



Valsts ieņēmumu dienests

State Revenue Service 2015 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 2015 and priorities for 2016.



This report reflects the results of implementing the SRS Business Strategy for 2014 – 2016.

In 2015, several significant improvements and novelties were introduced in the activities of the SRS to improve tax collection, promote the voluntary compliance of tax obligations and reduce informal economy.

The year of 2015 started with the opening of the first State Single Customer Service Centre in the administrative building of the SRS, meaning that clients have access to services provided by both the SRS and other institutions such as the State Employment Agency, the State Labour Inspectorate and the State Social Insurance Agency. The opening of the first State Single Customer Service Centre in the administrative building of the SRS marked the commencement of the gradual creation of a network of State and local government single customer service centres across Latvia with an aim to provide more convenient State service to inhabitants. At the end of 2015, SRS services were available already to 51 State and local government single customer service centres.

As a result of active operation of the SRS, several crucial amendments were introduced to regulatory enactments to improve tax collection and strengthen the fight against informal economy; moreover, measures on restricting the activities of dishonest taxpayers were taken to put business environment in order. For example, since August 2015 already, within the framework of State and local government tenders, the contracting authority must assess the average hourly tariff rate of employees of the bidder or subcontractors, whether it is at least 80% of the average hourly tariff rates of employees in the relevant group of professions. This condition is aimed at reducing situations when general contractors that themselves comply with criteria determined in the Public Procurement Law in relation to the average salaries of employees and fulfilment of tax obligations apply and win in State and local government tenders, while the conformity of their subcontractors to these criteria is not taken into account, thus distorting fair competition and creating an unequal situation between companies in the field of public tenders.

A crucial role in strengthening the fight against informal economy is attributed to the knowledge and professional improvement of SRS employees; therefore, in July and October 2015, aiming at improving the understanding of the VAT system, obtaining international knowledge and mastering the best practice in fighting against VAT fraud, 50 employees of the State Revenue Service participated in training seminars organised by the European Anti-Fraud Office of the European Commission (OLAF) and conducted by internationally recognised experts from tax administrations of other countries.

One of the main SRS priorities is improving the quality of tax and customs customer service and improving information systems, which facilitates the development of e-services. Therefore, in 2015, we continued improving, modernising and simplifying the SRS Electronic Declaration System, introducing new and more convenient services to reduce administrative burden for taxpayers and simplify the fulfilment of tax obligations. Significant improvements were introduced in the Electronic Customs Data Processing System, as well as new e-services were developed on the single portal of State and local government services www.latvija.lv — “Online Customs Payments”.

Constant development and improvement of SRS e-services is assessed publicly as well — the project “Electronic Salary Tax Booklet” implemented by the SRS in 2015 received the Latvian Information and Communications Technology Award “Plafīna pele 2015” (Platinum Mouse 2015). This was the third time when e-projects implemented by the SRS received the main Latvian Information and Communications Technology Award “Plafīna pele” (Platinum Mouse) — until now, the SRS received it for the SRS Electronic Declaration System (2007) and for the project “Development of the Electronic Customs Data Processing System” (2014).

In 2015, SRS officials were also involved in activities related to the Latvian Presidency of the Council of the European Union. One of the most important activities, in the organisation and successful conduction of which an important role was attributed directly to SRS customs officials, took place at the beginning of May 2015, when the heads of customs administrations of EU Member States and experts of the control field, representatives of the European Commission, Europol and European Agency for the Management of Operational Cooperation at the External Borders participated in a high-level seminar on customs matters to discuss the main challenges and tasks in guaranteeing public protection. At the end of the seminar, Riga Declaration on the Efficient Management of the EU External Border was adopted.

The largest smuggled cargo of narcotic substances in the history of Latvia and possibly also in the Baltic States, which was detained in spring 2015, i.e. over one ton of hashish, can be named as the most important achievement of the SRS Customs Police Department, thus certifying the role and significance of effective customs control measures in ensuring public protection, safety and security.

In the development of the SRS and improvement of services, great importance have always been attributed to international cooperation and experience exchange, including with the tax and customs administrations of the Baltic States. In order to implement international cooperation more actively and adopt examples of

the best practice between the Baltic States (Latvia, Lithuania and Estonia) in the field of tax administration, the Baltic States’ Tax Administration Cooperation Plan for 2015 – 2016 was signed in April 2015; within the framework of this plan, regular meetings, discussions and experience exchange activities are organised. The Action Plan of the Baltic States in the Field of Customs for 2014 – 2016 is implemented by analogy.

In understanding that the responsibility of the State for its citizens does not end once they change their place of residence, in 2015, the SRS implemented several informative activities, including in cooperation with the Ministry of Foreign Affairs of the Republic of Latvia and Latvian Embassy in the United Kingdom, to promote the wider spread of information and improve communication between the SRS and nationals residing abroad. In 2015 exactly, SRS representatives went on two business visits to meet nationals in England and Ireland, become acquainted with their household and working conditions in the country of residence, inform about positive changes in SRS activities, provide answers to questions of interest and, thus, improve their understanding of topical issues concerning the fulfilment of tax obligations, also while staying outside Latvia or planning to return to the motherland in future.

Likewise, in 2015, we actively continued the dialogue on the current situation in the field of tax administration and its improvement with both entrepreneurs and their representative organisations — Latvian Employers Confederation, Latvian Chamber of Commerce and Industry, Council of Foreign Investors in Latvia, Latvian Association of Tax Consultants, also going on regular visits and meeting in person with the heads of local governments of Latvian cities and counties, responsible officials and local entrepreneurs. Previous practice has proved that cooperation and regular information exchange with the associations of different sectors is highly important to jointly fight against tax evasion and “envelope salaries”, to promote fair competition conditions, as well as to interest merchants themselves to show initiative and understanding of the issues of fulfilling tax obligations of their sector. In 2015, agreements were signed with five more sector associations (thus, in total the SRS signed cooperation agreements with 22 sector associations) on cooperation in promoting fair competition and settlement of tax payments, on the prevention of trading of smuggled tobacco products and on cooperation with an aim to reduce tax evasion by merchants operating in the tobacco industry and the probability of unfair competition. In 2015, the SRS signed a Memorandum of Understanding on the multi-national tobacco campaign “*Imperial Tobacco Limited*”, which was the first agreement of this kind signed by the SRS and

a large-scale tobacco manufacturer, and it created the basis for the mutual exchange of information and data and promoted effective actions against the smuggling of tobacco. In autumn 2015, a cooperation agreement was signed also with the Association of Manufacturers of Tobacco Products with an aim to reduce tax evasion by merchants operating in the tobacco industry and the probability of unfair competition, as well as to promote cooperation in reducing the illegal market of tobacco.

In 2015, the SRS actively participated in and supported several socially educating and informative campaigns: both to promote the use of State e-services among inhabitants and to improve public knowledge, awareness and understanding of the need to pay taxes and to reduce the tolerance of the public towards smuggled goods. Likewise, to promote the understanding of the significance of paying taxes, showing in a simple and illustrative manner what the benefit of each inhabitant in particular and the public in general from the fair payment of taxes is, the SRS actively supported the informative campaign “Nomaksāt! Nevis nemaksāt!” (Pay! Instead of Not Pay!) implemented at the end of the year by the Ministry of Finance.

We are truly gratified that after a long break, in 2015, we ensured a possibility of resuming a pleasant and festive tradition and solemnly honouring the largest taxpayers of the previous years by certain types of taxes, the largest taxpayer in each region of Latvia, the largest taxpayer/performer of economic activities, as well as the largest taxpayer in Latvia at an own organised event.

In 2015, in order to promote the voluntary compliance and reduce the administrative burden, the SRS expressed its gratitude to 2,394 honest taxpayers, including 1,891 taxpayers repeatedly and 503 taxpayers for the first time, which made significant contributions into the State budget, ensured high discipline in fulfilling tax obligations and had their previous cooperation approvingly assessed in 2014.

In turn, on 1 April 2015, information on the total amount of taxes administrated by the SRS, which were paid by taxpayers (merchants) during the previous year, was published on the SRS website for the first time, separately specifying data exactly on the total amount of personal income tax and total amount of mandatory State social insurance contributions, as well as on the average number of employed persons. In our opinion, informing the public about the amount of taxes paid by merchants is another preventive and effective tool for promoting the fair fulfilment of tax obligations and this practice will ensure an indirect positive fiscal impact and make the business environment in Latvia more transparent.

The SRS is an institution oriented towards the improvement of constructive cooperation with taxpayers and aimed at achieving the high level of fulfilment of tax obligations. We understand that the quality of customer service is of high significance in promoting the voluntary compliance and the evaluation provided by the public is the most important source that helps us make conclusions on whether we are moving in the right directions and in which areas we must improve our work.

Therefore, the SRS personnel is particularly gratified for two awards received in 2015, based on the high quality assessment of customer service by the public at our institution — within the framework of the campaign “Uzslavē labu servisu!” (Praise Good Service!), we were recognised as the most appraised excellent service provider in the category “State and Local Government Institutions”, while during the month of the official public holiday, i.e. November, an award as one of the best customer service specialists in State administration was received by the Chief Tax Inspector of the SRS, while four more SRS employees were included by customers on the list of 50 best State administration customer service specialists.

We are particularly proud that in 2015, an official was appraised with the State award, i.e. the Cross of Recognition of Grade IV, for the first time in the entire history of the SRS. On 18 November 2015, it was received by the Head of the SRS Dog Handling Division for long-term and highly professional work in State service and great personal contribution to the development of the Latvian customs service.

The SRS highly appreciates the approving evaluation and it will serve us as a strong motivation to raise the level of customer service quality even higher and ensure high-quality service to taxpayers on a daily basis in combination with the professional knowledge of our employees and friendly and positive attitude!

Of course, all received positive evaluations ensure true gratification to SRS employees, as well as understanding that the path to development and growth is possible only by continuing listening attentively to the public opinion and positive criticism. We will continue assessing and analysing our activities and listen to customer reviews so that the performance results of our institutions and the public evaluation would ensure increasingly more positive results with each year!



Yours Sincerely,

SRS Director General
Ināra Pētersona

1. Background Information

1.1. Legal Status and Main Tasks of the SRS

Pursuant to the Law On the State Revenue Service, 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 specified by the State in the territory of the Republic of Latvia, as well as collects taxes, fees and other mandatory payments for the EU budget, implements the customs policy and handles customs matters.

The Law On the State Revenue Service determines the principal tasks of the State Revenue Service:

- 1) to ensure the collection of State taxes, fees and other State mandatory payments administered by the SRS in the territory of the Republic of Latvia and on the customs border, as well as the collection of taxes, fees and other mandatory payments for the EU budget;
- 2) to participate in the development of customs policy, tax and fee administration and disclosure of violations of the law in the field of State revenues and to implement such policy. To develop draft development planning documents, draft informative reports and draft legal acts in the relevant field;
- 3) to prevent and detect criminal offences in the field of State taxes, fees and other mandatory payments specified by the State;
- 4) to ensure the training of civil servants (employees) of the SRS, as well as in accordance with the procedures specified in this Law to consult taxpayers regarding issues on the application of tax regulatory enactments;
- 5) in accordance with the procedures specified in laws and Cabinet Regulations to register and enumerate taxpayers and to control the conformity of registration documents with the requirements of the laws and actual circumstances;

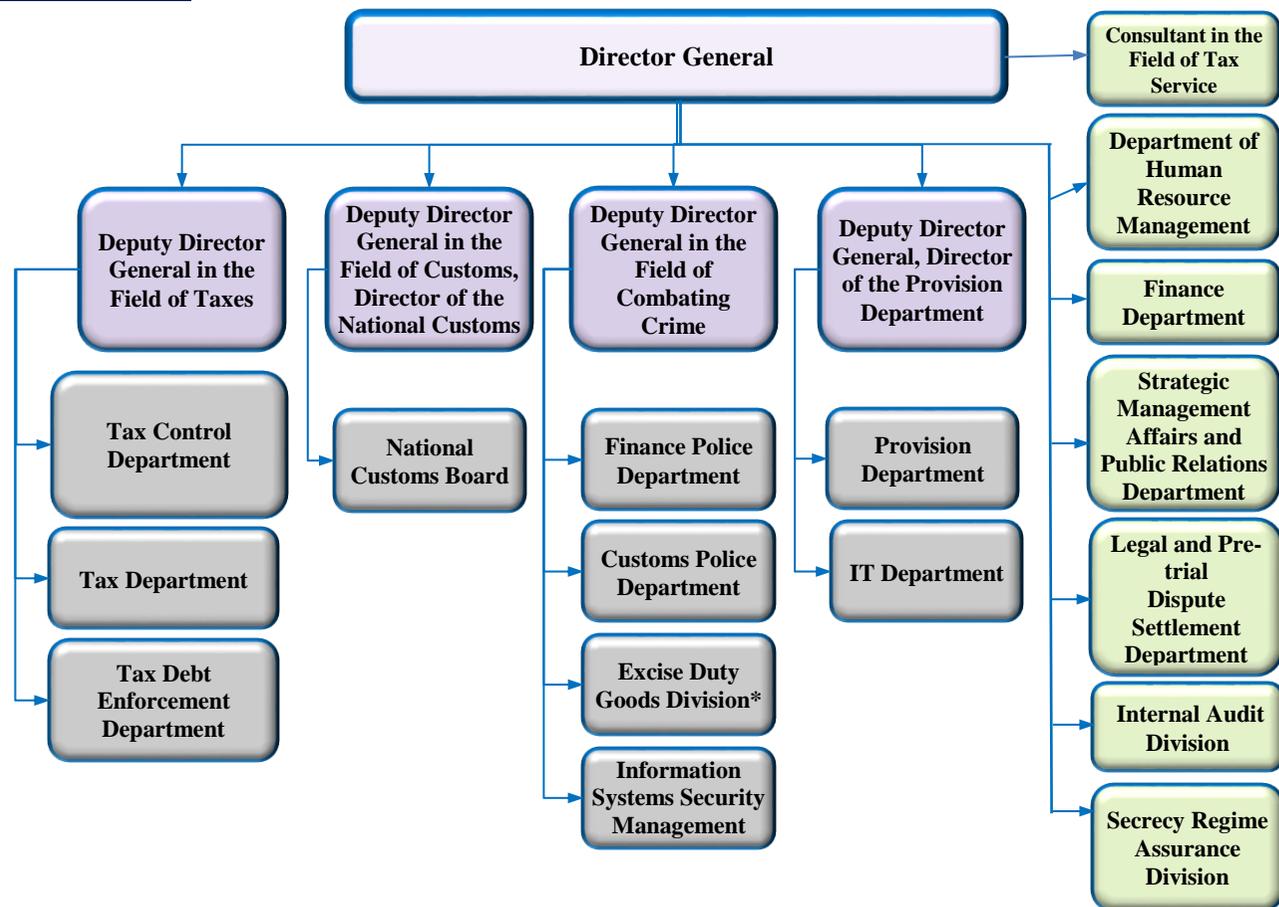
6) to ensure the execution of the regulatory enactments governing the movement of goods subject to excise duty;

7) to ensure the supervision of PBOs pursuant to the procedures specified in the Public Benefit Organisations Law;

8) to provide the necessary information (also without a previous request) and to coordinate exchange thereof in order to ensure mutual assistance in recovery of tax claims, as well as to maintain contact with tax authorities (competent authorities) of EU Member States.



Organisational Structure of the SRS



* To ensure the effective use of SRS resources, on 1 April 2015, identical tasks and processes to be performed by the Excise Duty Goods Department were delegated to other structural units of the SRS, thus centralising similar functions in a single structural unit. In turn, to ensure the circulation and supervision of excise duty goods, as well as the implementation of measures on revealing and eliminating violations, a new structural unit was established, being subordinated to the Deputy Director General of the SRS in the field of combating crime — Excise Duty Goods Division.

1.2. SRS Strategy for 2014–2016

SRS Mission

Fair administration of taxes and customs matters for protecting the public and commercial activity

SRS Values

- Integrity** — we are fair in the application of laws and decision making, correct in communication.
- Professionalism** — we have high-level knowledge necessary for doing the job, we know how to apply it in an effective and qualitative manner in our daily work and we constantly aspire to supplement the knowledge.
- Responsibility** — we perform our tasks and duties both independently and as a part of a team, and we achieve the best possible results. We always provide support and assistance to colleagues where necessary.
- Loyalty** — in executing our job duties, we are loyal to the interests of the State and society, always treating them as a priority.

SRS Strategic Objectives

1. To act in accordance with the behaviour necessary for the compliance of taxpayers and customs clients in order to ensure the collection of State budget revenues and effective protection of the financial interests of the EU.
2. To ensure society's protection, security and safety by performing effective customs control measures.
3. To ensure the fight against criminal offences in the field of State revenues and customs matters, reducing tax fraud and smuggling.
4. To increase the efficiency and effectiveness of using the SRS resources.



1.3. Priorities for 2015

In order to achieve the aims set in the SRS Business Strategy for 2014 – 2016 and fulfil SRS tasks in an effective manner, ensuring the fulfilment of the plan of revenues administered by the SRS as determined in the Law, as well as to ensure the rational use of SRS resources, the following SRS priorities have been approved for 2015:

- 1) improving customer service and provided services, taking into account the results of customer satisfaction survey;
- 2) improving preventive and control measures, reducing tax gap amounts to the extent possible;
- 3) ensuring society's protection, security and safety by taking effective customs control measures based on the customs risk analysis;
- 4) limiting organised crime groups by applying against their organisers;
- 5) developing customer service centres by implementing the common principles of premises selection and visual design; developing customs control points by ensuring necessary technical equipment for taking customs control measures;
- 6) improvement of SRS employees and officials qualification according to their competence;
- 7) improving the system of assessment and monitoring of SRS operation processes for achieving the strategic objectives of the SRS and increasing its performance by ensuring connection to risk management;
- 8) developing cooperation with international organisations and promoting social dialogue with the citizens of the Republic of Latvia residing abroad.



