



Valsts ieņēmumu dienests

State Revenue Service 2014 Public Report



Table of Contents

Address of the Director General of the State Revenue Service	3
Abbreviations Used in the Report	5
1. Background Information	6
1.1. Legal Status and Main Tasks of the SRS	6
1.2. SRS Strategy for 2014–2016.....	8
1.3. Priorities for 2014	9
2. Implementation of the SRS Performance Strategy for 2014–2016 and Priorities for 2014.....	11
2.1. Implementation of effective strategic indicators.....	11
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”.....	13
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”	21
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”	23
2.5. Performance results in the implementation of the fourth strategic objective “To increase the efficiency and effectiveness of using the SRS resources”	27
3. Statistics of Services Provided by the SRS	28
3.1. Total services provided by the SRS	28
3.2. Tax administration services.....	29
3.3. Customs services.....	31
3.4. Services in the field of excise goods circulation.....	32
3.5. Services in the field of preventing the conflict of interest in the activities of State officials.....	32
3.6. Paid services.....	33
4. Financial Resources and Their Use.....	35
4.1. State budget funding and its use	35
4.2. Usage of budgetary programmes and sub-programmes and the results of their performance.....	35
4.3. New policy initiatives	38
5. Personnel.....	39
6. Communication with the Public.....	40
7. Activities Planned in 2015	44

Dear reader of this report!

We offer you to become acquainted with the annual public report of the State Revenue Service (SRS) on the performance results in 2014 and priorities for 2015.



Photo: SRS

This report reflects the results of implementing the SRS Performance and Development Strategy for 2014–2016 at the end of the first year of strategic planning.

The year 2014 was full of intensive and brisk work for the SRS, as it had been actively implementing and introducing new measures and activities for improving the external and internal processes, as well as the effectiveness of the Service — by improving client service, tax collection and administration, as well as developing recommendations and taking measures for reducing informal economy.

We have performed extensive work to change the SRS approach to cooperation with taxpayers, customs clients and the public in general. The main leitmotif of the new approach is expressed in our client service moto: “Your duty is to be honest taxpayers, ours — to provide professional services!”. It means that the SRS is a cooperation partner, support and consultant to anyone who fulfils his/her tax obligations in good faith or searches for a solution along with the SRS, if the possibilities of fulfilling tax obligations are hindered due to any reason.

The year 2014 is distinguished by the fact that it is the year when we commenced our work in a single SRS administrative complex at 1 Talejas Street in Riga, which means advanced, modern and convenient environment for both institution’s clients and service workers, as well as the provision of SRS services in a single place. It also ensured an opportunity to create the State Single Customer Service Centre in the SRS, providing clients with convenient 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.

One of the main directions in improving SRS client service, which will be continued in the upcoming year as well, is the development of a training system for the regular professional improvement of SRS employees.

It is to be noted that the implementation of measures referred to above and further below is of great importance for us, the institution itself, in order to enable each Service employee to implement the values of the SRS — integrity, professionalism, responsibility and loyalty to the interests of the State and society in communication with the clients and partners of the institution, as well as colleagues.

The year 2014 progressed with several crucial novelties in the SRS activities in order to improve tax collection and promote the voluntary fulfilment of tax obligations.

We started the application of the new (sectoral) approach to tax administration, drawing particular attention to a specific risk sector. It means that in the event tax default risks are established, the taxpayers of exactly this sector will be first subject to preventive tax administration measures and provided with time to fulfil their tax obligations, and only in cases when the desirable result is not achieved, the SRS shall commence tax control activities. The sector of car maintenance and repair was the first among these sectors, followed by the dentistry sector. We will definitely continue to apply this approach in 2015 as well, since the goal of the SRS is to achieve that taxpayers themselves choose to organise their economic activities based on the principles of fair competitiveness and be honest and responsible employers in relation to their employees and inhabitants of the entire country.

As a result of active operation of the SRS, many 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.

Since the contribution of each taxpayer is important for the State budget, the SRS expresses its gratitude to all honest taxpayers, particularly to 2,394 companies which made payments into the State budget on a large scale. On 3 October 2014, these merchants received SRS gratitude for significant payments made into the State budget, high discipline in fulfilling tax obligations and positive cooperation with the tax administration, via the SRS Electronic Declaration System (EDS).

In 2014, the availability of SRS e-services has been facilitated and simplified significantly. As of 1 June, salary tax booklets are available to all taxpayers and they can make changes to them by using the EDS; whereas,

in order to become a user of the referred to system, no separate agreement must be signed with the SRS, yet everyone can log into the EDS by using the authentication data of several Latvian credit institutions, an eID smart card created by the Office of Citizenship and Migration Affairs or a secure electronic signature issued by SJSC "Latvijas Valsts radio un televīzijas centrs" (State Radio and Television Centre of Latvia).

Crucial improvements were introduced to the Electronic Customs Data Processing System (ECDPS), where in May 2014, a new system was introduced for carrying out import customs procedures electronically, whereas, as from November 2014, customs clients have been ensured of a possibility of electronically attaching export and transit accompanying documents (scanned) to the ECPDS. To speed up the process of customs clearance, an Import Customs Control Point commenced its operation in November 2014 at 1 Talejas Street, Riga, gradually introducing the remote execution of import customs declarations.

In 2014, intensive work was commenced on the development of the new SRS website, and we will continue this work in 2015 as well, to be able to offer taxpayers a new, modern, user-friendly and visually attractive website with information structured depending on the target audience.

The constant development and improvement of SRS services is assessed publicly as well — in 2014, the project "Development of the Electronic Customs Data Processing System" received the Latvian Information and Communications Technology Award "Platīna pele 2014" (Platinum Mouse 2014), whereas the project "Taxpayer Notification System in the Electronic Declaration System" received a certificate of appreciation for excellent performance. The SRS was awarded the title of eSubscription Champion by SJSC "Latvijas Valsts radio un televīzijas centrs" (State Radio and Television Centre of Latvia) in 2014 as the institution which had signed the greatest number of documents using a secure electronic signature.

The effectiveness of the referred to measures and their strategically correctly direction are confirmed by the results of *Doing Being 2015* study. In section "Paying taxes", Latvia was included on the list of countries which had carried out crucial reforms.

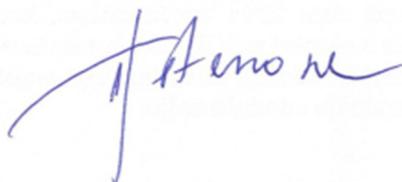
Our cooperation partner have also appreciated the change of the SRS in cooperation, attitude and communication, as certified by the award received in the late 2014 from the Employers' Confederation of Latvia as "The Most Effective and Employer-friendly State Institution". In determining the most effective and employer-friendly state institution, the performance of the institution was assessed in fields such as achievements and investments in business environment development in the country, participation in social activities and other measures, of which the institution can be proud.

Active dialogue commenced in 2014 regarding the current situation in the field of tax administration and improvement thereof with the heads of local governments of Latvian cities and counties, as well as entrepreneurs and organisations representing them — Employers' Confederation of Latvia, Latvian Chamber of Commerce and Industry, Council of Foreign Investors in Latvia, Latvian Association of Tax Consultants, etc. — must be continued further as well. In order to jointly fight against tax evasion and "envelope salaries", 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, cooperation with sector associations is of particular importance. In 2014, eighteen agreements were signed with the associations of different sectors for cooperation in promoting fair competition and settlement of tax payments; however, responsiveness and interest was observed with the representatives of associations of several other sectors as well.

The change of public attitude is important for us, in order to enable every inhabitant of our country to understand that tax collection is a necessity rather than burden and country's welfare is impossible without it. I can certify that more qualitative and convenient customer service and reduction of administrative burden for honest taxpayers will remain SRS priority, thus promoting and strengthening the reputation of a professional and client-oriented tax and customs administration. In relation to the dishonest participants of business environment, we will fully exercise the rights provided for by regulatory enactments to apply proper liability for damages and losses caused to the State budget, as well as to restrict the possibilities of further dishonest economic activities.

We invite each and every taxpayer of our country to apply to the State Revenue Service and share their opinion, ideas or recommendations on the improvement of our institution's work and tax collection in order to jointly promote the welfare of our country.

Yours Sincerely,



SRS Director General
Ināra Pētersona

Abbreviations Used in the Report

AEO –	Authorised Economic Operator
ACBM –	Administrative Capacity Building Measure
ATA –	Admission Temporaire/Temporary Admission
EDS –	Electronic Declaration System
EC –	European Commission
ECDPS –	Electronic Customs Data Processing System
ERDF –	European Regional Development Fund
EU –	European Union
PIT –	Personal Income Tax
NPI –	New Policy Initiative
RoL –	Republic of Latvia
CSC –	Customer Service Centre
CPCB –	Corruption Prevention and Combating Bureau
TDS –	Taxpayer Data System
MDMA –	3,4-methylenedioxymethamphetamine
CM –	Cabinet of Ministers
CCP –	Customs Control Point
NHS –	National Health Service
OECD –	Organisation for Economic Co-operation and Development
VAT –	Value Added Tax
IBCI	International Business and Customs Institute of Riga Technical University
SKDS	Marketing and Public Opinion Research Centre “SKDS”
PBO –	Public Benefit Organisation
TIR –	Transports Internationaux Routiers
CIT –	Corporate Income Tax
SAD –	Single Administrative Document
MEPRD –	Ministry of Environmental Protection and Regional Development
SJSC –	State Joint Stock Company
SRS –	State Revenue Service
MSSIC –	Mandatory State Social Insurance Contributions
SSCSC –	State Single Customer Service Centre

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 RoL territory, 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 RoL territory 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 revenue 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;

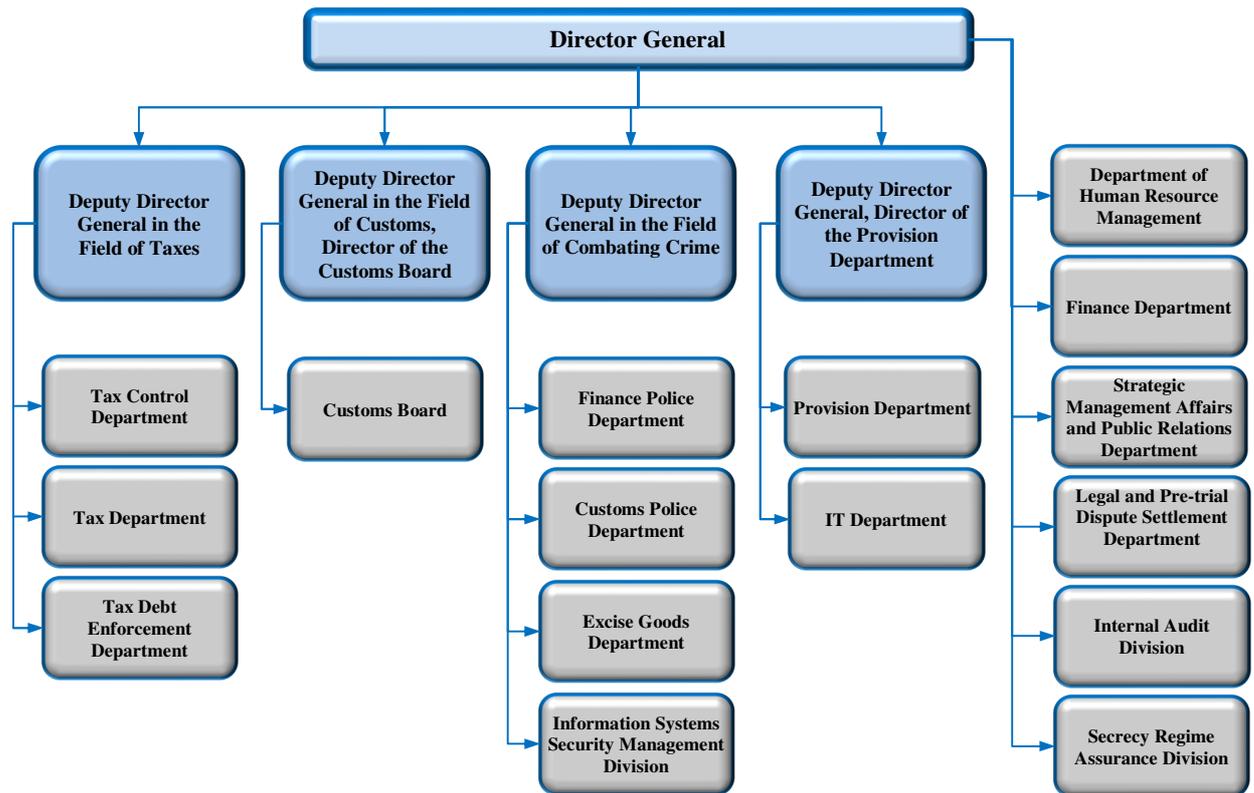
5) in accordance with the procedures specified in laws and Cabinet regulations to register and enumerate taxpayers and to control the conformity of registration documents with the requirements of the laws and actual circumstances;

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



Pursuant to the Amendments to the Law on the State Revenue Service adopted by the Saeima on 16 October 2014, which came into force on 12 November 2014, the name of the SRS Customs Criminal Board was changed to the SRS Customs Police Department.

