



State Revenue Service  
Republic of Latvia

VALSTS IENĒMUMU DIENESTS

**PUBLIC**  
**report**  
**2022**

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# DIRECTOR GENERAL'S OPENING STATEMENT

## Dear taxpayers, cooperation partners, and colleagues



Last year was another turning point – the moment Latvia started to recover from the pandemic, we were shaken by Russia's cruel war in Ukraine.

I am proud of our country – we have clearly expressed our support for Ukraine since the first day of the war, encouraging and participating in important decision-making areas in the international arena. State institutions, including SRS, were able to quickly, creatively, and uncompromisingly re-plan the work of the system to aid both Ukraine and Ukrainian war refugees in Latvia and do everything possible to ensure compliance with sanctions and isolate Russia from the European economy. The speed and persistence in which the civic aid movement arose at the level of non-governmental organisations, companies, and private individuals is unprecedented in Latvia! I can surely say that in this sense, Latvia stands out as a tough, united country that was able to adapt quickly to new conditions and to stand on the right side of history. Thanks to everyone who gets involved, finds strength, and does not tire!

During 2022, the final year of our institution's previous strategy plan, we worked on the new 2023–2026 strategy in parallel. The courage and work of SRS employees culminated in attracting funding from the European Commission, which allowed us to develop the new strategy in an unusual way – in cooperation with independent (and sometimes ruthless) partners, valuable expertise, and a road sign from outside. The international audit company PricewaterhouseCoopers allowed us to look at international practice and know-how in tax and customs matters, but the development of the strategy itself took place in close cooperation with many of you – the social partners of Latvia.

In terms of tax collection, 2022 bore fruit that was carefully cultivated during the previous period. We see that voluntary tax payments are slowly, year by year, becoming a more self-evident attitude, and we provide people with the best possible support to do this. Completion of the annual tax return currently requires just a few clicks: 99% of our services are digital. In this, external auditors compare us with Nordic countries, and our consultants are constantly praised by clients for their kind and direct communication. Meanwhile, our other function as supervisor remained unchanged in terms of priorities: reduce undeclared wages, Value Added Tax (VAT) fraud, smuggling of excise goods and drugs, and money laundering. I would like to highlight the work with VAT specifically – Latvia is currently one of the top 5 countries in the European Union with the smallest "VAT gap". To be able to continue tax collection even more successfully, we look forward to the commitment of Saeima (Parliament), as the legislative body elected by the nation, to implement simplification and updating of tax policies. This is an important next step to make payment of taxes for inhabitants and our work as tax collectors more efficient.

However, it would not be fair to ignore another milestone in 2022, which made this a difficult year for the SRS – an unpleasant but much-needed transition for all of us. The fight against internal corruption in SRS reached its historic peak: last year, 20 criminal proceedings were initiated, 15-year-old schemes by dishonest employees were liquidated, and the largest arrest and conviction of dishonest officials in the history of Latvia took place in which prison sentences were imposed. Yes, it is making waves in the public sphere, including in politics. This sword is double-edged – on the one hand, it is work that must be performed for the sake of Latvia's competitiveness and growth; on the other hand, it is a severe blow to the institution's reputation. Could we clean house and avoid the public eye? No, not in a democratic country and especially not in matters of corruption. This is not and should not be possible. However, I am sure that I have managed to create an internal security monitoring system in SRS that catches dishonest officials and hands them over to law enforcement, preventing them from further developing their harmful plans.

What does SRS expect next year? In addition to our regular work, the company segmentation practice introduced will also be implemented for natural persons. The experience of a person's interaction with the institution will become increasingly effective, more meaningful, and, therefore, more pleasant. Remnants of historical Soviet-style communication with warnings and punitive language is considered inappropriate. It is necessary to continue the segmentation of businesses so that they can easily ascertain which segment they are in, which can motivate them to build more honest relations with the state and reduce the shadow economy. Additionally, development of digital services should be continued; although many have been implemented, supporting information technology (IT) systems are outdated, fragmented, and sometimes unstable, which puts obstacles in our services.

Together, we are building an even better Latvia, and cooperation is the keystone to this process. I would like to thank everyone who has helped improve our work through both constructive criticism and by saying "thank you"!

**IEVA JAUNZEME**

SRS Director General

# 2022 FACTS

In tax administration, preventive work has given increasingly better results. SRS has developed and implemented effective methods on how to work with businesses and inhabitants who do not fulfil their tax obligations on time.



