



State Revenue Service 2017 Public Report



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Dear reader of this report!

We offer you to become acquainted with the Annual Public Report of the State Revenue Service on the performance results in 2017 and further priority areas of activity.



In 2017, the State Revenue Service (hereinafter - SRS) started to implement the new Business and Development Strategy for 2017–2019.

For the purposes of attaining strategic goals, great attention was paid to the work aimed at making communication with customers even more convenient and understandable. We have simplified all kinds of written communication with individuals, improved the Electronic Declaration System, as well as developed the arrangement of information and communication possibilities on the SRS website.

On 15 June 2017, the SRS joined the "Consult First" initiative. In addition to the advisory and educational work already accomplished in previous years, we have also started to apply the "Consult First" principle in our control measures.

In strengthening and expanding the existing cooperation with non-governmental organisations representing the interests of entrepreneurs, the SRS Advisory Board was established at the beginning of 2017. Regularly meeting with partners, we have listened to their opinions and proposals on various topical issues.

Especially, we would like to highlight the great contribution in the efficient and timely informing of individuals and entrepreneurs in relation to the extensive tax reform of 2017, as changes affected almost everyone since their entry into force on 1 January 2018.

In March 2017, we traditionally honoured the largest taxpayers of the year 2016, whereas in May, SRS letters of appreciation were sent repeatedly to 2,104 companies and for the first time to 470 companies for significant contributions made to the State budget and the high discipline of fulfilling tax obligations.

The share of informal economy and tax gaps keep decreasing, but they are still at a comparatively high level; therefore, we will focus on the most risky sectors in this field, on the smuggling of excise goods and the elimination of organised crime.

In 2017, the SRS started to implement several extensive projects and activities, which will be continued in 2018 and the following years:

- the project "Modernisation of Tax Information Services" aimed at supporting and facilitating the transition of accounting of State budget revenues from the cash basis to the accrual basis, creating a single account, and at introducing a fundamentally new information system for the administration of payments by 2022, which will ensure a modern, fast and easy-to-understand administration of payments to be made into the State budget;
- the project "Tax Receipts Game" implemented by the SRS in cooperation with the Ministry of Finance in order to encourage, in an appealing and attractive manner, individuals to get involved in combatting informal economy, inviting to request the performers of economic activities and merchants to produce payment-certifying documents, which can be later registered for the draw of various cash prizes;
- the project "Strengthening of the SRS Capacity for More Efficient Tax Administration" funded by the Structural Reform Support Programme of the European Union with the participation of the World Bank experts in order to strengthen the analytical capacity of the SRS and significantly alter supervision and control processes.

Let us all have enough inspiration and strength for new goals and achievements by jointly developing and shaping our country!

Yours Sincerely,

SRS Acting Director General

Dace Pelēkā

1. Background Information

The SRS is a direct administration authority under the supervision of the Minister for Finance, which ensures the accounting of tax payments and taxpayers, the collection of State taxes, fees and other mandatory payments determined by the State in the territory of the Republic of Latvia, as well as collects taxes, duties and other mandatory payments for the budget of the European Union, implements the customs policy and handles customs matters.

The main tasks of the SRS are laid down in the Law On the State Revenue Service and the Law On Taxes and Duties.

Structural changes in the SRS in 2017:

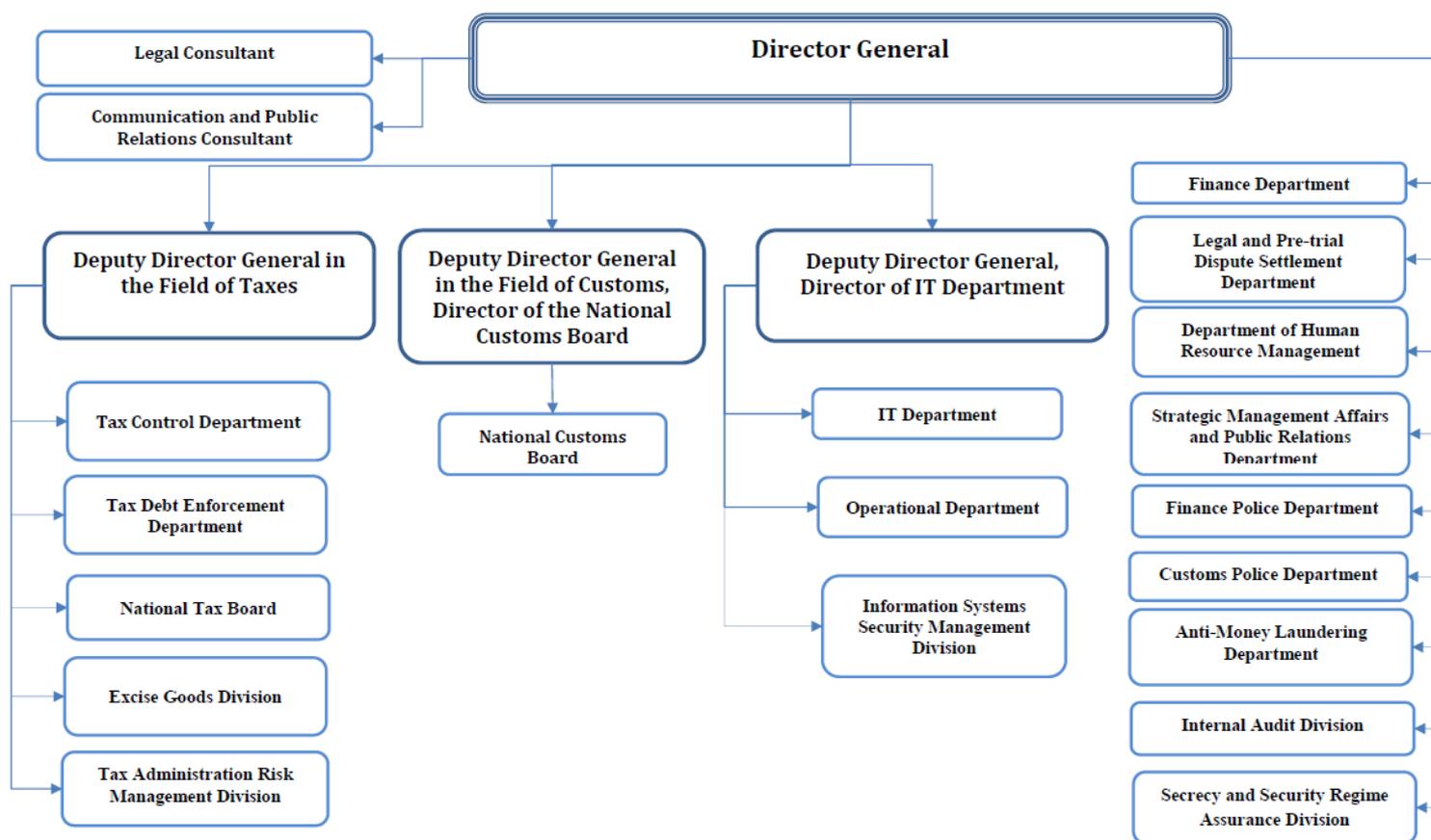
The following units and positions directly subordinate to the SRS Director General were established:

- Anti-Money Laundering Department;
- the position of a Consultant for Legal Issues;
- the position of a Consultant for Communication and Public Relations Issues.

The following units directly subordinate to the SRS Deputy Director General in the Field of Taxes were established:

- Tax Administration Risk Management Division.

Organisational structure of the SRS



1.1. SRS Performance Strategy for 2017–2019

In 2017, the SRS Performance Strategy for 2017–2019 was developed, which was approved by Order of the Ministry of Finance No. 438 dated 13.10.2017.

Mission

Fair and effective administration of taxes and customs matters, rendering high-quality services and implementing smart supervision over fulfilment of obligations.