Largest Procurements Announced

The following largest procurements were announced in 2014:

- Implementation of the Informative Social Campaign “Why Is Timely and Honest Settlement of Tax Payments Important?”;
- Supply of Railway Cargo X-Ray Inspection Equipment;
- Improvement, Maintenance and Warranty Provision of the ECDPS;
- Acquisition of an Automatic Vehicle and Container Identification System and Axle Scales and Their Installation in the Customs Control Point of the Freeport of Riga;
- Outsourcing for the Development of Technical Requirements for the Installation of Video Surveillance Systems of Customs Control Points and Improvement of Existing Systems;
- Supply of Working Wear, Footwear, Individual and Special Protection Equipment;
- Supply of Audiovisual Equipment of the Conference Hall;
- Support Services for the Implementation of the Provision Principle and Improvements of State Budget Payment Administration Processes;
- Development and Maintenance of the SRS Website;
- Supply, Introduction and Maintenance of a Vehicle Monitoring and Control System;
- Data Warehouse System Improvement, Maintenance and Warranty Provision;
- Maintenance, Improvement and Warranty Provision of Self-service Systems;
- Supply and Installation of Platform Scales at Terehova, Grebņeva, Pāternieki and Silene CCPs;
- Supply and Maintenance of the Document Management System.

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 2014

In order to effectively fulfil SRS tasks, meeting the target numbers for the collection of revenues administered by the SRS as set out in the Law on the State Budget for 2014, and using resources granted to the SRS in a rational manner, the following SRS performance priorities for 2014 were approved:

1) within the framework of the 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”:

- revision and simplification of reports, declarations and administrative procedures, as well as EDS improvements;
- creation of a single call centre in the SRS complex of administrative buildings (information telephone: 1898 and tax and customs hotline: 80009070);
- participation in the pilot project implemented by MEPRD for the establishment of the SSCSC for providing State public services;
- introduction of the process of remote release of goods, applying importation procedures to the goods;
- introduction of the recognised TIR consignor’s concept;
- introduction of a single green corridor for natural persons at the border-crossing point Grebņeva–Ubiļinka;
- active communication and informing of the society in social networks *Twitter* and *Facebook*;
- organisation of an informative campaign in cooperation with the State Chancellery, Ministry of Finance, Ministry of Welfare, State Labour Inspectorate and State Social Insurance Agency for informing the society about the use of taxes and promotion of settlement of tax payments, aimed at altering the attitude and behaviour of taxpayers;
- development of a new SRS website;
- targeted implementation of control and economic activity-restricting measures;
- improvement of debt enforcement process to ensure increase in its effectiveness;
- promotion of the single administrative practice to ensure equal application of legal norms;
- performance of tax wedge calculations for VAT, taxes from the income of natural persons, and excise duties;

2) within the framework of the objective “To ensure society’s protection, security and safety by performing effective customs control measures”:

- ECDPS development;
- implementation of customs control measures for restricting the illegal circulation of excise goods, narcotic and psychotropic substances, counterfeit and consumer-hazardous goods, and for transporting goods subject to safety and security control, and cash;
- cooperation with the customs authorities of the Baltic States, introducing uniform customs control methods and ensuring information exchange with high-risk subjects and objects subject to customs control;
- ensuring the interoperability of the Baltic States’ cargo scanners by establishing a single database for processing and analysing scanned images;

3) within the framework of the objective “To ensure the fight against criminal offences in the field of State revenues and customs matters, reducing tax fraud and smuggling”:

- introduction of new, more effective methods for disclosing and preventing criminal offences;

- combating criminal offences in the field of State revenues and customs matters, 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;
- ensuring the coordination of the Action Plan of the State Law Enforcement Authorities to launch the fight against the illegal circulation of excise goods in Latvia;
- active participation in the development and implementation of the National Criminal Intelligence Model and Organised Crime Prevention Plan;
- development of a single method for the calculation of percentage and volume of the illegal market of excise goods in cooperation with other law enforcement authorities and representatives of industry associations;
- ensuring participation in the activities of the EU Policy Cycle for 2014–2017 for combating serious cross-border crimes and organised crime;
- improvement of the internal security system to reduce corruption risks with the SRS employees and officials;

4) within the framework of the objective “To increase the efficiency and effectiveness of using the SRS resources”:

- ensuring the continuity of operation with regard to the transfer to the new SRS administrative building complex;
- improvement of the SRS training system to provide for priority needs for increasing the effectiveness of core business;
- development of the career growth and motivating remuneration system based on the value of the SRS positions;
- improvement of the system for the optimal planning and rational use of financial resources;
- development and introduction of a single visual identity in CSCs, CCPs and electronic communication;
- implementation of the information system modernisation project to decrease the manual workload to the extent possible and develop the principle of client self-service;
- update of the computerised taxpayer risk assessment system;
- improvement of infrastructure at the Eastern border, ensuring the acquisition of two cargo X-ray inspection devices, five car platform scales and six car axle scales, as well as the construction of four fields for diesel amount determination equipment;
- improvement of the SRS risk management system to ensure its systematic introduction in all the areas of activities;
- cooperation with local governments, companies and mass media representatives, as well as regular visits to CSCs in the regions of Latvia.

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

2.1. Implementation of effective strategic indicators

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

Table 1

Strategic performance indicators	2014		Information regarding implementation																					
Name of the indicator	anticipated result	actual implementation																						
Implementation of the plan of budget revenues administered by the SRS, %	100	99.8	The implementation of the plan of total budget revenues administered by the SRS was ensured in the amount of 99.8%. In 2014, the total budget revenues administered by the SRS amounted to EUR 7,084.05 million, which is EUR 12.55 million or 0.2% less than planned, including, the amount of tax revenues collected was EUR 6,735.96 million or 0.1% more than planned, whereas the amount of non-tax revenues collected was EUR 348.09 million or 5% less than planned.																					
Changes in the amount of collected budget revenues administered by the SRS as compared to the previous year, %	+3.9	+3.7	<p>In 2014, the amount of collected revenues was by 3.7% greater than in 2013, which is 0.2% more than forecast. It is related to meeting the target numbers for the collection of revenues by 99.8%.</p> <p style="text-align: center;">Budget revenues administered by the SRS in 2009–2014, million EUR</p> <table border="1"> <caption>Budget revenues administered by the SRS in 2009–2014, million EUR</caption> <thead> <tr> <th>Year</th> <th>Revenue, EUR mil.</th> <th>Increase/Decrease, %</th> </tr> </thead> <tbody> <tr> <td>2009</td> <td>5 600,08</td> <td>-23,4%</td> </tr> <tr> <td>2010</td> <td>5 183,49</td> <td>-7,4%</td> </tr> <tr> <td>2011</td> <td>5 776,54</td> <td>11,4%</td> </tr> <tr> <td>2012</td> <td>6 474,46</td> <td>12,1%</td> </tr> <tr> <td>2013</td> <td>6 830,09</td> <td>5,5%</td> </tr> <tr> <td>2014</td> <td>7 084,05</td> <td>3,7%</td> </tr> </tbody> </table>	Year	Revenue, EUR mil.	Increase/Decrease, %	2009	5 600,08	-23,4%	2010	5 183,49	-7,4%	2011	5 776,54	11,4%	2012	6 474,46	12,1%	2013	6 830,09	5,5%	2014	7 084,05	3,7%
Year	Revenue, EUR mil.	Increase/Decrease, %																						
2009	5 600,08	-23,4%																						
2010	5 183,49	-7,4%																						
2011	5 776,54	11,4%																						
2012	6 474,46	12,1%																						
2013	6 830,09	5,5%																						
2014	7 084,05	3,7%																						
Changes in tax wedge, %	X	X	<p>In 2014, tax wedge indicators were calculated for 2013 for the following types of taxes:</p> <ul style="list-style-type: none"> - VAT wedge is 18.5%; - MSSIC wedge is 26.6%; - PIT wedge is 25.4%; - excise duty wedge for cigarettes is 30.7%; - excise duty wedge for diesel fuel is 17.0%; - excise duty wedge for petrol is 8.8%; <p>By the end of 2015, excise duty wedge for alcoholic beverages will be calculated.</p> <p>Changes in tax wedge for these types of taxes are some of the most important effective strategic indicators which will be further used for measuring the fulfilment of strategic objectives.</p>																					
- VAT, %	X	X																						
- taxes from the income of natural persons, %	X	X																						
- excise duties, %	X	X																						
The proportion of informal economy in the Gross Domestic Product (according to	25.0	24.7	According to the results of the study carried out by F. Schneider, professor at the Austrian Johannes Kepler University Linz, the proportion of informal economy in Latvia in 2014 is 24.7%; hence, the SRS has exceeded the																					

Strategic performance indicators	2014		Information regarding implementation														
	anticipated result	actual implementation															
F. Schneider's study), %			<p>result to be achieved by 0.3 percentage points.</p> <p>The volume of informal economy in Latvia in 2009–2014 according to the data of F. Schneider's study, %</p> <table border="1"> <caption>Data for Informal Economy in Latvia (2009-2014)</caption> <thead> <tr> <th>Year</th> <th>Volume of Informal Economy (%)</th> </tr> </thead> <tbody> <tr> <td>2009</td> <td>27.1</td> </tr> <tr> <td>2010</td> <td>27.3</td> </tr> <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> </tbody> </table>	Year	Volume of Informal Economy (%)	2009	27.1	2010	27.3	2011	26.5	2012	26.1	2013	25.5	2014	24.7
Year	Volume of Informal Economy (%)																
2009	27.1																
2010	27.3																
2011	26.5																
2012	26.1																
2013	25.5																
2014	24.7																
Indicators of the World Bank's study "Doing Business":																	
- time required to calculate and pay taxes a year, hours	250	193	<p>In section "Paying taxes" of <i>Doing Business 2015</i> study, Latvia was ranked 24th among the countries which had carried out crucial reforms. The following improvements, which made the settlement of tax payments easier to carry out, were noted:</p> <ul style="list-style-type: none"> - simplification of the VAT declaration as from 1 January 2013; - improvement of the EDS for completing CIT declarations; - reducing the MSSIC rate. <p>The period necessary for paying taxes is 193 hours a year, which has actually decreased by 71 hours (previous result — 264 hours) and is by 57 hours less than the result set by the SRS to be achieved — 250 hours a year.</p>														
- time required for VAT registration, days	9	10	<p>According to the results of <i>Doing Business 2015</i> study, in 2014, time required for VAT registration was 10 days, which is approximately one day more than the determined SRS result to be achieved. It is to be taken into account that in <i>Doing Business 2015</i> study, this indicator is determined in accordance with the maximum number of days determined in regulatory enactments for VAT registration, yet the actually required time is not taken into account. As from July 2014, VAT registration period was reduced from five to three days, unless risks were identified.</p>														
- period of customs clearance and inspections, days:			Customs indicators "Customs Clearance and Inspection Period for Exports and Imports" of <i>Doing Business 2015</i> study have remained at the level of the previous year and comply with the planned result to be achieved: one day for exports and two days for imports.														
o exports	1	1															
o imports	2	2															
Proportion of court judgements favourable for the SRS, average weighted (in tax dispute cases, administrative violation cases and cases concerning coercive measures and other disputes), %	84.8	88.6	The proportion of court judgements favourable for the SRS in 2014 is 88.6%, which exceeds the anticipated result by 3.8%. During the preparation of the report, there is still no information regarding the validity of 21 judgements of 2014 in tax dispute cases, which were examined in December 2014; hence, the indicator for 2014 may be adjusted.														