Individual work with company and inhabitant declarations prevented losses to the state

.....> **71.77 million EUR**  
declared additional VAT and unrefunded VAT for unsubstantiated claims

.....> **9.5 million EUR**  
declared additional capital gains tax

Company segmentation was introduced during the previous strategy period. SRS used a risk-oriented approach: as a result, a company that was an honest taxpayer could be sure that the SRS would not interfere and would not initiate direct control measures. We see results in the public sphere - such previous accusations have disappeared.

In 2022, the need for coercive methods decreased as more and more businesses decided to pay their tax debts voluntarily by instalment rather than avoid payment altogether.

PLANNED



**23.1 million EUR**  
voluntary payment from businesses

**BY COMPARISON**  
**2019:**  
15.2 million EUR

SRS established a practice to prevent 'phoenixing' and non-payment of tax debts that made it possible to detect cases of business transfer and recover taxes.



**175**

detected business transfer cases



**25.1 million EUR**

recovered taxes

**BY COMPARISON**  
**2021:**  
87 decisions and  
20.3 million EUR

SRS is the biggest controller of sanctions against Russia in Latvia and advises other countries. Remember, Latvia protects the longest and busiest European land border with Russia and Belarus.

Since the start of the Russian war in Ukraine:

**3,788**  
freights rejected

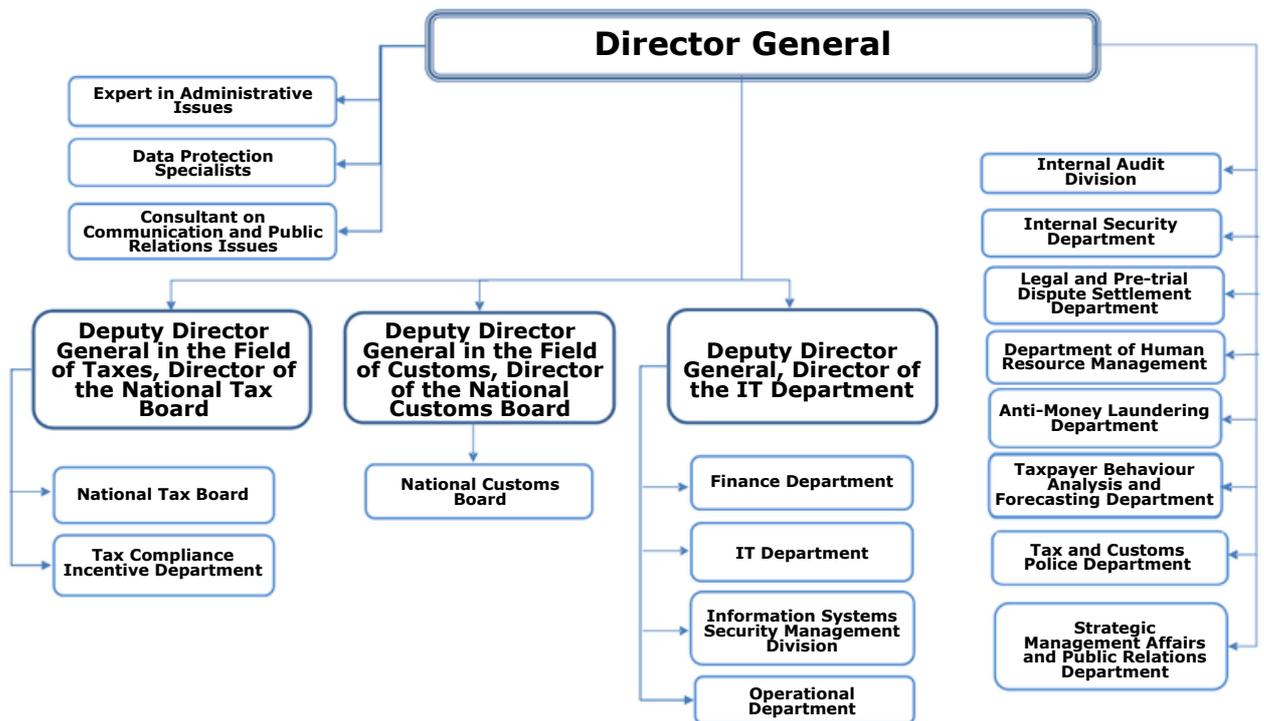
**~ 159**  
criminal proceedings for sanctions violations

# BACKGROUND

## SRS Legal Status and Structure

SRS is a direct administration authority under the supervision of the Minister for Finance and ensures accounting of tax payments and taxpayers; collection of State taxes, fees, and other mandatory payments as determined by the State; collection of taxes, duties, and other mandatory payments for the budget of the European Union (EU); and implementation of customs policy and matters.