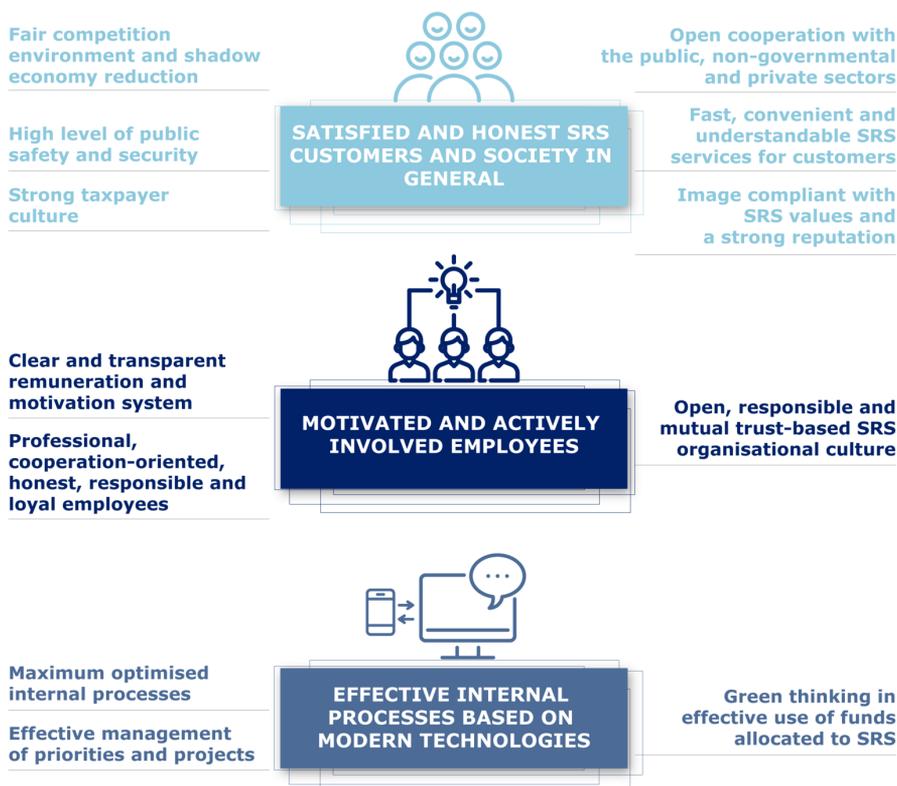
Vision

We are a modern and effective, fair and respectable Public Administration institution, open and comprehensible for clients — a reliable partner for the State and society with high institution culture standards and appreciation of employees for affiliation to the SRS and the State of Latvia.

SRS Values

- Professionalism* – knowledge and competences at a high level, abilities to apply them in work, continuous development and high work ethics.
- Cooperation* – good fellowship and openness in fulfilment of duties, single understanding of goals and attainment thereof.
- Loyalty* – dedication to interests of the State and the public, considering them as primary both at work and outside it.
- Integrity* – equal and fair attitude towards clients, partners and colleagues.
- Responsibility* – non-avoidance of decision-making and actions, and responsibility for consequences.

SRS strategic pillars and strategic goals



1.2. Priorities for 2017

- Improvement of customer service — effective, understandable and simple communication; fast services.
- Reduction of informal economy — combatting VAT fraud schemes, envelope salaries and smuggling.
- In the field of control measures — approach of the most risky sectors; introduction of the “Consult First” principle.
- Simplification of internal processes and raising efficiency.

2. Performance Results in Priority Areas

2.1. Improvement of Customer Service

In order to ensure even better quality, more convenient and timely servicing of taxpayers and to reduce the administrative burden in the fulfilment of tax obligations, the SRS implemented the following measures in 2017:

Simplified written communication:

- the sample invitation text on the submission of the annual income declaration (AID) was simplified;
- a pilot project was implemented (in cooperation with the World Bank) for taxpayers who must submit AID and who had regularly delayed the submission of AID in previous years; three different letters, i.e., reminder, warning and invitation, were sent to the taxpayers;
- standard letters compliant with the simple text criteria were developed.

Notifications to taxpayers regarding data credibility checks before!



Now!



On the SRS website:

- by simplifying the language, 62 methodological and 68 informative materials in the field of taxes were updated;
- the contacts section was improved by introducing a single contact form for communication with the SRS;
- a customs declaration status verification form was created.

2.2. Reduction of Informal Economy

In order to promote the fight against informal economy in Latvia and honest fulfilment of tax obligations, the SRS implemented several activities in 2017:

In eliminating envelope salaries:

- 1) to educating taxpayers:
 - 39 seminars were organised and conducted for 355 newly registered performers of economic activities;
- 2) as a result of preventive measures:
 - 6,258 employees were legalised;
 - additional contributions were made into the State budget in the amount of EUR 2,620.3 thousand;
- 3) thematic inspections:
 - 1,751 inspections were performed: violations were detected in 1,042 cases;
 - the fines of EUR 78.5 thousand were applied;
 - in one case — the fine of EUR 1.5 thousand was applied for the pay-out of salary that had not been specified in accounting records (LAVC Section 159.10);
- 4) tax audits in relation to envelope salaries:
 - 83 tax audits were performed;
 - in 76 tax audits, MSSIC and associated fines of EUR 11,050.5 thousand as well as PIT and associated fines of EUR 5,013.4 were additionally calculated;
- 5) cooperation with the State Employment Agency:
 - violations of employment relationship were detected in 582 cases;
 - no violations of employment relationship were detected in 314 cases;
 - no employment contracts were signed with 43 employees in 29 cases.

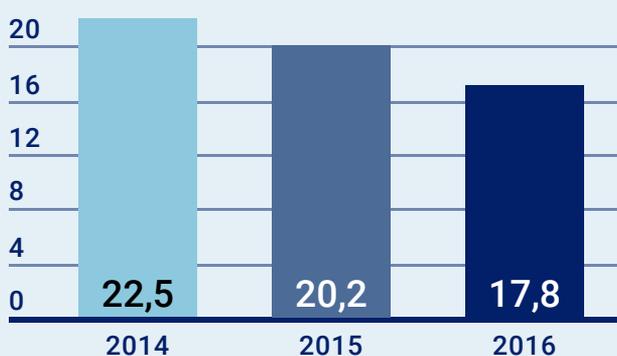
Electronic Declaration System (EDS):

- the availability of EDS in English and Russian was ensured;
- direct access to the European information systems was ensured for customs clients;
- seven new structured documents were developed; for example, "Application for Extinguishing Late Payment Charge and Penalties", "Report of an International Group of Companies on Each Country", "Statement on the Advance Payment of Corporate Income Tax";
- functional quality and controls improvements were introduced for several EDS documents; for example, "Microenterprise Tax Declaration, "Information on Employees" and "Report of a Self-Employed Person".

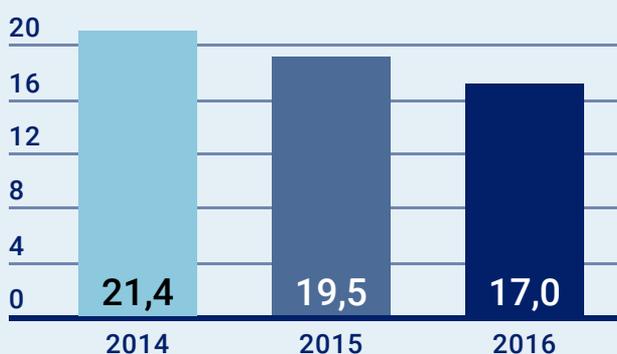
In 2017, the records of the Finance Police Department contained 11 criminal proceedings qualified according to Section 217.1 of The Criminal Law regarding the violation of work remuneration regulations; one of these criminal proceedings was transferred to the Prosecution Office for the Investigation of Financial and Economic Crimes for the commencement of criminal prosecution in October 2017.

Achieved results

MSSIC gap at the stage of declaration, %



PIT gap at the stage of declaration, %



Calculations of tax gaps for 2017 will be available at the end of 2018.

Work with the most risky sectors:

1) sellers of used cars:

- 167 thematic inspections were performed for 161 sellers;
- violations were established in 160 inspections;
- 95 sellers themselves submitted adjusted declarations and additionally declared taxes in the amount of EUR 250.8 thousand;

2) registered prohibitions on the alienation for new cars imported from the European Union:

- 256 decisions were adopted on prohibition on the alienation of a vehicle;
- the security deposit of EUR 712.9 thousand were paid in 80 cases;
- within the framework of tax audits, EUR 1,246.0 thousand were additionally calculated for four taxpayers;

3) for catering services companies:

- 182 thematic inspections were performed for 125 providers of catering services;
- violations were detected in 169 inspections;
- 78 taxpayers themselves submitted adjusted declarations and additionally declared taxes in the amount of EUR 99.5 thousand;
- eight tax audits were conducted and payments of EUR 332.2 thousand were calculated;

In the field of E-commerce control:

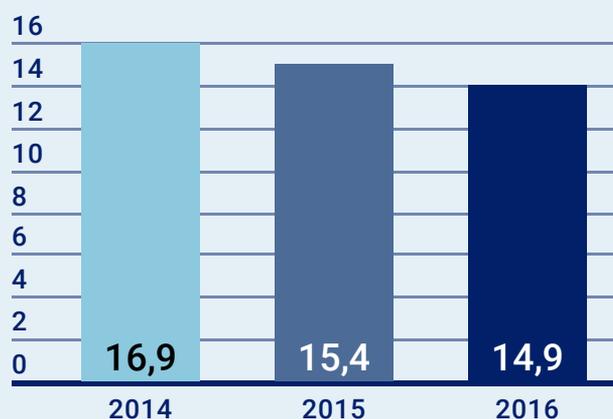
- for violations warnings regarding the disconnection of the domain name were sent to 164 taxpayers;
- 149 taxpayers eliminated the detected violations;
- a decision on the disconnection of the domain name was adopted for four taxpayers.