Strategic performance indicators	2014		Information regarding implementation														
	anticipated result	actual implementation															
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:	8.4	7.95	Level of satisfaction among clients (according to the results of the study). Within the period from 12 November 2014 to 18 January 2015, the SKDS carried out a study on the quality of services provided to the SRS taxpayers and customs clients. According to the results of this study, on a scale from 1 to 10, the total level of satisfaction among SRS clients is 7.95. The total level of satisfaction among taxpayers is 7.79, which, as compared to the results of the study carried out in 2012, has decreased by 0.65 percentage points, whereas the level of satisfaction among customs clients is 8.11, which is 0.29 percentage points less than the result of the previous study.														
- level of satisfaction among taxpayers, points	8.41	7.79															
- level of satisfaction among customs clients, points	8.44	8.11															
The costs of one collected euro, at the SRS in total, EUR	0.0216	0.0150	<p>The costs of one collected euro at the SRS in total amount to EUR 0.015, which is EUR 0.0066 less than planned.</p> <p style="text-align: center;">The costs of one collected euro, 2009–2014, EUR</p> <table border="1"> <caption>The costs of one collected euro, 2009–2014, EUR</caption> <thead> <tr> <th>Year</th> <th>Cost (EUR)</th> </tr> </thead> <tbody> <tr> <td>2009</td> <td>0.0194</td> </tr> <tr> <td>2010</td> <td>0.0205</td> </tr> <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> </tbody> </table>	Year	Cost (EUR)	2009	0.0194	2010	0.0205	2011	0.0203	2012	0.0191	2013	0.0192	2014	0.0150
Year	Cost (EUR)																
2009	0.0194																
2010	0.0205																
2011	0.0203																
2012	0.0191																
2013	0.0192																
2014	0.0150																

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”

To reduce the administrative burden and improve client service, the following measures were implemented in 2014:

- 1) electronic salary tax booklets were introduced (as from 1 June 2014);
- 2) availability of taxpayer registration certificates, including structural unit registration certificates, in scanned form was ensured in the EDS (as from 21 July 2014);
- 3) the actual period of registration of taxpayers and structural units was reduced (as from 24 July 2014):
 - for registering VAT payers — from five to three days, unless risks are identified;
 - for registering the structural units of taxpayers — from 10 to three days, if all necessary documents are submitted;
- 4) the average period for refunding overpaid taxes was reduced:
 - for VAT refunds — from 15 days in 2013 to 10 days in 2014;
 - for PIT refunds — from 93 days in 2013 to 70 days in 2014;
- 5) a single SRS client service standard was introduced — for tax, customs and excise duty payers;
- 6) for promoting voluntary fulfilment of tax obligations — not to perform tax control measures for taxpayers whose tax payments made during the previous year exceed

EUR 100,000. In 2014, the SRS informed 2,305 taxpayers regarding the honest fulfilment of tax obligations and substantial payments into the State budget;

7) a simplified national TIR procedure was developed — an authorised consignor in TIR procedure, which grants the right to apply TIR procedure without visiting the CCP;

8) an opportunity to apply for the customs clearance of a postal item by e-mail was ensured for clients;

9) SSCSC in Valmiera and Daugavpils provided services to 6,698 SRS clients, which is one of the highest indicators in terms of number of clients served at the SSCSC. SRS services were provided to 6,047 clients and 651 clients received consultations regarding SRS services or other issues related to the field of taxes;

10) At the SRS administrative building complex at 1 Talejas Street, Riga:

- a single call centre was established and SRS information telephone number was changed to 67120000;

- a single Riga CSC was created — all CSCs previously located in different places of Riga are now located and provide services in one place;

- clients have access to wireless Wi-Fi network;

- an electronic queue regulator was installed, ensuring a separate menu for priority clients (mothers with children, persons with special needs, etc.);

- an Import CCP was created, ensuring the remote release of goods, applying importation procedures to the goods;

11) EDS improvements were implemented;

- new EDS design, structure of sections, simplified usability, separate access sites for natural and legal persons were created;

- notification of taxpayers regarding current debts was introduced;

- an opportunity was offered to register as an EDS user online by using www.latvija.lv service;

- changes were introduced to the algorithm of document submission process — submitted documents do not need to be attested, using SRS e-signature file;

- the granting and annulment of the rights of representation of taxpayers was automated;

- a more convenient EDS mobile application was developed;

- taxpayers were informed about the suspension of economic activities of the counter party specified in the declaration upon performing the transaction;

- a plan for the submission of taxpayer declarations and notification regarding overdue declaration was ensured;

- the opportunity to calculate the debt amount on the particular date (calendar) was ensured for the taxpayer;

- selection of data was ensured for the declarations of State officials from the information systems of the Court Administration and the Office of Citizenship and Migration Affairs;

- participants of the Enhanced Cooperation Programme and companies of associations of their industries, with which the SRS entered into cooperation agreements for the promotion of fair competition and settlement of tax payments in the industry, were ensured of access to five new reports on the non-conformity of data specified by these companies and their transaction partners in VAT declarations.



Photo: SRS



Photo: SRS

12) ECDPS was improved:

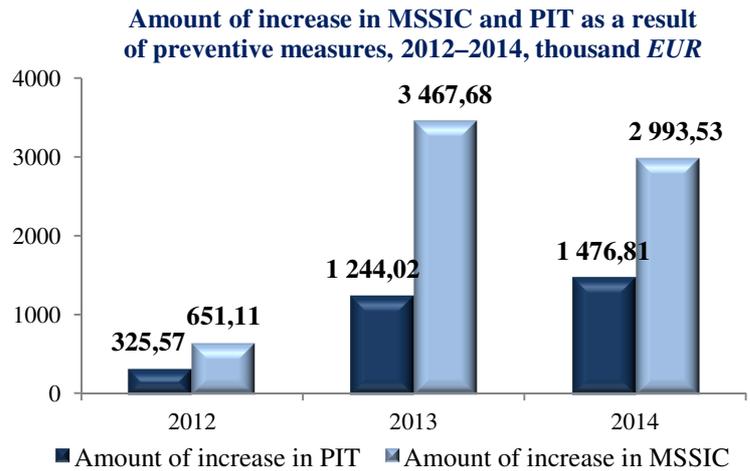
- a new system was introduced for the electronic performance of import customs procedures (merchants settle import customs formalities remotely, they do not need to visit customs authorities in person);
- provision of information and attachment of accompanying documents (scans) was ensured in export and transit control systems.

Information on meeting effective indicators in fulfilling the tasks determined in the Strategy for performance results “Provision of services to taxpayers and customs clients has been improved” and “Proper use of accelerated and simplified customs procedures has been ensured” is provided in Table 2.

Table 2

Performance results	Effective indicators		2014	
	name of the indicator	measurement unit	anticipated result	actual implementation
Provision of services to taxpayers and customs clients has been improved	Changes in the number of justified complaints of taxpayers as compared to the previous year	%	-10	-45.5
	Proportion of answered calls at information line	%	84	82.0
	Proportion of reports and declarations submitted to the EDS from persons who submit reports and declarations:			
	- legal persons	%	99.6	99.4
	- natural persons	%	33	44.4
	Proportion of electronically submitted declarations	%	90	96.9
	Conformity of customs clearance period to the average time limits determined in the standard	%	90	92.0
Proper use of accelerated and simplified customs procedures has been ensured	Proportion of annulled permits in relation to the number of issued permits	%	4	6.0

As a result of implemented preventive and monitoring measures in 2014, 908 natural persons registered as the performers of economic activities, whereas the number of registered employees increased by 16,954 persons, exceeding the respective figure of 2013 by 2,439 persons or 16.8%. Natural persons, who had registered, declared tax payments from economic activities in the amount of EUR 15.6 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, data credibility assessment was carried out for 428,960 submitted declarations in 2014, including:

- for VAT declarations — 245,578, which is 34,127 more than in 2013;
- for CIT declarations — 31,828, which is 2,255 more than in 2013;
- for employers' reports — 21,473, which is 3,105 more than in 2013;
- for excise duty declarations — 4,850, which is 1,091 more than in 2013;
- for reports on the circulation of excise duty stamps — 2,016, which is 213 more than in 2013;
- for customs transit declarations — 111,465 assessments;
- for customs export declarations — 11,750 assessments;

As a result of data credibility assessments:

- it was refused to perform unjustifiably requested refunds of overpaid VAT of EUR 29,041.57 thousand, which is EUR 9,385.59 thousand more than in 2013;
- it was refused to perform refunds of overpaid CIT of EUR 20.96 thousand, which is EUR 1,862.35 thousand more than in 2013;
- it was refused to perform refunds of overpaid PIT of EUR 1,274.32 thousand, which is EUR 186.08 thousand more than in 2013;

To improve tax collection for achieving faster recovery of established tax losses, in 2014, the SRS started implementing a new approach to tax administration. Initially, the society and entrepreneurs are informed about the industries, in which the highest risks have been established, and tax administration monitoring measures are performed more intensely, inviting entrepreneurs to ensure the fulfilment of tax obligations independently and giving them time to do so. If no positive results are achieved within this period, the SRS shall perform preventive measures, for instance, survey the officials of construction companies or car maintenance companies regarding the economic activities of the companies. Hence, the SRS gives merchants an opportunity to calculate and pay taxes themselves to the State in full without penalties, declare non-declared income, number of actually employed persons and actual calculated salaries, which has not been done before. If after assessing the results of voluntary fulfilment of tax obligations of taxpayers, it is nonetheless established that they have failed to reach desirable results and tax payments into the budget do not comply with the average indicators of the industry, these taxpayers shall be subjected to repressive measures — thematic inspections as well as tax audits, as a result of which both taxes and fines may be additionally calculated for these taxpayers.

The first industry in which this approach was implemented in 2014 was the industry of car maintenance and repair.

Results of the programme implemented by the SRS in the car maintenance and repair industry:

- In July–December 2014, the number of work places in the car maintenance and repair industry on average increased by 536 as compared to June 2014;
- In July–December 2014, the income of employees in the car maintenance and repair industry increased by EUR 1,901.97 thousand as compared to June 2014;
- In July–December 2014, 1,040 taxpayers of the industry (68.7% of the number of taxpayers who submitted a report¹ for June 2014) calculated greater average work income at least once as compared to June 2014. One taxpayer on average increased average work income by EUR 62.
- Within the period from 27 June 2014 to 31 December 2014, 411 taxpayers were registered in the car maintenance and repair industry.

At the end of 2014, the application of this approach was commenced in the dentistry industry.

To put business environment in order and promote fair competition in business, taxpayer operation-restricting measures and control measures were implemented:

- 9,396 taxpayers were excluded from the VAT Payer Register (including upon the initiative of the SRS — 6,829), 53.9% of them — due to failure to submit VAT declarations, 10.6% — due to the suspension of taxpayer's economic activities, 7.8% — due to failure to submit documents requested for the inspections of VAT declarations, and 15.1% — in accordance with an application;
- additional fine, namely, deprivation of the right to take certain positions in commercial companies, was applied to 1,910 board members of commercial companies;
- 10,905 decisions were made on the suspension of economic activities;
- 11,939 decisions were made on the termination of economic activities, as a result of which information regarding 9,981 taxpayers was sent to the RoL Register of Enterprises for making a decision on exclusion from the Commercial Register for terminating economic activities;
- from 1 July 2012 to the end of 2014, a risk address status was granted to 90 legal addresses;
- 2,528 natural persons were included on the natural person risk list.

In 2014, the SRS structural units implemented 36,416 control measures for taxpayers and customs clients, for whom high risks of non-fulfilment of tax and customs obligations were identified.

The results of control measures implemented in 2014:

- Tax audits — 1,318 audits were carried out, which is 127 less than in 2013;
- additionally calculated EUR 190,363.8 thousand, which is EUR 396.7 thousand more than in 2013;
- before tax audits were commenced, 79 taxpayers themselves adjusted tax amounts in declarations in the amount of EUR 664.1 thousand, which is EUR 231.4 more than in 2013.
- Data credibility checks — 4,850 checks were carried out, which is 1,091 more than in 2013;

¹ A report on mandatory State social insurance contributions from the employees' work incomes, personal income tax and State business risk duty.

- additional tax payments to be made into the budget were calculated in the amount of EUR 5,202.1 thousand, which is EUR 8,403.6 thousand less than in 2013;
- 1,809 taxpayers themselves had eliminated established discrepancies and submitted adjusted declarations, increasing tax amounts to be paid into the budget by EUR 2,990.76 thousand, which is EUR 341.55 thousand more than in 2013.

Thematic inspections — 6,004 inspections were carried out, which is 1,363 more than in 2013;

- an administrative fine was applied in the amount of EUR 1,388.2 thousand, which is EUR 445.6 thousand less than in 2013;
- during inspections, 1,984 taxpayers themselves adjusted tax amounts in declarations in the amount of EUR 2,090.6 thousand, which is EUR 1,310.7 less than in 2013.

Inspections — 5,034 inspections were carried out, which is 808 less than in 2013; a fine was applied in the amount of EUR 163.90 thousand in cases when the taxpayer did not cooperate with the tax administration during the inspection and failed to provide necessary information, which is EUR 2.1 thousand more than in 2013.

Observations — 133 observations were carried out, which is 43 more than in 2013.

Physical customs checks — 11,959 checks were carried out, which is 1,640 more than in 2013:

- an administrative fine was applied in the amount of EUR 238.12 thousand, which is EUR 11.3 thousand more than in 2013;
- six vehicles, in which hiding-places were specially created for transporting smuggled goods, were confiscated.

Decisions made on the adjustment of the amount of taxes regarding excise goods to be confiscated inland and on the border — 901 decisions were made, which is 65 less than in 2013; additional taxes were calculated in the amount of EUR 207.1 thousand, which is EUR 74.5 thousand less in 2013.

Information on meeting effective indicators in fulfilling the tasks determined in the Strategy for performance results “Volume of non-registered economic activities has been reduced”, “Volume of non-declared income has been reduced” and “Volume of excise goods released for legal circulation of goods has increased” is provided in Table 3.

