taxes North Sea Scot.	£4,060	100	£3,857	95%	£4,060	£3,370	83%
Petroleum Revenue Tax	£2,154	100	£2,047	95%	£2,155	£1,788	83%
North Sea Supplementary charge	£2,800	100	£2,667	95%	£2,800	£2,324	83%
Oil Licences and Royalties	£60	100	£57	95%	£60	£50	83%
Crown Estates Seabed wayleave rights	£827	100	£786	95%	Not Included	Not Included	
Total Extra Regio Territories (North Sea)	£9,901	100	£9,414	95%	£9,075	£7,532	83%
GRAND TOTALS	£516,662	100	£54,680	10.6%	£519,691	£49,885	9.6%
Treasury Estimate of Scottish Population is that of 8.5% of U.K. Total. Therefore Tax Burden Calc.	£516,662	100	£43,916	8.5%	£519,691	£44,174	8.5%
Surplus Generated by Scotland all sources			£10,764	2.1%		£5,711	1.4%
GERS N.S. Oil Revenues corrected to 95%						£7,593	1.7%

NOTES & OBSERVATIONS