Interference and data distortion in cash registers or cash register systems:

- control measures were taken for 16 taxpayers;
- it was established that the structure or software had been altered for 41 cash registers or cash register systems;
- fines of EUR 32.8 thousand were applied;
- two decisions on the adjustment of the taxable object were adopted and the fines of EUR 599.7 thousand were applied;
- one tax audit was performed, within the framework of which EUR 185.5 thousand were additionally calculated.

Achieved results

VAT gap at the stage of declaration, %



The calculation of the VAT gap for 2017 will be available at the end of 2018.

Publishing of information on risky taxpayers

In order to ensure an opportunity for honest taxpayers to avoid transactions with business partners with bad reputation, as a result of which no losses would be incurred by the State budget and the business activities of honest taxpayers, the Law "Amendments to the Law On Taxes and Duties" was adopted on 27.07.2017, stipulating, inter alia, the duty of the SRS to publish information regarding the following:

- employers, the average monthly salary of whose employees is equal to or less than the amount of the minimal monthly salary set in the country;
- taxpayers, which had been held administratively liable by the SRS for the violation of work remuneration regulations (information will be published as of April 2018);
- taxpayers, who do not submit returns stipulated by laws and regulations.

Application of the "Consult First" principle in control measures

1) in thematic inspections, the "Consult First" principle was applied in 1,513 cases;

- consultations on the application of laws and regulations were provided in 1,161 cases;
- consultations on the new technical requirements for electronic cash registers were provided in 34 cases;
- it was encouraged to increase salaries for employees in 318 cases;

2) in the inspections of VAT returns:

- taxpayers were informed about the transactions with high-risk taxpayers, specified in VAT returns, as a result of which the evasion of VAT payments is, possibly, taking place;
- prior to the confirmation of the overpaid VAT amounts, taxpayers were informed about critical transactions, inviting taxpayers themselves to eliminate discrepancies;

3) inspections of returns on income from increase in capital:

- prior to the desk audit, informative letters were sent to 646 natural persons, who had not submitted their income declarations on income from increase in capital, but had gained income from transactions with immovable property. As a result, 342 natural persons themselves calculated PIT in the amount of EUR 711.8 thousand.

Combatting crime and smuggling

The most important criminal offences detected in the **field of State revenues** in 2017:

- USD 1,600,000 seized from the bank safes of some individuals were recognised as criminally acquired property;
- a place of illegal production of cigarettes was detected in Babīte; seven persons were detained. In total of 5.4 million cigarettes, approximately four tons of tobacco, packaging materials, production equipment and seven vehicles were seized.



- operations were suspended for an organised group of persons engaged in the trade of exclusive cars and household appliances. Evasion of VAT payment resulted in losses of more than EUR 2.8 million for the State budget;
- operations were discontinued for a criminal group which had evaded VAT payments in the amount of EUR 2 million;
- operations were suspended for a criminal group which had evaded tax payments by paying envelope salaries to its employees. Evasion of paying PIT and making MSSIC resulted in losses of more than EUR 220 thousand for the State budget.

The most important criminal offences detected in the **field of customs** in 2017:

- Criminal proceedings regarding the illegal storage and transportation of four tons of tobacco products within the territory of Latvia was transferred to the Jēkabpils District Public Prosecutor's Office for the initiation of criminal prosecution. Five persons were recognised as suspects. According to SRS calculations, it would be possible to manufacture more than 5.6 million cigarettes from the seized tobacco;

- 2,190,000 smuggled cigarettes were detected in Riga;
- during the search within the territory of a company in Salaspils, eight tons of ethanol were seized;
- several large smuggled shipments of psychotropic substances from Kenya were detected, organised by the citizens of Somali, who had been assigned the status of refugees in Austria and Slovenia. In total, refugees tried to smuggle approximately 600 kg of psychotropic substances;
- criminal proceedings were initiated regarding the entry of narcotic substances into the customs territory of the Republic of Latvia, which had been committed by a dual citizen of Israel and Denmark. During the inspection of the person, 18 kg of khat tree leaves (a vegetable product with a psychotropic effect) were seized;

- criminal proceedings initiated against four persons regarding the largest smuggled amount of hashish in the history of Latvia, i.e., 1,056.929 kg with the estimated value of EUR 8-12 million, were transferred to the prosecution office for the initiation of criminal prosecution.



Photo: SRS

Seized cigarettes (pcs.)

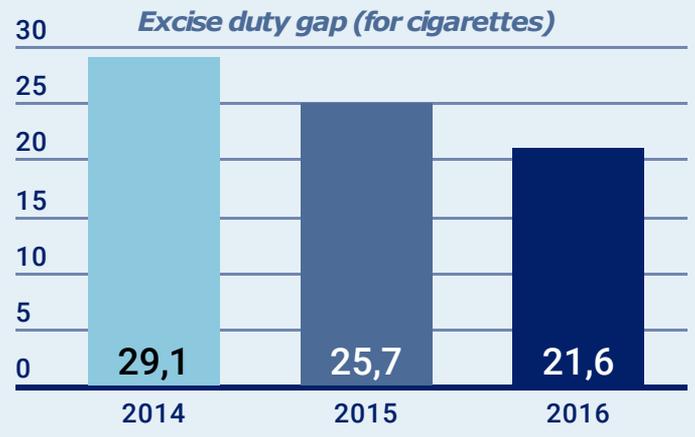


Seized narcotic and psychotropic substances confirmed as a result of expert examination (grams)



● 2015 ● 2016 ● 2017

Achieved results



The calculation of the excise duty gap for 2017 will be available at the end of 2018.

2.3. Optimisation of Internal Processes and Efficiency Raising

Optimisation of customer service on site:

- in 2017, nine customer service centres and two divisions (in Salacgrīva and Rīga) were closed;
- as a result, the SRS saved budget funds of EUR 307,723 for the lease and maintenance of immovable property (without taking into account expenses related to the closure of sites) and EUR 51,843 for the corporate network

Customer service centres and divisions closed in 2017



Optimisation of the number of officials' positions:

- within the framework of optimisation and restructuring of the SRS, the number of officials' positions were reduced for 411 positions;
- out of the reduced number of positions, 108 officials' positions were diverted for strengthening the anti-money laundering and counter-terrorism financing capacity, for strengthening the analytical capacity in the field of taxes, for the modernisation of tax information services, as well as for the implementation of priority customs measures;
- From 01.01.2017 to 31.12.2017, actually the number of SRS officials' positions was reduced for 303 positions.

New SRS remuneration policy for 2017–2019:

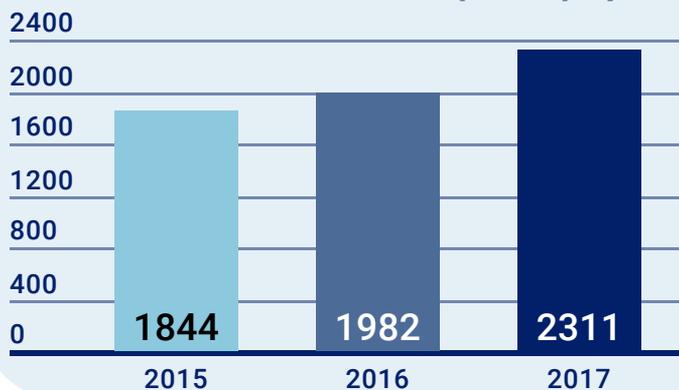
- in 2017, the average salary of SRS employees reached EUR 1,266 per month, which is an increase of 17.2% compared to 2016 and an increase of 29.7% compared to 2014;
- according to the results of the SRS employee satisfaction survey carried out by the Marketing and Public Opinion Research Centre "SKDS" in 2017, 75% of respondents indicated that they were satisfied with the salary and motivation system of the SRS, which is an increase of 21% compared to the survey performed in 2015.