Table 3

Performance results	Effective indicators		2014	
	name of the indicator	measurement unit	anticipated result	actual implementation
Volume of non-registered economic activities has been reduced	Changes in the number of registered natural persons — performers of economic activities — as compared to the previous year	%	+10.0	+3.6
Volume of non-declared income has been reduced	Proportion of VAT declarations, for which tax default risks were established as a result of data credibility assessment, from verified VAT declarations	%	27.0	21.0
	Proportion of non-declared value of transactions subject to VAT in relation to the total value of transactions	%	2.4	1.4
	Changes in the proportion of employees in the salary group above EUR 700 as compared to the previous year	% points	+3.0	+4.1
Volume of excise goods released for legal circulation of goods has increased	Changes in the amount of excise goods released for consumption as compared to the previous year:			
	- oil products	%	+1.5	+1.5
	- tobacco products	%	+2	-5.4
	- alcoholic beverages	%	+1.5	+0.6

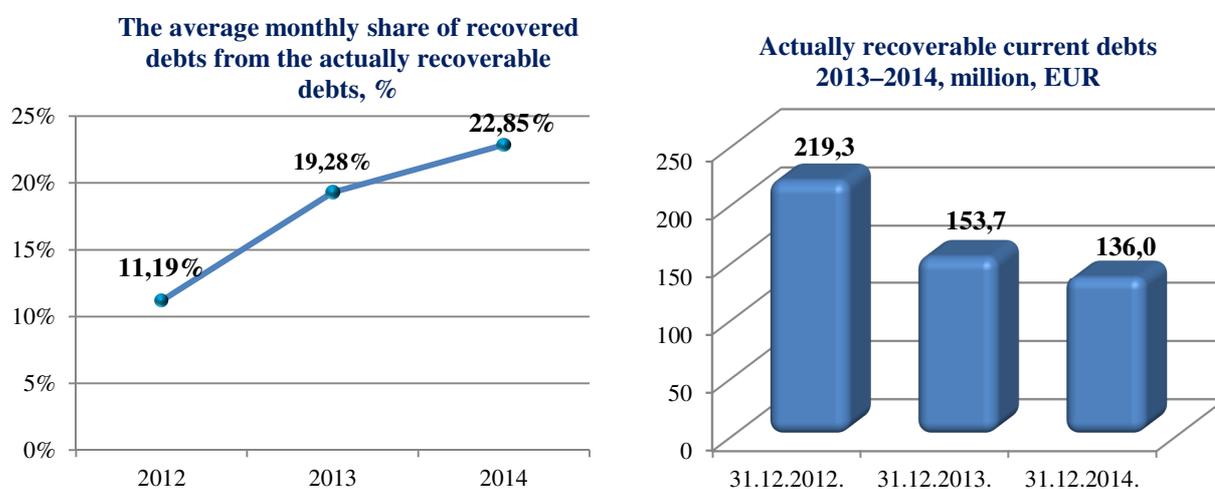
In 2014, EUR 410.67 million were collected as a result of tax enforcement activities, which is EUR 5.43 million less than in 2013.

Actually recoverable debts, to which the recovery of outstanding tax payments on a no contestation basis may be directed, as of 31 December 2014 amounted to EUR 136.02 million or 14.0% of total amount of current debts and 9.7% of the total amount of debts. As compared to 1 January 2014, the amount of actually recoverable debts decreased by EUR 17.68 million or 11.5%.

The average monthly proportion of recovered debts from the actually recoverable debts in 2014 was 22.85%, exceeding the respective amount of 2013 by 3.6 percentage points.

One of debt recovery priorities in 2014 was the recovery of new debts — they were recovered in the amount of EUR 23,628.36 thousand. The share of recovered new debts of the amount of new debts was 72.93%, exceeding the respective amount of 2013 by 9.95 percentage points.

Tax debts were distinguished for 7,616 taxpayers for the amount of tax debts of EUR 368,151.25, exceeding the respective amount of 2013 by EUR 57,572.04 thousand.



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.

In 2014, 572 applications were received on the voluntary settlement of outstanding tax payments. Of them:

- in 295 cases, decisions were made on the voluntary settlement of outstanding tax payments;
- in 39 cases, decisions were made on a refusal to agree on the voluntary settlement of outstanding tax payments;
- in 69 cases, applications were left without consideration (if more than six months had lapsed from the notification of the decision on the recovery of outstanding tax payments).

From 1 October 2014 to the end of 2014, the SRS received 12 applications from eight taxpayers which named the embargo imposed by the Russian Federation on food imports as a reason for dividing tax payment in instalments and asked to apply Section 24, Paragraph one, Clause 9 of the Law on Taxes and Duties. The SRS prepared seven positive decisions, two applications were rejected and three applications are being examined. Pursuant to Section 24, Paragraph one, Clause 9 of the Law on Taxes and Duties, the SRS prepared decision on granting the extension of tax payment period for the total amount of EUR 1,426,277.91.

Information on meeting effective indicators in fulfilling the tasks determined in the Strategy for the performance result “Debt recovery effectiveness has been improved” is provided in Table 4.

Table 4

Performance results	Effective indicators		2014	
	name of the indicator	measurement unit	anticipated result	actual implementation
Debt recovery effectiveness has been improved	Average monthly proportion of recovered debts from the actually recoverable debts	%	18.0	22.85
	Changes in the total amount of debt in relation to the previous year	%	-12.0	-0.98

In 2014, the SRS structural units made 113,727 decisions, exceeding the respective figure of 2013 by 17,601 decisions. Whereas, the number of appeal applications and complaints submitted in 2014 was smaller — 2,996, which is 277 less than in 2013. Hence, the number of decisions made as a result of pre-trial settlement of disputes was by 9.% less than in 2013.

Pursuant to Section 41 of the Law on Taxes and Duties, in 2014, the SRS entered into 112 agreements with taxpayers, exceeding the respective figure of 2013 by eight agreements. In 2014, payments determined by the decisions made by the SRS Director General in pre-trial dispute cases, to be made into the budget, amounted to EUR 4,454.24 thousand, whereas payments to be paid into the budget, reduced as a result of signed agreements, amounted to EUR 514.96 thousand, exceeding the respective figure of 2013 by EUR 87.02 thousand.

As a result of decisions made by the SRS Director General in tax dispute cases in 2014, 609 decisions were left intact.

Out of 971 decisions of the SRS Director General favourable for the taxpayer, either fully or partially, 467 decisions or 48.1% were contested.

The proportion of court judgements favourable for the SRS in 2014 amounted to 88.6%, exceeding the respective figure of 2013 by 5.5 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 and ensure the exchange of information regarding high-risk subjects and objects subject to customs control, Action Plan for Cooperation of Baltic States’ Customs Authorities 2014–2016 was developed and approved in cooperation with the customs authorities of the Baltic States;

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

- in cooperation with the representatives of the State Border Guard, 15 control activities were carried out in passenger trains and seven control activities were carried out in Tukums Airport “Jūrmala”;

- in cooperation with the structural units of the State Police in the field of combating narcotic substances, 16 joint activities and one activity with a cash detection dog were carried out;

- in cooperation with the Food and Veterinary Service, control activities were carried out in the EU border-crossing places to prevent the spread of African swine fever virus in the EU by bringing it in along with vehicles and goods;

3) interdepartmental agreements were entered into by and between the SRS and the State Border Guard, the State Police, the Security Police and CPCB on the connection to the Automatic Vehicle and Container Identification System (AVCIS) installed in the CCPs on the RoL State border with the Russian Federation and the Republic of Belarus;

4) interdepartmental agreements were entered into by and between the SRS and the Consumer Rights Protection Centre for the exchange of information necessary for implementing market monitoring activities; between the SRS and the State Police on the procedure for controlling arms, munition, their components and special means; between the SRS and SJSC “Latvijas dzelzceļš” (Latian Railways) on procedures for carrying out customs control in cargo carriages by railway transport;

5) automated information processing was introduced for controlling the data of natural persons — the Natural Person Control Functionality was developed in the Physical Customs Control Unit of the ECDPS;

6) the officials of customs authorities participated in 15 international customs operations (“Gryphon”, “Leopards”, “Snake”, “Ernis”, “Goodeye III”, “Pangea VII”, “Replica”, “Ledus”, “Odysseus”, “Archimedes”, “Haven”, “Black Poseidon III”, “COSMO”, “Noliktava II” and “24-Blue”);

7) Latvia fulfilled the duties of a coordinator within the framework of the international customs operation “ATHENA IV”.

In cooperation with the law enforcement authorities of Latvia, with the participation of SRS customs dog leaders with narcotic detection dogs in control activities, approximately 13.7 kilograms of different types of narcotic substances were seized.

Within the reporting period, SRS customs dog leaders with tobacco detection dogs disclosed 8,847,777 smuggled cigarettes in 234 cases.

In 2014, SRS customs officials, in carrying out customs control activities, established non-declared cash in the amount of EUR 423 thousand in 19 cases, which is 47.1% less than in 2013. The number of cases of disclosed non-declared cash decreased by 42%, 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 2013, the number of submitted cash declarations decreased by 14% in 2014. 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 208 could be applied).

In 2014, SRS customs officials disclosed 32,041 units of counterfeit goods in 33 cases, twice exceeding the respective figure of 2013.

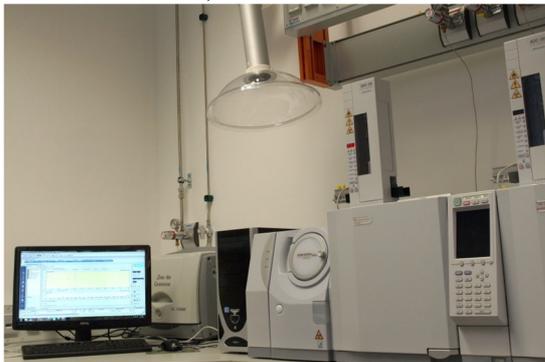


Photo: SRS

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, the performance of which was commenced at the SRS Customs Laboratory in November 2014. 20 expert examinations were carried out by the end of 2014.

Information on meeting effective indicators in fulfilling the tasks determined in the Strategy for performance results “Violations of customs regulations have been disclosed and eliminated” and “Possibility of releasing consumer-hazardous goods for free circulation has been reduced” is provided in Table 5.

Table 5

Performance result	Effective indicators		2014	
	name of the indicator	measurement unit	anticipated result	actual implementation
Violations of customs regulations have been disclosed and eliminated	Proportion of disclosed violations according to the results of risk analysis from all disclosed violations	%	56	49.1
	Proportion of disclosed violations in relation to performed control activities	%	5.0	16.6
	Changes in the number of cases of disclosed counterfeit goods as compared to the previous year	%	+4.0	-7
	Changes in the number of cases of disclosed narcotic and psychotropic substances as compared to the previous year	%	+4.0	+63
	Changes in the number of established cases of non-declared cash as compared to the previous year	%	+4.0	-42
Possibility of releasing consumer-hazardous goods for free circulation has been reduced	Changes in the number of prohibitions for releasing goods for free circulation as compared to the previous year	%	+4.0	-33.2

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 way within the framework of more complicated and voluminous criminal proceedings, three international investigation groups were established in 2014

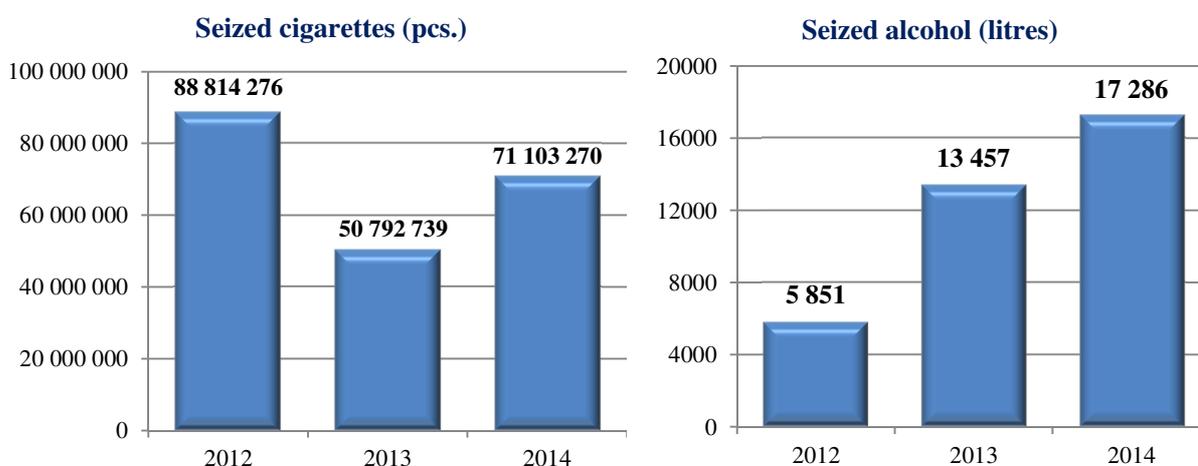
In 2014, 217 criminal proceedings were initiated in the field of State revenues and 272 criminal proceedings were initiated in the field of customs matters, in total exceeding the respective figure of 2013 by 32 criminal proceedings. 15 criminal proceedings were initiated regarding the criminally acquired property. 17 decisions were made on the recognition of property as criminally acquired, as a result EUR 1,077.12 thousand were recognised as criminally acquired, and transferred to the State budget, exceeding the respective figure of 2013 2.2 times.