Photo: SRS

2. Implementation of the SRS Business Strategy for 2014 – 2016 and Priorities for 2015

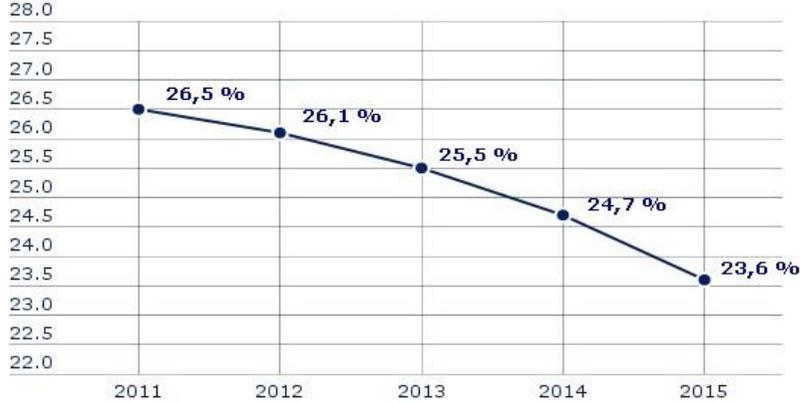
2.1. Implementation of strategic performance indicators

To assess the implementation of the SRS Business Strategy for 2014 – 2016, predictable targets to be achieved were determined for the strategic performance results of 2015. Information regarding meeting these targets is provided in Table 1.

Table 1. Report on the fulfilment of strategic performance results of the SRS Performance Strategy for 2014 – 2016 in 2015.

Strategic performance indicators		2015		Information regarding implementation																		
Name of the indicator	Meas. unit	Anticipated result	Actual implementation																			
1. Implementation of the plan of budget revenues administered by the SRS	%	100	100.1	The implementation of the plan of total budget revenues administered by the SRS was ensured in the amount of 100.1 %. In 2015, the total budget revenues administered by the SRS amounted to EUR 7,468.52 million, which is EUR 4.38 million or 0.1% more than planned, including, the amount of tax revenues collected was EUR 7,119.23 million, which is 0.2% more than planned, whereas the amount of non-tax revenues collected was EUR 349.30 million, which is 12.7% less than planned.																		
2. Changes in the amount of collected budget revenues administered by the SRS as compared to the previous year	%	+4.2	+5.4	In 2015, it was collected by 5.4% more than in 2014, which is 1.2% more than predicted. <div style="text-align: center;"> <table border="1"> <caption>Data for Fig. 1. Budget revenues administered by the SRS in 2011 – 2015, million EUR</caption> <thead> <tr> <th>Year</th> <th>Income, EUR million</th> <th>Increase/decrease, %</th> </tr> </thead> <tbody> <tr> <td>2011</td> <td>5776,54</td> <td>11,4 %</td> </tr> <tr> <td>2012</td> <td>6474,46</td> <td>12,1 %</td> </tr> <tr> <td>2013</td> <td>6830,09</td> <td>5,5 %</td> </tr> <tr> <td>2014</td> <td>7084,05</td> <td>3,7 %</td> </tr> <tr> <td>2015</td> <td>7468,52</td> <td>5,4 %</td> </tr> </tbody> </table> </div>	Year	Income, EUR million	Increase/decrease, %	2011	5776,54	11,4 %	2012	6474,46	12,1 %	2013	6830,09	5,5 %	2014	7084,05	3,7 %	2015	7468,52	5,4 %
Year	Income, EUR million	Increase/decrease, %																				
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2013	6830,09	5,5 %																				
2014	7084,05	3,7 %																				
2015	7468,52	5,4 %																				
3. Tax revenues, % of the Gross Domestic Product	%	31.0	28.5	Pursuant to the forecast by the Ministry of Finance, tax revenues amounted to 28.5% of the Gross Domestic Product.																		

Fig. 1. Budget revenues administered by the SRS in 2011 – 2015, million EUR

Strategic performance indicators		2015		Information regarding implementation												
Name of the indicator	Meas. unit	Anticipated result	Actual implementation													
4. Changes to tax wedge in 2014¹				<p>Calculations of tax gap indicators for 2014 show the tendency to decrease:</p> <ul style="list-style-type: none"> - VAT gap is 16.9%, ensuring decrease by 1.1 percentage points more than it was planned and decrease by 0.9 percentage points more than the VAT gap calculated for 2013; - MSSIC gap is 22.5%, ensuring decrease by 3.5 percentage points more than it was planned and decrease by 2.4 percentage points more than the MSSIC gap calculated for 2013; - PIT gap is 21.4%, ensuring decrease by 3.6 percentage points more than it was planned and decrease by 2.2 percentage points more than the PIT gap calculated for 2013; - excise duty gap for cigarettes is 29.1%², which is 1.1 percentage points more than it was planned and 0.3 percentage points more than the excise duty gap calculated for cigarettes for 2013; thus, the planned result to be achieved was not achieved; - excise duty gap for oil products (diesel fuel) is 11.1%, which is 0.1 percentage points more than it was planned and 0.3 percentage points less than the gap calculated for 2013; - excise duty gap for alcoholic beverages is 8.5 %. The excise duty gap for alcoholic beverages for 2014 was assessed for the first time; likewise, the planned value had not been determined before, thus the comparison with the year of 2013 is impossible. 												
4.1. value added tax gap	%	18.0	16.9													
4.2. gap of mandatory State social insurance contributions	%	26.0	22.5													
4.3. personal income tax gap	%	25.0	21.4													
4.4. excise duty gap for cigarettes	%	28.0	29.1													
4.5. excise duty gap for oil products (diesel fuel)	%	11.0	11.1													
4.6. excise duty gap for alcoholic beverages	%	x	8.5													
5. Share of informal economy of the Gross Domestic Product (according to the F. Schneider's study)	%	23.7	23.6	<p>According to the results of the study carried out by F. Schneider, professor at the Austrian Johannes Kepler University Linz, the share of informal economy in Latvia in 2015 is 23.6%, which is 0.1 percentage points less than expected.</p>  <table border="1"> <caption>Data for Fig. 2. The volume of informal economy in Latvia in 2009 – 2014 according to the data of the Friedrich Schneider's study, %</caption> <thead> <tr> <th>Year</th> <th>Volume of informal economy (%)</th> </tr> </thead> <tbody> <tr> <td>2011</td> <td>26.5</td> </tr> <tr> <td>2012</td> <td>26.1</td> </tr> <tr> <td>2013</td> <td>25.5</td> </tr> <tr> <td>2014</td> <td>24.7</td> </tr> <tr> <td>2015</td> <td>23.6</td> </tr> </tbody> </table> <p>Fig. 2. The volume of informal economy in Latvia in 2009 – 2014 according to the data of the Friedrich Schneider's study, %</p>	Year	Volume of informal economy (%)	2011	26.5	2012	26.1	2013	25.5	2014	24.7	2015	23.6
Year	Volume of informal economy (%)															
2011	26.5															
2012	26.1															
2013	25.5															
2014	24.7															
2015	23.6															

¹ Tax gap calculations are carried out with a yearly deviation, thus tax gap indicators specified in the report refer to the year of 2014.

² The calculation of the excise duty gap for cigarettes for 2014 was carried out pursuant to the "Project SUN" data of the auditing company KPMG (29.1%). Pursuant to the data of *The Nielsen Co* "Empty Package Study", in Q4 of 2015, 24.8% of the total number of smoked cigarettes in Latvia were smuggled. It is the lowest indicator over the last six years and it suggests that decrease in the excise duty gap for cigarettes is to be expected.

Strategic performance indicators		2015		Information regarding implementation
Name of the indicator	Meas. unit	Anticipated result	Actual implementation	
6. Indicators of the World Bank's study "Doing Business":				
6.1. time required to calculate and pay taxes a year	hours	180	193	According to the section "Paying Taxes" of the study <i>Doing Business 2016</i> , the time required to pay taxes in Latvia is 193 hours a year, which is 13 hours more than it was planned and the same as compared to the results of the previous study. Anticipated results could not be achieved, since instead of the initially planned deadline for the adoption of the Cabinet Regulation on the taxation period declarations of enterprise income tax and calculation of advance payments, i.e. 1 September 2014, Cabinet Regulation No. 548 "Regulations on the Taxation Period Declarations of Enterprise Income Tax and Calculation of Advance Payments" was issued on 29 September 2015, thus failing to affect the results of the study <i>Doing Business 2016</i> as planned. The impact will be reflected in the results of the upcoming <i>Doing Business</i> study, since they simplify the completion of Annex 2 to the declaration; moreover, the number of annexes is reduced.
6.2. time required for VAT registration	days	5	3	According to the results of the study <i>Doing Business 2016</i> , the time required for VAT registration was three days, which is two days less than the determined SRS result to be achieved. As compared to the results of the study <i>Doing Business 2015</i> , the time required for registration with the SRS VAT Payer Register has decreased from 10 days to three days, which corresponds to the actual registration time. Pursuant to Section 66, Paragraph three of the Value Added Tax Law, the SRS must make a decision on the registration of a taxpayer with the SRS VAT Payer Register within five working days after receiving a registration application. Improvement of the indicator was affected by the decision made by the SRS on 24 July 2014 and instructions provided to the SRS CSCs regarding that reducing the administrative burden and ensuring the high-quality and fast taxpayer service requires carrying out registration with the Register of Value Added Tax Payers within three working days.
6.3. period of customs clearance and inspections				The methodology of calculating indicators of the section "Customs Clearance and Technical Control Period for Exports and Imports" of the study <i>Doing Business 2016</i> in the field of customs has been radically changed, thus indicators cannot be compared to the previous study. For example, the import indicator is specified as 0, yet essentially it cannot be determined, since merchants that imported goods from Germany were surveyed within the framework of the <i>Doing Business</i> study, thus the import procedure is not registered, since it is a shipment within the EU.
6.3.1. exports	days	0.5	1	
6.3.2. imports	days	0.5	X	
7. Share of court judgements favourable for the SRS, average weighted (in tax dispute cases, administrative violation cases and cases concerning enforcement cases and cases of other disputes)	%	85.0	90.2	The share of court judgements favourable for the SRS in 2015 is 90.2%, which exceeds the anticipated result by 5.2%points. It is to be noted that at the moment of preparation of this report, there was no information on the validity of 103 judgements in tax dispute cases; thus, the number of terminated proceedings and results in tax dispute cases for 2015 will be adjusted.
8. Level of satisfaction among clients (according to the results of the study) — fully satisfied and likely satisfied, on a scale from 1 to 10, including:	points	x	x	No client satisfaction study was conducted in 2015. It is planned to conduct the study in the 2 nd half of 2016.
- level of satisfaction among taxpayers	points	x	x	

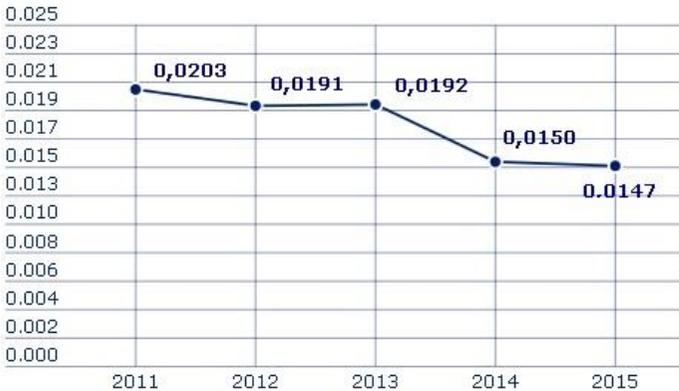
Strategic performance indicators		2015		Information regarding implementation												
Name of the indicator	Meas. unit	Anticipated result	Actual implementation													
- level of satisfaction among customs clients	points	x	x													
9. Level of satisfaction among personnel (according to the results of the study) — fully satisfied and likely satisfied	%	80.0	89.0	<p>Pursuant to the results of the survey carried out by SKDS in 2015, the level of satisfaction among personnel with the SRS as a place of work is 89%, exceeding the anticipated figure of 2015 by nine percentage points and exceeding the assessment of 2012 study by eight percentage points.</p> <p>81% of surveyed SRS employees are satisfied with working conditions at the SRS in general, including 89% respondents are satisfied with the supplies necessary for the performance of work, i.e. equipment and materials. 86% of surveyed employees positively assess social guarantees ensured by the SRS. Within the framework of the survey, 85% of SRS employees have noted that the SRS constantly develops itself, 82% — that the SRS is a modern and contemporary institution, and 71% have indicated that they are proud of working at the SRS. 93% of surveyed employees noted that helpful and understanding mood dominated among colleagues.</p>												
10. The costs of one collected euro, at the SRS in total	EUR	0.0157	0.0147	<p>The costs of one collected euro at the SRS in total amount to EUR 0.0147, which is EUR 0.001 less than planned and EUR 0.0003 less than in 2014.</p> <p>Decrease in the level of costs of one collected euro as compared to the planned result to be achieved was affected by the over-fulfilment of the actual SRS budget expenditure as compared to the planned SRS budget expenditure and budget revenues administered by the SRS by 0.1%.</p>  <table border="1"> <caption>Data for Fig. 3. The costs of one collected euro, 2011 – 2015, EUR</caption> <thead> <tr> <th>Year</th> <th>Cost (EUR)</th> </tr> </thead> <tbody> <tr> <td>2011</td> <td>0.0203</td> </tr> <tr> <td>2012</td> <td>0.0191</td> </tr> <tr> <td>2013</td> <td>0.0192</td> </tr> <tr> <td>2014</td> <td>0.0150</td> </tr> <tr> <td>2015</td> <td>0.0147</td> </tr> </tbody> </table>	Year	Cost (EUR)	2011	0.0203	2012	0.0191	2013	0.0192	2014	0.0150	2015	0.0147
Year	Cost (EUR)															
2011	0.0203															
2012	0.0191															
2013	0.0192															
2014	0.0150															
2015	0.0147															

Fig. 3. The costs of one collected euro, 2011 – 2015, EUR

2.2. Performance results in implementing the first strategic objective “To act in accordance with the behaviour necessary for the compliance of taxpayers and customs clients in order to ensure the collection of State budget revenues and effective protection of the financial interests of the EU”

In order to ensure even more high-quality, convenient and timely provision of services to taxpayers, facilitate the performance of business activities and reduce the administrative burden, the SRS implemented the following significant and important activities for taxpayers in 2015:

1) the first State Single Customer Service Centre in Latvia was created. It started its operation on 5 January 2015 at the SRS' new complex of administrative buildings at 1 Talejas Street, Riga, where customers can receive services provided by the State Employment Agency, the State Labour



Inspectorate, the State Social Insurance Agency and the SRS in a single place. SRS services can also be received at 51 SLGSCSCs;

2) On 6 January 2015, Cabinet Regulation No. 3 “Regulations on Examples of Lottery and Gambling Tax Report Forms and Procedures for Submitting Lottery and Gambling Tax Reports” was issued, reducing the number of reports to be submitted from seven to two reports. The number of reports was reduced, combining information to be provided therein;

3) On 12 May 2015, Cabinet Regulation No. 220 “Procedures for Labelling Alcoholic Beverages and Tobacco Products with Excise Duty Stamps” was issued; this Regulation entered into force on 1 June 2015 and reduced the administrative burden for entrepreneurs involved in the circulation of excise duty goods to be labelled:

- the stamp is not linked to the name of goods (except for cigarettes);

- the set volumes of ordering paper labels decreases — can be adjusted to production plans;
- persons (importers, other persons and small wine-makers) that are granted the right to pay the excise duty prior to receiving excise duty stamps within the framework of the Law On Excise Duty do not have to submit reports on the circulation of excise duty stamps;

4) On 22 September 2015, new Cabinet Regulation No. 573 “Regulations on the Registration of Taxpayers and Taxpayers’ Structural Units with the SRS” was issued; this Regulation entered into force on 1 January 2016 and stipulates faster and more convenient registration of taxpayers with the register:

- reducing registration time to three working days;
- refusing from issuing registration certificates of taxpayers and taxpayers’ structural units;
- reflecting information on the registration of taxpayers and taxpayers’ structural units with the Register of Taxpayers in the publicly available database (register) of the SRS;

5) On 29 September 2015, Cabinet Regulation No. 548 “Regulations on the Taxation Period Declarations of Enterprise Income Tax and Calculation of Advance Payments” replacing Cabinet Regulation No. 981 “Regulations on the Taxation Period Declarations of Enterprise Income Tax and Calculation of Advance Payments” dated 20 December 2011. This Regulation simplifies the completion of Annex 2 to the declaration; moreover, the number of annexes has been reduced.