The SRS **Project Management Guidelines** were developed with an aim to promote the use of single project management approach in all the cases when a set of development or alteration activities is classified as a project.

In accordance with Contract No. FM VID/2016/016 "Development of a System for the Evaluation of the Efficiency of the State Revenue Service Activities" signed on 08.08.2016, the **SRS Register of Goals and Performance Indicators** was developed with the goals and performance indicators of a strategic and tactical level included therein.

Achieved results

Amount of collected revenue per employee



2.4. Implementation of the Most Important SRS Projects

In 2017, active work was carried out on the implementation of priority SRS projects.

Modernisation of tax information services



INVESTING IN YOUR FUTURE

- on 13.03.2017, an agreement was signed with the Central Finance and Contracting Agency (CFCA) on the implementation of the 1st-stage project "Modernisation of Tax Information Services. MAIS Core";
- amendments were introduced to the Law On Budget and Finance Management, stipulating that as of 01.01.2021, the State revenues administered by the SRS will be accounted on an accrual basis;
- amendments were introduced to the Law On Taxes and Duties stipulating that the taxes paid will be collected to a single tax account;
- on 24.11.2017, a contract "Development, Introduction and Maintenance of the Payment Administration Information System" was signed.

E-customs (stage 1)

NATIONAL
DEVELOPMENT
PLAN 2020



EUROPEAN UNION
European Regional
Development Fund

INVESTING IN YOUR FUTURE

- on 25.04.2017, an agreement was signed with CFCA on the implementation of the European Union Fund project "E-Customs (Stage 1)";
- solutions were introduced, which ensure the submission of electronic applications for 27 various types of customs authorisations, as well as a possibility of receiving granted authorisations and certificates electronically.

Introduction of a video surveillance system at CCP

Five sites were commissioned for use:

- the central unit of the video surveillance system at the SRS Data Centre;
- Airport CCP, Ziemeļu iela 10;
- Airport CCP, Ziemeļu iela 16;
- Šķīrotava CCP, Krustpils 38B;
- Riga Airport VIP Centre, Terminals C and E.

Introduction of the video surveillance system at CCP will be finished in 2018.

3. Statistics on Services Provided by the SRS

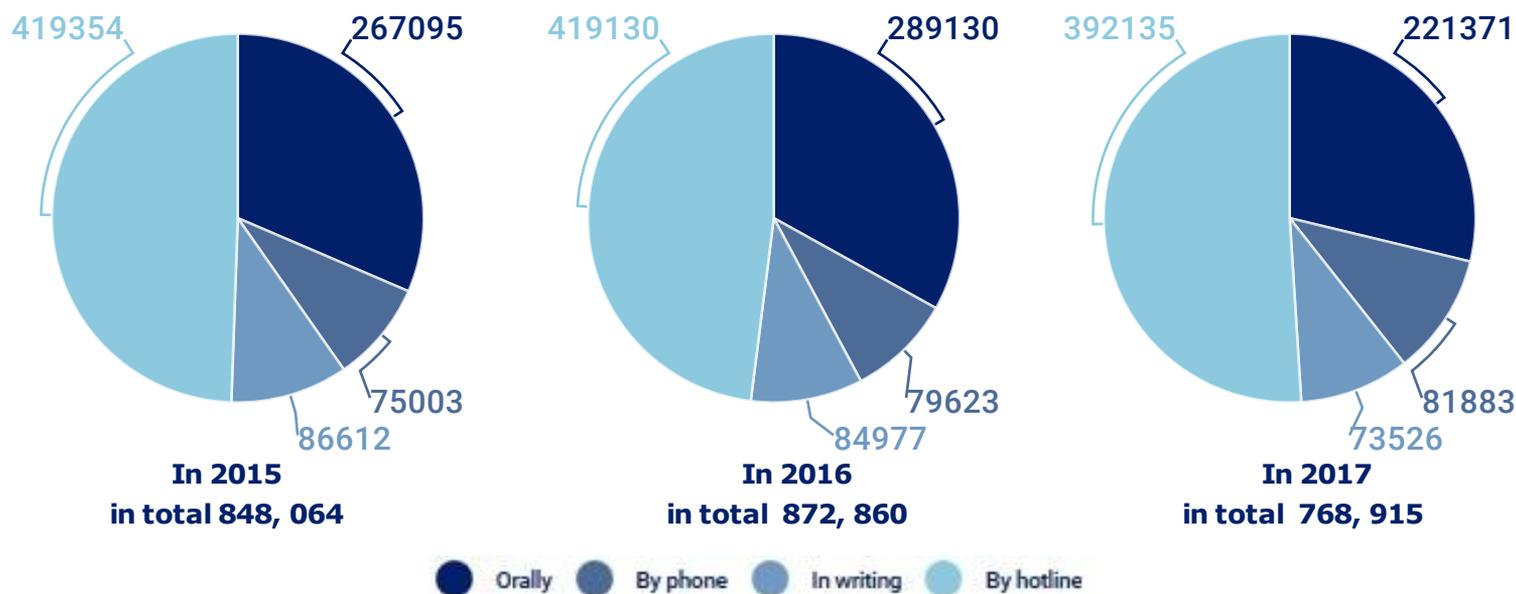
3.1. Common Services Provided by the SRS

In 2017, SRS customers were ensured with an access to 214 public services; moreover, requesting and/or receipt of 200 services, i.e., 93.5%, was ensured in electronic form.

The following services were provided for educating and informing customers:

- 452 informative activities were organised;
- 302 informative materials were developed;
- 88 methodological materials were developed;
- 515 statements (advanced rulings) were provided;
- 768,915 consultations were provided.

Number of consultations provided by the SRS by type

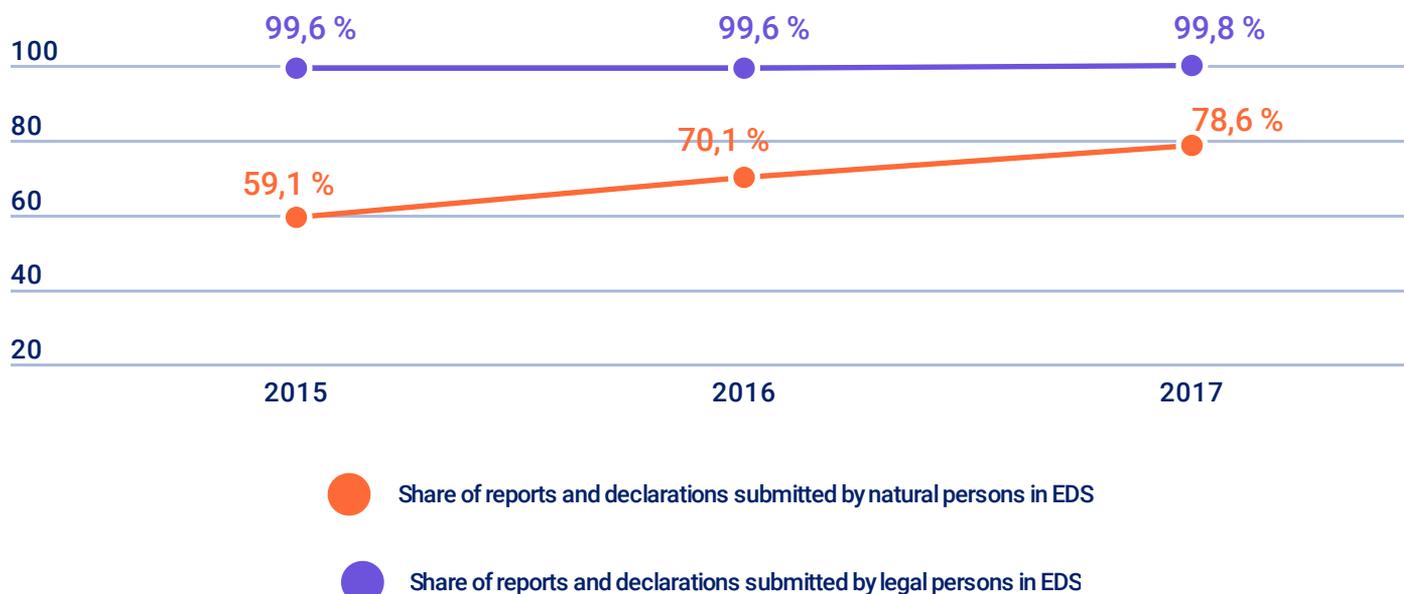


Acceptance of reports, returns and customs documents

In 2017, 5,736,408 reports, returns and customs documents were accepted and processed in total:

- 2,923,737 reports and returns in the field of taxes;
- 2,812,671 customs documents in the field of customs issues.