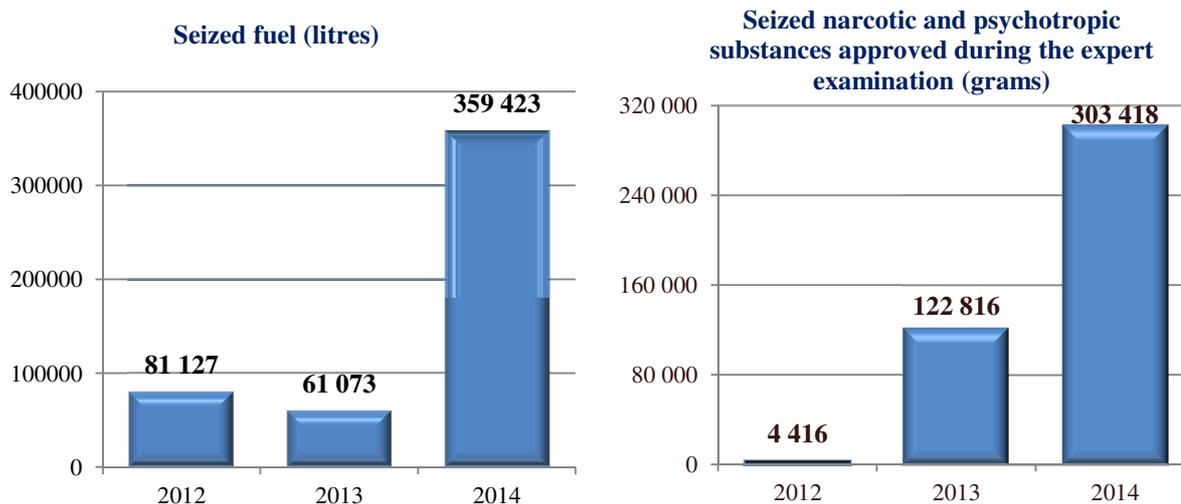
137 criminal proceedings were sent for the commencement of criminal prosecution in the field of State revenues and 89 criminal proceedings were sent for the commencement of criminal prosecution in the field of customs matters, in total exceeding the respective figure of 2013 by 21 criminal proceedings.

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 35,472.15 thousand, exceeding the respective figure of 2013 by 5.2%.

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 2,413.83 thousand, which is 27.3% less than in 2013.

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:





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

1) On 12 May 2014, criminal proceedings regarding the evasion of a legal person from tax payments and other payments equivalent thereto in the amount of EUR 753,773.31 were sent to the Public Prosecutor's Office for the Investigation of Financial and Economic Crimes for the commencement of criminal prosecution.

On 31 July 2014, the Public Prosecutor's Office for the Investigation of Financial and Economic Crimes terminated the referred to criminal proceedings and five persons were recognised as guilty of committing the criminal offence. The total fine applied thereto was 270 minimum monthly salaries (EUR 86.4 thousand). Fines applied by the Public Prosecutor's Office were paid into the State budget in full. In addition, criminal proceedings against a natural person were terminated, determining the recovery of money of 200 minimum monthly salaries (EUR 64 thousand) as a coercive measure. The referred to legal person had compensated for the losses caused to the State as a result of the criminal offence in the amount of EUR 753.7 thousand, as well as paid the recovery of money determined as a coercive measure;

2) On 3 June 2014, criminal proceedings regarding the tax evasion and fraud carried out by a meat processing company in an organised group on a large scale was sent to the Regional Public Prosecutor's Office of Kurzeme Court for the commencement of criminal prosecution. The amount of losses incurred by the State was EUR 488,720.42. It was requested to commence criminal prosecution against twenty persons. Within the framework of criminal proceedings against a legal person, a decision was made regarding the commencement of proceedings for the application of coercive measures to the legal person.

Within the framework of criminal proceedings, one immovable property, one apartment, eleven vehicles and capital shares of four companies were arrested in total.

The most important criminal proceedings initiated in 2014 in the field of State revenues

1) In September 2014, criminal proceedings were initiated regarding tax evasion and forging and hiding of accounting documents in an organised group. In December 2014, as a result of the extensive operation, a criminal system created by an organised group in relation to manipulations with electronic devices and equipment for the registration of taxes and other payments was discontinued. During the investigation of criminal proceedings, it was established that a catering company used special software (malware) by means of which illegal interference in the operation of cash systems was carried out and revenues registered in cash systems were reduced. As a result of the referred to activities, in accordance with the initial calculations, losses of EUR 800 thousand were caused to the State budget during the first six months of 2014. In

arresting the organised criminal group, 30 searches were carried, during which data carriers, cash systems, accounting registers, illegal software and other evidence was seized. Within the framework of the criminal proceedings, over 200 persons were interrogated, nine persons are suspected of tax evasion and forging and hiding of accounting documents in an organised group;

2) In November 2014, criminal proceedings were initiated regarding the fraud committed by several mutually connected persons on a large scale and tax evasion on a large scale, carried out in the territory of RoL and other EU Member States, by organising the execution of transaction documents of several companies for the transactions which had not actually taken place and receiving cash amounts for the transactions which had not actually taken place. Within the period from January 2013 to November 2014, the organised group, using the documents and details of companies at its disposal, evaded tax payments and carried out fraudulent activities, thus causing losses to the State on a large scale, in the amount of approximately EUR 1,371,345.65 (VAT), as well as carried out the laundry of proceeds from crime. Within the framework of the criminal proceedings, 40 searches were carried out, during which cash funds of approximately EUR 1,500,000 were seized. Eight persons were recognised as suspects.

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

1) On 14 April 2014, criminal proceedings regarding the illegal transportation of narcotic or psychotropic substances across the RoL border on a large scale, as well as regarding the illegal acquisition, storage and transportation of narcotic or psychotropic substances on a large scale for the purpose of selling were transferred for the commencement of criminal prosecution. On 4 November 2013, an inhabitant of Latvia imported 20.106 kilograms of hashish in brown rectangular pressed briquettes from Lithuania, hiding them in a vehicle registered in Latvia. As a result of activities carried out within the framework of the criminal proceedings, two tablets containing psychotropic substance MDMA, 9.217 kilograms of hashish and three kilograms of marijuana were additionally seized.

2) On 14 August 2014, criminal proceedings regarding the illegal transportation of narcotic or psychotropic substances across the RoL border on a large scale, as well as regarding the illegal acquisition, storage and transportation of narcotic or psychotropic substances on a large scale for the purpose of selling were transferred for the commencement of criminal prosecution. An inhabitant of Latvia along with his spouse smuggled over 97.581 kilograms of methamphetamine from Lithuania to Latvia, using former CCP Grenctāle and hiding it in the passenger compartment, in a bag with gloves. As a result of procedural activities carried out within the framework of the criminal proceedings, precise scales, spoons, empty bags, several mobile phones and SIM-cards, as well as unlawfully stored hand-made semi-automatic firearm with munition were seized;



Photo: SRS



Photo: SRS

3) On 4 November 2014, criminal proceedings regarding the unauthorised acquisition, storage and transportation of narcotic or psychotropic substances on a large scale for the purpose of selling against a citizen of Latvia, who had hidden 1,321.8 grams of cocaine with its body, going by train Riga-Saint Petersburg on 24 September 2014, were transferred for the commencement of criminal prosecution;



Photo: SRS

4) On 5 November 2014, criminal proceedings against nine persons regarding the smuggling of cigarettes in an organised group on a large scale were transferred for the commencement of criminal prosecution. 6,880,000 cigarettes “Premjer” with the excise duty stamps of the Republic of Belarus, which the group of persons illegally imported into the territory of the RoL from Belarus by hiding from customs control, were seized. On 11 June 2013, smuggled cigarettes were disclosed in the territory owned by a company registered in the RoL in Varakļāni, in the trailer of a truck, under wood chips. The State budget incurred losses of over EUR 1,032.0 thousand.

5) On 12 November 2014, criminal proceedings regarding the smuggling of cigarettes organised by a group of five persons from Russia and Belarus, by using railway carriages with coal to hide cigarettes, were transferred for the commencement of criminal prosecution. 136,000 cigarettes with the excise duty stamps of Belarus and Russia, cash, GPS transmitter, computers with navigation transmitter tracking software, and two vehicles were seized. This group of persons carried out the smuggling of cigarettes for a long period, illegally importing several millions of cigarettes into the State within one year. As a result of thorough work of the SRS Customs Police Department, it became possible to detain the organisers of illegal activities.



Photo: SRS

Information on meeting effective indicators in fulfilling the tasks determined in the Strategy for the performance results “Tax fraud and smuggling have been reduced”, “Activity of organised criminal groups has been restricted” and “Circulation of narcotic substances has been reduced” is provided in Table 6.

Table 6

Performance result	Effective indicators		2014	
	name of the indicator	measurement unit	anticipated result	actual implementation
Tax fraud and smuggling have been reduced	Criminal proceedings transferred for the commencement of criminal prosecution			
	- in the field of State revenues	number	170	137
	- in the field of customs matters	number	85	89
	Changes in the amount of losses established/eliminated within the framework of criminal proceedings transferred for the commencement of criminal prosecution**, as compared to the previous year			
	- in the field of State revenues	%	+20.0	-12.5
	- in the field of customs matters	%	+20.0	-
	Persons against whom it was requested to commence criminal prosecution			
- in the field of State revenues	number	-	231	

Performance result	Effective indicators		2014	
	name of the indicator	measurement unit	anticipated result	actual implementation
	- in the field of customs matters	number	-	104
Activity of organised criminal groups has been restricted	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
Circulation of narcotic substances has been reduced	Amount of seized narcotic substances confirmed during expert-examinations	grams	-	303,417.9407

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 2014:

- to achieve effective adaptation of new employees at the SRS, a mentoring system was developed on 2 July 2014. A training programme “Mentor in the State Revenue Service” was developed and 323 employees were trained within the framework of this programme in 2014;
- SRS Remuneration Policy for 2014–2017 was developed and approved on 1 August 2014;
- documents governing SRS risk management were revised and updated to ensure the implementation of the single SRS risk management policy and risk management process by integrating corruption risk management therein;
- the interconnection of strategic management and risk management was ensured by including measures for eliminating or reducing strategic-level risks in the SRS Performance Plan for 2014 and by implementing these measures;
- the system for the optimal planning and rational use of financial resources was revised;
- a system for registering work hours, which provides information regarding the spent work hours in breakdown by processes, was introduced;
- measures were taken for improving working conditions in CSCs.

To optimise SRS expenses in the field of information technologies, the following activities were implemented:

- seven information systems, the operation of which was discontinued, were liquidated;
- the number of standard software licences was optimised by reducing the expenses for renting Microsoft software licences by 8% and expenses for licence required to operate SRS information system changes management system *Remedy* by 17%;
- along with the move of the SRS to 1 Talejas Street, Riga, in July 2014, 10 connection points to the SRS corporate computer network in Riga were liquidated.

To improve the effectiveness of customs activity — technical equipment was improved:

- new platform scales were installed in Silene CCP, Patērnīeki CCP, Terehova CCP and Grebņeva CCP, and interoperability of scales with the Automatic Vehicle and Container Identification System (AVCIS) was ensured;
- to ensure the work of dog leaders, four working dogs were purchased to substitute old working dogs.

3. Statistics of Services Provided by the SRS

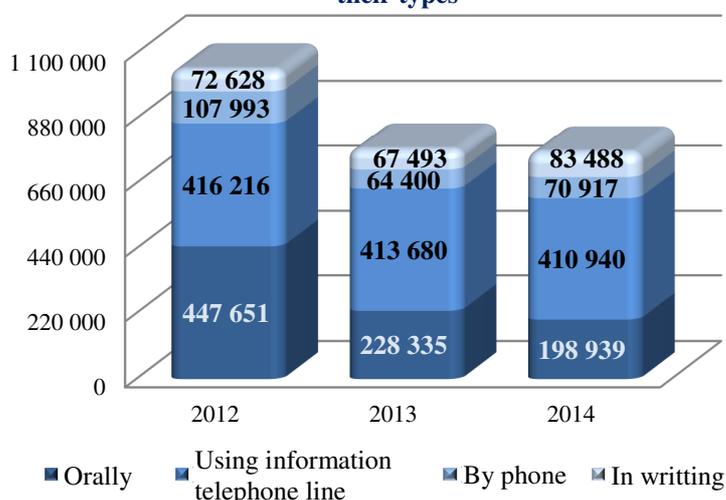
3.1. Total services provided by the SRS

In 2014, SRS clients were ensured of access to 211 public services; moreover, requesting and/or receipt of 183 services was ensured in electronic form.

Table 7

Service	2014	+/- as compared to 2013
Consulting and informing taxpayers and customs clients		
- provided consultations, number	764,284	-9,624
- provided references, number	559	-5
- organised informing activities, number	546	-168
- developed informative materials, number	442	-120
- developed methodological aids, number	62	+17

Number of provided consultations in breakdown by their types



Consultations were provided to taxpayers:

- orally in person at CSCs;
- in writing (in documents or electronically); and
- by phone.

The majority of 764,284 provided consultations, i.e. 54% or 1898 consultations, were provided by using SRS information telephone line.