The main duties of SRS are laid down in the laws On the State Revenue Service and On Taxes and Fees.



### SRS organisational structure, 2022

#### Structural changes in 2022:

- On 1 April, the Specialised Tax Administration Department was established within the Tax Board under the direct authority of the Deputy Director General who took over tax administration and enforcement of the Law on Prevention of Conflict of Interest in Activities of Public Officials from the Secrecy and Security Regime Assurance Department, which was dissolved, in state security institutions, law enforcement agencies, and other state institutions that are required to submit declarations that contain state secrets.
- On 1 November, the Security Department took over document management (special record-keeping), administration of technical security systems, and SRS administrative building security measures; functional oversight of special record-keeping is maintained by the Director General.

## SRS Priorities for 2022

**To improve voluntary tax compliance, reduce the shadow economy, and strengthen civic protection, SRS implemented/developed:**

- analytical function – taxpayer segmentation for further development of data-based service baskets for each taxpayer group;
- mitigating measures for undeclared wages;
- improvement of VAT administration;
- prevention of money laundering and restriction of circulation of illegally acquired cash;
- reduction of the illegal movement of excise goods, smuggling of narcotic substances, and circulation of illegally acquired cash.



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# DEVELOPMENT STRATEGY FOR 2020–2022



## Strategic objectives and initiatives:

### 1. Services compliant with client needs – we know our client



- Integration of analytics and development of data management.
- Segmentation of taxpayers according to their tax compliance discipline during the entire life cycle of tax administration (360-degree approach).
- Implementation of the tax compliance strategy, providing appropriate services to each segment.
- Convenient and easy-to-use services based on user experience and service design approach.

### 3. Smart monitoring to promote an honest business environment and prosperity – we help change compliance behaviour by sharing information and knowledge



- Voluntary payment of taxes encouraged through use of analytical knowledge, available material, and technical resources.
- Violations and criminal offences prevented through targeted actions and cooperation in the field of state revenues and customs matters.
- International cooperation and introduction of EU-level requirements.
- Risk analysis used for anti-money laundering and combating financing of terrorism in the SRS area of influence.

### 2. Trust oriented communication and cooperation – we trust our client



- Targeted communication for promoting voluntary compliance with tax obligations.
- Communication language and communication channels appropriate to client's needs.
- Development of a digital ecosystem.
- Expanded cooperation for ensuring added value to partners.

### 4. Professional, loyal, honest, responsible, and cooperation-oriented employees



- Implementation of SRS values in the daily life of SRS employees.
- Work environment that supports employees' needs to ensure high performance.