Dynamics of electronically submitted reports and declarations



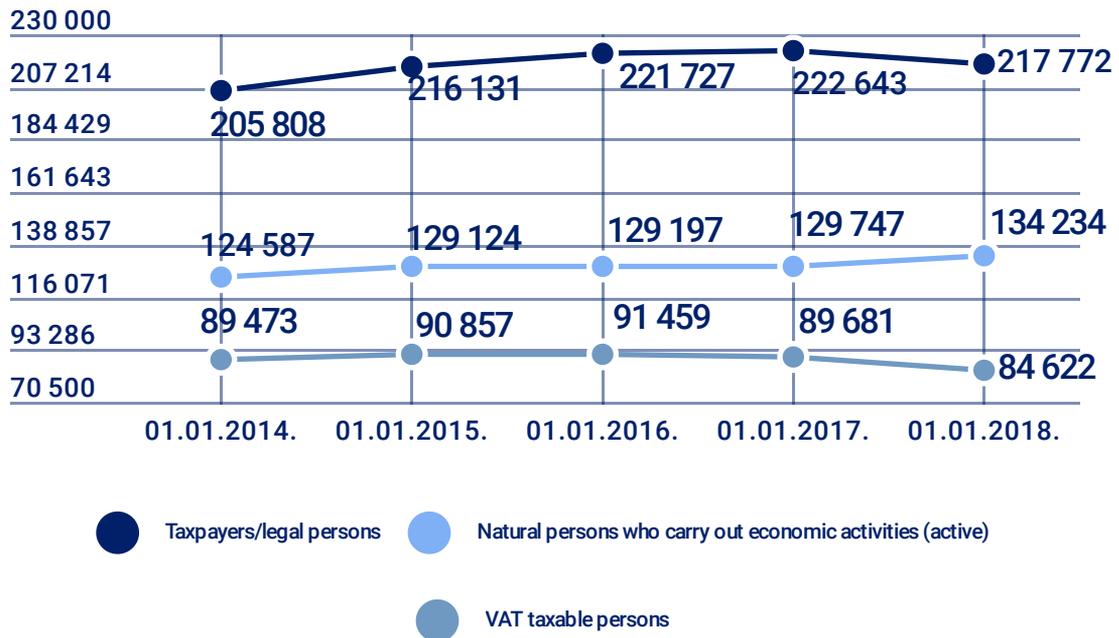
3.2. Tax Administration Services

The number of registered taxpayers as of 01.01.2018: the number of legal persons decreased by 2.18%; the number of VAT taxable persons decreased by 5.64%, while the number of natural persons who carry out economic activities increased by 3.4% compared to the number of taxpayers as of 01.01.2017.

Decrease in the number of taxpayers/legal persons and VAT payers is related to the fact that the inactive performers of economic activities themselves notify SRS about termination their economic activities.

Otherwise, the performers of economic activities will have the duty to pay the minimum tax of EUR 50.

Dynamics of the number of taxpayers



Enhanced Cooperation Programme:

- applications of 10 taxpayers for participation in the Enhanced Cooperation Programme were received in 2017;
- eight of them were included in the programme, one was denied of participation in the programme and one revoked its application;
- two taxpayers were excluded from the Enhanced Cooperation Programme.

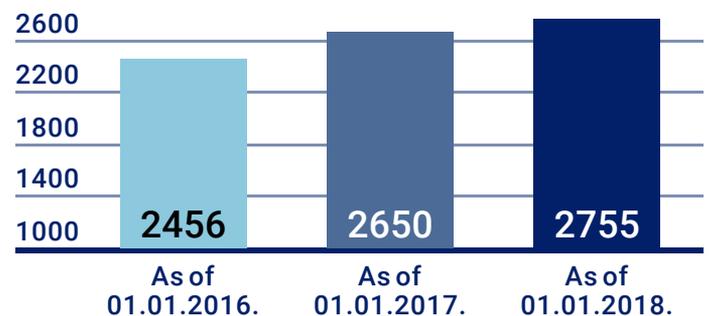
Granting the status of a public benefit organisation (PBO)

In 2017, 229 applications were received for the granting of the PBO status. 221 decisions were adopted on the granting of the PBO status to non-governmental organisations. By the end of 2017, the PBO status was in force for 2,755 non-governmental organisations.

Number of participants of the Enhanced Cooperation Program



BPO status in force



● As of 31.12.2015. ● As of 31.12.2016.
● As of 31.12.2017.

● As of 01.01.2016. ● As of 01.01.2017.
● As of 01.01.2018.

Refunding of overpaid taxes

The performed tax refunds and the average time for approval of overpaid taxes

| Indicator | in 2015 | in 2016 | in 2017 |
|--|---------|---------|---------|
| Performed refunds: | | | |
| – VAT collected inland (million, EUR) | 925,80 | 785,52 | 912,80 |
| – CIT (million, EUR) | 69,32 | 60,84 | 69,10 |
| – PIT (million, EUR) | 70,34 | 89,00 | 116,98 |
| Refund denied: | | | |
| – VAT (million, EUR) | 23,84 | 27,48 | 15,44 |
| – CIT (million, EUR) | 0,10 | 0,51 | 0,12 |
| – PIT (million, EUR) | 1,47 | 2,53 | * |
| Average time for approving overpayments: | | | |
| – VAT (days) | 9 | 12 | 13 |
| – CIT (days) | 11 | 9 | 10 |
| – PIT (days) | 76 | 55 | 49 |

* Statistics is summarised in the TIS since 18.10.2017.

3.3. Customs Services

Administration of the EU tariff quotas

In order to use the opportunity to import certain goods from third countries at a lower or zero customs tariff rate, in 2017:

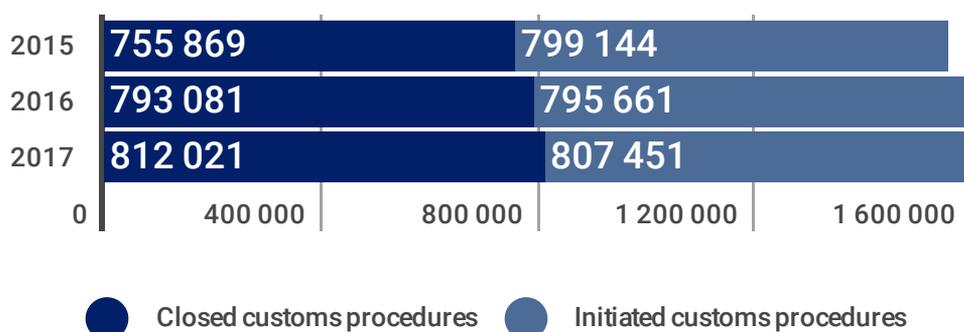
- Latvian merchants submitted 838 tariff quota applications, including after the release of goods for free circulation in 38 cases;
- requested tariff quotas in the amount of 100% were granted in 777 cases;
- tariff quotas were granted partially (from 0.17% to 59.73%) in eight cases;

- rejection due to exhaustion of the requested quotas were received in five cases;
- 13 tariff quota applications were cancelled upon executing returns as a result of adjustment or cancellation of returns.

Processing of customs procedures:

- 152,804 import declarations for the release of goods into free circulation were drawn up;
- 550,810 export declarations were drawn up (by initiation and termination of the procedure) in Latvia;
- 788,243 transit declarations were drawn up (by initiation and termination of the procedure) in Latvia.