In 2014, 8,379,203 reports, declarations in the field of taxes and excise duty, as well as customs

documents were received and processed, exceeding the respective figure of 2013 by 1,256,343 documents, including the following:

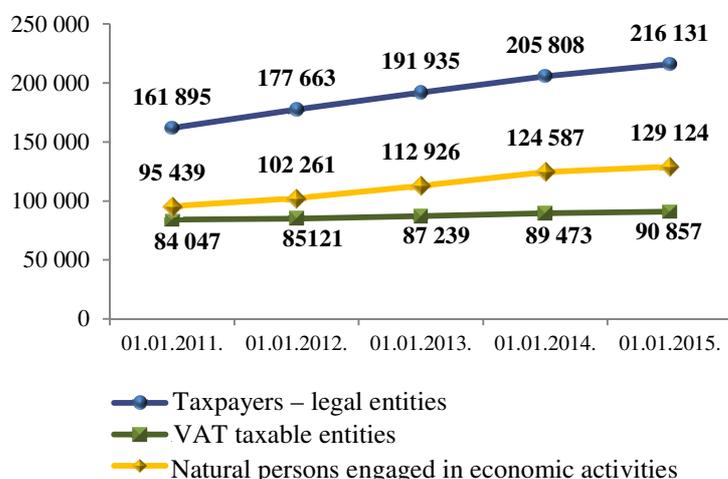
- in the field of taxes — 2,403,112 reports and declarations, exceeding the respective figure of 2013 by 63,829 documents;
- in the field of customs duty — 29,965 reports and declarations, exceeding the respective figure of 2013 by 6,425 documents;
- in the field of customs matters — 5,946,126 customs documents (including 2,497,334 postal item documents), exceeding the respective figure of 2013 by 1,186,089 documents.

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. To ensure additional convenience for taxpayers, an EDS mobile application was developed, allowing to carry out the same activities.

In 2014, 99.4% of legal persons submitted reports and declarations via the EDS, just as many as in 2013. Whereas, the proportion of natural persons who submitted declarations via the EDS reached 44.4%, exceeding the respective figure of 2013 by 12 percentage points. This increase can be definitely related to the improvements made in the EDS to simplify the submission of PIT declaration to the extent possible.

In 2014, 96.9% of the total number of submitted customs documents were drawn up in electronic form. As compared to the previous year, the proportion of documents drawn up in electronic form increased by 7.9 percentage points.

3.2. Tax administration services



The number of taxpayers registered by 1 January 2015, as compared to the respective period of the previous year, increased in all taxpayer segments: the number of legal persons increased by 5%, the number of natural persons who carry out economic activities increased by 3.6% and the number of persons subject to VAT increased by 1.5%.

Refunding of overpaid taxes

Table 8

Indicator	Made refunds of overpaid taxes***			
	2014, million EUR	changes as compared to 2013, million EUR	number of taxpayers in 2014	changes as compared to 2013
VAT collected inland	943.26	-49.98	51.011	+1.197
CIT *	74.40	+3.10	9.386	-912
PIT **	55.48	+3.62	320.931	+12.012

* Amounts refunded from CIT, excluding the amounts refunded from the profit tax debts.

** The refunds paid into the taxpayer accounts in accordance with the results of annual income declarations.

*** VAT and CIT refunds including the refunds of overpaid taxes diverted to other tax payments and refunds of erroneously made payments.

Taking into account EDS improvements carried out on a regular basis and amendments introduced to regulatory enactments, the average period for the approval of overpayments has significantly reduced in 2014, as compared to previous years.

In 2014, the average period for approving overpayments was the following:

- refunding of overpaid VAT — 10 days, which is five days less than in 2013;
- refunding of overpaid CIT — eight days, which is one day less than in 2013;
- refunding of overpaid PIT — 70 days, which is 23 days less than in 2013;

Enhanced cooperation programme

Starting from 7 July 2012, the taxpayers could apply for the status of the participant of the Enhanced 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 easing the administrative burden. By 31 December 2014, the total of 108 applications of taxpayers were received by the SRS. 54 taxpayers were included in the Programme.

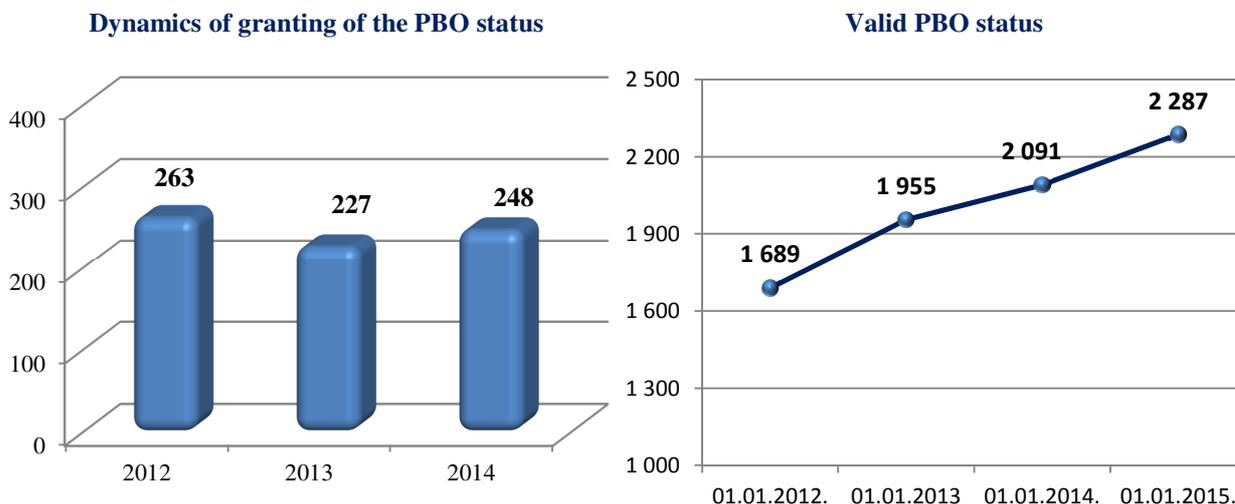
Participants of the Enhanced Cooperation Programme and companies of associations of their industries, with which the SRS entered into cooperation agreements for the promotion of fair competition and settlement of tax payments in the industry, were ensured of access to five new reports on the non-conformity of data specified by these companies and their transaction partners in VAT declarations from the beginning of 2014. Information summarised in reports allows merchants to trace easier whether mutual transactions are correctly reflected in their declarations and declarations of counter parties, timely establishing possible dishonest actions of a counter party and assessing further cooperation with this counter party.

Granting of the PBO status

In 2014, 307 applications were received for the granting of the PBO status. 248 decisions were made on the granting of the PBO status to non-governmental organisations, exceeding the respective figure of 2013 by 21 decisions.

Number of PBOs by the areas of activity:

- charity — 91;
- development of civil society — 85;
- support of sports activities — 84;
- promoting culture — 51;
- increasing the welfare of the groups of poor and socially less protected persons — 27;
- environmental protection — 14;
- promoting education — 6;
- protection of human rights and individual rights — 4;
- promoting science — 4;
- providing assistance in the event of catastrophes and emergency situations — 3;
- promoting health — 10;
- disease prevention — 3.

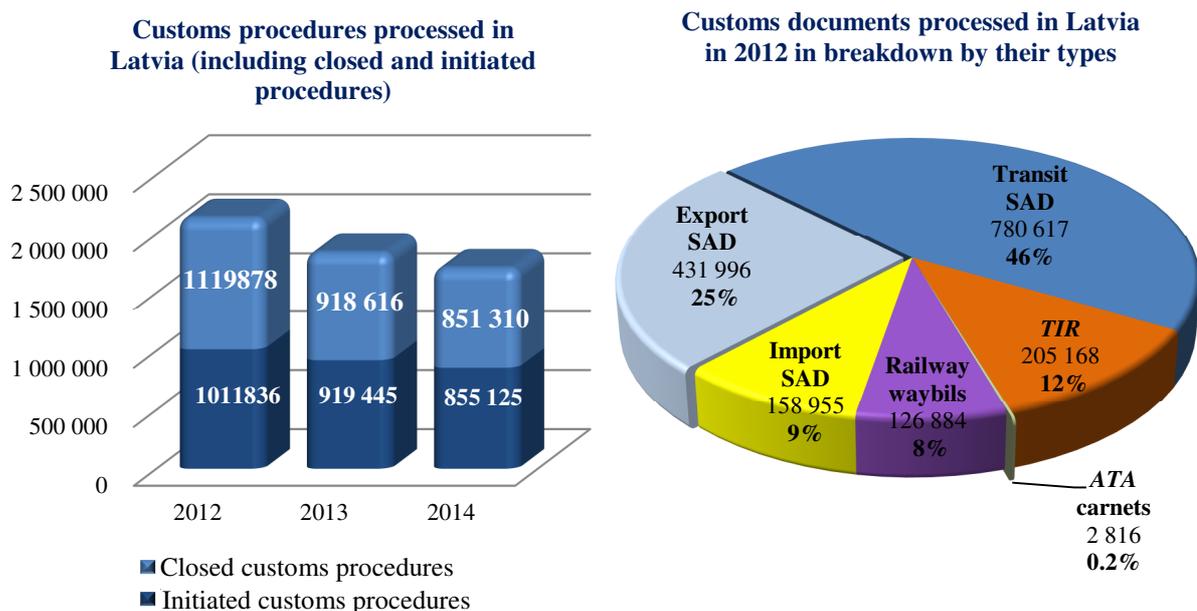


3.3. Customs services

Processing of customs procedures

In 2014, 431,995 export customs declarations were drawn up (initiating and terminating the procedure) in Latvia, exceeding the respective figure of 2013 by 1.5%. In accordance with the information of customs declarations, the total value of goods exported in 2014 amounted to EUR 2.99 billion, which is EUR 84.8 million or 2.8% less than in 2013.

The number of drawn-up import customs declarations for releasing goods for free circulation in 2014 was 158,955, which is 6.8% less than in 2013. The total statistical value of goods imported for releasing for free circulation in 2014 amounted to EUR 2.56 billion, which is EUR 113.5 million or 4.2% less than in 2013.



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 2014, Latvian merchants submitted 577 tariff quota applications, and in 32 cases — after the release of the goods for free circulation. The requested tariff quotas were granted in full in 571 cases and partially in two cases, rejections due to the exhaustion of the requested quotas were issued in four cases. As a result of post-customs clearance inspections of customs declarations, amounts granted for two tariff quota applications were transferred back to the EC.

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 (Table 9).

Table 9

Name of permit	Total number of valid permits (statuses) as of 31 December 2014	+/- as compared to 2013
Permits for simplified procedures (number)	56	+3
Permits for the use of the status of an authorised consignee and authorised consignor (number)	86	+3
AEO certificate	20	+2
Permits to the activities of customs brokers (number)	80	+6
Permits for maintaining the places of temporary storage of goods and permits for maintaining customs warehouses (number)	169	+2

3.4. Services in the field of excise goods circulation

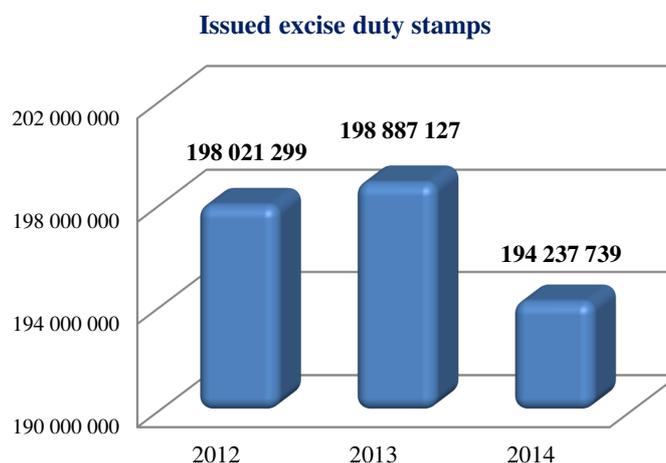
In 2014, 1,533 licences, permits, statements and certificates were issued for business activities with excise goods and 1,602 of these documents were renewed.

Due to the established violations of regulatory enactments, 669 licences, permits, statements and certificates were annulled and suspended in 2014.

As of 31 December 2014, the total number of valid licences, permits, statements and certificates in the field of excise goods circulation was 11,201.

In order to enable merchants to handle excise goods and to make use of the deferred excise duty payment, in 2014, the SRS issued and renewed the registration of 657 excise duty general and one-time security certificates.

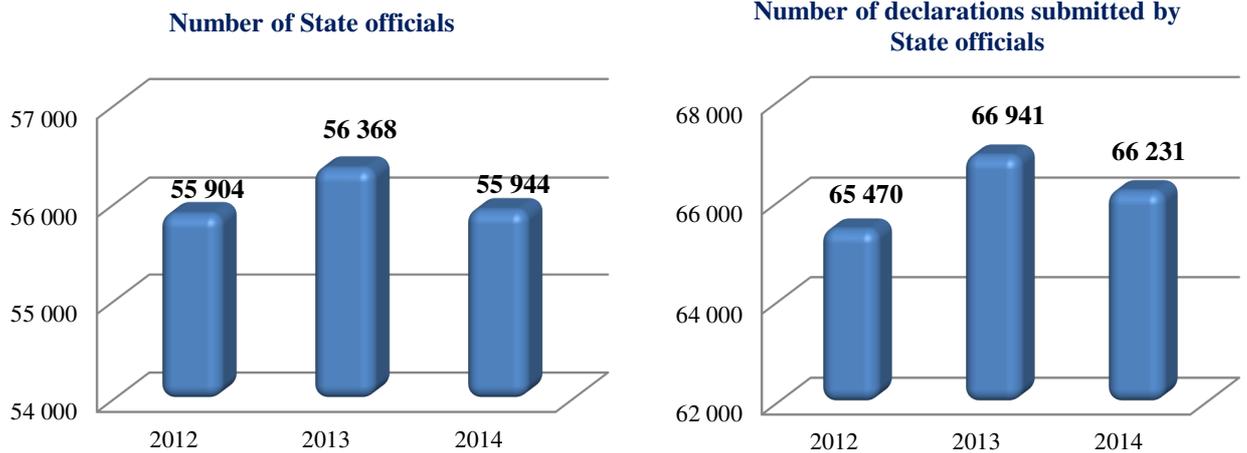
In 2014, the total number of 194,237,739 excise duty stamps were issued, including 92,855,670 excise duty stamps for labelling alcoholic beverages and 101,382,069 excise duty stamps for labelling tobacco products.