# PERFORMANCE RESULTS

## Services Compliant with Client Needs – We Know Our Client

| PERFORMANCE RESULTS  | INDICATOR  | PERFORMANCE                                     | DESCRIPTION  |
|--|--|---|--|
| Most taxpayers pay taxes voluntarily – in full and on time | Level of voluntary tax compliance (payment of taxes), %                            | 2020 – 57.5<br>2021 – 61.0<br>2022 – 59.0       | The indicator did not reach the estimated value for 2022 due to the economic situation caused by COVID-19 (affected indicator results throughout the reporting period) and by the geopolitical situation and sanctions imposed by the EU on the Russian Federation and the Republic of Belarus, which in turn contributed to rapid inflation.<br>Estimated values were not reached:<br><ul style="list-style-type: none"> <li>• 2020 – 8.5 percentage point (pp) less (forecast – 66%)</li> <li>• 2021 – 7 pp less (forecast – 68%)</li> <li>• 2022 – 11 pp less (forecast – 70%)</li> </ul>   |
|  | Level of voluntary tax compliance (declaration), %                                 | 2020 – 58.2<br>2021 – 64.0<br>2022 – 58.0       | The indicator did not reach the estimated value for 2022 due to the economic situation caused by COVID-19, which hampered timely submission of tax reports and returns.<br>Performance results:<br><ul style="list-style-type: none"> <li>• 2020 – 0.5 pp increase (forecast – 57.7%)</li> <li>• 2021 – 7 pp increase (forecast – 57%)</li> <li>• 2022 – 1 pp less (forecast – 59%)</li> </ul> <p>In general, improvement in reporting discipline was noted. This was facilitated by the introduction of the accrual principle in the accounting of State revenues administered by SRS as paid amounts are transferred to corresponding taxes only after submission of calculation reports and by using support for mitigating the consequences of COVID-19, as indicated in data.</p>   |
|  | Share of merchants generating tax revenues out of the total number of merchants, % | 2020 – 71.9<br>2021 – 70.0<br>2022 – 75.0       | Exceedance of the indicator was influenced by the increase in the number of businesses providing revenue and the decrease in the total number businesses that resulted in the exclusion of inactive businesses from the Register of Enterprises, the geopolitical situation, and the introduction of EU sanctions against Russia and Belarus.<br>Performance result:<br><ul style="list-style-type: none"> <li>• 2020 – 5.4 pp increase (forecast – 66.5%)</li> <li>• 2021 – 2 pp increase (forecast – 68%)</li> <li>• 2022 – 5.5 pp increase (forecast – 69.5%)</li> </ul>  |
|  | Share of the total debt against the common budget revenues, %                      | 2020 – 9.4<br>2021 – 9.9<br>2022 – 7.0          | The performance result in 2022 was influenced by increases in State revenues and efficiency of debt collection: digital solutions introduced in 2022 in the SRS Payment Administration Information System (automatic warning of new debtors and automatic debt cancellation functionality of legal entities excluded from the Commercial Register).<br>Performance results:<br><ul style="list-style-type: none"> <li>• 2020 – 0.52 pp increase (forecast – 8.88%)</li> <li>• 2021 – 1.48 pp increase (forecast – 8.42%)</li> <li>• 2022 – 1.07 pp less (forecast – 8.07%)</li> </ul> <p>On 1 December 2020, the total amount of debts compared to 1 December 2019 had increased by 8.0% due to support measures for taxpayers to overcome the COVID-19 crisis. Introduced restrictions significantly limited or suspended completely the economic activity of specific groups of taxpayers; thus, taxpayers had problems paying taxes. The increase was also facilitated by the increase in the extension of tax payment deadlines.</p> |
| Increased collection productivity and efficiency           | Collected revenues per SRS employee, thousand EUR (TEUR)                           | 2020 – 2,734<br>2021 – 2,990<br>2022 – 3,647    | In 2022, revenues exceeded the estimated value due to a decrease in the average number of actual employees (2020 – 3,608, 2021 – 3,538, 2022 – 3,443) and an increase in common revenues, incl. taxes, fees, and other payments administered by the SRS. In 2022, a 913 TEUR increase per employee was collected compared to 2020 and by 1,170 TEUR compared to 2019.<br>The indicator has a positive trend – revenues per employee increased each year:<br><ul style="list-style-type: none"> <li>• 2020 – 170 TEUR (forecast – 2,564 TEUR)</li> <li>• 2021 – 326 TEUR (forecast – 2,664 TEUR)</li> <li>• 2022 – 853 TEUR (forecast – 2,794 TEUR)</li> </ul>  |
|  | Cost of one collected euro, EUR  | 2020 – 0.0122<br>2021 – 0.0118<br>2022 – 0.0102 | The indicator was reached in 2022 due to general revenues, incl. an increase in revenues from taxes, fees, and other payments administered by SRS.<br>Performance results:<br><ul style="list-style-type: none"> <li>• 2020 – 0.0007 EUR increase (forecast – 0.0115 EUR)</li> <li>• 2021 – 0.001 EUR increase (forecast – 0.0108 EUR)</li> <li>• 2022 – reached (forecast – 0.0102 EUR)</li> </ul>  |

In 2022, implementation of support measures for overcoming the effects of the COVID-19 crisis continued:



**extensions for 1.48 million EUR tax payments**

excluding mandatory state social insurance contributions (MSSIC) (in 43 decisions, 109 deadline extensions granted to 27 taxpayers)

**7 million EUR in wage subsidies**

(22,931 payments to 12,836 natural persons)

**57.89 million EUR for grants for current assets**

(6,924 payments to 4,194 applicants)

In 2022, analytics and data management reforms (6.1.1.r “Strengthening analytics and development of data management in the field of tax administration and customs” of the Latvian Recovery Fund plan) were launched to improve the quality and efficiency of tax compliance risk management and other activities related to combating the shadow economy.