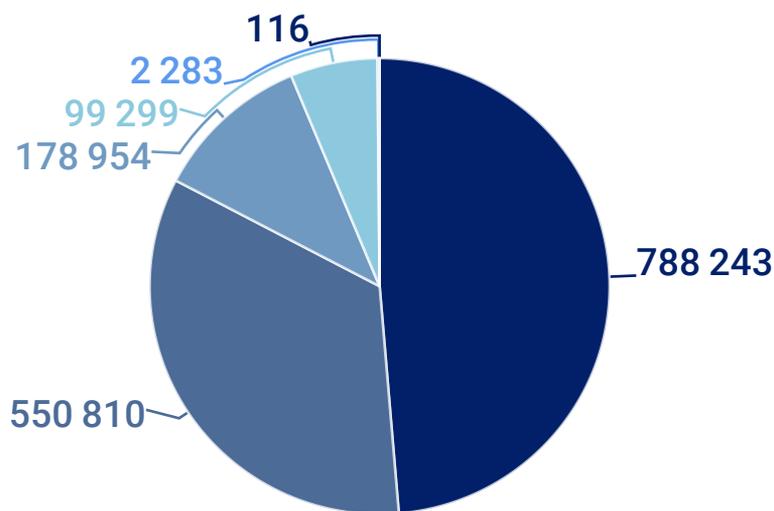
Customs procedures processed in Latvia (the initiated and closed procedures)





The total number of processed customs declarations, ATA and TIR carnets, and railway waybills has increased by 30,730 customs documents, i.e., by 2%, compared to 2016.

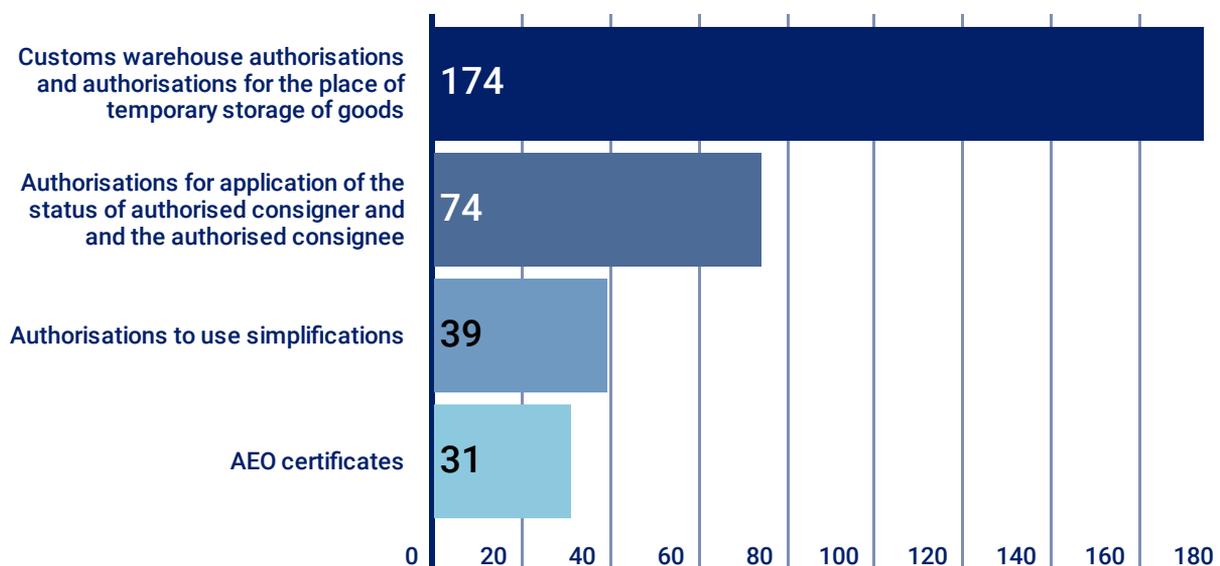
Customs documents issued in Latvia in year 2017, by type



Customs authorisations

In order to simplify the customs clearance procedures, merchants have an opportunity to obtain an authorisation to apply a simplified procedure — an entry in the registry of the declarant (previously — local customs clearance authorisation), the status of the consignee and the authorised consignor, etc.

Total number of valid authorisations (status) as of 31.12.2017.



3.4. Services in the Field of Excise Goods Circulation

For business activities with excise goods:

- 1,342 licences, authorisations, statements and certificates were issued;
- 1,553 these documents were re-registered;
- 438 licences, authorisations, statements and certificates are cancelled and suspended;

As of 31.12.2017, there were 10,837 valid licences, authorisations, statements and certificates in the field of circulation of excise goods.

To enable merchants to carry out activities with excise goods and use the payment of the deferred excise duty:

- 461 comprehensive and single guarantee receipts were issued and re-registered;
- 211,526,743 excise duty stamps were issued.

Issued excises duty stamps



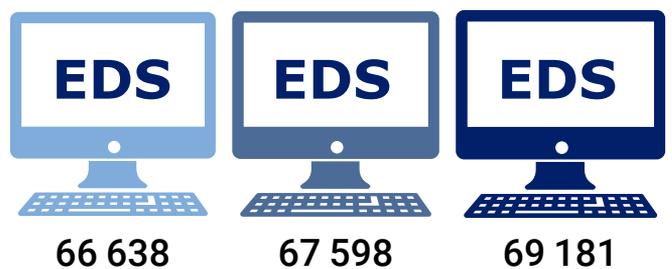
- Stamps issued for the labelling of alcoholic beverages
- Stamps issued for the labelling of tobacco products

3.5. Services in the Field of Preventing the Conflict of Interest in the Activities of State Officials

Number of State officials



Number of declarations submitted by State officials



- 2015
- 2016
- 2017

- 2015
- 2016
- 2017

3.6. Chargeable Services

Chargeable Services

| Chargeable service | Number | Revenue, EUR |
|---|--------|--------------|
| Selling of strict-accountancy seals* | 94 234 | 15 529 |
| Selling of wire-type customs security seals* | 7 152 | 3 004 |
| Selling of customs security stickers* | 750 | 128 |
| Report on the conformity of marked (labelled) oil products to the requirements of laws and regulations of the Republic of Latvia* | 148 | 4 594 |
| Performance of analyses at the Customs Laboratory at the request of the merchant | 17 | 500 |
| Customs clearance of goods outside the location of the customs office or outside the working hours of the customs office | 7 | 420 |

* In accordance with the Cabinet Regulation No. 778 of 10 September 2013 "Price List of Chargeable Services of the State Revenue Service".

4. Use of Funds

4.1. State Budget Funding and Its Use

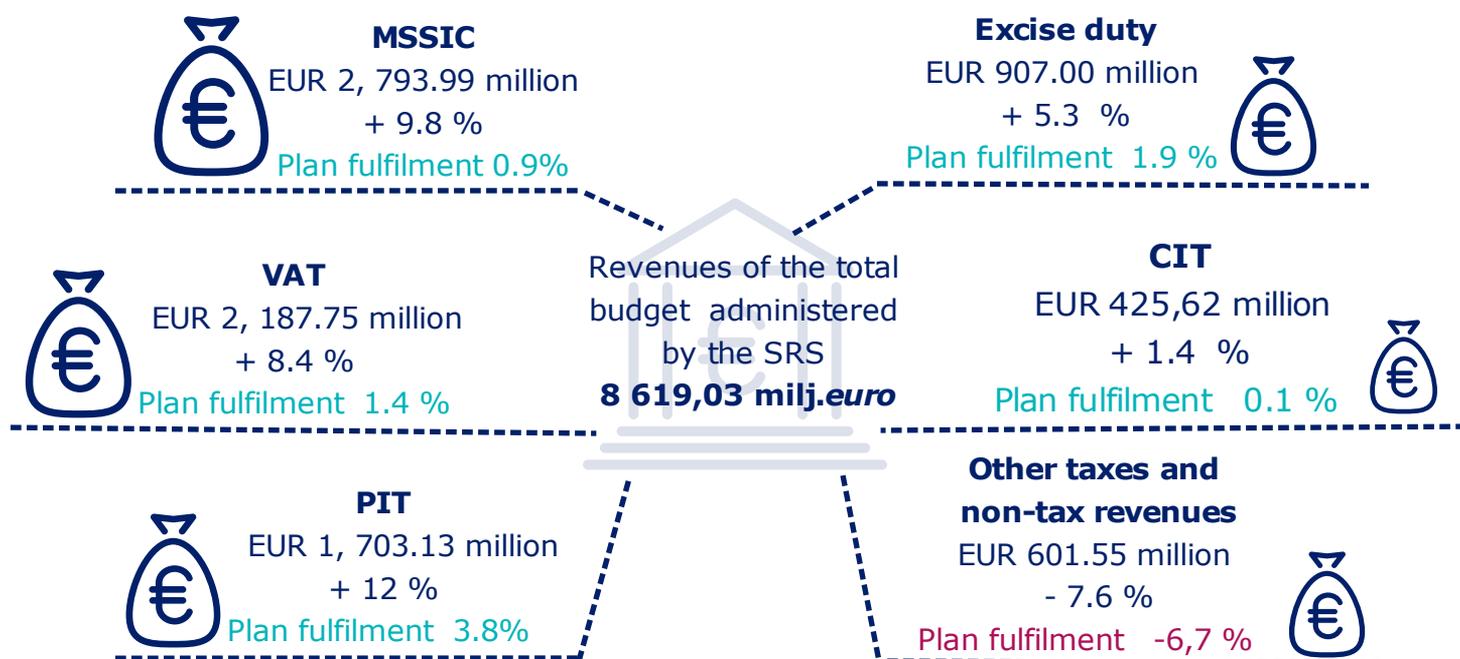
In accordance with the Law On State Budget 2016 and the Orders of the Minister for Finance of 2017, in 2017, the SRS used the funds allocated in the budget in compliance with the approved programmes and sub-programmes of the basic budget, covering of revenue collection expenses (revenues), cost estimates and financing plans of the planned expenditures.

