



45th congress of ASÍ ASÍ priorities 2022 – 2024

Economy, wages, taxes

ASÍ priorities

- The tax system should contribute to broad social agreement, ensure equality and be a foundation for welfare in society.
- The income tax system should be a real equalizer, and the highest incomes should be subject to a high-income tax bracket. Municipal taxes should be paid off capital income and other income, irrespective of the source.
- The personal tax-free allowance should be indexed to wages, to avoid an automatically rising tax on the lowest wages.
- Improvement should be made to the taxing of capital and capital income, aiming at a more equal tax burden of income from wages on the one hand and capital on the other.
- The ASÍ Congress demands that a natural resources fee is implemented, based on the yield gained thereby. Users of common resources should pay a reasonable fee for it, whether it be in fishing, fish farming or energy.
- ASÍ rejects further user fees, such as road tolls, school fees, and user fees for health care services or other public services.
- Active measures should be taken against tax fraud and tax evasion.
- The tax system should be used to reduce negative externalities from economic activity and pursue climate-related goals.
- The taxation of greenhouse gas emissions should apply to all emissions from economic activity.
- Climate action should reduce social injustices, increase equality and lead to better living conditions and opportunities for workers and the public.
- There should be transparency on what the premises of climate policy are, on the use of governmental levers in climate affairs, and on the transfers of wealth which they effect.
- Workers should enjoy a stable economy and a reasonable interest rate environment.
- The government should interfere more readily to deal with market failures. There should be strict limits on investing in property that is not one's first, to reduce the appeal of residential housing for investors with the price rises that can follow.
- The indexing of loans should be further restrained, to establish a beneficial, unindexed loan environment. The current framework hinders monetary policy and price stability.
- Actions should be taken to increase competition in the financial and insurance market. It should be looked at whether Landsbankinn should be made a community bank.
- The high costs of payment clearing in Iceland should be reduced.
- The operation of loan sharks in the form of microcredit and other short-term loans should be stopped.
- The effects of legislation passed by parliament should always be analysed by their effects on equality.

- Public data on individuals' assets should be improved to give a clearer picture of inequality.
- ASÍ rejects super-bonuses and excessive dividends for owners.
- The underlying budget deficit and foreseeable expenditures be met by broadening the income base, not just by cuts.
- The welfare system and necessary infrastructure investment should not be used as tools of economic management.
- Infrastructure needs to be built all around the country with the aim to get flourishing communities, reliable welfare and vigorous employment.
- The economic security of workers, the elderly, the disabled and the unemployed must be secured.
- Social security and unemployment benefits must rise in line with wages.
- The child benefit system should be used to equalize the position of those with and without children. Means-testing in child benefits must be revoked.
- The unemployment insurance system should protect one against a loss of income and help people looking for a job. The unemployment period shouldn't be shortened, and benefits should not be under the lowest wage in the labour market. Benefits indexed to one's previous income should be paid from the time of loss of employment and for six months.
- Housing support shall aim at ensuring manageable housing costs.
- Excellent healthcare regardless of place of residence, age or economic status is a human right. The foundations of public healthcare must be strengthened and everyone's access to a strong regional community health centre, and necessary medicine, ensured.
- Further privatisation of healthcare, welfare, and public services should be prevented, and a clear line drawn between public and for-profit, private healthcare.
- People in Iceland should have access to specialised healthcare, e.g. with health care insurance paying a greater part of the costs of travel, accommodation, and cost of work lost.

ASÍ tasks

- ASÍ shall encourage more equality and fight to make its tax policies and priorities heard.
 - ASÍ shall push for rules on calculated remuneration (reiknað endurgjald) to be reviewed to prevent income shifting and to reduce the incentive to create private limited companies.
 - Changes to capital gains tax, wealth tax and inheritance tax shall aim at harmonizing taxation of wages and capital income. The tax burden on the highest incomes drops as incomes rise, since capital gains are taxed at lower rates than wages.
 - Resource fees shall in part go to the regions where the wealth is generated.
 - Tax investigations should be massively strengthened and the tax authorities should get funds, manpower and skills to investigate and resolve complex cases.
 - The tax authorities must be ensured a capacity to uphold rules on offshore companies (CFCs), interim pricing and thin capitalisation.
 - An entrance fee should be levied on tourists.
 - ASÍ should, in all its talking points, emphasize the need for green taxes to be used to achieve climate goals, by reducing the negative effects of economic activity on the environment.
 - ASÍ should perform independent analysis of the effects of different climate actions on workers and map in what way these actions can lead to improved living conditions and more equality.
- Public finances should sustain reliable welfare, a strong economy and push for equality.
 - Push the government to strengthen healthcare services all around the country, in cooperation with member unions.