In 2022, the Economic Activity Revenue (EAR) account was introduced for Microenterprise Tax (MET) payers to make it easier for them to fulfil their tax obligations. An EAR account is a special current bank account through which METs can automate payment of taxes.

The MET credits all income from economic activity to this account, and the bank, in cooperation with SRS, automatically submits the MET declaration and calculates and pays the tax. Use of the EAR account is voluntary.

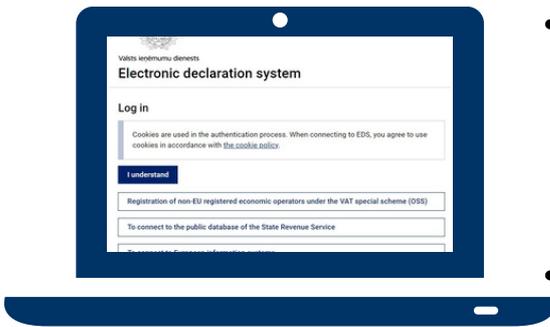
In 2022, a new function for applying for e-services was developed: an e-assistant, or authorised e-service, was implemented in March across the network of state and municipal united client service centres, giving employees of state and municipal united client centres the right to perform certain SRS e-services on behalf of clients (with written authorisation), such as submission of annual income tax returns, registering for benefits, and making changes to the payroll tax book. This provides e-services for those citizens who lack computer skills or do not have access to means of electronic identification.

The “remote clerk” service was also launched to provide remote, personalised consultation to clients on capital growth matters (currently, 15 state and municipal united client centres offer this service).

To ensure high-quality communication with taxpayers at all times of the day, chatbot Tom was trained to assist in matters regarding distance retail sale of alcoholic beverages through websites or mobile apps, retail sale of petroleum products, use and declaration of cash, and restrictions and fines. Additionally, chatbot Tom was taught to answer standard questions, thus reducing SRS consultants’ workload and managing SRS resources more efficiently.

**SRS improved and upgraded the Electronic Declaration System (EDS) in 2022 including:**

- A new interface for the EDS report section, providing interactivity (create a personalised report list):
  - interactive function with two new tabs introduced under – “My reports”, which allows users to create their own relevant report list, and “All reports”, which provides the opportunity to open and request data on other types of reports not included on the “My reports” list;
  - a new display view for the list of reports allowing the expanding and folding of report groups;
  - grouping and display of reports based on the taxpayer’s category: natural person, legal entity, and status – performer of economic activities, VAT payer, etc.



- A new report "Summary of the reporting period – comparison" was included under "Reports" – "Payment status of budget payments and payments made" as well as in the section "Payments" – "Payment status", which provides a comparison of the balances of obligations and claims necessary to the SRS for the preparation of the annual report.
- A new version of the "CIT report about income gained by a non-resident and tax paid in the Republic of Latvia".
- "Payment status of budget payments" was supplemented with a new line – "Ineligible contributions", i.e., amount paid into the single tax account, but not yet applied to the liability. Thus, the taxpayer can see and compare ineligible contributions made in the past.
- "Payments" section was supplemented with "Other accounts" section, ensuring that a company can compare payments made to various accounts, e.g., mandatory contributions for passenger taxi used for transportation, and security deposits for excise goods.
- Implemented automatic reminders about approaching deadlines for submitting tax returns.
- A new report "Report of discrepancies/errors in the VAT declaration" was included in the "Reports on tax calculations and advance payments" section.
- A new EDS document "Financial stability fee declaration" developed in "Informative declarations and reports" for the taxation period starting 1 January 2022.