Total funding allocated to the SRS in 2017 and its use, EUR

| No. | Financial indicator | in 2016 actual implementation | in 2017 approved by the Law | actual implementation in 2017 |
|--------|---|-------------------------------|-----------------------------|-------------------------------|
| 1. | Funds for covering expenses (total) | 121 746 276 | 115 498 662 | 115 246 520 |
| 1.1. | subsidy | 120 724 048 | 113 325 306 | 113 325 306 |
| 1.2. | chargeable services and other own revenues | 63 062 | 309 774 | 67 907 |
| 1.3. | foreign financial aid | 959 166 | 1 847 082 | 1 836 807 |
| 1.4. | transfers | 0 | 16 500 | 16 500 |
| 2. | Expenses (total) | 115 507 227 | 115 593 490 | 114 636 628 |
| 2.1. | maintenance expenses (total) | 97 050 561 | 102 361 931 | 101 457 041 |
| 2.1.1. | current expenses | 96 984 025 | 102 344 716 | 101 440 372 |
| 2.1.2. | Subsidies, grants and social allowances | 37 477 | 7 000 | 6 455 |
| 2.1.3. | Current payments into the European Community budget and international cooperation | 28 577 | 10 215 | 10 214 |
| 2.1.4. | Transfers of maintenance expenses | 482 | 0 | 0 |
| 2.2. | expenses for capital investments | 18 456 666 | 13 231 559 | 13 179 587 |

4.2. Budget Revenues Administered by the SRS in 2017

Revenues of the total budget of taxes and duties administered by the SRS in 2017, million EUR and % (according to the execution of non-tax revenue part of the budget adjusted in 2018)



4.3. Utilization of Budgetary Programmes and Sub-programmes and Performance Results Thereof

The State budget funds allocated to the SRS in 2017 were used in the amount of EUR 114,636.6 thousand or by 99.2% of the planned amount.

Use of funding allocated for the implementation of budgetary programmes and sub-programmes in 2017

| Programme/sub-programme | Funding used in 2017, thousand EUR | Funding used in 2017, % of the planned amount |
|---|------------------------------------|---|
| 33.00.00 programme "Ensuring State Revenue and Customs Policy" | 111,022.1 | 99.4 |
| 62.09.00 sub-programme "Implementation of Projects and Activities of the European Regional Development Fund (ERDF)" | 1,075.7 | 99.2 |
| 70.07.00 sub-programme "Compensation of Travel Expenses Of Latvian Representative when Going to Meetings of Working Parties of the Council of the European Union and to the Council Meetings" | 16.5 | 100.0 |
| 73.06.00 sub-programme "Financial Resources Allocated Within the Framework of Agreements between the European Commission (with Participating Member States) and Tobacco Manufacturers" | 634.8 | 87.5 |
| 73.07.00 sub-programme "Projects Financed by the European Commission for Improvement of Internal Market within the System of Taxes and Customs" | 257.9 | 63.0 |
| 73.08.00 sub-programme "Projects Implemented by the State Revenue Service in the Field of Protection of Financial Interests" | 1,629.6 | 99.3 |

4.4. New Policy Initiatives

The Cabinet of Ministers, in examining the applications of NPI activities, i.e., activities that comply with the Latvian National Development Plan for 2014–2020 and other development planning documents, approved funding for the SRS for the implementation of the following NPI in 2017.

Funding allocated for NPI in 2017

| NPI name | Funding, EUR |
|---|--------------|
| 1. Radical Action for Combating Informal Economy in the Field of Tax Administration and Customs Matters | 6,911,927 |
| 2. Motivation of the Most Professional Officials and Employees of High-Risk Structural Units of the State Revenue Service | 1,800,000 |
| 3. Improvement of the Salary System of the State Revenue Service | 1,769,591 |
| 4. Strengthening the Capacity of the State Revenue Service | 1,300,000 |
| 5. Maintenance of Information and Communication Technology Systems Created within the Framework of European Union Policy Instruments and Other Foreign Financial Aid Mechanisms | 158,129 |
| 6. Equalization of salaries as of 1 January 2017 | 284,444 |
| Total: | 12,224,091 |

5. Communication with the Public

The SRS Performance Strategy for 2017–2019 defines three areas of activity for improving the communication function at the SRS:

- informing the public about SRS achievements, active cooperation with partners, improvements introduced to customer service;
- targeted communication with media and the public in general;
- strict respond, if mass media provide false, distorted information about the SRS.

The SRS regularly informs the public about activities of the service via social networks and the SRS website:

- 260 press releases were prepared, including 44 about the work accomplished by the SRS with regard to combatting informal economy;
- 98 electronic informative materials were prepared;
- 10 press conferences and media briefings were held on the especially important matters of SRS activities;
- 10 informative campaigns were implemented with regard to any of the areas of SRS activity, which were organised by the SRS both individually and in cooperation with other institutions;
- 98 infographics were developed on tax support measures, changes in microenterprise tax, changes with regard to the employee, changes with regard to self-employed persons, etc.

Informative and educational measures:

- participation in the "E-skills" week, informing and training residents on the SRS e-services and their use;
- participation in the Junior Achievement Latvia's project "Shadow Day" to provide an opportunity to schoolchildren of 9th-12th grades to find out more about the work of the SRS in general, as well as to become a "shadow" the representatives of professions of interest, whose daily work is related to various areas of SRS activity;

- participation in the Open Door Days of State Administration in order to ensure an opportunity for youngsters to become acquainted with the SRS and the State Administration in general from another point of view;
- the SRS organised nine excursions for schoolchildren and young people, during which youngsters were familiarised with the SRS, its areas of activity, main tasks and career opportunities at the SRS, as well as were informed about the significance of tax payments and their effects on every individual and the public in general.

Informing about the tax reform (State Tax Policy Guidelines for 2018–2021)

In order to inform and educate taxpayers on changes to laws and regulations:

- 76 seminars were organised in 26 cities in October, November and December 2017 with the total number of 4,842 participants;
- animated video materials were developed on PIT progressive rates, eligible expenses for 2018, contributions to be made by self-employed persons for pension insurance in the amount of 5%;
- infographics were developed on tax support measures, changes in microenterprise tax, as well as changes with regard to the employee and self-employed persons;
- replies to the frequently asked questions are published on the SRS website every week;
- by means of the EDS, taxpayers are informed about the reduction of the VAT registration threshold, changes in PIT and MSSIC, changes in MIT, revision of CIT advance payments;
- a special section "How the tax reform affects me" was created on the SRS website for particular groups of taxpayers, i.e., private persons and entrepreneurs. This section ensures taxpayers access to informative and methodological aids prepared by the SRS in Latvian, English and Russian, as well as the presentations and video records of SRS seminars.

Cooperation with partners of the public, non-governmental and private sectors:

- 1) on 31.01.2017, the SRS Advisory Board consisting of 11 institutions and organisations was established;

2) In 2017, eight meetings of the SRS Advisory Board were organised.

The most important topics:

- SRS Performance Strategy for 2017–2019;
- implementation progress of the project “Modernisation of Tax Information Services”;
- amendments to laws and regulations in relation to the tax reform;
- possibilities of improvement of the Enhanced Cooperation Programme;
- SRS control measures and envelope salaries.