- 6) EDS improvements were implemented;
- taxpayers were ensured of a possibility of preparing and submitting EDS declarations “in advance” for the upcoming taxation period, ensuring its automatic submission within the period determined in regulatory enactments;

- the “Payment Calendar” on outstanding, regular and soon-to-be-made tax payments and amounts has been created for EDS users. In addition, two days prior to the due date, a reminder/notification on making a payment will be reflected;
- all taxpayers are informed about the presence of overpaid taxes;
- for taxpayers included in the group of risky taxpayers as the result of the computerised risk analysis carried out by the SRS, a message on inclusion in the risk group is placed on the EDS client’s homepage (once a quarter);
- all taxpayers are provided with information on risk — reports on discrepancies of data specified in VAT declarations, which used to be available only to the participants of the In-Depth Cooperation Programme and members of associations;
- EDS ensures the availability of a declaration on contributions to private pension funds;
- the Taxpayer Data System was integrated in the EDS (users have access to all reports intended for them on the list) and the response speed of the system was improved;
- a possibility was ensured for taxpayers themselves to prepare and print out a statement on the average hourly tariff rate and a statement on tax debts on a particular day in the EDS;
- a possibility of using information received from other institutions on positions held by State officials was ensured
- filling-in of SRS data when completing reports on the use of tickets and receipts certifying transactions was ensured;

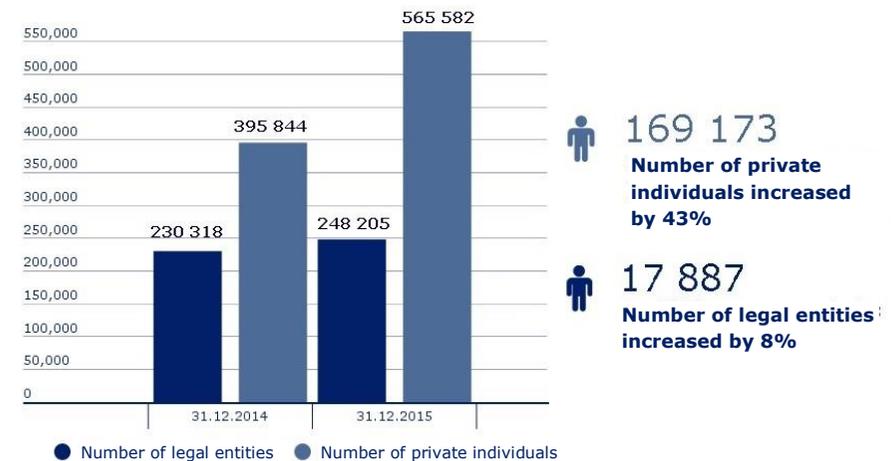


Fig. 4. Number of EDS users

7) ECDPS was improved:

- making of tax payments in online mode, using the portal www.latvija.lv, was ensured;
- the electronic submission of adjustments of an import customs declaration or cancellation applications after the goods have been released (post-customs clearance) was introduced;
- for submitting and executing an electronic re-exportation notice;
- a new functionality was introduced for the electronic submission and execution of temporary storage declarations, as well as for the single registration of goods in the places of temporary storage;
- the process of consolidation of export cargo was made electronic;

8) along with amendments to the Law On the State Border of the Republic of Latvia, which entered into force on 29 December 2015, carriage by authorised economic operators (AEO) was determined as a new category and they are now allowed to cross the border in the places of motor road border-crossing out of turn;

9) the SRS communication policy was developed to strengthen the image of the SRS in the society as a client-oriented, professional, honest, responsible and effective State administration institution;

10) written communication was improved, ensuring more

comprehensive and friendly communication with the SRS for taxpayers (guidelines were developed for SRS letters to taxpayers);

11) the CSC standard and an action plan were approved for the introduction of the standard and improvement of working conditions at the SRS CSCs;

12) the social dialogue was improved and information availability was ensured for nationals residing abroad. The section “For Latvian Residents Residing Abroad” was created on the SRS website, featuring information on the need to submit an annual income declaration and a declaration on income from capital increase for the residents of Latvia residing and working abroad;

13) On 1 April 2015, information on the total amount of taxes administered by the SRS, which were paid by taxpayers (merchants) during the previous year, was published on the SRS website for the first time, specifying the total amount of personal income tax and the total amount of mandatory State social insurance contributions, as well as the average number of employed persons. Informing of the public about the amount of taxes paid by merchants is an effective and preventive tool for promoting the fair fulfilment of tax obligations;

14) for promoting the voluntary compliance and reducing the administrative burden, on 30 April 2015, the SRS used the EDS to express its gratitude to 2,394 taxpayers (1,891 taxpayers repeatedly and 503 taxpayers for the first time), whose contributions made into the State budget exceeded EUR 100,000 and with whom previous cooperation had been approvingly assessed, as well as to inform that no tax control activity was planned for these companies until 1 May 2016;

15) the SRS provides taxpayers with access to 20 public databases, registers.

Table 2. Information on fulfilment performance indicators for strategic tasks with performance results “Improved services to taxpayers and customs clients” and “Appropriate use of accelerated and simplified customs procedure implementation”

Performance results	Effective indicators	2015	
	name of the indicator	anticipated result	actual implementation
Improved services to taxpayers and customs clients	Changes in the number of justified complaints of taxpayers as compared to the previous year, %	-10	-20
	Share of answered calls, %	85.0	91.8
	Share of reports and declarations submitted to the EDS from persons who submit reports and declarations:		
	- legal entities, %	99.8	99.6
	- private individuals, %	46.0	59.1
	Share of electronically submitted customs declarations, %	96.0	99.97
	Conformity of the customs clearance period to the average time limits determined in the standard, %	92.0	92.0
Appropriate use of accelerated and simplified customs procedure implementation	Share of annulled permits in relation to the number of issued permits, %	5.3	-1.2

As a result of implemented preventive and monitoring measures in 2015, 1,092 private individuals registered themselves as the performers of economic activities, whereas the number of registered employees increased by 16,002 persons. Private individuals, who had registered, declared tax payments from economic activities in the amount of EUR 9.7 thousand.

To assess the validity of applications submitted by taxpayers regarding the refund of overpaid taxes and prevent possible cases of tax fraud, based on risk management results, a data credibility assessment was carried out for 410,312 submitted declarations in 2015, including:

- ✓ for VAT declarations — 246,738, which is 1,160 more than in 2014;
- ✓ for CIT declarations — 32,593, which is 765 more than in 2014;
- ✓ for employers' reports — 26,038, which is 4,565 more than in 2014;
- ✓ for excise duty declarations — 4,904, which is 54 more than in 2014;
- ✓ for reports on the circulation of excise duty stamps — 474, which is 1,542 less than in 2014;
- ✓ for customs transit declarations — 83,684, which is 27,781 less than in 2014;
- ✓ for customs export declarations — 15,881, which is 4,131 more than in 2014.

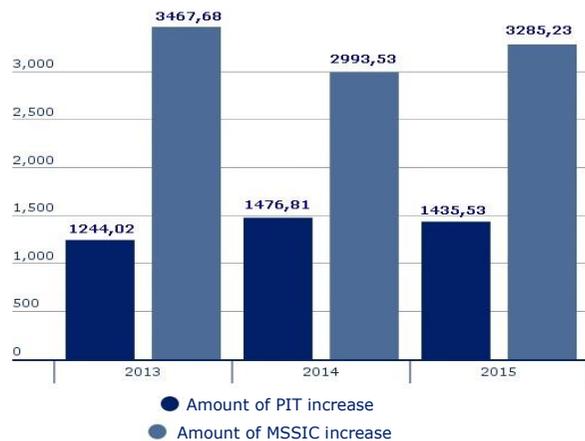


Fig. 5. As the result of preventive measures amount of MSSIC and PIT increase in 2013 – 2014, EUR thousand

As a result of data credibility assessments:

- it was refused to perform unjustifiably requested refunds of overpaid VAT of EUR 23,838 thousand, which is EUR 5,203.34 thousand less than in 2014;
- it was refused to perform refunds of overpaid CIT of EUR 100.72 thousand, which is EUR 47.06 thousand more than in 2014;

- it was refused to perform refunds of overpaid PIT of EUR 1,471.31 thousand, which is EUR 196.99 thousand more than in 2014.

To improve tax collection for achieving faster recovery of established tax losses, in 2015, the implementation of the sectoral approach to tax administration commenced in 2014 was continued.

The results of the programme implemented by the SRS in the sector of car maintenance and repair, in the dentistry sector and beauty care sector in 2015 were the following:

- ✓ 2,135 taxpayers registered anew, including the following:
 - 917 in the sector of car maintenance and repair (27 June 2014 – 31 December 2015);
 - 39 in the dentistry sector (1 October 2014 – 31 December 2015);
 - 1,179 in the beauty care sector (12.03.2015 – 31.12.2015);
- ✓ taxpayers' income of EUR 10,439.76 thousand was additionally declared, including the following:
 - EUR 6,610.65 thousand in the sector of car maintenance and repair (July 2014 – October 2015);
 - EUR 2,866.52 thousand in the dentistry sector (October 2014 – October 2015);
 - EUR 962.59 thousand in the beauty care sector (March 2015 – October 2015);

To put business environment in order and promote fair competition in business, in 2015, measures restricting the activities of taxpayers and control measures were implemented:

- 9,631 taxpayers were excluded from the VAT Payer Register, including 6,453 taxpayers upon the initiative of the SRS, of them: 47.2% in relation to failure to submit VAT declarations; 11.7% in relation to the suspension of taxpayer's economic activities; 6.8% in relation to failure to submit documents for verifying VAT calculations, and 16.6% excluded pursuant to a taxpayer's application;

- additional fine, namely, deprivation of the right to take certain positions in commercial companies, was applied to 1,608 board members of commercial companies;

- 12,545 decisions were made on the suspension of economic activities;

- 8,602 decisions were made on the termination of economic activities, as a result of which information regarding 8,703 taxpayers was sent to the Register of Enterprises of the Republic of Latvia for making a decision on exclusion from the Commercial Register for terminating economic activities;

- the status of a risk address was assigned to 55 legal addresses;
- 8,040 private individuals were included on the private individual risk list.

In 2015, the SRS structural units implemented 33,120 control measures for taxpayers and customs clients, for whom high risks of non-compliance were identified.

The results of control measures implemented in 2015

- ✓ **Tax audits** — 1,243 audits were carried out, which is 75 less than in 2014;
 - additionally calculated EUR 232,426.70 thousand, which is EUR 42,062.90 thousand more than in 2014;
 - before tax audits were commenced, 61 taxpayers themselves adjusted tax amounts in declarations in the amount of EUR 372.1 thousand, which is EUR 292.0 thousand less than in 2014;
- ✓ **Data credibility checks** — 10,278 checks were carried out, which is 799 less than in 2014:
 - additional tax payments to be made into the budget were calculated in the amount of EUR 9,517.22 thousand, which is EUR 4,315.10 thousand more than in 2014;

- 1,358 taxpayers themselves had eliminated revealed discrepancies and submitted adjusted declarations, increasing tax amounts to be paid into the budget by EUR 2,701.90 thousand, which is EUR 288.86 thousand less than in 2014;
- ✓ **Thematic checks** — 5,582 checks were carried out, which is 422 less than in 2014:
 - an administrative fine was applied in the amount of EUR 1,317.88 thousand, which is EUR 70.30 thousand less than in 2014;
 - during checks, 1,942 taxpayers themselves adjusted tax amounts in declarations in the amount of EUR 1,964.20 thousand, which is EUR 126.4 thousand less than in 2014;
- ✓ **Inspections** — 4,153 inspections were carried out, which is 881 less than in 2014. In cases when the taxpayer did not cooperate with the tax administration during the inspection and failed to provide necessary information, a fine was applied for revealed violations in the amount of EUR 99.9 thousand, which is EUR 64.0 thousand less than in 2014;
- ✓ **Observations** — 182 observations were carried out, which is 49 more than in 2014;
- ✓ **Physical customs checks** — 10,821 checks were carried out, which is 1,138 less than in 2014:
 - for violations of customs regulations, a fine was applied in the amount of EUR 159.03 thousand, which is EUR 79.09 thousand less than in 2014;
 - one vehicle was seized;
- ✓ **Decisions made on the adjustment of the amount of taxes regarding excise duty goods to be confiscated inland and on the border** — 861 decisions were made, which is 40 less than in 2014; additional taxes were calculated in the amount of EUR 177.75 thousand, which is EUR 29.81 thousand less in 2014.

Table 3. Information on fulfilment performance indicators for strategic tasks with performance results “Reduced amount of unregistered economic activity”, “Reduced amount of undeclared income” and “Increased extent of excise goods released for legal goods circulation”

Performance results	Effective indicators	2015	
	name of the indicator	anticipated result	actual implementation
Reduced amount of unregistered economic activity	Changes in the number of registered private individuals — performers of economic activities — as compared to the previous year, %	+7.0	+0.06
Reduced amount of undeclared income	Share of VAT declarations, for which tax default risks were established as a result of data credibility assessment, from verified VAT declarations, %	23.0	23.0
	Share of non-declared value of transactions subject to VAT in relation to the total value of transactions, %	1.2	1.1
	Changes in the share of employees in the salary group above EUR 700 as compared to the previous year, percentage points	+6.0	+3.1
Increased extent of excise goods released for legal goods circulation	Changes in the extent of excise duty goods released for consumption as compared to the previous year:		
	- oil products, %	+1.5	+2.2
	- tobacco products, %	+2.0	+7.0
	- alcoholic beverages, %	+0.5	+0.5

Tax Debt Enforcement

The total debt of budget payments administered by the SRS as on 1 January 2016 amounted to EUR 1,415.91 million, which is 1% or EUR 13.44 million more than on 1 January 2015.

In 2015, EUR 401.60 million were collected as a result of tax debt enforcement activities, which is EUR 9.01 million less than in 2014.

Actually recoverable debts, to which the recovery of outstanding tax payments on a no contestation basis may be directed, as on 1 January 2016 amounted to EUR 116.37 million or 11.6% of the total amount of current debts and 8.2% of the total amount of debts. As compared to 1 January 2015, the amount of actually recoverable debts decreased by EUR 19.65 million or 14.4%.

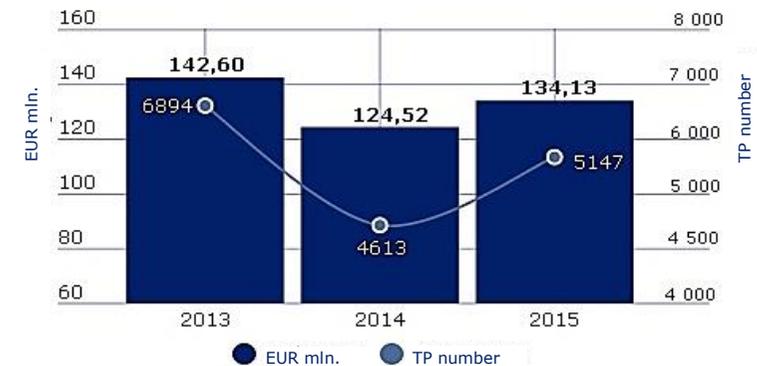


Fig. 6. Amount of granted extensions of tax payment terms and number of taxpayers in 2014 and 2015

In 2015, 11,031 term extensions were granted to 5,147 taxpayers for the total amount of EUR 134.13 million. As compared to 2014, the number of granted term extensions increased by 18.8%, the granted amount increased by 7.7% and the number of taxpayers who received term extensions increased by 11.6%.

As the result of voluntary debt collection, debts of EUR 326,749.64 thousand were paid, which is EUR 1,583.58 thousand more than in 2014.

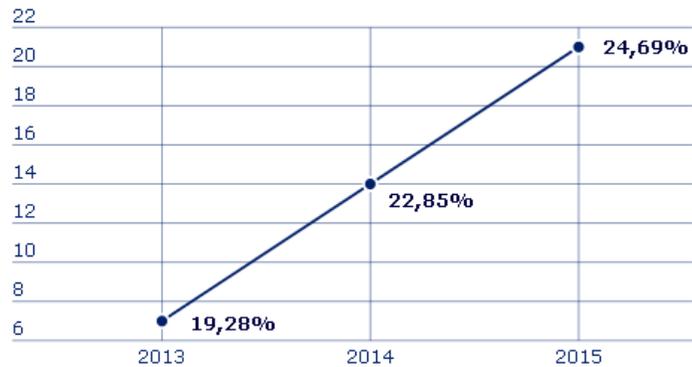


Fig. 7. Average monthly share of recovered debts from the actually recoverable debts, %

New debts of EUR 21,906.86 thousand were collected. The share of recovered new debts of the amount of new debts was 77.0%, exceeding the respective amount of 2014 by four percentage points.

Tax debts were distinguished for 7,228 taxpayers for the total amount of tax debts of EUR 325,565.84, which is EUR 42,585.41 thousand less than in 2014.

Pursuant to amendments introduced to Section 26 of the Law On Taxes and Duties (came into force on 1 October 2014), taxpayers, for whom a decision has been made on the recovery of outstanding tax payments, shall have a possibility of submitting an application with a request to make a decision on the voluntary fulfilment of outstanding tax payments, as a result the payment of tax debts may be prolonged for a period of up to three years. Thus, in 2015, 3,072 applications were received on the voluntary settlement of outstanding tax payments, of them:

- in 2,405 cases, decisions were made on the voluntary settlement of outstanding tax payments for the amount of EUR 29,892.04 thousand;
- in 316 cases, decisions on the voluntary settlement of outstanding tax payments for the amount of EUR 7,617.37 thousand were cancelled;

Contributions of EUR 10,035.37 thousand were made for the voluntary making of outstanding tax payments.

Pursuant to amendments made to Section 24 of the Law On Taxes and Duties (came into force on 19 June 2015), the taxpayers of the fisheries

industry, which are included in the opinion prepared by the Ministry of Agriculture on the need for support for overcoming financial difficulties in relation to restriction set by the Russian Federation and approved by the Cabinet of Ministers, may apply to the SRS with a motivated application on the division or suspension of outstanding tax payments for a period of up to five years.

Pursuant to these amendments, in 2015, the SRS accepted 28 applications from 10 taxpayers on the extension of payment term of outstanding tax payments in the amount of EUR 1,284,18 thousand. 24 applications were examined and decisions were adopted on the extension of the tax payment term in the amount of EUR 1,003.20 thousand.

Table 4. Information on fulfilment performance indicators for strategic tasks with performance result “Improved effectiveness of debt collection”

Performance results	Effective indicators	2015	
	name of the indicator	anticipated result	actual implementation
Improved effectiveness of debt collection	Average monthly share of recovered debts from the actually recoverable debts, %	20.0	24.6
	Changes in the total amount of debt in relation to the previous year, %	-8.0	0.96

Pursuant to Section 41 of the Law On Taxes and Duties, in 2015, the SRS entered into 405 agreements with taxpayers, exceeding the respective figure of 2014 by 293 agreements. In 2015, payments into the budget, which were determined by the decisions adopted by the SRS Director General in pre-trial dispute cases, amounted to EUR 14,858.64 thousand, which is EUR 4,454.24 thousand more than in 2014. In turn, payments into the budget, which were reduced as the result of signed agreement contracts, amounted to EUR 1,911.87 thousand, which is EUR 1,396.91 thousand more than in 2014.

As a result of decisions made by the SRS Director General in tax dispute cases in 2015, 630 decisions were left unchanged.

Out of 1,004 decisions of the SRS Director General favourable for the taxpayer, either fully or partially, 391 decisions or 38.9% were appealed to court.

After assessing the expediency of contesting court judgements unfavourable or partially unfavourable for the SRS, in 2015, the SRS refrained from contesting court judgements in 102 cases.

The share of court judgements favourable for the SRS in 2015 amounted to 90.2%, exceeding the respective figure of 2014 by 1.8 percentage points.