### **Reduced administrative and financial burden due to excise goods legislation amendments** (Cabinet Regulation No 662 "Procedures for the Circulation of Excisable Goods", adopted 30 August 2005, entered into force 10 September 2022):

- Businesses who do not have a special permit (license) as an approved warehouse keeper are permitted to sell excise goods owned by them from an excise goods warehouse belonging to another person to another excise goods warehouse keeper in Latvia.
- Businesses who have been granted Enhanced Cooperation Programme participant status are permitted to receive fuel from excise goods warehouses of Enhanced Cooperation Programme participants, fuel wholesalers, or fuel filling stations of registered recipients outside business hours specified in the special permit (license) for retail fuel sales.
- Businesses who have received a license for operation as an approved warehouse keeper, operation as a registered consignee, and wholesale sale of fuel are permitted to sell sports gasoline to natural persons, participants in motor sports races, if the sports gasoline is pre-packaged and will be used as fuel in sports cars.
- The following condition was cancelled – it is permitted to sell only such liquids to be used in electronic smoking devices, components for the preparation of liquids used in electronic smoking devices and tobacco substitute products that have been purchased from a businesses that has a license for the operation of an approved warehouse keeper with the relevant type of excise goods or which the businesses have brought in or imported themselves from another Member State.

### **Customs:**



- A high level of service was ensured for customs clients when clearing goods: in 97.3% of cases (in 2021 – 97.0%), the system directed customs declarations to the "green lane" and were drawn up as per time limits specified in the SRS customs clearance standard, i.e., for import and export up to four hours and for transit up to 1.5 hours.



- On 7 November, the Customs Laboratory received internationally recognised accreditation for testing reports issued on research results and for expert opinions on the performance of chemical expertise of narcotic and psychotropic substances. Conformity marks of international accreditation organisations are highly valued in the global market.

# Trust-Oriented Communication and Cooperation – We Trust Our Clients

| PERFORMANCE RESULTS   | INDICATOR   | PERFORMANCE  | DESCRIPTION   |
|---|---|--|---|
| Level of public trust in SRS increased, promoting voluntary tax compliance with tax obligations (51.2% in 2018) | Level of public trust in SRS, % (according to results of a study ordered by the State Chancellery)  | 2020 – 39.3<br>2021 – 51.0<br>2022 – 41.7                | The forecasted results for 2022 were not reached. Results of the study indicate that half of the respondents could not assess trust or did not apply to the respondent's situation, indicating respondents' subjective factors.<br>Performance results:<br><ul style="list-style-type: none"> <li>• 2020 – 15.7 pp less (forecast – 55%)</li> <li>• 2021 – 6 pp less (forecast – 57%)</li> <li>• 2022 – 18.3 pp less (forecast – 60%)</li> </ul>  |
|   | Share of SRS decisions appealed in court, %   | 2020 – 28.4<br>2021 – 23.0<br>2022 – 18.7                | The indicator exceeded the forecast for 2022; compared to 2019 (base year), it dropped by 12.3 pp.<br>Performance exceeds forecasts in each year:<br><ul style="list-style-type: none"> <li>• 2020 – 1.6 pp less (forecast – 30%)</li> <li>• 2021 – 4 pp less (forecast – 27%)</li> <li>• 2022 – 6.3 pp less (forecast – 25%)</li> </ul> <p>In general, the indicator gradually decreased every year. This decrease can be explained by changes in SRS work organisation due to COVID-19 during which SRS could not fully perform its administrative and control functions. Likewise, fulfilment of the indicator was affected by the process of contesting decisions, conducting objective evaluation of cases, and assessing additional evidence and arguments submitted by taxpayers: decisions were cancelled or amended, reducing the number of decisions appealed in court.</p> |
| Effectiveness of e-management increased   | E-index, points (max. 100 points) (MEPRD study results)   | 2020 – no study<br>2021 – 57.9<br>2022 – 47.4            | The indicator was not reached in 2022. Study results indicate that the indicator was influenced by various external factors, including changes in the methodology for the determination of the indicator.<br>Efficiency of SRS e-management did not increase and the indicator did not reach the forecast:<br><ul style="list-style-type: none"> <li>• 2021 – 2.1 points (forecast – 60 points)</li> <li>• 2022 – 17.6 points (forecast – 65 points)</li> </ul>   |
| High level of client satisfaction with quality of service provided by SRS employees                             | Services provided to inhabitants were assessed as excellent or good, % (according to results of a study ordered by the State Chancellery)                   | 2020 – 65.8<br>2021 – 66.9<br>2022 – 67.1                | The indicator was not reached in 2022. However, an increasing percentage of respondents reported that SRS serves citizens well.<br>Performance results:<br><ul style="list-style-type: none"> <li>• 2020 – 8.2 pp less (forecast – 74%)</li> <li>• 2021 – 7.1 pp less (forecast – 74%)</li> <li>• 2022 – 7.9 pp less (forecast – 75%)</li> </ul> <p>Although the forecast was not reached, results of the study show growth. Client satisfaction was largely affected by the spread of COVID-19: in March 2020, various restrictions on receiving services in person were adopted.</p>  |
|   | Client satisfaction level – average assessment based on a 10-point scale (according to results of a study ordered by SRS)                                   | 2020 – 7.91<br>2021 – X<br>2022 – no study was performed | An SRS client survey is carried out every two years, but one was not conducted in 2022 because it was not possible to abide by General Data Protection Regulations while implementing the contract with SKDS. SRS has no legal right to use taxpayer and customs client data collected in EDS to send invitations to participate in surveys and studies.<br><br>In 2020, the indicator was not reached (0.19 points lower, forecast 8.1 points) and was also lower compared to the results of the previous study in 2018 – 8.06 points.   |
| Involvement of non-governmental sector in increasing voluntary tax compliance encouraged                        | Assessment of industry association satisfaction with SRS cooperation, average rating in a 10-point scale (according to results of a study performed by SRS) | 2020 – 7.67<br>2021 – 7.83<br>2022 – 7.9                 | The indicator was not reached in 2022.<br>Performance results:<br><ul style="list-style-type: none"> <li>• 2020 – 0.18 points less (forecast – 7.85 points)</li> <li>• 2021 – 0.07 points less (forecast – 7.9 points)</li> <li>• 2022 – 0.1 point less (forecast – 8 points)</li> </ul> <p>Although the forecasts were not reached, results of the study show general growth.</p>  |