3) two new cooperation agreements were signed:

- with the Association of Hotels and Restaurants of Latvia;
- with the Latvian Chamber of Commerce and Industry.

Awarding the large taxpayers

On 30.03.2017, Dana Reizniece-Ozola, Minister for Finance, Ilze Cirule, SRS Director General, and partners presented the specially designed awards and certificates of appreciation to 19 largest taxpayers of 2016 at the solemn awarding ceremony of the State Revenue Service.



Photo: SRS

International events:

- In September 2017, the EUROFISC e-commerce training course was organised on the methods of Internet business investigation, as well as on the collection and analysis of information available on the Internet;
- In October 2017, the SRS in cooperation with the EC Directorate-General for Taxation and Customs Union (DG TAXUD) organised the annual seminar on the Action Plan 2018 within the framework of the EC Programme Fiscalis 2020;

- In October 2017, the meeting of heads of tax control units of tax administrations of the Baltic States was organised;
- In cooperation with the Intra-European Organisation of Tax Administrations (IOTA), the “Forum on Automatic Information Exchange Matters” was organised.

The awards, recognitions and evaluations received by the SRS:

- The project “Introduction of the Document Management System at the SRS” proposed by the SRS received the Latvian Information and Communication Technologies Award “Platīna pele 2017” (Platinum Mouse 2017).
- International competition of customs dog handlers with tobacco sniffer dogs was organised by the SRS National Customs Board in Rēzekne and Rēzekne Region, where the Latvian customs team took the first place in team scoring.
- The SRS remained the eSignature Champion; SRS employees used the eSignature almost half a million times in 2017.

SRS studies

Three studies were carried out in 2017:

- as assessment on the satisfaction of sectoral associations with cooperation with the SRS;
- a study on customer satisfaction with the speed, convenience and comprehensibility of services provided by the SRS;
- a study on the level of satisfaction among SRS employees.

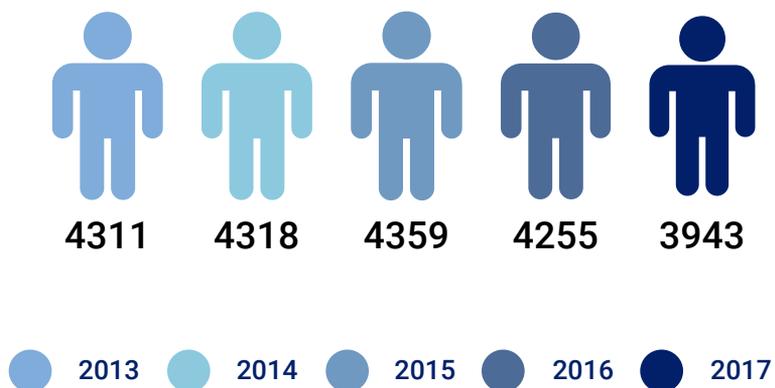
In the study on the satisfaction of sectoral associations, 90% of respondents positively assessed cooperation with the SRS and only 10% of all respondents expressed critical views.

Within the framework of the survey of SRS customers, taxpayers were asked to assess the speed, convenience and comprehensibility of services provided by the SRS on a scale from 1 to 10, where “1” was a negative evaluation and “10” was a positive evaluation. Within the framework of the survey, SRS services received an average evaluation of 7.23. Within the framework of the study “Satisfaction of SRS Employees with Work” carried out by the Marketing and Public Opinion Research Centre “SKDS”, 90% of respondents indicated that they were satisfied with the SRS as their place of employment. 82% of respondents noted that they were satisfied with the training offered by the SRS, while 75% of respondents noted that they were satisfied with salary.

6. Personnel

- At the end of 2017, the planned number of the SRS employees and officials' positions was 3,943, whereas the actual average number of employees was 3,732.
- The reduction of the number of the officials' positions was commenced in the SRS in 2016 and 303 officials' positions were liquidated in 2017.
- In 2017, the SRS entered into civil service and employment relationship with 107 officials and employees, but terminated it thereof with 427 officials and employees.
- Thus, the ratio of personnel turnover was 14.31%, the ratio of personnel renewal — 2.87%, and the ratio of personnel quitting — 11.44%.

Dynamics of the number of officials' positions planned by the SRS in 2013-2017



Number of SRS employees in breakdown by sex, 2017



26 %
Men



74 %
Women

Share of SRS employees with higher education, 2017



95 %

Breakdown of SRS employees and officials, 2017



89 %
Officials



11 %
Employees

Average monthly salary of SRS employees, 2017

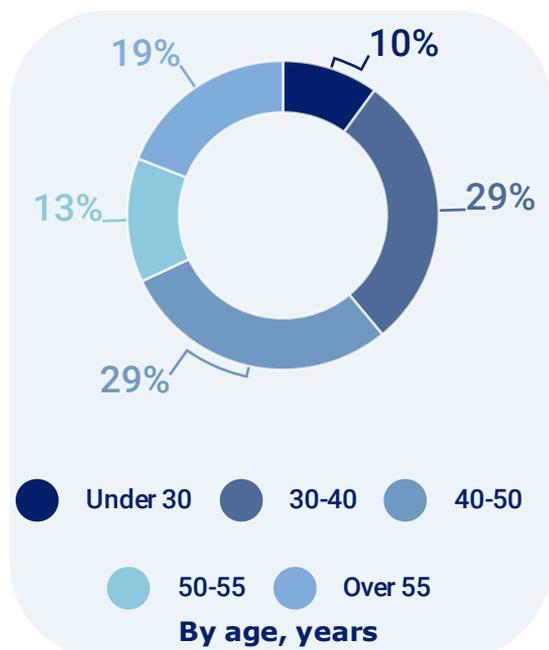


1080
2016.



1266
2017

Breakdown of SRS employees, 2017



287 SRS employees were awarded for professional, honest and selfless work, significant personal contribution in the SRS development and fulfilment of objectives in 2017, of them:

- 16 employees were granted awards of the Ministry of Finance;
- 271 employees were granted awards of the SRS;
- four employees were granted awards from other institutions.

In 2017, the SRS employees took part in 418 various training events (courses, seminars) for 5,146 times. The average time spent in training was 13.7 hours per participant. The main training topics: customs matters — 23%; legal and administrative matters — 19%; combatting crime — 16%; computer sciences and information technology — 8%; communication — 8%, etc.

SRS award ceremony 2017



Photo: SRS

SRS priority tasks and activities in 2018:

- introduction of simplified and convenient calculation of tax on capital increase in the EDS;
- strengthening the analytical capacity;
- improving services for international taxpayers;
- introduction of changes to the tax control process, developing the new tax control regulations;
- increasing the effectiveness of combatting crime;
- elimination of money-laundering and terrorism-financing risks;
- implementation of activities related to the 25th anniversary of the SRS.

Current SRS projects in 2018:

- "Modernisation of Tax Information Services"
- "E-customs (Stage 1)"
- "Introduction of a Video Surveillance System at CCP"
- "Modernisation of Customs Technical Equipment at CCP"
- "Tax Receipts Game"
- "Introduction of Tobacco Products Traceability System (Track and Trace)"
- the project "Strengthening the SRS Capacity for More Effective Administration of Taxes" funded by the EC (with the involvement of experts from the World Bank)

Studies planned in 2018:

- study on the quality of taxpayer service;
- study on the quality of customs customer service;
- the assessment of satisfaction for sectoral associations on cooperation with the SRS.

Used abbreviations

| | |
|-------------------|---|
| CFCA - | Central Finance and Contracting Agency |
| DG TAXUD - | Directorate-General for Taxation And Customs Union |
| EDS - | Electronic Declaration System |
| ECDPS - | Electronic Customs Data Processing System |
| ERDF - | European Regional Development Fund |
| EUROFISC - | Network of National Tax Administration Institutions |
| EC - | European Commission |
| AIR - | Annual Income Return |
| PIT - | Personal Income Tax |
| IOTA - | Intra-European Organisation of Tax Administrations |
| NPI - | New Policy Initiatives |
| LAVC - | Latvian Administrative Violations Code |
| CCP - | Customs Control Point |
| TIS - | Tax Information System |
| VAT - | Value Added Tax |
| CIT - | Corporate Income Tax |
| SRS - | State Revenue Service |
| VSAOI - | Mandatory State Social Insurance Contributions |
| SLO - | Public Benefit Organisation |