2.3. Performance results in the implementation of the second objective “To ensure society’s protection, security and safety by performing effective customs control measures”

To fulfil the set objective, the following measures were implemented:

1) to introduce uniform customs control methods, the control methodology of the Baltic States was studied and compared and a report with recommendations on improving the methods of work of customs control points in customs services of the Baltic States was prepared. Regular information exchange between the customs authorities of the Baltic States is ensured;

2) to implement measures in accordance with the set customs control priorities, successful cooperation with other law enforcement authorities was ensured:

- in cooperation with the representatives of the State Boarder Guard and the Food and Veterinary Service, 28 control activities were carried out on the internal and external borders of the EU;

- in cooperation with the structural units of the State Police in the field of combating narcotic substances, five joint activities and nine activities in relation to illegal excise duty goods were carried out;

- one activity with the Security Police in the field of excise duty goods;

- one activity in cooperation with the Tax and Customs Department of Estonia;

- on the Eastern State border, support was provided within the framework of implementation of three operations in the field of narcotic substances; moreover, participation in 14 complex control activities within the framework of the risk information check was ensured;

3) officials of customs authorities participated in 16 international customs operations: “OPSON IV”, “Westerlies 3”, “MMA”, “Project Aunt”, “VOYAGER”, “JCO BALTICA” “JAD”, “PANGEA VIII”, “3B1” Phase 1, “3B1” Phase 2, OLAF “SASHA”, “Sentinel-2015”, JCO “SASHA” Phase 1, “SKY-NET”, “Gamma”, “HANSA”;

4) within the framework of available personnel resources available at the Freeport of Riga CCP, two mobile customs control units commenced their operation.

In 2015, with the support provided by SRS customs dog handlers, over 12 kg of different types of narcotic substances were discovered in 665 cases; 18,589,562 illegal cigarettes were discovered in 181 cases and non-declared cash of EUR 161,426.00 were discovered in two cases. Moreover, in cooperation with the law enforcement authorities of Latvia, SRS customs dog handlers participated in 246 control activities with service dogs; as the result, 54,760 thousand pcs. of cigarettes were seized in 10 cases and over 4,050 grams of different types of narcotic substances were discovered in 55 cases.

In order to ensure a possibility of involving customs dog handlers with services dogs in an optimal manner during the process of carrying out customs control activities, within the framework of the new policy incentive “Radical Actions for the Fight Informal Economy in the Field of Tax Administration and Customs Matters” in 2014, the activity related to the replacement of ageing service dogs was commenced; within the framework of this activity, it is planned to replace approximately 16 service dogs within the period from 2014 to 2016. Thus, four new dogs were purchased in 2014, six new dogs — in 2015, and the purchase of another six new dogs is planned in 2016.

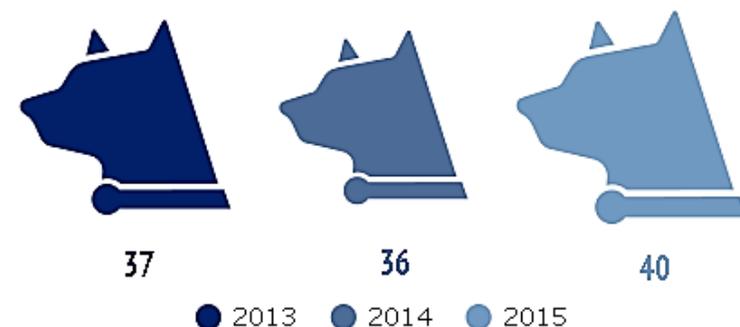


Fig. 9. Number of customs service dogs in 2013 – 2015

In 2015, SRS customs officials, in carrying out customs control activities, established non-declared cash in the amount of EUR 333 thousand in eight cases, which is 21.3% less than in 2014. The number of cases of disclosed non-declared cash decreased by 58%, since the criteria for recording violations related to non-declared cash were revised, taking into account the client-oriented attitude to persons crossing the border: a liberalised approach in relation to the cash owned by a family. Hence, if the EU border is crossed by a family and the entire cash is held by one person, in assessing whether a violation was committed, a customs official shall take into account the number of family members in order for the person not to get fined for a formal violation. As a result of preventive measures implemented in 2015, the number of submitted cash declarations increased by 3.3%. On 29 November 2014, amendments to the Administrative Violations Code of Latvia came into force, providing for stricter sanctions — a fine in the amount of 5% of non-declared or falsely declared amount (previously, a fine of up to EUR 280 could be applied).

In 2015, SRS customs officials disclosed 89,152 units of counterfeit goods in 509 cases, exceeding the respective figure of 2014 2.8 times. The number of discovered units of counterfeit goods in 2015 increased by 52.9%, which can be explained by discovering a large number of violations in postal items. During the reporting period, several voluminous cases of counterfeit goods were discovered in goods groups such as footwear, mobile phone accessories and medicaments.

Pursuant to the amendments to the Law on the State Revenue Service, which came into force on 12 November 2014, an additional task was determined for the SRS in the field of customs matters — to carry out forensic chemical expert examinations.

In 2015, the Customs Laboratory, in carrying out forensic chemical expert examinations, issued 365 expert opinions on 28,189 objects of study (including over 10,000 hashish briquettes and over 10,000 tablets).

Table 5. Information on fulfilment performance indicators for strategic tasks with performance results “Identified and eliminated customs rules violations” and “Reduced possibility of free circulation of goods dangerous for consumers”

Performance results	Effective indicators	2015	
	name of the indicator	anticipated result	actual implementation
Identified and eliminated customs rules violations	Share of disclosed violations according to the results of risk analysis from all disclosed violations, %	52	76.02
	Share of violations disclosed as the result of physical customs control in relation to performed physical control activities, %	16.7	22.73
	Changes in the number of cases of disclosed counterfeit goods as compared to the previous year, %	+5.0	+52.85
	Changes in the number of cases of disclosed narcotic and psychotropic substances as compared to the previous year, %	+5.0	+263.16 i.e. 3.6 times more
	Changes in the number of established cases of non-declared cash as compared to the previous year, %	-0.5	-57.89
Reduced possibility of free circulation of goods dangerous for consumers	Changes in the number of prohibitions for releasing goods for free circulation as compared to the previous year	+5.0	-57.40

2.4. Performance results in the implementation of the third objective “To ensure the fight against criminal offences in the field of State revenues and customs matters, reducing tax fraud and smuggling”

To disclose and prevent criminal offences in the field of State revenues and customs matters, as well as in the activity of SRS officials and employees, the SRS carries out fieldwork and pre-trial investigation within the framework of criminal proceedings.

The main priority of the SRS related to disclosing and preventing criminal offences in the field of State revenues is the fight against organised crime.

In order to carry out fieldwork and investigation in a more effective manner within the framework of more complicated and voluminous criminal proceedings, two international investigation groups were established in 2015.

In 2015, 157 criminal proceedings were initiated in the field of State revenues and 818 criminal proceedings were initiated in the field of customs matters, in total exceeding the respective figure of 2014 by 486 criminal proceedings.

15 criminal proceedings were initiated regarding the criminally acquired property.

15 decisions were made on the recognition of property as criminally acquired, as a result EUR 345.97 thousand were recognised as criminally acquired and were transferred into the State budget, which is 59.5% less than in 2014.

123 criminal proceedings were transferred for the commencement of criminal prosecution in the field of State revenues and 83 criminal proceedings were transferred for the commencement of criminal prosecution in the field of customs matters, which is in total 20 criminal proceedings less than in 2014.

The activities of nine organised criminal groups were disclosed and discontinued in the field of State revenues, as a result of which the amount of established losses incurred by the State in cases when it could be calculated was EUR 10,950.71 thousand, which is 69.1% less than in 2014.

The activities of eight organised criminal groups were disclosed and discontinued in the field of customs, as a result of which the amount of eliminated harm in cases when it could be calculated was EUR 367.29 thousand, which is 6.6 times less than in 2014.

Within the framework of initiated criminal proceedings and administrative violation cases, the following goods were seized as a result of activity of the SRS structural units:



Fig. 10. Seized cigarettes (pcs.)

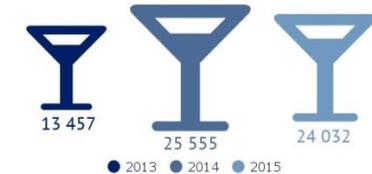


Fig. 11. Seized alcohol (litres)



Fig. 12. Seized fuel (litres)

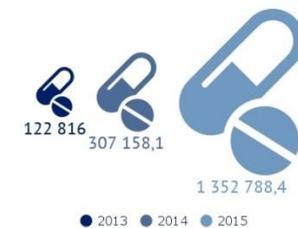


Fig. 13. Seized narcotic and psychotropic substances approved during the expert examination (grams)

The most important criminal proceedings transferred for the commencement of criminal prosecution in the field of State revenues:

1) On 31 March 2015, criminal proceedings regarding the evasion of VAT payments of EUR 753,808.11 and legalisation of the proceeds from crime in the amount of EUR 3,601,085.01 committed by 22 companies in an organised group was transferred for the commencement of criminal prosecution. It was requested to commence criminal prosecution against 33 persons in total. Within the framework of criminal proceedings, EUR 240,060 and USD 10,045 were confiscated and repaid into the State budget. Within the framework of criminal proceedings, the funds of EUR 22,000 owned by a Latvian company, which were located in a bank account in Estonia, were attached. A decision on the application of coercive measures to a legal entity to compensate for losses caused to the State budget was adopted in relation to several actually operating companies.

During the pre-trial investigation of criminal proceedings, several companies adjusted VAT declarations and carried out VAT repayment, thus covering losses caused to the State budget;

2) On 29 December 2015, criminal proceedings regarding the evasion of tax payments on a large scale by a public catering company known in the public was transferred to the Specialised Prosecutor's Office for Organised Crime and Other Fields for the commencement of criminal prosecution. It was requested to commence criminal prosecution against nine persons.

During the pre-trial investigation, it was found that the said company used special software that allowed for carrying out illegal interference into the operation of cash register systems and reduced earnings registered therein, as well as carried out the forging and hiding of accounting documents for mercenary purposes. Thus, without paying VAT and PIT, losses of EUR 957,799.96 were caused to the State budget.

The said public catering company started compensating for losses caused as the result of criminal activities in summer 2015 and

approximately EUR 250,000 were paid into the State budget by mid-January 2016.

The most important criminal proceedings initiated in 2015 in the field of State revenues

1) At the end of February 2015, the SRS initiated criminal proceedings pursuant to Section 195, Paragraph three and Section 218 of the Criminal Law regarding the evasion of tax payments and laundering of the proceeds from crime on a large scale.

In March 2015, after carrying out 30 search procedures, a criminal group was detained, which, as it was found during the investigation, carried out the purchase of meat and food oil from EU producers, mainly in Poland, Estonia, Germany, Finland and Lithuania, for a price with a 0% VAT rate and the selling thereof by applying VAT to the producers of meat products, including the largest meat processing companies in Latvia. Thus, on the basis of documents on non-occurred transactions, evasion of tax payments of over EUR 2 million and the laundering of the proceeds from crime on a large scale was committed by several companies. Within the framework of criminal proceedings, six persons were recognised as suspects and a security measure, i.e. arrest, was applied to one person, while the deprivation of liberty was applied to the remaining persons, as well as a security deposit of EUR 80,000 was determined for one person;

2) At the end of May 2015, criminal proceedings were initiated pursuant to Section 218, Paragraph three, Section 177, Paragraph three and Section 195, Paragraph three of the Criminal Law regarding VAT fraud and the laundering of the proceeds from crime committed by two organised groups of persons. Within the period from the beginning of 2014 to the end of 2015, losses of approximately EUR 3,012,069.34 were caused to the State budget. In July 2015, in carrying out 63 authorised search procedures, the operation of the said organised groups was discontinued.

For reducing the amount of VAT to be paid into the State budget and laundering the proceeds from crime, the clients of the scheme included in

their VAT reports transactions with fictitious companies, which had not actually taken place, thus reducing the amount of tax to be paid by their companies into the State budget and obtaining the right to carry out the refund of the overpaid VAT. For carrying out criminal activities, an accounting and financial management company known in the public was used, ensuring accounting services to all companies involved in the scheme, and a criminal offence was committed under the cover of this company.

Within the framework of criminal proceedings, nine persons were detained and security measures non-related to the deprivation of liberty were applied thereto. Several persons of those involved in the scheme had previously come to the attention of the SRS and were featured in several criminal proceedings investigated by the SRS in the field of State revenues. Criminal prosecution was requested against certain persons who had criminal record.

Important case of stopping a criminal group within the framework of the international investigation group

In June 2015, within the framework of the international investigation group, a group of criminal car sellers was stopped. SRS officials, in cooperation with the Financial Crime Investigation Service of the Ministry of the Interior of the Republic of Lithuania, stopped the group of criminal car sellers, the activities of which were mostly related to the resale of new or used vehicles, using companies controlled by the group and their details. The clients of the scheme, i.e. beneficial owners, used the right to carry out the deduction of VAT input tax for fictitious transactions or transactions that had not taken place. Over 50 companies registered in the Republic of Latvia and over 30 companies registered in the Republic of Lithuania, as well as several companies registered in the Republic of Estonia, Republic of Poland, Czech Republic, German Federal Republic and United Kingdom were involved in the commission of the criminal offence. As the result of criminal activities, within the period from 2012 to 2015, losses of approximately EUR 328,699.00 were caused to the budget of the Republic of Latvia.

Within the framework of criminal proceedings, search procedures were carried out at 31 objects, during which cash of EUR 50,755.00 was seized. To discontinue the activities of the group and detain persons, Europol experts were involved, providing technical support to the law enforcement authorities of Latvia and Lithuania in carrying out criminal procedural activities.

The criminal proceedings on serious or especially serious criminal offences committed by the organised group of persons and persons related thereto in the field of State revenues, organising fraud and evasion of tax payments, reducing the amount of VAT to be paid into the State budget, were initiated in 2013 pursuant to Section 177, Paragraph three and Section 218, Paragraph three of the Criminal Law. Within the framework of criminal proceedings, two citizens of the Republic of Latvia were detained and security measures non-related to the deprivation of liberty were applied thereto. Another seven citizens of the Republic of Latvia were recognised as suspects.

The most important criminal proceedings transferred for the commencement of criminal prosecution in the field of customs matters

1) On 27 April 2015, criminal proceedings regarding the organised group of persons consisting of two citizens of the Russian Federation, who committed the bringing in of smuggled cigarettes from Russia into Latvia by marine transport, were transferred for the commencement of criminal prosecution. The SRS, in cooperation with several law enforcement authorities of different countries, detained a group of persons, initiated criminal proceedings against eight persons, arrested two citizens of Russia and Hungary, and seized 11.5 million cigarettes “Brendal”. According to the calculations of SRS specialists, the harm to the State, which was eliminated, amounted to approximately EUR 1,738,260. In 2015, a court judgement — the actual deprivation of liberty was applied to one person for the period of three years and six months;



Photo: SRS



Photo: SRS



Photo: SRS

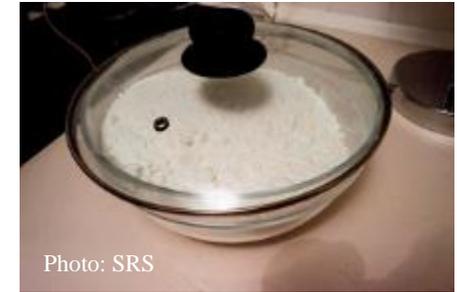


Photo: SRS

2) On 18 May 2015, criminal proceedings regarding the illegal transportation of narcotic or psychotropic substances across the border of the Republic of Latvia were transferred for the commencement of criminal prosecution. On 27 September 2014, criminal proceedings were initiated regarding the transportation of narcotic substances across the border of the Republic of Latvia at the border-crossing point "Grenctāle – Saločiai" in Brunava Parish, Bauska County. Three citizens of the Republic of Latvia were detained for the said criminal offence. During the arrest, 2,230 g of cocaine were found and seized from one person. Within the framework of criminal proceedings, four search procedures were additionally carried out, during which 2,937.4 g of cocaine were seized.

Based on the aforementioned, all three persons are being suspected of smuggling narcotic substances on a large scale in a group of persons pursuant to prior agreement. During the pre-trial investigation, a sufficient set of evidence was collected, providing grounds for considering that the said persons illegally stored, transported and sold the narcotic substance on a large scale;



Photo: SRS



Photo: SRS



Photo: SRS

3) On 18 June 2015, criminal proceedings against three persons regarding the smuggling of cigarettes on a large scale in an organised group, which SRS officials managed to disclose in September 2013, were transferred for the commencement of criminal prosecution. In carrying out long-term operational activities and verifying operational information on the organisation of cigarette smuggling, in September 2013, an inspection was carried out within the territory owned by a road carriage company in Riga; during this inspection, it was discovered that 2,726,400 cigarettes (1,845,800 pcs. of "Minsk 5 Super Slim" and 880,600 pcs. of "NZ Gold") with the excise duty stamps of the Republic of Belarus were carefully hidden in a parking lot in one of freight vehicles *SCANIA* in timber cargo, in concealment places especially created in wooden boards;

4) On 6 October 2015, criminal proceedings regarding the illegal transportation of narcotic or psychotropic substances across the State border of the Republic of Latvia were transferred for the commencement of criminal prosecution. On 2 February 2015, it was possible to discontinue the activities of a group supplying heroin from Russia to

Latvia. In the bus Moscow – Riga, a woman was arrested and 35.83 grams of heroin were seized from her, while later a repeatedly convicted man was arrested in Riga based on suspicions of organisation of the said crime. One person was arrested. This was the largest amount of heroin detained by the employees of SRS customs authorities in 2015. The value of the seized heroin on the “black” market is approximately EUR 10,200.