Communication with taxpayers and customs clients is obviously one of SRS' most important priorities: we are constantly thinking about ways to improve communication. The SRS website was moved to the unified state and local government website platform in 2022 – more modern, accessible, and clearer. SRS continued to develop informative and explanatory visual materials, actively communicate on social platforms, organise online workshops for various target audiences, and send personalised letters through EDS, among other things.

To promote fair competition and voluntary tax and fee compliance and to ensure the public's right to information about the most significant tax and customs laws and regulations violations by legal persons, SRS publishes relevant information on its website.

**Decisions taken from 1 January - 31 December 2022**

| TYPE  | No. OF PUBLISHED DECISIONS |
|---|----------------------------|
| Tax review (audit) findings   | 27                         |
| Data conformity check results   | 34                         |
| Amount of taxes adjusted according to Section 23, Paragraphs 5 <sup>2</sup> and 5 <sup>3</sup> of the Law on Taxes and Duties | 147                        |
| Tax payment debt detected   | 171                        |
| Overpaid VAT refund denied  | 1,571                      |

Improvements in the performance of the extended OSS (one stop shop) system were carried out, and clients were provided with consultations to ensure implementation of EU Council Directives, the purpose of which is to determine rules for simplifying VAT application in the field of e-commerce and to create fair competition conditions between entrepreneurs who carry out economic activities in the EU and entrepreneurs from third territories or third countries.

**Information provided by the Receipt Lottery was assessed and analysed in conjunction with information already available.**

The Receipt Lottery provided information on taxpayers that contradicted information submitted by them: taxpayers did not report transactions, but Lottery data indicated the opposite. In 2022:

- 2,397 taxpayers were assessed (2021 – 1,363 taxpayers);
- Preventive tax administration measures were taken against 1,049 taxpayers (increase of 59% compared to 2021) and as a result:



taxpayers

**978**

adjusted their VAT declarations

**2.69 million EUR**

additional VAT paid to state

**BY COMPARISON**

1.16 million EUR more than in 2021

**28**

excluded from the VAT Payer Register

**36**

submitted substantiated explanations, preventing the risk of incompletely paid VAT

**5**

registered electronic cash registers (ECR) based on SRS recommendation

- 10 thematic inspections were carried out (two in 2021), and 5,000 EUR fines were imposed on five taxpayers for violations; during inspection, three taxpayers made voluntary payments into the budget in the amount of 17.5 TEUR.

Nine processes were integrated into the Payment Administration Information System (MAIS) in 2022, and accounting of the single tax account processes and of state revenues were improved within the framework of the **project 'Modernisation of Tax Information Services'**. The project completed on 31 December 2022.