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

As of 31 December 2014, 55,944 State officials were registered in the country, which is 1% less in 2013.

In 2014, the total number of declarations submitted to the SRS by State officials was 66,231 and 7,958 lists of State officials and amendments to them were also submitted to the SRS.



3.6. Paid services

Selling of strict accountancy seals

The service is provided in accordance with Cabinet Regulation No. 778 of 10 September 2006 “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. 29,970 strict accountancy seals were sold in 2014 for the amount of EUR 2,098.

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. 10,200 wire-type customs security seals were sold to merchants in 2014 for the amount of EUR 3,060.

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. 1,000 customs security stickers were sold in 2014 for the amount of EUR 170.

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 for providing a report on the conformity of marked (labelled) oil products to the requirements of regulatory enactments of the RoL. In 2014, EUR 17,847 were collected for the provision of 574 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 2014, the State fee on all the services provided by customs authorities was paid into the State budget in the amount of EUR 40,524.31, which is 40.2% less than in 2013.

4. Financial Resources and Their Use

4.1. State budget funding and its use

Pursuant to the Law on State Budget 2014 and orders of the Minister for Finance of 2014, in 2014, 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.

The total funding allocated to the SRS in 2014 and its use, EUR

Table 10

No.	Financial indicator	2013 (actual implementation)	2014	
			approved in the Law and order of the Minister for Finance	actual implementation
1.	Covering of financial resources expenses (total)	93,644,860	110,996,061	107,773,133
1.1.	subsidy	93,024,192	110,235,576	107,327,648
1.2.	paid services and other own revenues	103,382	132,549.	66,266
1.3.	foreign financial assistance	517,286	613,460	365,415
1.4.	transfers	-	14,476	13,804
2.	Expenses (total)	93,917,145	113,770,050	107,940,310
2.1.	maintenance expenses (total)	84,695,561	95,344,312	92,585,612
2.1.1.	regular expenses	84,695,561	95,336,420	92,577,720
2.1.2.	transfers of maintenance expenses	-	7,892	7,892
2.2.	expenses for capital investments	9,221,584	18,425,738	15,354,698

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

The State budget funds allocated to the SRS in 2014 were used in the amount of EUR 107,940 thousand or by 94.9% 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 2014 were used in the amount of EUR 105,574 thousand or by 97.4% of the planned funding.

Table 11

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 figures)	Deviation of fulfilment in the reporting period from the plan (percentage)
Total revenues of administered taxes and fees (million, EUR)	7,096.60	7,084.05	-12.55	-0.2
VAT (million, EUR)	1,779.93	1,803.71	23.78	1.3
Excise duty (million, EUR)	746.55	748.59	2.04	0.3
CIT (million, EUR)	403.94	354.836	-49.10	-12.2*
PIT (million, EUR)	1,361.89	1,388.58	26.69	2.0
MSSIC (million, EUR)	2,223.69	2,230.68	6.99	0.3
Other tax and non-tax payments	580.59	557.65	-22.94	-4.0

Failure to fulfil the plan for the collections of total budget revenues administered by the SRS in 2014 was mostly influenced by the failure to fulfil the plan for the collection of CIT, which could be explained by the decrease in CIT payments in 2014 by EUR 4.56 million or 1.1% and by the increase in refunds by EUR 3.10 million or 4.3% as compared to 2013.

Table 12

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 figures)	Deviation of fulfilment in the reporting period from the plan (percentage)
Excise duty stamps issued for alcoholic beverages, thousand pcs.	85,000.0	92,855.7	7,855.7	9.2
Excise duty stamps issued for tobacco products, thousand pcs.	112,000.0	101,382.1	-10,617.9	-9.5

2) The state budget funds allocated under the sub-programme 62.07.00 “Local Government and Open Tenders Financed by the ERDF (2007–2013)” in 2014 were used in the amount of EUR 728.9 thousand or by 87% of the planned funding. Within the framework of the sub-programme, the implementation of the project “Development, Improvement and Maintenance of the Electronic Customs Data Processing System (ECDPS)” and the project “Adaptation of Information Systems of the State Revenue Service for the Introduction of Euro” in compliance with the activities planned in 2014;

3) The state budget funds allocated under the sub-programme 67.06.00 “Implementation of the Projects and Activities of the Basic Programme “Safety and Guaranteeing of Freedoms” (2007–2013)” in 2014 were used in the amount of EUR 2.8 thousand or by 80.7 % of the planned funding. Within the framework of the sub-programme, an SRS official was ensured of the payment of remuneration in accordance with the Grant Agreement No. HOME/2012/ISEC/AG/PNR/4000004443 signed with the EC Directorate General for Home Affairs for consultations provided 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) The state budget funds allocated under the sub-programme 70.06.00 “Other Projects and Activities Funded by the European Union Policy Instruments” in 2014 were used in the amount of EUR 0.73 thousand or by 33.9 % of the planned funding. Within the framework of the sub-programme, business trips of SRS employees were ensured within the framework 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) The state budget funds allocated under the sub-programme 70.07.00 “Implementation of Other Projects and Activities of the European Union Policy Instruments” in 2014 were used in the amount of EUR 11 thousand or by 100 % of the planned funding. Within the framework of the sub-programme, business trips of SRS employees were ensured within the framework of the project “Compensation for Transport Costs of Latvia’s Representative, when Visiting the Meetings of Working Groups of the Council of the European Union and Meetings of the Council”;

6) The state budget funds allocated under the sub-programme 73.06.00 “Financial Resources Allocated Within the Framework of Agreements between the European Commission (with Participating Member States) and Tobacco Manufacturers” in 2014 were used in the amount of EUR 302 thousand or by 10.8% of the planned funding.

Within the framework of foreign financial assistance resources allocated under the activity “Japan Tobacco International” for promoting the fight against cigarette smuggling and production of counterfeit cigarettes in 2014, customs technical equipment was acquired for operational needs in order to provide the funding of different activities in combating cigarette smuggling. In 2014, several other procurements were commenced. Taking into account that supplies are of specific nature, voluminous and time-consuming, the signing and execution of agreements will be continued in 2015. Within the framework of the sub-programme, the use of funding allocated to the SRS (2010–2013) for the projects “Japan Tobacco International”, “British American Tobacco” and “Imperial Tobacco Limited” will be continued in 2015;

7) The state budget funds allocated under the sub-programme 73.07.00 “Projects Financed by the European Community for the Improvement of Internal Market of Tax and Customs System” in 2014 were used in the amount of EUR 217.6 thousand or by 42.5 % of the planned funding. 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 2015.

In 2014, the budget of “Fiscalis 2020” Programme was used to ensure the participation of total of 108 SRS employees in 65 events in foreign tax administration concerning tax administration issues. The budget of “Customs 2020” Programme was used to ensure the participation of 102 SRS employees in 48 events concerning customs issues. In July 2014, the work flow planning meeting of the Land Border Contact Group and the plenary meeting of the Land Border Contact Group took place in Riga within the framework of “Customs 2020”, and the 16th meeting of the Cash Control Project Group took place in September 2014. In October 2014, a working seminar “Lists of concurrently prohibited goods for increasing safety and security and improving control measures” was organised in Riga;

8) The state budget funds allocated under the sub-programme 73.08.00 “Projects Implemented by the State Revenue Service in the Area of Protecting Fiscal Interests” in 2014 were used in the amount of EUR 108.8 thousand or by 49.6 % of the planned funding. Within the framework of the sub-programme, the implementation of the project OLAF/2014/D5/003 “Technical support for the acquisition of customs special technical equipment for carrying out customs control” (acquisition of special technical equipment — metal detectors for detecting cigarettes in cargo trains (6 pcs.), endoscopes (10 pcs.), density meters (5 pcs.) and telescopic chambers (5 pcs.) for carrying out customs control) of the *Hercule II* programme;

9) The state budget funds allocated under the sub-programme 96.00.00 “Ensuring the Latvian Presidency of the Council of the European Union in 2015” in 2014 were used in the amount of EUR 49 thousand or by 79 % of the planned funding. Within the framework of the programme, the creation and maintenance of one position was ensured; moreover, additional payment for the fulfilment of additional duties was ensured to SRS employees, who were involved in ensuring the preparation of the Latvian Presidency of the Council of the EU in 2015;

10) The state budget funds allocated under the sub-programme 99.00.00 “Use of Funds for Unforeseen Events” in 2014 were used in the amount of EUR 944.9 thousand or by 99.9 % of the planned funding. Within the framework of the programme, the implementation of measures for preventing the African swine fever in places of sale of food and animals and border control points on the external border of the RoL; moreover, allowances were paid in relation to the death of the SRS official.

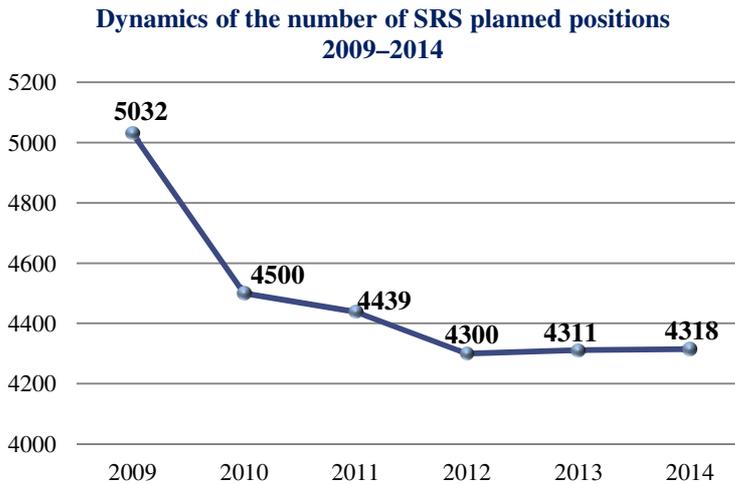
4.3. New policy initiatives

The Cabinet of Ministers, in examining NPIs, i.e., measures complying with the national development plan and other development planning documents, and measures for which conformity to development planning documents is not assessed, or ACBM, decided to approve funding for the implementation of the following SRS NPIs and ACBM in 2014 (Table 13):

Table 13

No	NPI/ACBM name	Funding allocated in 2014 (EUR)
1.	NPI “Radical Actions for Combating Informal Economy in the Field of Tax Administration and Customs Matters”	3,584,471
2.	NPI “Introduction of New Single Requirements of EU Customs Union”	1,288,166
3.	NPI “Reduction of Administrative Burden for SRS Clients by Improving the Availability and Quality of E-Services Provided by the SRS”	2,570,358
4.	ACBM “Increasing the Minimum Monthly Salary up to EUR 320 on 1 January 2014”	626,224
5.	ACBM “Levelling of the Monthly Salary as from 1 January 2014”	141,590
6.	ACBM “Motivation of SRS Officials Who, in Fulfilling Their Duties, Are Subject to Real Life or Health Risk (Ensuring Health Insurance)”	226,023
7.	ACBM “Compensation for Increase in Electricity and Utility Payments”	193,777
8.	ACBM “Representation of Economic Interests of Latvia in the Events Organised by the Organisation for Economic Co-operation and Development (OECD)”	21,343

5. Personnel



At the end of 2014, the total number of positions held by SRS employees and officials was 4,318, whereas the actual average number of filled positions was 4,040. The proportion of positions held by State civil servants of the total number of filled positions was 86% and 14% were filled by other employees.

Of the total number of filled SRS positions, 96% of employees have higher education degrees.

In 2014, the SRS employed 316 civil servants and employees, whereas 370 civil servants and employees were dismissed. Hence, the turnover of the personnel was 7.94%.

The average age of SRS employees in 2014 was 42 years. In breakdown by the age groups: 15% of employees were in the age up to 30 years, 28% — in the age between 31 and 40 years, 28% — in the age between 41 and 50 years, 13% — in the age of between 51 and 55 years, and 17% of employees were in the age group over 56 years.

Of the total number of filled SRS positions, 74 % were held by women and 26% — by men.

In 2014, the length of service was less than one year for 6% of the total number of SRS employees, 1–4 years — for 9% of employees, 5–10 years — for 28% of employees, 11–15 years — for 19% of employees, and over 16 years — for 37% of employees.

The average monthly salary of SRS employees in 2014 amounted to EUR 954 (gross), exceeding the respective figure of 2013 by 2.3%.

334 SRS employees received awards granted by the SRS and the Ministry of Finance for professional, honest and selfless work, significant personal contribution in the SRS development and fulfilment of objectives in 2014.