Table 6. Information on fulfilment performance indicators for strategic tasks with performance results “Reduced tax fraud and smuggling”, “Restricted operation of organised criminal groups” and “Reduced circulation of narcotic substances”

Performance results	Effective indicators	2015	
	name of the indicator	anticipated result	actual implementation
Reduced tax fraud and smuggling	Number of criminal proceedings transferred for the commencement of criminal prosecution in the field of State revenues, number	115	123
	Share of serious and especially serious crimes, % of all criminal proceedings transferred for the commencement of criminal prosecution in the field of State revenues, %	≥50.0	56.91
	Number of criminal proceedings transferred for the commencement of criminal prosecution in the field of customs matters, number	90	83
	Share of cases transferred for the commencement of criminal prosecution in priority fields, i.e. smuggling of drugs and excise duty goods, % of all criminal proceedings transferred for the commencement of criminal prosecution in the field of customs matters, %	≥80.0	98.8

Performance results	Effective indicators	2015	
	name of the indicator	anticipated result	actual implementation
	Changes in the amount of losses established within the framework of criminal proceedings transferred for the commencement of criminal prosecution in the field of State revenues, %	x	+27.4
	Changes in the amount of losses eliminated within the framework of criminal proceedings transferred for the commencement of criminal prosecution in the field of customs matters, %	x	+184.77% i.e. 2.8 times more
	Persons against whom it was requested to commence criminal prosecution:		
	- in the field of State revenues, number	x	244
	- in the field of customs matters, number	x	110
Restricted operation of organised criminal groups	Activity of organised criminal groups has been discontinued:		
	- in the field of State revenues, number	9	9
	- in the field of customs matters, number	9	8
Reduced circulation of narcotic substances	Amount of seized narcotic substances confirmed during expert-examinations — grams	x	1,352,788.39

2.5. Performance results in the implementation of the fourth strategic objective “To increase the efficiency and effectiveness of using the SRS resources”.

In order for the resources intended for fulfilling principal activity functions and strategic objectives to be used in a rational and effective manner to the extent possible, several development activities were implemented in 2015:

- to create a training system for SRS employees, on 2 February 2015, the procedures for the professional improvement of SRS officials and employees were approved, a catalogue of SRS training activities was developed and 78 employees that might fulfil the duties of internal teachers were identified.

- within the framework of the mentoring programme, 375 employees were trained as mentors and 197 new employee mentoring programmes were implemented;

- the SRS ensured 431 places of practical training for students. 56 IBCI graduates and 12 graduates of BA School of Business and Finance commenced employment relationships with the SRS;

- the procedures for preparing and performing tenders and entering into contracts were approved;

- the registration of documents and addition of resolutions in the Document Management System was introduced, thus reducing the circulation of paper documents;

- the standard for the selection and visual execution of SRS CSC premises and the plan for the introduction of the CSC standard and the improvement of working conditions in 2015 – 2017 were approved;

- the use of video conferences for the representation of the SRS in administrative courts, for organising seminars for taxpayers and for organising the working meetings of the SRS was commenced;

- for introducing the provision principle within the framework of the contract “Support Services for the Implementation of the Provision Principle and Improvements of State Budget Payment Administration Processes”, the current situation in the administration of State and local government budget payments and in the administration of State budget payments administered by the SRS was analysed;

- 17 audits of security and performance of SRS information systems were carried out.

The following largest tenders were announced in 2015:

- ✓ Supply of Dogs;
- ✓ Supply of Navigation Equipment;
- ✓ Supply of Cargo X-Ray Inspection Equipment and Its Installation at the Customs Control Points of Ventspils Port and Liepāja Port;
- ✓ Supply of AVCIS and Its Installation at the Customs Control Points of Ventspils Port and Liepāja Port, Kaplava, Meikšāni and Pededze Border-Crossing Points;
- ✓ Supply of Baggage X-Ray Inspection Equipment;
- ✓ Supply of Passenger Vehicles;
- ✓ Supervision of Construction Works of the Cargo X-Ray Inspection Equipment at Customs Control Points “Indra” and “Kārsava”;
- ✓ Supply of Emergency Vehicles;
- ✓ Supply of Uniforms for the Officials of Customs Authorities and the Finance Police;
- ✓ Supply of Dynamic Railroad Scale and Its Replacement at Zilupe and Kārsava Customs Control Points;
- ✓ Supply of Equipment for the Determination of Density of Oil Product Samples;
- ✓ Maintenance of Cargo X-ray Inspection Equipment at the Customs Control Point of the Freeport of Riga;
- ✓ Demolition of Four Dynamic Railroad Scales and Installation of Two Dynamic Scales;
- ✓ Supply of Passenger Buses;
- ✓ Supply and Installation of a Lightweight-Structure Hangar;
- ✓ Supply of Video Conference Solution.

3. Statistics on services provided by the SRS

3.1. Total services provided by the SRS

In 2015, SRS clients were ensured of access to 215 public services; moreover, requesting and/or receipt of 179 services were ensured in electronic form.

For educating and informing taxpayers and customs clients, the following services were rendered in 2015:

- ✓ provided consultations — 848,064, which is 83,780 more than in 2014;
- ✓ provided advanced rulings — 534, which is 25 less than in 2014;
- ✓ organised informing activities — 444, which is 102 less than in 2014;
- ✓ developed informative materials — 458, which is 16 more than in 2014;
- ✓ developed methodological materials — 53, which is six more than in 2014.

Consultations were provided to taxpayers as follows: orally in person at a CSC, in writing (in the form of documents and in electronic form), by phone and by informative hotline 67120000.

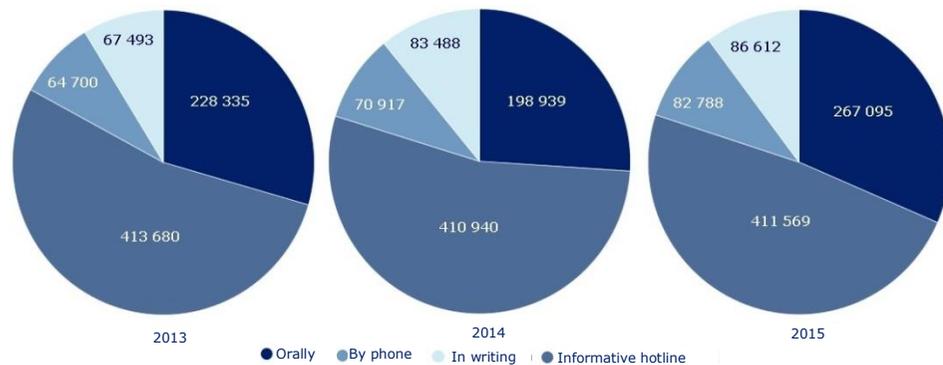


Fig. 14. Number of consultations provided by the SRS in breakdown by their types

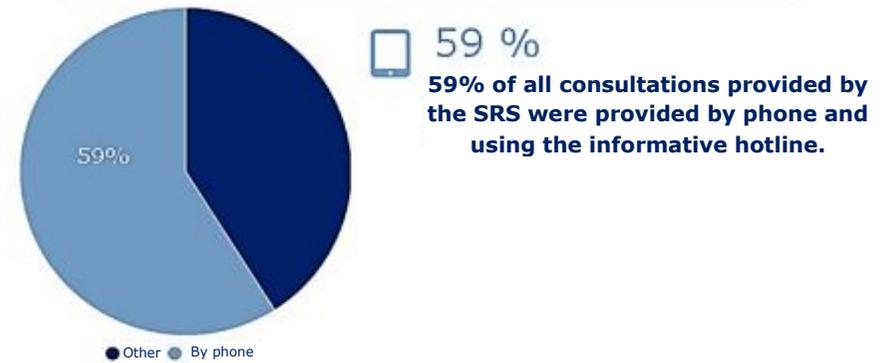
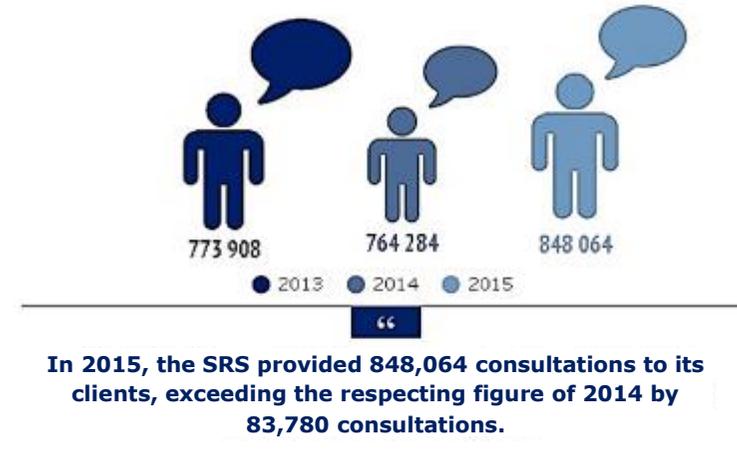


Fig. 15. Number of consultations provided by the SRS in 2015

In 2015, 7,624,989 reports, declarations in the field of taxes and excise duty, as well as customs documents were received and processed, which is 731,692 documents less than in 2014, including the following:

- in the field of taxes — 2,530,856 reports and declarations, exceeding the respective figure of 2014 by 150,266 documents;
- in the field of excise duty — 31,495 reports and declarations, exceeding the respective figure of 2014 by 1,530 documents;

- in the field of customs matters — 5,062,638 customs documents (including 1,899,745 postal item documents), which is 883,488 documents less than in 2014.

The decrease in the number of accepted and processed reports and declarations in the field of customs matters was affected by the decrease in the number of certain customs documents with regard to the embargo set by Russia, resulting in the decrease in the transport flow to the outside of the EU external border.

The EDS ensures taxpayers of the opportunity, in using Internet connection, to submit tax and informative declarations provided for by the regulatory enactments, as well as reports, applications and other documents to the SRS in a convenient and fast manner.

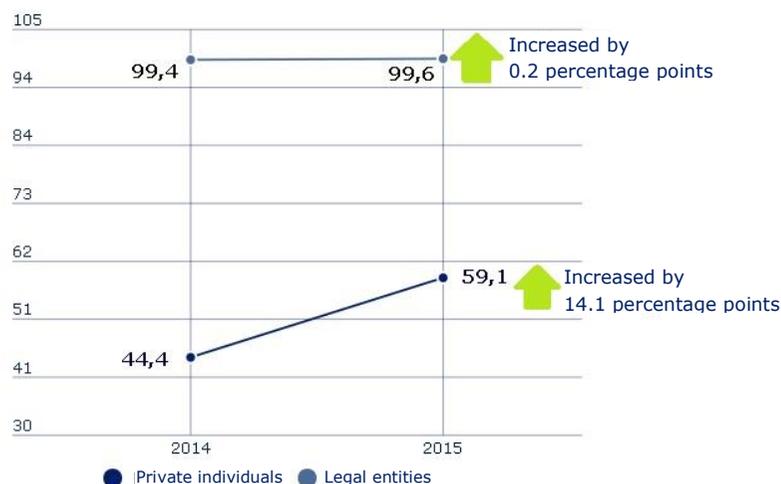


Fig. 16. Dynamics of the number of EDS users

The significant increase in the number of EDS users among private individuals in 2015 may be related to improvements introduced in the EDS to simplify the submission of PIT declarations to the extent possible.

In 2015, 99.97% of the total submitted customs documents were electronic documents, which is 3.07 percentage points more as compared to the previous year. This increase was promoted by the introduction of

centralised execution of import declarations, electronisation of adjustment and cancellation of declarations, as well as the e-service introduced on the portal latvija.lv for making payments online.

3.2. Tax administration services

The number of taxpayers registered by 1 January 2016, as compared to the respective period of the previous year, increased in all taxpayer segments: the number of legal entities increased by 2.6%, the number of private individuals who carry out economic activities increased by 0.1% and the number of persons subject to VAT increased by 0.7%.

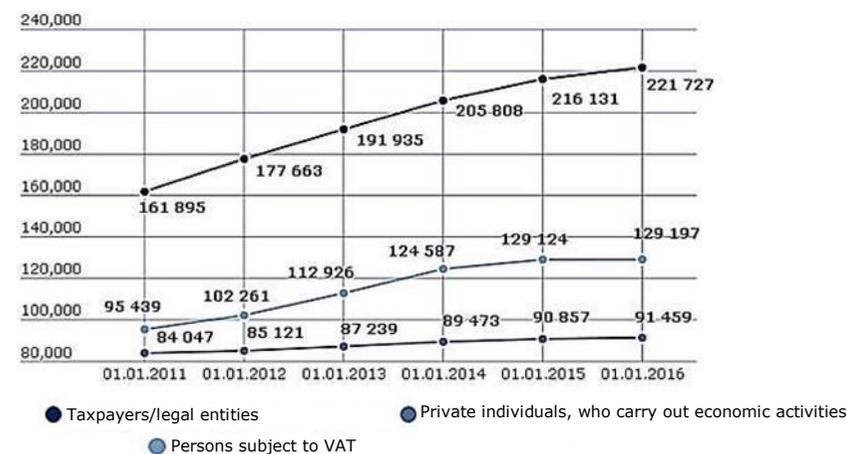


Fig. 17. Dynamics of the number of registered taxpayers

Refunding of overpaid taxes

In 2015, the average period for approving overpayments was the following:

- refunding of overpaid VAT — nine days, which is one day less than in 2014;
- refunding of overpaid CIT — 11 days, which is three days more than in 2014;

- refunding of overpaid PIT — 76 days, which is nine days more than in 2014.

Pursuant to the data of annual income declarations, in 2015, PIT was refunded³ in the amount of EUR 69.50 million, which is 25.3% more than in 2014. Refund was received by 361,614 taxpayers, which is 11.2% more than in 2014.

Pursuant to CIT refund requests submitted by taxpayers, EUR 69.32 million were refunded in 2015, which is EUR 5.08 million or 6.8% less than in 2014. In turn, refund was received by 12,578 taxpayers, which is 34.0% more than in 2014.

VAT collected inland was refunded in the amount of EUR 925.78 million, which is EUR 17.46 million or 1.8% less than in 2014, including EUR 921.41 million that were refunded to 54,530 taxpayers registered in Latvia. The number of taxpayers that received refund increased by 6.9% as compared to 2014.

In-Depth Cooperation Programme

Starting from 7 July 2012, the taxpayers could apply for the status of the participant of the In-Depth Cooperation Programme to receive the privileges and benefits provided by the State to the participants of the programme in compliance with the set criteria. The objective of the Programme is to promote closer and more effective cooperation between taxpayers and the tax administration by reducing the administrative burden. By 31 December 2015, 111 applications from taxpayers were received by the SRS. 55 taxpayers were included in the Programme.

Granting the status of a public benefit organisation

In 2015, 331 applications were received for the granting of the PBO status. 251 decisions were made on the granting of the PBO status to non-governmental organisations, exceeding the respective figure of 2014 by three decisions.

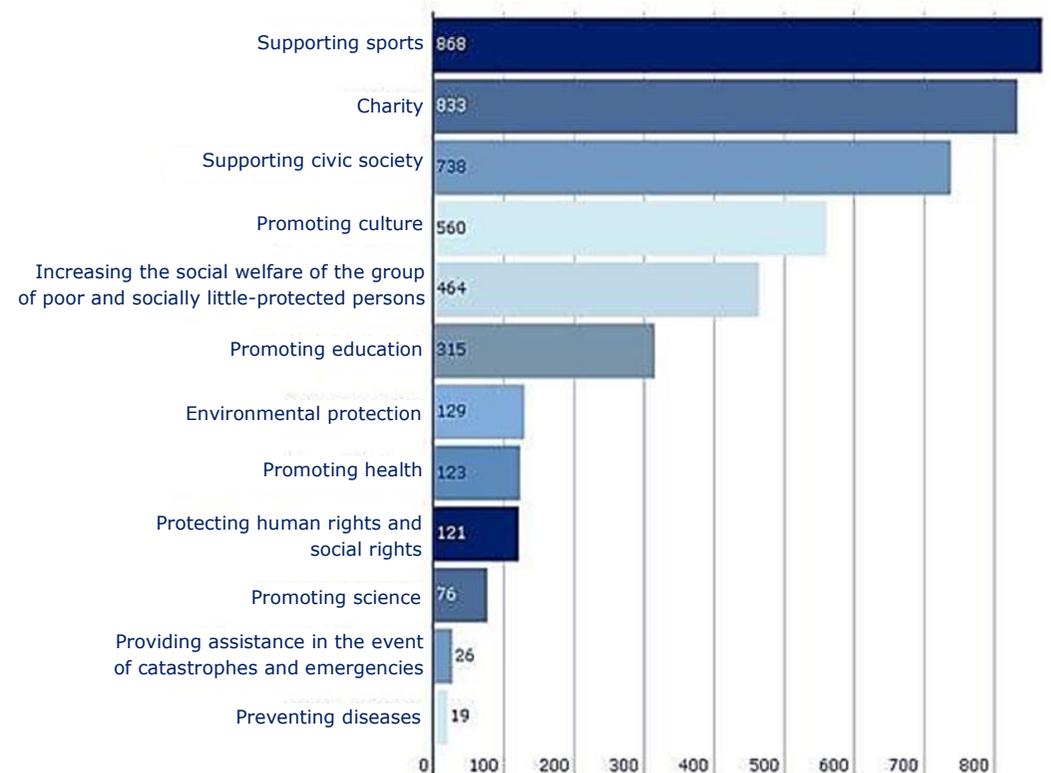


Fig. 18. Number of PBO in breakdown by areas of activity in 2015

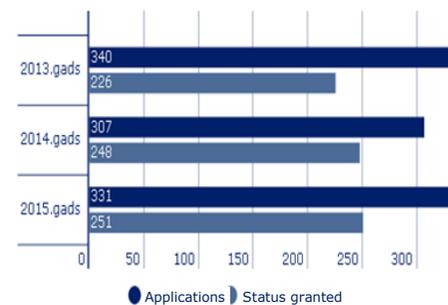


Fig. 19. Dynamics of granting of the PBO status

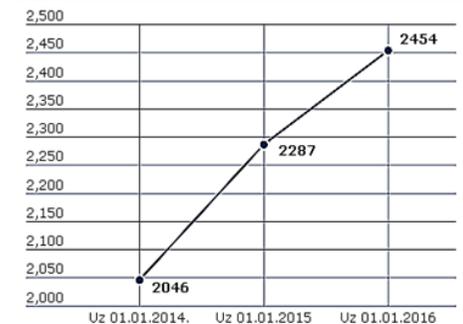


Fig. 20. Valid PBO status

³ Data as on 18.01.2016

3.3. Customs services

Administration of EU tariff quotas

In order to benefit from importing certain categories of goods from third countries at a reduced or zero customs tariff rate, in 2015, Latvian merchants submitted 700 tariff quota applications, and in 30 cases — after the release of the goods for free circulation. The requested tariff quotas were granted in full in 675 cases and partially in eight cases, rejections due to the exhaustion of the requested quotas were issued in 11 cases. Five tariff quota applications were cancelled upon executing declarations as the result of adjustment or cancellation of declarations. In one case, the allocation of a tariff quota was rejected due to failure to fulfil quota application conditions.