- Push for stronger public transfer systems and more housing support.
- ASÍ should move to prevent social security, unemployment insurance, and other transfer systems, from losing their real value in the current inflationary times.
- Reduce means-testing in social security and abolish the króna-vs-króna cuts.
- People with limited capacity for work need avenues to participate in the job market.
- Older people who want to work need options and flexible retirement rules.
- Equality as a basis of a strong economy
 - ASÍ should analyse inequality in Iceland and in what way public policy affects it.
 - The wage gap within companies should be deflated, e.g. by having it reported in annual accounts.
 - ASÍ should push the authorities to analyse the effects of climate action on different societal groups and use that analysis as a basis for decision-making.
- Actions to decrease oligopoly in the financial and insurance market.
 - The ASÍ Central Committee shall push for actions that will increase competition in the financial market. The Central Committee shall look into the feasibility of forming a community bank that would offer its clients financial services and insurances for an affordable price, or Landsbankinn being made a low-profit community bank.

Report

Taxes, social harmony and equality

The purpose of the tax system is to lead to social harmony, ensure equality and be a foundation for national welfare. International institutions say there are strong arguments to be made for using the tax system to reduce inequality, since it endangers the quality of life, life expectancy and health of people. Inequality is maintained by an unequal system of taxation which taxes the income of capitalists and multinationals differently than the wages of the public. An unjust tax system, underfunded investigators and the inaction of the government has created ways for individuals and multinationals to avoid participating in the financing of society. ASÍ has calculated that the public purse misses out on 3-8bn kr in tax revenue each year due to wages being paid as capital gains. In addition, a working group in the finance ministry has estimated tax evasion at a level of hundreds of billions, about 3-7% of annual GDP.

Public finances and solid welfare as a basis of a stable economy

There is a systemic government budget deficit, and public infrastructure is underfinanced. At the same time, taxes have been lowered for the highest paid by lowering the bank tax, via a low fishing fee, by abolishing the wealth tax and by raising the tax-free allowance of capital gains. Thus, the government has further weakened the basis on which a secure welfare society rests.

The consequences of Covid-19 have emphasized the importance of secure healthcare, reliable foundations in welfare, solid incomes and a social safety net. These foundations are eroded by the lowering of taxes on the richest, by society losing out on hundreds of billions each year due to tax evasion.

A just tax system will play a key role in financing a welfare system which can deal with the fallout from Covid-19 and the great challenges of climate change and technological development. Two preconditions for stability in the national economy are solid public finances, and a well-funded welfare state.

Competition is essential in the financial market

ASÍ's Congress demands that the excessive oligopoly in the financial and insurance market be dealt with. Due to lack of competition, financial companies are free to increase interest rates and raise the

price of services, thus turning over billions at the cost of households. The ASÍ Congress calls for the Central Committee to consider the establishment of a community bank that offers customers insurance at an affordable price, or to advocate for Landsbankinn to become such a community bank.

Green taxation

Taxation must increasingly reflect the responsibility of industries and business on the emission of greenhouse gases. It should offer an incentive as well as underline the duty of industries and businesses to reduce emissions. Public analysis of the effects of various climate actions must be the basis of policymaking, decisions and action. A cost-benefit analysis of climate mitigation needs to take into account societal, and not just economic, effects.

In those cases where burdens must be imposed, like levying fees or taxes, to change behaviours, the public must be given a real opportunity to do so. The government must make sure that the requisite infrastructure is in place for changed behaviour.

There has to be transparency about the premises behind public climate policy, on the use of governmental levers and on the financial transfers involved.

The demand for public analysis of the effects of climate action on different socioeconomic groups has to be upheld with full force. There must also be an emphasis on climate action reducing social injustice, leading to more equality and better living conditions.