

Audit scope

Fiscal sustainability and tax

AUDITOR GENERAL 

Prepared by Audit Scotland
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Background

The Scotland Acts of 2012 and 2016 devolved significant tax powers to the Scottish Parliament. For the first time since devolution, the Scottish Parliament became responsible for raising a proportion of the funding to support its spending.

Scottish income tax, Scottish Landfill tax and Land and Buildings Transaction Tax (the Scottish version of Stamp Duty) have all been active since the late 2010s. These three taxes are forecast to generate £21.5 billion of revenue in 2025/26.

These revenues are added to the Scottish Budget, with an adjustment made to the block grant to reflect the equivalent taxes that the UK Government previously raised in Scotland. The Scottish Budget is no better or worse off if devolved Scottish tax revenues per head grow at the same rate as the rest of the UK. The net impact on the Budget will therefore reflect tax policy differences and relative economic performance.

In December 2024, the Scottish Government published its Tax Strategy, which set out its

plans for the existing tax system, and its future priorities for tax.

The remaining Scotland Act tax powers relating to Aggregates Levy, Air Passenger Duty, and VAT Assignment have not yet been implemented. A Scottish Aggregates Tax is due to be introduced in 2026. The Scottish Government also has the power to introduce new taxes, subject to the agreement of the UK Government.

Why this audit is important

Tax policy is a key part of the Scottish Government's approach to sustainable and affordable public services over the medium term, alongside spending controls and growing the economy. This follows on from his [Fiscal sustainability and reform in Scotland](#) report, published in November 2024.

What this audit will look at

This audit will set out the impact of devolved taxes on fiscal sustainability to date.

It will consider the opportunities, risks and challenges of using tax as a lever to achieve

fiscal sustainability, and assess how well the Scottish Government is managing this.

The audit aims to answer the following questions:

- What is the Scottish Government's current approach to tax?
- What has been the fiscal impact of tax devolution, and how does the Scottish Government intend to use its tax powers to meet its fiscal sustainability goals?
- What risks does the Scottish Government face in terms of devolved taxes?
- How well is the Scottish Government managing the risks and opportunities of tax as a lever for fiscal sustainability?

How we will carry out this audit

This output will primarily be based on a desk-based review and data analysis. We will draw on evidence from discussions with the Scottish Government and key stakeholders, such as the Scottish Fiscal Commission.

As the focus of the audit is on Scottish Government fiscal sustainability, local government taxes (council tax, non-domestic rates, and new taxes such as visitor levies) will not be covered.

What we want to happen as a result

This output will help support scrutiny of tax policy and the revenues it generates for the Scottish Budget.

It will also support scrutiny of progress towards fiscal sustainability in the context of the Scottish Government's Fiscal Sustainability Delivery Plan, and Medium-Term Financial Strategy, which will be published in May 2025.

The fiscal framework and processes around tax are complex. This output will bring together key issues and developments that have emerged since the devolution of taxes took place.

Timetable

We plan to publish the report in November 2025.

Following publication, the Auditor General will present our findings to the Scottish Parliament's Public Audit Committee.

Contact

If you have questions about this audit, please contact our communications team on media@audit-scotland.gov.uk.

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