Processing of customs procedures

In 2015, 381,972 export customs declarations were drawn up (initiating and terminating the procedure) in Latvia, i.e. 11.6% less than in 2014. In accordance with the information of customs declarations, the total value of goods exported in 2015 amounted to EUR 2.96 billion, which is EUR 29.57 million or 1% less than in 2014.

The number of drawn-up import customs declarations for releasing goods for free circulation in 2015 was 152,304, which is 4.2 % less than in 2014. The total statistical value of goods imported for releasing for free circulation in 2015 amounted to EUR 2.68 billion, which is EUR 125.75 million or 4.9 % more than in 2014.

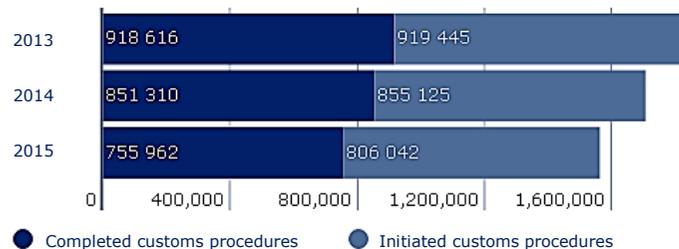


Fig. 21. Customs procedures processed in Latvia (including initiated and closed procedures)

Decrease in the number of initiated and completed customs procedures can be explained by the embargo set by Russia, as the result of which the transport flow to the outside of the EU external border decreased. For example, in 2015, the transport flow at Grebņeva CCP in direction to Russia decreased by 30%, at Terehova CCP and Vientuļi CCP — by 13% as compared to 2014.

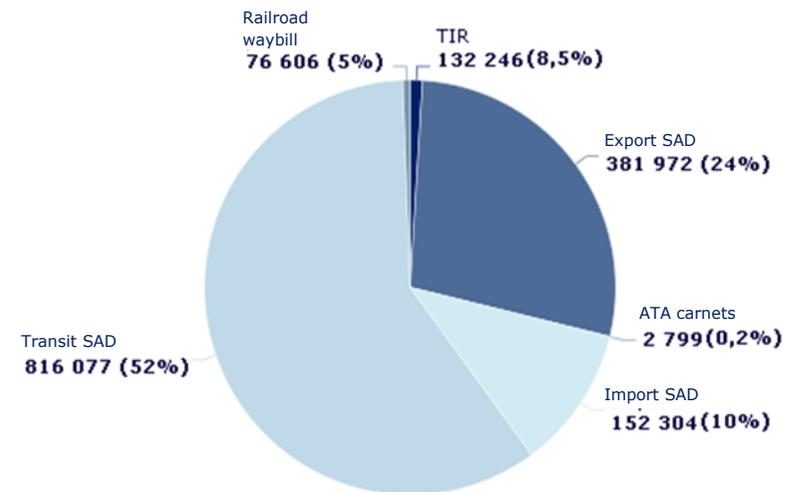


Fig. 22. Customs documents executed in Latvia in breakdown by types in 2015

Issuance of customs permits

The objective of customs policy initiatives at both the EU and national level is the reduction of administrative impediments and facilitation of business activities by providing the opportunity to use various advantages of customs procedures simultaneously maintaining appropriate customs control.

In order to speed up and simplify the customs clearance procedures, merchants have an opportunity to obtain a permit to apply simplified procedure at local customs clearance and/or to apply the procedure of simplified declaration, the permit for the use of authorised consignee and consignor and also to use the AEO certificate.

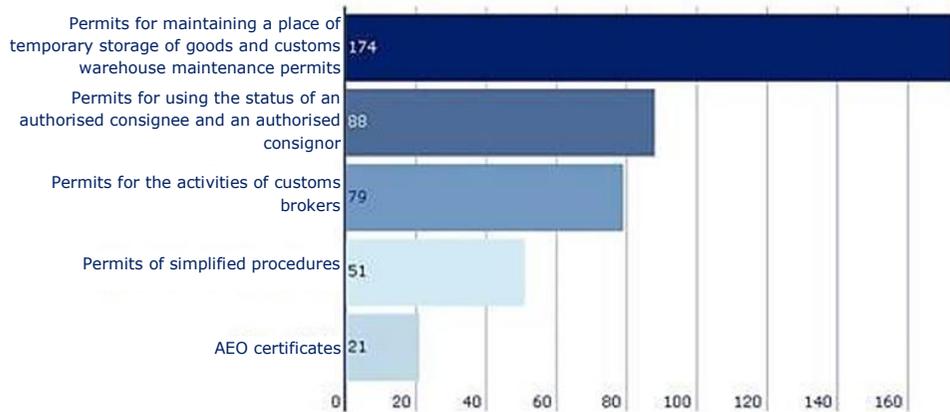


Fig. 23. Total number of valid permits (statuses) as of 31 December 2015

3.4. Services in the field of excise goods circulation

In 2015, 1,530 licences, permits, statements and certificates were issued for business activities with excise goods and 1,551 of these documents were re-registered.

Due to the established violations of regulatory enactments, 338 licences, permits, statements and certificates were annulled and suspended in 2015.

As on 31 December 2015, the total number of valid licences, permits, statements and certificates in the field of excise goods circulation was 11,143.

In order to enable merchants to handle excise duty goods and to make use of the deferred excise duty payment, in 2015, the SRS issued and renewed the registration of 414 excise duty general and one-time security certificates.

In 2015, 213,926,722 excise duty stamps were issued, including 95,340,665 excise duty stamps for labelling alcoholic beverages and 118,586,057 excise duty stamps for labelling tobacco products.

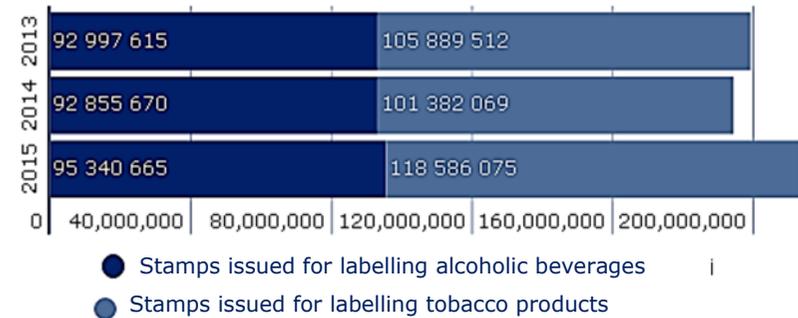


Fig. 24. Issued excise duty stamps

3.5. Services in the field of preventing the conflict of interest in the activities of State officials

As on 31 December 2015, 57,073 State officials were registered in the country, which is 0.2 % more than in 2014.

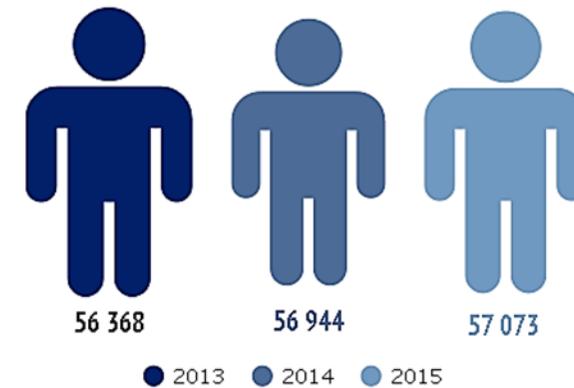


Fig. 25. Number of State officials

In 2015, the total number of declarations submitted to the SRS by State officials was 66,638 and 8,292 lists of State officials and amendments to them were also submitted to the SRS.

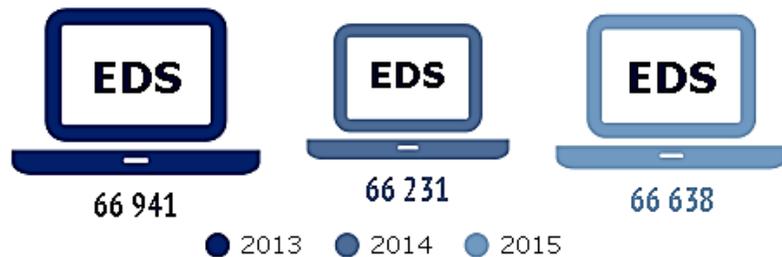


Fig. 26. Number of declarations submitted by State officials

3.6. Chargeable services

Selling of strict accountancy seals

The service is provided in accordance with Cabinet Regulation No. 778 of 10 September 2013 “Price List for the Paid Services Provided by the State Revenue Service” with the purpose of ensuring the sealing of cash registers, cash systems, specialised devices and equipment with strict accountancy seals where the security elements developed by the SRS are installed: a printed serial number of the seal (marked by three Latin alphabet letters) and the serial number consisting of six digits. 41,391 strict accountancy seals were sold in 2015 for the amount of EUR 2,897.

Selling of wire-type customs security seals

The service is provided in accordance with Cabinet Regulation No. 778 of 10 September 2013 “Price List for the Paid Services Provided by the State Revenue Service” providing for the selling of the wire-type customs security seals to merchants for the purpose of moving the goods across the border. 5,925 wire-type customs security seals were sold to merchants in 2015 for the amount of EUR 2,489.

Selling of customs security stickers

The service is provided in accordance with Cabinet Regulation No. 778 of 10 September 2013 “Price List for the Paid Services Provided by the State Revenue Service” which provides for selling the customs security seals to entrepreneurs for the purpose of moving the goods across the border. 500 customs security stickers were sold in 2015 for the amount of EUR 85.

Report on the conformity of marked (labelled) oil products to the requirements of regulatory enactments of the Republic of Latvia

The service is provided in accordance with Cabinet Regulation No. 778 of 10 September 2013 “Price List for the Paid Services Provided by the State Revenue Service” which provides to issue an opinion on the conformity of marked (labelled) oil products to the requirements of regulatory enactments of the Republic of Latvia. In 2015, EUR 14,339 were collected for the provision of 461 reports.

In addition to these paid services provided by the SRS in accordance with Cabinet Regulation No. 774 of 18 October 2005 “Regulations Regarding the State Fee for the Services Provided by Customs Authorities”, a state fee was introduced for the following services provided by customs authorities:

- customs clearance of goods outside the location of customs authority or outside working hours;
- temporary storage of goods at locations permitted by customs authorities exceeding the limit of time set at handing over the goods for storage or clearance;
- establishing the origin or the conformity of the goods to the Combined Nomenclature code, if the services of the SRS Customs Laboratory are used.

In 2015, the State fee on services provided by customs authorities was paid into the State budget in the amount of EUR 26,336.40, which is 35% less than in 2014.

4. Financial Resources and Their Use

4.1. State budget funding and its use

Pursuant to the Law On State Budget 2015 and orders of the Minister for Finance of 2015, in 2015, the SRS has 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.

Table 7. The total funding allocated to the SRS in 2015 and its use, EUR

No.	Financial indicator	2014 (actual implemen- tation)	2015	
			approved in the Law and order of the Minister for Finance	actual implemen- tation
1.	Covering of financial resources expenses (total)	107,773,133	119,083,488	109,313,703
1.1.	subsidy	107,327,648	117,364,940	107,731,280
1.2.	chargeable services and other own revenues	66,266	143,439	51,935
1.3.	foreign financial assistance	365,415	1,564,384	1,520,533
1.4.	transfers	13,804	10,725	9,955
2.	Expenses (total)	107,940,310	121,663,011	110,241,365
2.1.	maintenance expenses (total)	92,585,612	98,523,278	97,043,889
2.1.1.	regular expenses	92,577,720	98,364,343	96,885,031
2.1.2.	transfers of maintenance expenses	7,892	40,405	40,330
2.2.	expenses for capital investments	15,354,698	23,139,733	13,197,476

4.2. Usage of budgetary programmes and sub-programmes and the results of their performance

The State budget funds allocated to the SRS in 2015 were used in the amount of EUR 110,241 thousand or by 90.6 % of the planned amount, including the following:

1) **The State budget funds allocated under the programme 33.00.00 “Implementation of State Revenue Plan and Customs Policy”** in 2015 were used in the amount of EUR 107,598,371 or by 91.9 % of the planned funding;

Table 8. Total budget revenues of taxes and duties administered by the SRS in 2015

Effective indicator	Plan of effective indicator in the reporting period	Fulfilment of the effective indicator in the reporting period	Difference between the fulfilment and plan in the reporting period (in absolute figures)	Deviation of fulfilment in the reporting period from the plan (percentage)
Total revenues of administered taxes and fees(million, EUR) ¹	7,464.15	7,468.52	4.37	0.1
VAT (million, EUR) ²	1,936.40	1,903.57	-32.83	-1.7
Excise duty (million, EUR)	769.23	796.29	27.06	3.5
CIT (million, EUR)	380.12	383.11	2.99	0.8
PIT (million, EUR)	1,416.33	1,438.24	21.91	1.5
MSSIC (million, EUR) ³	2,377.65	2,368.72	-8.93	-0.4
Other tax and non-tax payments ⁴	362.01	349.30	-12.71	-3.5

¹Increase in the total budget revenues administered by the SRS can be explained by the growth of the national economy of Latvia, as well as by increase in the effectiveness of SRS tax

administration activities. The over-fulfilment of the revenue plan in 2015 was mainly ensured by excise duty, PIT and CIT revenues.

²The non-fulfilment of the VAT revenue plan was significantly affected by non-implemented activities against informal economy, embargo set by the Russian Federation, as well as tax payment discipline of taxpayers (both current debts and amount of granted payment term extensions increased).

³The non-fulfilment of the MSSIC revenue plan in 2015 can be explained by the slower increase in the income of employees than predicted. Pursuant to the calculations performed, for the plan of mandatory State social insurance contributions for 2015 to be fulfilled, the total pace of increase in the income of employees had to be approximately 8.3%. According to the information provided in reports submitted by employers regarding MSSIC and PIT, the income of employees in December 2014 and 11 months of 2015 increased only by 6.8% as compared to the relevant period in the previous year.

⁴The non-fulfilment of the non-tax revenue plan was mostly affected by the decrease in the revenues of State duties and stamp duties, which promoted the decrease in the revenues of State duties for provision and legal and other services provided by the State and the State duty for the maintenance of safety reserves of oil products.

Table 9. Excise duty stamps issued for alcoholic beverages and tobacco products in 2015

Effective indicator	Plan of effective indicator in the reporting period	Fulfilment of the effective indicator in the reporting period	Difference between the plan and fulfilment in the reporting period (in absolute terms)	Deviation of fulfilment in the reporting period from the plan (percentage)
Excise duty stamps issued for alcoholic beverages, thousand pcs.	95,000.0	95,340.7	340.7	+0.4
Excise duty stamps issued for tobacco products, thousand pcs.	105,000.0	118,586.1	13,586.1	+12.9

2) Within the framework of sub-programme 62.07.00 “Projects of Limited Competitions Funded by the European Regional Development Fund (ERDF) (2007-2013)”, out of the funding of EUR 108,546 planned for 2015, EUR 108,546 or 100% were used. Within the framework of the sub-programme, the implementation of

project 3DP/3.2.2.1.1/11/IPIA/CFLA/001 “ECDPS Development, Improvement and Maintenance” in compliance with activities planned in 2015 was ensured. The project was completed in 2015;

3) Within the framework of sub-programme 67.06.00 “Implementation of the Projects and Activities of the Basic Programme “Safety and Guaranteeing of Freedoms” (2007-2013)”, out of the funding of EUR 3,792 planned in 2015, EUR 3,023 or 79.7% of the reporting period plan were used. Within the framework of the sub-programme, an SRS official was ensured of the payment for provided consultations in accordance with the Grant Agreement No. HOME/2012/ISEC/AG/PNR/4000004443 signed with the EC Directorate General for Home Affairs within the framework of the project “Creation of a Passenger Data Register (PDR) in Latvia” implemented by the Information Centre of the Ministry of the Interior regarding legal and administrative issues within the competence of the SRS in relation to the creation of the Passenger Data Register;

4) Within the framework of sub-programme 70.06.00 “Other Projects and Activities Funded by the European Union Policy Instruments”, out of the funding of EUR 9,690 planned in 2015, EUR 7,286 or 100% of the reporting period plan were used. Within the framework of the sub-programme, the payment of remuneration to and foreign business trips of SRS employees were ensured for the implementation of the project No. S30 “Cross-Border Cooperation in Tax Information Exchange in the Baltic Sea Region” approved within the framework of the EU Grant Scheme “Seed Money Facility”;

5) Within the framework of sub-programme 70.07.00 “Compensation for Transport Costs of Latvia’s Representative, when attended the Meetings of Working Groups of the Council of the European Union and Meetings of the Council”, out of the funding of EUR 6,933 planned in 2015, EUR 6,932 or 100% of the reporting period plan were used. Within the framework of the sub-programme, foreign business trips of SRS employees were ensured for the implementation of

the project “Compensation for Transport Costs of Latvia’s Representative, when attended the Meetings of Working Groups of the Council of the European Union and Meetings of the Council”;

6) Within the framework of sub-programme 73.06.00 “Financial Resources Allocated within the Framework of Agreements between the European Commission (with Participating Member States) and Tobacco Manufacturers”, out of the funding of EUR 3,530,337 planned for 2015, EUR 1,931,279 or 54.7% were used. Within the framework of the sub-programme, the use of the funding granted to the SRS from “*Japan Tobacco International (2008–2020)*”, “*British American Tobacco (2010–2030)*” and “*Imperial Tobacco Limited (2010–2030)*” is ensured for the implementation of projects in relation to the simplification of the fight against cigarette smuggling and production of counterfeit cigarettes. In 2015, several tenders were commenced to carry out purchases for the technical equipment of customs. However, taking into account that supplies are of specific nature, voluminous and time-consuming, the signing and execution of agreements will be continued in 2016;

7) Within the framework of sub-programme 73.07.00 “Projects Financed by the European Community for the Improvement of Internal Market of Tax and Customs System”, out of the funding of EUR 425,683 planned for 2015 for projects “*Customs Funding Allocated for the State Revenue Service*” and “*Fiscalis Funding Allocated for the State Revenue Service*”, EUR 410,506 or 96.4% were used. Within the framework of the sub-programme, the implementation of activities under the programmes “*Fiscalis 2020*” and “*Customs 2020*” was ensured for the professional improvement of officials and employees and obtaining of international experience. Since the financial year of implementation of sub-programme projects is from 1 April of the current year to 31 March of the next year, the balance of funding is planned for covering expenses in Q1 of 2016.