Disciplinary punishments in 2014 were applied to 64 SRS civil servants and employees for violations, of them the disciplinary punishment — reproof — was applied to 34 civil servants and employees, reduction of salary — to 17 persons, down-grading — to one person, and 12 persons were dismissed.

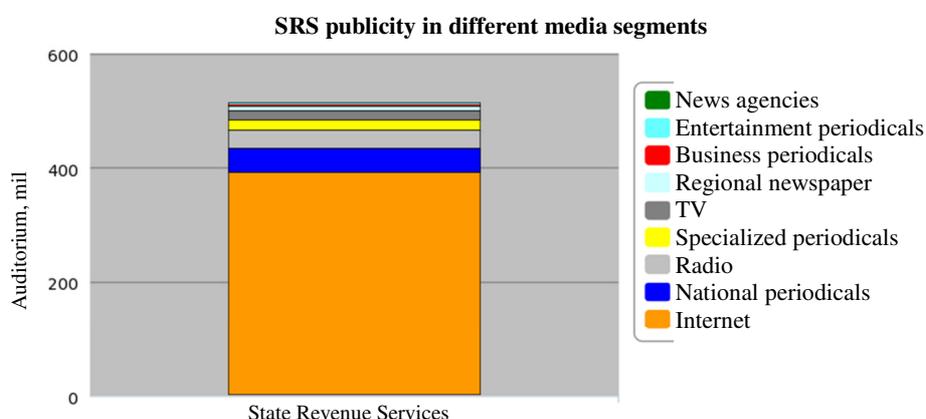
In 2014, the SRS employees took part in 560 various training events (courses, seminars) 7,536 times, which exceeds the respective figure of 2013 by 7.9%. The average time spent in training was 9.3 hours per participant. The main training themes were: customs issues — 34%, tax issues — 23%, and IT issues — 9%.

6. Communication with the Public

The communication function plays a highly crucial and important role in the SRS activity, since the level of voluntary settlement of tax payments 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 population in the media 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. 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 2014, the total number of 8,000² articles, interviews and other publications were published in mass media (printed, Internet and social mass media, radio, television) on the topics important for the SRS. In general, in analysing the volume of SRS publications in 2014, the widest audience was covered by using Internet mass media (including social mass media), followed by national periodicals and radio.



In extending the volume of available communication channels, in addition to social mass media accounts on *Youtube.com*, *Flickr.com* and *Twitter*, the SRS account was created on the social platform *Facebook* on 28 January 2014 and on *www.draugiem.lv* on 27 May 2014.



Photo: SRS

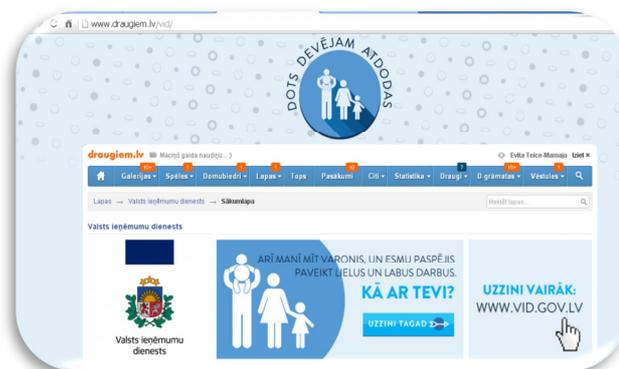


Photo: SRS

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

² According to the data of the analysis publicity tool “MediANA”.

simplify the process of finding and obtaining information necessary for taxpayers; hence, in 2014, intensive work was commenced on the development of the new SRS website. It is planned that the new, modern and user-friendly SRS website with improved functionality and visual design will be available to the public at the beginning of 2016 already. 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.

New administrative building of the SRS

On 26 June 2014, the SRS administrative complex at 1 Talejas Street, Riga, was officially opened and consecrated in the presence of the President, leading officials of the Ministry of Finance and the SRS, cooperation partners and SRS employees.



Photo: SRS



Photo: SRS

The opening and consecration of the building took place during the solstice, therefore the classic ribbon cutting was successfully replaced with the scrolling of Lielvārde belt and jointly expressed and sang protective and strengthening blessing words for the new building and its employees. It is important that Lielvārde belt was used in the ritual and it will be kept with the SRS.

Participation in informative and educational events

In 2014, 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 February, an educational seminar was organised at Mārupe Secondary School, providing information regarding the field of customs cynology of Latvia and its development, as well as staging the search of narcotic substances with a working dog;
- in March, a meeting was organised with the representatives of the Bank of Latvia in order to become acquainted with their experience on the possibilities of implementing public education projects on tax issues by developing and including these topics in the programmes and training aids of general education schools;
- E-skill Week was organised by the Information and Communication Technology Association of Latvia and the MEPRD on the use of the EDS (on 25 March — in Smiltene, on 27 March — in Salaspils and on 26 March — in Riga Maternity Home, where a video-conference was organised on the possibilities of using EDS for future and current parents);
- in April, an education seminar was organised at Kuldīga Centre Secondary School on the harmful influence of narcotic substances, possible consequences which may occur as a result of use thereof, as well as liability for the storage, use or selling of narcotic substances;
- in April and May, within the framework of the campaign “Back to School 2014”, leading SRS officials and employees of different structural units visited the selected schools

across Latvia and acquainted pupils of different age with the work at the SRS, interesting aspects of daily routine of each profession, necessary knowledge and skills, and answered the questions of pupils, thus promoting the understanding of the areas of SRS activities and tasks to be fulfilled, as well as promoting the interest of young people in the SRS as the future place of work;

- in May, the SRS representatives traditionally participated in the safety festival organised by the State Police and its partners for families with children “Adventure Summer 2014”, educating the participants of the event about the conditions of safe travelling, and acquainted with the special equipment and transport of employees of mobile customs units. SRS dog leaders with drug and tobacco detection dogs staged the search of narcotic substances with the person and in the luggage, as well as showed how obedient “four-legged employees” were.



Photo: SRS



Photo: SRS

- in October, the SRS Director General Ināra Pētersone visited the 1st term students of IBCI and acquainted them with the functions of the structural units of the Service, as well as informed about the advantages provided by the work at the SRS to young people;

- in October, within the framework of the Open Door Day organised by the State administration in different SRS structural units across Latvia — client service centres, mobile excise goods laboratory, Customs Laboratory, Finance Police Department, as well as several customs control points — the students and teachers of over 550 higher education institutions, vocational education institutions and schools visited these events to meet SRS employees and find out about the daily work of the institution. The SRS offered a diverse programme: presentations, lectures, displays, as well as answers to the questions asked by visitors about the SRS;

- in October, the SRS participated in the Career Day of Alberta College with an extensive presentation on the structure, functions and employees of the SRS, as well as work and practice opportunities at the SRS;

- in December, the Ministry of Finance and the SRS launched an informative campaign “Dots devējam atdodas” (“Given to the Giver Shall Return”). The challenge of the campaign was to promote one of the principal duties of the inhabitants of Latvia — honestly paying taxes, changing the way of thinking and attitude of the society and improving inhabitants’ understanding of the importance of honest settlement of tax payments for the long-term development of the country and improvement of the welfare of inhabitants.



Photo: SRS

Awards received in 2014

- On 13 November, the SRS received an award granted by the Employers' Confederation of Latvia as "The Most Effective and Employer-Friendly State Institution";
- On 11 December, the project "Development of the Electronic Customs Data Processing System" proposed by the SRS received the Latvian Information and Communication Technologies Award "Platīna pele 2014" (Platinum Mouse 2014). In turn, "Taxpayer Notification System in the Electronic Declaration System" was noted with a certificate of appreciation for excellent performance;
- The SRS was awarded the title of "eSubscription Champion" 2014 by SJSC "Latvijas Valsts radio un televīzijas centrs" (State Radio and Television Centre of Latvia). In 2014, the SRS signed 358,462 documents with a secure electronic signature.



Photo: SRS Award of the Employers' Confederation of Latvia



Photo: VID Award of the Information and Communication Technology Association of Latvia.



Photo: SRS Award of the SJSC "Latvijas Valsts radio un televīzijas centrs" (Latvia State Radio and Television Centre)

Cooperation with the non-governmental sector

- active participation in the operation of the Consultative Council in the Field of Taxes, Customs and Entrepreneurs Consultative Council and SRS Excise Duty Consultative Council;
- regular meetings with the Employers' Confederation of Latvia, Latvian Chamber of Trade and Industry, and Latvian Tax Consultant Association;
- four new cooperation agreements/memoranda of understanding were signed — with the societies "Farmers' Saeima", "Latvian Association of Maintenance Services, Sellers and Manufacturers of Cash Registers and Systems", "Business Software Alliance" and Board of Rēzekne Special Economic Area;
- regular meetings with local governments (Ventspils, Valmiera, Gulbene, Jelgava, Līvāni, Ogre, Talsi, Kuldīga, Rēzekne, Tukums, Daugavpils, etc.), entrepreneurs and mass media representatives;
- in the field of excise duty, events were organised with the Latvian Fuel Traders Association, Union of Fuel Traders and Manufacturers, Association of Manufacturers of Tobacco Products, Latvian Association of Alcohol Industry, Traders Association of Latvia, Employers' Confederation of Latvia and Latvian Federation of Food Enterprises on the issues of excise goods circulation and monitoring;
- 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.

7. Activities Planned in 2015

Activities commenced in 2014, which will be continued

In improving the EDS, the following activities are planned:

- to include information from the State information system “State Cadastre Information System of Immovable Properties” of the State Land Service in the declaration of a State official;
- to introduce a structured annex to the annual report of companies;
- to ensure an opportunity to automatically prepare and pay a tax invoice;
- to inform taxpayers — to send a notification regarding inclusion in the group of the riskiest taxpayers;
- to develop solutions for informing taxpayers about the deadlines of current payments;
- to introduce the structured new forms of lottery and gambling tax reports;
- to provide employers with a report on closed and annulled sick-leave certificates (information will be received from the NHS E-Health System);
- to ensure an opportunity to submit tax and informative declarations prior to the end of the taxation period;
- to provide information regarding the plan for submitting declarations, which the taxpayer must submit according to the information at the disposal of the SRS;
- to introduce the automatic warning of taxpayers about failure to submit declarations;
- 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 simultaneously submit several documents to be submitted in the EDS;
- to ensure the updating and quick operation of information depiction provided in the TDS;
- to adjust the system to the groups of different users with a specific and personalised interface and tools (for instance, manager, accountant, micro-enterprise, natural person, etc.);
- to improve the system, ensuring that users can use information received from institution regarding the positions held by State officials (lists of State officials submitted to the SRS) for completing Clause 1 “Declaration Submitter’s Data” of the State official’s declaration;
- to fulfil requirements of the Public Procurement Law — to develop a report on the average hourly tariff rates in the relevant group of professions;
- to include information from the State Commission of Physicians for Health and Work Capacity Examination, and administration of the Maintenance Guarantee Fund in the electronic salary tax booklet.

In improving the field of customs, it is planned to continue developing the ECDPS, which will simplify and improve customs clearance process, reducing the time and costs required to settle customs formalities for both merchants and State institutions;

- to introduce an e-service for making tax payments in online mode, using the portal www.latvija.lv;
- to introduce a new functionality 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;
- to ensure opportunities for clients to carry out exportation customs procedure remotely;
- to ensure an opportunity for customs clients to electronically submit adjustments to import customs declarations pursuant to the post-customs clearance procedure;
- to introduce a new functionality for the electronic submission and execution of a re-exportation notice;

- the commenced works will be continued for implementing the SRS information system modernisation project — to introduce the provision principle in the tax accountancy, carrying out situation analysis, it is planned to develop an improved process of administering State and local government budget payments, which is required to develop procurement documentation.

SRS priorities for 2015

In order to achieve the aims set in the SRS Performance Strategy for 2014–2016 and fulfil SRS tasks in an effective manner, as well as to ensure the rational use of SRS resources, the following SRS priorities have been approved for 2015:

- 1) improving client service and provided services, taking into account the results of client satisfaction survey;
- 2) improving preventive and control measures, reducing tax wedge amounts to the extent possible;
- 3) ensuring public 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 CSCs by implementing the common principles of premises selection and visual design; developing CCPs by ensuring necessary technical equipment for taking customs control measures;
- 6) professional improvement of SRS employees and officials 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 RoL citizens residing abroad.

Several international-level events and tasks must be mentioned:

- On 1 January 2015, Latvia will become the presiding country of the European Union for six months and will manage the work of the Council of the European Union, committees of the permanent representatives or EU Member States' ambassadors, as well as the working groups, including the customs working group;
- measures on joining the OECD — OECD surveyors will visit Latvia and the SRS to provide their assessment on the application of national legal acts in the practice and their compliance with OECD recommendations;
- Implementation of the European Union's Customs Code by ensuring the establishment of a customs and trade electronic environment in compliance with the Electronic Customs Multi-Annual Strategic Plan by 2020;
- Implementation of the European multi-disciplinary platform against criminal threats and the Operating Action Plan for 2015–2017.

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 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:

“Your duty is to be honest taxpayers, ours — to provide professional services!”