
Pay more tax to protect public services, says expert

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An expert in public finances will warn Holyrood it must consider raising taxes if it wants to maintain levels of public spending after Brexit.

David Heald, who holds the chair in public sector accounting at Glasgow University's Adam Smith Business School, believes that Scotland is facing a twin threat to spending powers from its imminent departure from the European Union.

If the UK economy suffers, there could be less available for the public sector feeding through to Scotland through the Barnett formula. Similarly, with the Scottish parliament gradually taking greater control over a number of fiscal measures such as income tax, were the Scottish economy to fare less well than the UK as a whole the impact of Brexit could be exacerbated north of the border.

Professor Heald will give evidence on the issue at the Scottish parliament on Wednesday. He told The Times there would be "a separate adverse effect" on top of any deductions from the block grant. He suggested the impact of the oil price downturn in recent years was an example of something which had hit Scotland's economy harder than the rest of the UK.

"I think there are reasons to be concerned that the effect [of Brexit] on Scotland might be bigger than the rest of the UK," he said.

He believes it is inevitable that personal taxation changes will have to be made to meet growing public spending demands caused by demographic trends such as the ageing population.

Professor Heald said: "The UK as a whole has a problem of wanting Scandinavian public services at US taxation levels. People are either going to have to agree to pay more taxes or they are going to have to accept lower levels of public service provision. That is going to be big political decision.

"The big spending areas are the ones which will face the greater pressure health, education and social care."

In a Scottish context, Professor Heald is in favour of revamping current income tax bands but stressed there was a need to avoid penalising people.

He said there was bound to be a debate about what the bands ought to be. "I think the threshold for the higher rate is too low," he added.