In 2015, the budget of “*Fiscalis 2020*” Programme was used to ensure the participation of total of 148 SRS employees in 92 events in foreign tax administrations concerning tax administration issues. Within the

framework of six business visits and events, the SRS accepted 127 participants from foreign tax administrations.

In turn, from the budget of the programme “*Customs 2020*”, the participation of 187 SRS employees in 126 events on customs matters was ensured, while 27 participants from foreign customs administrations were accepted during three working visits and events at the SRS;

8) Within the framework of sub-programme 73.08.00 “Projects Implemented by the State Revenue Service in the Area of Protecting Fiscal Interests,” out of the funding of EUR 345,339 planned for 2015, EUR 76,611 or 22.2% were used. Within the framework of the sub-programme, the following projects were implemented: the project “Support for the Purchase of Technical Equipment (Installation of AVCIS and Axle Scale at the Freeport of Riga CCP” of the programmes *Hercule II* and *Pericles*, the project “On a Training Visit in Relation to Transfer Prices and Risk Analysis” of the Technical Assistance and Information Exchange Instrument of the European Commission (*TAIEX*), the project “Seminar on the Disclosure and Elimination of VAT Fraud” of the programme *Hercule III*;

9) Within the framework of sub-programme 96.00.00 “Ensuring the Latvian Presidency of the Council of the European Union in 2015” out of the funding of EUR 98,811 planned for 2015, EUR 98,811 or 100% were used.

Within the framework of the programme, increase in the SRS capacity and competitiveness was ensured during the Latvian Presidency of the Council of the European Union in 2015.

4.3. New policy initiatives

The Cabinet of Ministers, in examining the applications of NPI activities, i.e. activities that comply with the national development plan and other development planning documents, approved funding for the SRS for the implementation of the following NPI in 2015.

Table 10. Funding allocated for NPI in 2015

No.	NPI name	Funding (EUR)
1.	“Radical Actions for Combating Informal Economy in the Field of Tax Administration and Customs Matters”	6,189,000
2.	“Introduction of New Single Requirements of EU Customs Union”	1,415,976
3.	“Reduction of Administrative Burden for SRS Clients by Improving the Availability and Quality of E-Services Provided by the SRS”	4,054,320
4.	“Promoting the Fight Against Informal Economy, Respectively Ensuring Competitive and Motivating Remuneration System of the State Revenue Service”	6,488,048
5.	“On Measures for Restraining the Infection of African Swine Fever, Preventing Its Spread Within the Territory of the Republic of Latvia”	72,398
Total:		18,219,742

5. Personnel

At the end of 2015, the planned number of positions held by SRS employees and officials was 4,359, whereas the actual average number of employees was 4,051.

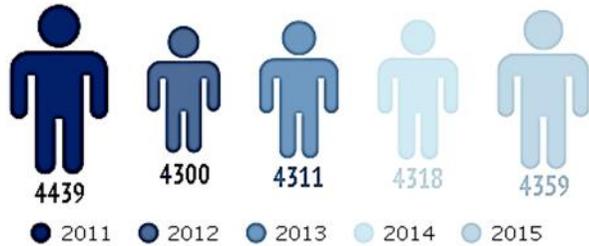


Fig. 27. Dynamics of the number of SRS planned positions in 2011 – 2015

State civil servants was 86% of the total staff filled positions and 14% were employees.

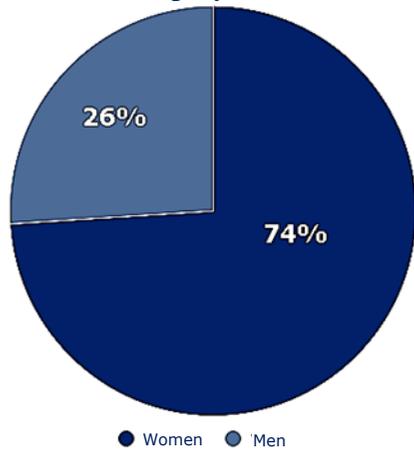


Fig. 28. Division of SRS employees by gender in 2015

Of the total number of filled SRS positions, 94% of employees have higher education degrees.

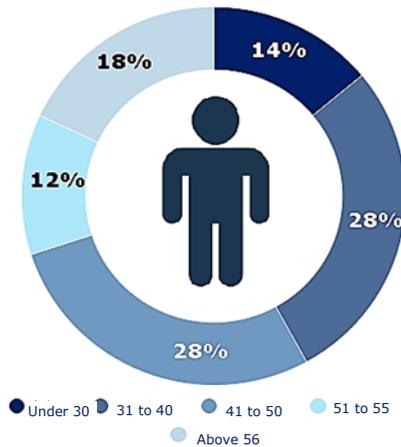


Fig. 29. Division of SRS employees by age in 2015

In 2015, the SRS employed 330 civil servants and employees, whereas 299 civil servants and employees were dismissed. Hence, the turnover of the personnel was 7.21%.

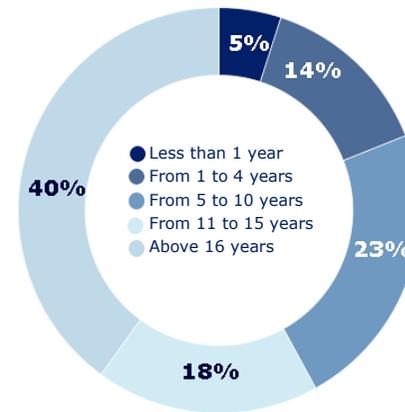


Fig. 30. Division of SRS employees by employment period in 2015

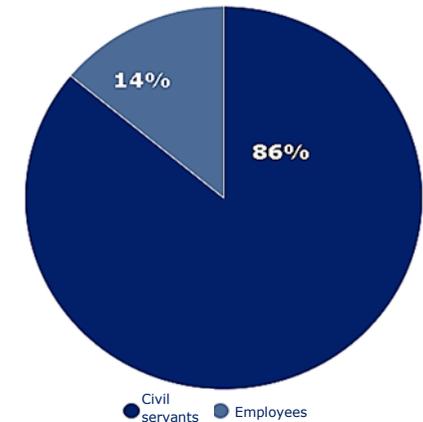


Fig. 31. Division of positions of State civil servants and employees in 2015

The average monthly salary of SRS employees in 2015 amounted to EUR 1,020 (gross), exceeding the respective figure of 2014 by 6.9%.

346 SRS employees received awards granted by the Ministry of Finance and the SRS for professional, honest and selfless work, significant personal contribution to the SRS development and fulfilment of objectives in 2015.

Disciplinary punishments in 2015 were applied to 19 SRS civil servants and employees for violations, of them the disciplinary punishment — reproof — was applied to seven civil servants and employees, reduction of salary — to 10 persons, and two persons were made redundant.

In 2015, the SRS employees took part in 574 various training events (courses, seminars) 8,647 times, which exceeds the respective figure of 2014 by 14.74%. The average time spent in training was 11.22 hours per participant. The main training themes were: customs issues — 24%, tax, accounting, financial issues — 17%, and management issues — 14%.

6. Communication with the Public

The communication function plays a highly crucial and important role in the SRS operation, since the level of voluntary compliance and effectiveness of SRS activity in general is closely related to the awareness of taxpayers and level of trust of taxpayers to the institution.

The SRS regularly informs the society about various outstanding issues, performance results and about matters of interest to the population in the media (television, radio, newspapers, etc.) by sending out press releases, organising press conferences and briefings, as well as giving face-to-face interviews and providing information in the SRS informative Internet resources — on the website and in social networks, thus creating the public image of the SRS as a professional and competent organisation respecting honest taxpayers. In communication with the public, particular attention is paid to the availability, truthfulness, objectivity and topicality of the information, which must be simple, understandable and consistent.

In 2015, 93 press releases on combating smuggling were sent to mass media for publication; within the framework of press conferences organised by the SRS, information on customs work and topical events was provided eight times, information on combating smuggling with processes related thereto was provided 93 times by participating in television and radio programmes, as well as answers were provided to different press editions.

To address the widest and most diverse audience possible, the SRS keeps using accounts of the most popular social mass media as information channels — *Youtube.com*, *Flickr.com*, *Twitter*, *Facebook* and *www.draugiem.lv*.

SRS Website

To promote the understanding and awareness of the population regarding the commencement of business activities, a new section “How to start your own business?” was created on the SRS website, summarising the most important information necessary to commence business successfully and in compliance with requirements set forth in regulatory enactments. The new section step by step explains the possibility of registering business in

the selected type and area of operation, the selection of the most appropriate tax payment regime, registration of employees and work tools, commencement of electronic communication with the SRS, as well as lists publicly available databases for the additional information for every entrepreneur and security of transactions.

The screenshot shows the SRS website interface. At the top, there is a header with the SRS logo, the text 'Mēs - profesionāli apkalpojam, Jūs - godīgi maksājat nodokļus!', and navigation links for 'Par mums', 'Aktualitātes', 'Nodokļi', 'Muita', 'Tiesību akti', 'Noderīgi', and 'Kontakti'. Below the header, there is a section titled 'Pirmie soļi topošajam uzņēmējam' (First steps for the future entrepreneur). This section includes a list of services on the left and a main content area on the right. The main content area contains the text: 'Ja esat nolēmis sākt savu biznesu, rūpīgi izvērtējiet savas vēlmes un iespējas, jo no Jūsu izvēlēta saimnieciskās darbības veida un plānotā apmēra būs atkarīga saimnieciskās darbības reģistrācijas forma, kā arī valstij maksājamo nodokļu veidi, apmērs un to administrēšanas kārtība.' Below this text is a table titled 'PIRMAIS SOLIS. Jums ir jāreģistrē uzņēmējdarbības forma, darbinieki.' (FIRST STEP. You must register the form of business activity, employees).

Jāreģistrē VID	Jāreģistrē Latvijas Republikas Uzņēmumu reģistrā		
saimnieciskās darbības veicējs	individuālais komersants	personālsabiedrība (pilnsabiedrība un komandītsabiedrība)	kapitālsabiedrība (sabiedrība ar ierobežotu atbildību (SIA) un akciju sabiedrība (AS))

Taking into account that the platform of the SRS website is an important source for obtaining information and receiving services related to tax and customs issues, it is crucial to simplify the process of finding and obtaining information necessary for taxpayers; hence, in 2015, intensive work was performed on the development of the new SRS website, in order to make the modern and user-friendly SRS website with improved functionality and visual execution available to the public in 2016. On the SRS website, it is planned to structure information depending on target audiences, as well as to prepare it according to the level of knowledge of the target audience.

Improvements at SRS Customer Service Centres

In caring about the convenience of clients, swaddling tables were installed in the SRS building at 1 Talejas Street, Riga, in cooperation with the building owner LLC “Biroju centrs Ezerparks”.

Since the end of 2015, the operation of a wireless network (*Wi-Fi*) was ensured in SRS customer service premises — 8 SRS CSCs outside Riga (Daugavpils, Jelgava, Jūrmala, Liepāja, Ogre, Rēzekne, Valmiera and Ventspils) and 7 SRS CCPs (Freeport of Riga, Airport, Šķīrotava, Terehova, Grebņeva, Pāternieki, Silene).

Participation in informative and educational events

In 2015, the SRS participated in the following informative and educational events, thus extending and strengthening the understanding and knowledge of different segments of inhabitants about the tax system and SRS activities in general:

✓ In December 2014 – January 2015, within the framework of the joint socially educational campaign “Dots devējam atdodas” (The Given Shall Return to the Giver) regarding the honest payment of taxes, organised by the Ministry of Finance and the SRS, SRS tax experts along with MoF experts participated in discussions with young people at different educational institutions in the largest cities of Latvia, explaining the need for the honest payment of taxes and positive benefits for every individual and the public in general;



✓ On 11 March, the SRS participated in the informative campaign “Valsts ir internetā” (The State is on the Internet) organised by the MEPRD and aimed at popularising e-services offered by the State. Within the framework of the campaign, an event “Dienas bez rindām” (Days without Lines) took place on 21 – 25 September, ensuring inhabitants an opportunity to learn more about the use of the SRS

EDS, visiting any SRS CSC;



✓ On 23 – 26 March, free seminars on novelties in the EDS were organised within the framework of the E-Skills Week organised by the ICTAL and MEPRD (on 23 March — in Smiltene; on 24 March — in Rēzekne; on 25 March — in Liepāja; on 25 March — in Kandava; on 26 March — in Babīte; on 26 March — in Vecumnieki). E-Skills Week took place in Latvia for the sixth year now;

✓ On 13 November, in continuing implementing the campaign “Dots devējam atdodas”, the MoF commenced the annual socially informative campaign “Nomaksāt! Nevis nemaksāt!” (Pay! Instead of Not Pay!) aimed at promoting the understanding of the significance of paying taxes, showing in a simple and vivid manner, what the benefit of each inhabitant and the entire society from the honest payment of taxes is. At the same time, it was explained where the money paid as taxes goes, for which purposes it is used and what benefits the society receives therefrom.



Within the framework of educational activities for children and young people, the following activities were implemented in 2015:

✓ On 11 February, the SRS participated in the “Ēnu diena” (Shadow Day) organised by “Junior Achievement-Young Enterprise Latvia”, during which 20 pupils and young people “shadowed” over 10 SRS employees;

✓ The SRS was visited by students from the College of Law (on 4 March), Vidzeme University of Applied Sciences (on 15 April, Valmiera CSC), Jelgava Technical College (on 13 May), Reka Secondary School of Viļaka County (on 28 May), Valmiera Technical College (on 2 September), BA School of Business and Finance (on 4 September and 6 November) and IBCI of Riga Technical University (on 15 and 22 October), who were familiarised with the activities of the SRS in general, possibilities of practical training and work at the service, as well as other aspects of institution’s activities;

✓ In May, the SRS management and employees participated in the campaign “Atpakaļ uz skolu!” (Back to School!) organised by the representative office of the European Commission in Latvia, youth



Photo: SRS

organisation “Club “The House” — Youth for United Europe” and the society “European Movement in Latvia”, within the framework of which they visited the selected schools across Latvia and familiarised students of different age with the work at the SRS, interesting aspects of daily work of every profession, competences and skills necessary thereto, thus promoting the understanding of the SRS areas of activity and tasks, as well as promoting the interest of youth in the SRS as a future place of work;

✓ On 30 May, the SRS traditionally participated in the safety festival organised by the State Police and its partners for families with children “Adventure Summer 2015”, explaining the conditions of safe travelling and demonstrating the skills of service dogs in searching for narcotic substances and tobacco.



Photo: SRS



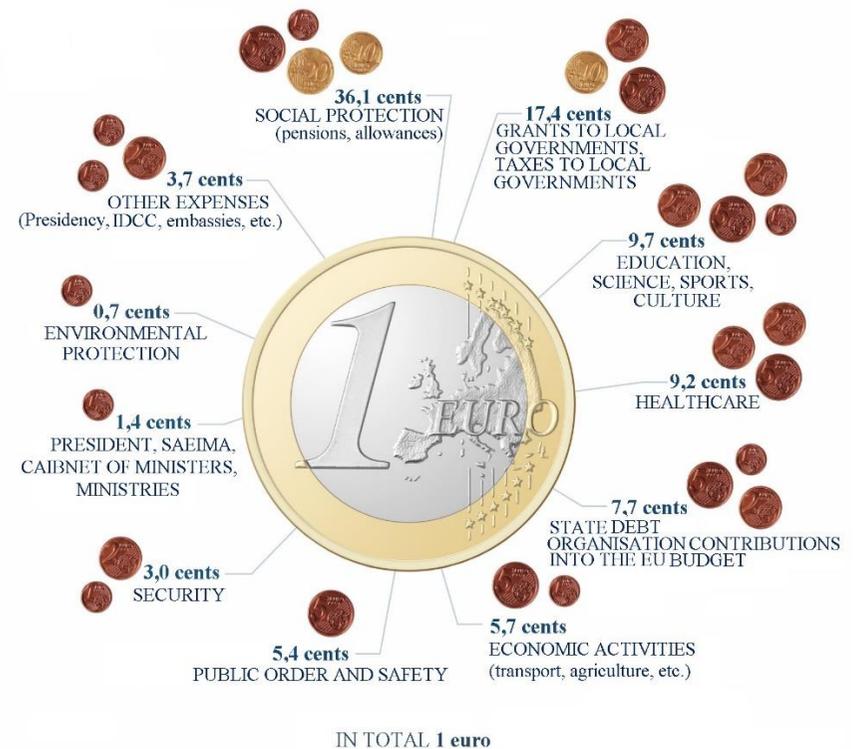
Photo: SRS

✓ On 9 October, within the framework of the Open Door Day of State Administration, the SRS was visited by almost 300 pupils, students and their teachers, who became acquainted with SRS activities across Latvia — Freeport of Riga CCP, Kurzeme CCP, Ventspils Port, Liepāja CCP in Liepāja Port, Jēkabpils CSC and Gulbene CSC. Participants were able to take the role of persons fighting against smuggling and persons tracking money “launderers”, as well as became acquainted with the work of the customs laboratory;

✓ The SRS visited “Turība” University (on 13 – 14 October), Rīga Stradiņš University (on 27 October) and Latvian University of Agriculture (on 13 and 21 October), where students were informed about the SRS as a potential employer and provider of practical training places.

Where Do Funds Paid as Taxes Go?

FIND OUT HOW MUCH IS SPENT ON SECTORS FROM ONE EURO PAID IN TAXES



Events organised by the SRS

✓ On 21 January, an event on the experience exchange of LAPM representatives was organised in the SRS building at 1 Talejas Street, Riga; within the framework of this event, SRS officials familiarised the LAPM management and members with the mentoring system and personnel management principles at the SRS;

✓ On 9 February, the SRS was visited by the deputies of the group of the Latvian Association of Regions (LAR) and their assistants with a business visit. Within the framework of their visit, LAR deputies met with the SRS management and the experts of the Ministry of Finance, discussing different issues related to tax administration and monitoring.

✓ On 30 April, during the solemn event organised by the SRS to award the largest taxpayers, awards especially created by an artist and certificates of appreciation were presented to the largest taxpayers of 2014 in fourteen nominations. This event symbolises the idea of a country, the basis, sustainability and overall welfare of which is ensured exactly by revenues received as the result of successful and responsible business and honestly made payments into the State budget. The largest taxpayers were honoured for the eighteenth year now.



Photo: SRS



Photo: SRS



Photo: SRS

✓ From 24 November 2015 to 6 January 2016, a campaign was organised, during which the SRS invited every inhabitant to get involved in the fight against the malicious interference of companies in the operation of cash registers and against informal economy in general, therefore special boxes with an inscription “Drop the Cheque — We Will Check It!” were installed in SRS CSCs across Latvia for every inhabitant to be

able to submit a cheque or receipt for any performed purchase or received service at SRS CSCs.

SRS participation in events and seminars

✓ On 7 and 8 May, a high-level seminar on customs matters took place in Riga within the framework of the Latvian presidency of the Council of the European Union. The heads of customs authorities of EU Member States agreed on strengthening cooperation in the field of ensuring social security. At the end of the seminar, Riga Declaration on the Efficient Management of the EU External Border was adopted;

✓ To promote the wider spread of information and improve the circulation of information between the SRS and Latvians residing abroad, the SRS Director General I. Pētersona along with her colleagues met with the representatives of the Latvian community in London (on 16 May 2015) and in Bristol (on 18 May 2015) to discuss topical issues in the field of taxes. The Ambassador of the Republic



Photo: SRS

of Latvia to the United Kingdom A.Teikmanis participated in the meeting as well. In cooperation with the RoL Ministry of Foreign Affairs, a section was created on the ministry's website www.mfa.gov.lv, including explanatory SRS information with direct links to the SRS website www.vid.gov.lv regarding current events in the field of taxes, possibilities of fulfilling tax obligations or contacting the SRS in a fast and convenient manner;

✓ On 1 July, SRS officials participated in a seminar devoted to the textile industry in Liepāja, where they familiarised with the topical issues of tax administration in the sector of textile production both across Latvia and exactly in Liepāja;

✓ On 17 – 18 September, SRS officials participated in several activities under “Courland Days in Ireland 2015”, during which they, together with other representatives of the Latvian delegation, met with the nationals of Latvia residing in Ireland to inform about topical events and implemented and planned positive changes to the activities of the SRS;



✓ On 21 – 22 October, SRS customs officials participated in XVI International Exhibition “Customs Service — 2015” organised by the Federal Customs Service of the Russian Federation in Moscow. Within the framework of the visit, the representatives of customs management of both countries signed an agreement between the SRS and the Federal Customs Service on cooperation in the



field of the fight against violations of customs regulations in relation to goods transported by air.

✓ On 23 – 24 October, an SRS official participated in the international information and communication exhibition “Riga Comm 2015” in Ķīpsala. Within the framework of the exhibition, visitors had an opportunity to find out more about e-services offered by the State, including about the EDS, at the stand of State administration institutions “State E-Possibilities”;

✓ On 27 November, SRS officials participated in the annual conference “Topical Accounting and Financial Management Problems and Their Solutions” organised by the magazine “Balance”, wherein they informed about the SRS actions correspondent to the behaviour in fulfilling obligations of taxpayers and novelties in the EDS;

✓ On 3 December, an SRS official participated in the conference organised by “Dienas Bizness” for entrepreneurs, managers, accountants and tax specialists “Taxes 2016” on the topical changes to tax legislation in 2016;

✓ On 11 December, an SRS official participated in the conference “Audit, Taxes and Accounting 2015”, where he informed about novelties in the SRS EDS and most frequently encountered errors in submitted documents;

✓ On 15 December, an SRS official participated in the final event “Changes to Tax Law — What Does the New Year of 2016 Promise Us?” of the academic year of the Latvian Association of Tax Consultants, where he familiarised those present with planned activities in the SRS work in 2016.

Awards received in 2015

In 2015, the SRS received the following awards, recognitions and assessments:

- Latvian ICT Award “Platīna pele 2015” (Platinum Mouse 2015) for the project “Electronic Salary Tax Booklet”;
- Within the framework of the E-management integrated informative campaign “Valsts ir internetā” (The State is on the Internet) of the MEPRD, the SRS received a certificate of appreciation “E-LEADER” for services that are used in electronic form more than in person;
 - in the campaign “Uzslavē labu servisu!” (Appraise Good Service!) The SRS was recognised as the most appraised excellent service provider in the category “State and Local Government Institutions”;
- In the 2015 publication “Tax Administration 2015” of the Organisation for Economic Co-operation and Development (OECD). Comparative information on the OECD and other developed and rapidly growing countries: good practice examples of six countries in relation to the development of progressive action strategy, wherein values to be achieved are determined for effective indicators, include the example of Latvia (SRS);
 - The SRS was awarded the title of “eSubscription Champion” 2015 by SJSC “Latvijas Valsts radio un televīzijas centrs” (State Radio and Television Centre of Latvia);
 - Within the survey “TOP Employer 2015” carried out by the recruitment company “CV-Online Latvia”, the SRS was awarded 32nd – 33rd place, thus rising by 17 positions up as compared to 2014.

Awards of employees

- At the award ceremony “Good Service Movement in State Administration”, an SRS official was awarded as one of the three best customer service specialists in the entire State administration in 2015;
- One SRS official was presented with the State award, i.e. the Cross of Recognition of Grade IV, for long-term and highly professional work in State service and great personal contribution to the development of the Latvian customs service;

One SRS official was awarded with the Certificate of Appreciation by the Cabinet of Ministers for significant contribution to the development of tax administration work, promoting the fight against informal economy.



Photo: SRS ICTAL Award
“Platīna pele 2015” (Platinum Mouse 2015)



Photo: SRS MEPRD Award “E-LEADER”



Photo: SRS Award of the SJC “Latvijas Valsts radio un televīzijas centrs”
“eSubscription Champion”



Photo: SRS Diploma of the Campaign
“Appraise Good Service!”

Communication and cooperation activities

The most important activities implemented for expanding communication and cooperation with the public, non-governmental sector and at an international level:

- ✓ commenced cooperation with the associations and societies of sectors was continued within the framework of 22 agreements. In 2015, four new agreements were signed: with the Latvian Association of Certified Auditors, European Association of Funeral Directors, National Association of Manufacturers of Tobacco Products of Latvia and Latvian Association of Tax Consultants;

- ✓ a Memorandum of Understanding was signed with the multinational tobacco company “*Imperial Tobacco Limited*” on the fight against all types of illegal trading of tobacco products — this is the first agreement of this kind signed by the SRS and a large-sized tobacco manufacturer;

- ✓ information exchange was ensured with the USA in relation to the international agreement “Agreement between the Government of the Republic of Latvia and the Government of the United States of America to Improve International Tax Compliance and to Implement FATCA” approved by the Saeima (starting from 1 June 2015);

- ✓ information exchange was ensured between EU Member States and Latvia regarding the income gained by the residents of EU Member States in EU, introducing the Automatic Information Exchange System (AEOD);

- ✓ international cooperation agreements were signed with the Investigation Service of the Ministry of Finance of Georgia and the Revenue Service of Georgia; activities were carried out for strengthening the cooperation of the Baltic States (a cooperation plan was signed in the field of tax administration);



- ✓ activities were carried out pursuant to cooperation plans of tax and customs administrations of the Baltic States;

- ✓ participation in the operation of the Consultative Council in the Field of Taxes, Customs and Entrepreneurs Consultative Council and SRS Excise Duty Consultative Council;

- ✓ meetings with the Employers’ Confederation of Latvia, Latvian Chamber of Trade and Industry and Latvian Tax Consultant Association;

- ✓ regular meetings with local governments (Balvi, Dobele, Jēkabpils, Lielvārde, Bauska, Cēsis, Tukums, etc.), entrepreneurs and mass media representatives;

- ✓ in the field of excise duty, events were organised with



representatives from the Latvian Fuel Traders Association, Union of Fuel Traders and Manufacturers, Latvian Association of Biofuel and Bioenergy, Latvian Gas Association, Latvian Association of Alcohol Industry, Latvian Brewers’ Association, Latvian Brewers’ Union, Association of Manufacturers of Tobacco Products, Latvian Association of Grape Growers and Winemakers, as well as Employers’ Confederation of Latvia on matters concerning the circulation and supervision of excise duty goods;

- ✓ in the field of customs matters, the meetings of the Customs and Entrepreneurs Consultative Council were organised with the representatives of the National Cargo Forwarding Agents and Logistics Association of Latvia, Logistics Association of Latvia, society “Road Carriers Association “Latvijas auto””, Transit Business Association of Latvia and SJSC “Latvijas dzelzceļš” (Latvian Railways) on the application of regulatory enactments in the field of customs, introduction and operation of electronic customs systems, organisation of the work of customs control points and other customs issues. An extended meeting of the Customs and Entrepreneurs Consultative Council was organised,

during which the representatives of the Eurasian Consultative Council and the Federal Customs Service of the Russian Federation provided information on novelties in the customs regulations of the Eurasian Economic Union, customs procedure requirements for bringing in goods into Russia, as well as the transit system in Russia.

International information exchange standard

On 17 – 19 March 2015, the SRS was visited by OECD experts to ensure the practical conformity of legal acts of Latvia to the OECD international information exchange standard and their application in practice in the field of taxes. The peer review of the OECD Global Forum on Transparency and Information Exchange for Tax Purposes is a part of the joining process. On 23 September 2015, OECD experts prepared recommendations that were used as the basis for the assessment by the OECD Fiscal Matters Committee in Latvia.



7. Activities Planned in 2016

SRS priorities for 2016

In order to achieve the targets, set in the SRS Performance Strategy for 2014 – 2016 and fulfil SRS tasks in an effective manner, ensuring the fulfilment of the plan of revenues administered by the SRS as determined in the Law, as well as to ensure the rational use of allocated resources, the following SRS priorities have been set for 2016:

- ✓ improvement of VAT collection, including strengthening the disclosure and prevention of fraud;
- ✓ limitation of non-registered economic activities and eradication of envelope salary expenses;
- ✓ reduction of fraudulent activities with electronic cash registers and systems;
- ✓ development of the SRS electronic environment in compliance with the latest information technologies, ensuring the maximum availability of electronic services and circulation of electronic documents;
- ✓ introduction of requirements set forth in the Union Customs Code;
- ✓ modernisation of customs technical equipment in the customs control points of the EU external border to ensure appropriate circumstances for fast border-crossing and effective control at the same time;
- ✓ combating organised crime and reducing its influence in the field of State revenues and customs matters;
- ✓ reduction of the administrative burden for taxpayers and customs clients;
- ✓ increasing the efficiency and effectiveness of use of SRS resources, revising and improving the quality of fulfilment of processes.

Activities commenced in 2015, which will be continued for improving the EDS:

In improving the EDS, the following activities are planned:

- ✓ automatic preparation of an invoice and a possibility of making tax payments after the submission of a report or declaration;
- ✓ to provide employers with a report on closed and annulled sick-leave certificates (information will be received from the NHS E-Health System);
- ✓ automatic entry of information in the annual income declaration regarding the tuition fee paid by persons to educational institutions;
- ✓ to introduce a structured annex to the annual report of companies;
- ✓ to include information available in the EDS from the State IS “State Cadastre Information System of Immovable Properties” of the State Land Service in the declaration of a State official;
- ✓ automatic informing of State officials regarding the publication of the part of the State official’s declaration, which is to be published, in the public database;
- ✓ automatic warning of State officials about the deadline for the submission of declarations (three days prior to the deadline);
- ✓ private individuals are ensured of convenient and easy-to-understand access to the preparation and submission of the most frequently used reports and declarations in the EDS;
- ✓ automatic acceptance of declarations in the EDS for the report on the calculated natural resources tax, for the energy tax declaration and the declaration on the adjustment of the annual income from increase in the capital;
- ✓ adjustment of the EDS interface for different groups of users with a specialised and personalised interface and tools (e.g., manager, accountant, micro-enterprise, private individual) — private individuals are ensured of convenient and easy-to-understand access to the preparation and submission of the most frequently used reports and declarations in the EDS;

- ✓ to ensure an opportunity to specify a greater number of entries in tax declaration entry forms at the discretion of the taxpayer him/herself;
- ✓ to ensure an opportunity to submit several documents to be submitted in the EDS at the same time;
- ✓ for implementing the EDS popularisation plan, SRS “E-bus” trips, seminars for taxpayers and SRS CSC and SLGCSC employees, etc. will be organised;
- ✓ development of a purchase cheque application — a database for placing the purchase cheques of inhabitants, which were sent via a mobile phone application for collecting and using in tax administration processes.

Activities planned at the SRS for reducing informal economy:

- ✓ introduction of a technical solution for combating cash register fraud, using the chip card/smart-card modules issued by the SRS — preparation of the technical description of the project;
- ✓ development of a regulatory framework for supervising the operators of POS terminals — for receiving reports on non-cash transactions performed by taxpayers;
- ✓ preparation of an informative report on the introduction of the SRS system of electronic way-bills and invoices;
- ✓ development of the modernised computerised system for the assessment of taxpayers’ risk “ESKORT” and its introduction in all tax administration processes;
- ✓ receipt of extended information from credit institutions regarding suspicious transactions and its integration in the SRS information systems;
- ✓ continuation of a discussion with the Association of Commercial Banks regarding accounts opened by private individuals, account turnovers and issued loans;
- ✓ creation of a map of Latvia on the SRS website with the locations of legal and structural units of merchants to ensure an opportunity to the public to get involved in the reduction of non-registered economic activities;

- ✓ to establish new structural units at the SRS — Division for the Control of Electronic Cash Registers and Division for the Supervision, Control Methodology and Support of Electronic Commerce;
- ✓ implementation of activities determined in the SRS action plan for improving VAT administration for 2016.

In improving the field of customs, it is planned to continue simplifying and improving the customs clearance process, reducing the time and costs required to settle customs formalities for both merchants and State institutions:

- ✓ improvement of the customs information systems for the introduction of the Union Customs Code in compliance with the provisions of EU legal acts;
- ✓ development of customs control points and improvement of infrastructure security;
- ✓ ensuring the interconnection of cargo scanners of the Baltic States, ensuring the exchange of information on the results of cargo scanning;
- ✓ introduction of AVCIS at CCPs and border-crossing points on the EU external border, ensuring connection to other special technical tools of customs;
- ✓ implementation of risk-reducing activities for export freights, preventing VAT and excise duty fraud in exporting goods to third countries;
- ✓ provision of EU external borders with video recorders;
- ✓ strengthening informative assistance and improving the exchange of data characterising the results of customs control of goods and vehicles crossing the border of Latvia and Belarus, as well as the exchange of cargo scanning information;
- ✓ ensured remote execution of export customs declarations (from the plan for 2015).

Activities planned in the field of combating criminal offences

- ✓ purchase of specialised technical means, development of technologies and application tendencies in the field of specific nature of work;
- ✓ implementation of the plan of activities for improving the situation on the Eastern border of the Republic of Latvia and in the border area;
- ✓ development of a plan of law enforcement institutions and its implementation with an aim to activate the fight against the illegal circulation of excise duty goods;
- ✓ combating criminal offences, which are related to organised crime and/or corruption and as a result of committing of which, extensive losses are caused to the State budget;
- ✓ strengthening cooperation with the CPCB and other law enforcement authorities, including foreign institutions;
- ✓ improvement of the internal security system at the SRS: corruption risk management integrated into the overall SRS risk management system.

Planned activities and tasks on an international scale

The SRS in cooperation with the EC OLAF will organise the annual conference “Fight against the Illegal Smuggling of Cigarettes” of the working group “Cigarettes”.

Implementation of the European multi-disciplinary platform against criminal threats and the Operating Action Plan for 2015 – 2017 will be continued.

In 2015, the SRS will continue its commenced development and improvement work, promoting and strengthening the reputation of a modern, professional and client-oriented tax administration. Simultaneously, in acting in accordance with the behaviour necessary for the compliance of taxpayers and customs clients in relation to the State, the SRS will implement strict control measures to ensure fair competition in business and protect the public.

To ensure the provision of services to clients and clients’ satisfaction with the services provided by the SRS, by implementing the uniform provision of services, ensuring equal and fair attitude to every SRS client, we have set the SRS motto in providing services to its clients:

“We commit to provide professional services, you - to be honest taxpayers!”



Photo: SRS

Abbreviations Used in the Report

AEO –	Authorised Economic Operator	SAD –	Single Administrative Document
AEOI –	Automatic Information Exchange System	SJSC –	State Joint Stock Company
ATA –	Admission Temporaire/Temporary Admission	SKDS –	Marketing and Public Opinion Research Centre “SKDS”
AVCIS –	Automatic Vehicle and Container Identification System	SLGSCSC –	State and Local Government Single Customer Service Centre
CCP –	Customs Control Point	SRS –	State Revenue Service
CIT –	Corporate Income Tax	TIR –	Transports Internationaux Routiers
CM –	Cabinet of Ministers	VAT –	Value Added Tax
CPCB –	Corruption Prevention and Combating Bureau		
CSC –	Customer Service Centre		
EC –	European Commission		
ECDPS –	Electronic Customs Data Processing System		
EDS –	Electronic Declaration System		
ERDF –	European Regional Development Fund		
EU –	European Union		
FATCA –	<i>Foreign Account Tax Compliance Act</i>		
IBCI –	International Business and Customs Institute of Riga Technical University		
ICTAL –	Information and Communication Technology Association of Latvia		
LAPM –	Latvian Association for People Management		
LAR –	Latvian Association of Regions		
MEPRD –	Ministry of Environmental Protection and Regional Development		
MSSIC –	Mandatory State Social Insurance Contributions		
NHS –	National Health Service		
NPI –	New Policy Initiatives		
OECD –	Organisation for Economic Co-operation and Development		
OLAF –	European Anti-Fraud Office		
PBO –	Public Benefit Organisation		
PDR –	Passenger Data Register		
PIT –	Personal Income Tax		
POS –	<i>Point of Sale</i> — an electronic service for accepting payment cards		