**The following improvements were introduced in the production environment as part of "E-customs (Stage 2)" and the ERDF project "Export and E-commerce Process in E-customs":**

- functionality of temporary storage declarations and electronic transport document supplementation (amendments to EU legal acts), temporary storage system performance improvements, and temporary storage supplements for processing location of goods;
- new user interface design for the Integrated Tariff Management System (ITMS) website public section and a tax calculator for postal items;
- three data sets published on the Latvian Open Data Portal.

### **Specification, design, and developments performed:**

- four stages of the Automated Export System (AES);
- three stages of the Automated Import System (AIS);
- four stages of Transit Control System 2 (TCS2);
- three stages of the Import Control System 2 (ICS2) 2nd edition (import summary declaration for air transportation);
- changes in the Integrated Tariff Management System (ITMS);
- changes in the integrated risk information system (IRIS), including integration with AIS, AES, TCS2 and ICS2.

### **SRS cooperated with State Police to continue development of a unified criminal intelligence data exchange system to enhance cooperation of law enforcement authorities in preventing and combating economic crimes as a result of the project "Promoting Cooperation of Law Enforcement Institutions in Preventing and Combating Economic Crimes in Latvia" co-funded by the European Economic Area (EEA) Financial Mechanism Programme "International Police Cooperation and Combating Crime".**

The unified data exchange system will include a digital analytics tool and the Digital Support System of the SRS National Criminal Intelligence Model, which will be connected to the State Police database. Information analysts and special task experts were trained to work with the system. Development of software base system functionality of the digital support system of the SRS National Criminal Intelligence Model continued in 2022 in compliance with the respective specifications and architecture description, and data exchange documentation and data exchange systems were developed.

### **Employees were trained in the field of Detection Dogs within the framework of the project "Preventing and Combating Economic Crimes at the "Terehova" Border-Crossing Point" of the EEA Financial Mechanism programme "International Police Cooperation and Combating Crime", and improvements were introduced in the infrastructure of the Terehova Border-Crossing Point:**

- ensured coordination, monitoring, and management of project activities;
- implemented procurement procedures planned in 2022 and concluded contracts (elaboration, development of dismantling design, changes in building design, supervision, construction, purchase of equipment);
- training classroom at the Detection Dog Centre at Maskavas iela 30, Rēzekne equipped with audio visual devices;
- cycle of workshops organised for employees working on the external border, including three training modules: "Team building/inter-institutional cooperation/information exchange", "Interpretation and analysis of offenders' behaviour and body language, behaviour and video analysis methods/techniques" and "Response to identified risks of cross-border cash flows through Latvian border crossing points". A total of 139 SRS officials, the State Border Guard, and the Food and Veterinary Service participated. Organised in cooperation with the Organisation for Economic Co-operation and Development (OECD);
- specialised training for dog handlers on the impact of an unfavourable working environment and work productivity (38 National Customs Board officials) and for detection of illegal cross-border transportation of cash (11 detection dog handlers and instructors);
- researched substances/ingredients used in cigarette production;
- purchased training materials for detection dog training (suitcases, scent consoles, scent console blocks, scent sample storage and transport cases, scent sample cones and detection dog training narcotic odour imitators, scent search device – training wall and scent console carousel).

**In 2022, large-scale reconstruction of border-crossing points (BCP) on the Latvia-Belarus and Latvia-Russia border was completed by Valsts nekustamie īpašumi (State Real Estate) to improve existing control infrastructure, increase volume of freight and other vehicles, and improve working conditions:**

- six new control booths were built at BCP "Terehova", the control area under the shed was expanded, electronic signs were installed, transport infrastructure in the control area was improved, communication systems were modernised, and a new server room was built for the needs of the control services – SRS, SBG (State Border Guard) and FVS (Food and Veterinary Service);
- four new control booths were built at BCP "Grebņeva" in accordance with modern requirements;
- up-to-date bus passenger baggage control terminals, three new control booths were built at BCP "Pāternieki" and four at BCP "Silene", the control area under the shed was expanded, additional lanes were built, electronic signs were installed, and a room access control system was built at BCP "Pāternieki" and "Silene".

**The 2nd round of modernisation of the Automatic Vehicle and Container Identification System (AVCIS) was carried out in 2022 by improving technological solutions needed for customs control, concluding implementation of AVCIS.**

Full-fledged use of AVCIS was launched in 13 places – SRS customs control points on external land borders and ports and three State Border Guard BCPs.

# Smart Monitoring to Promote an Honest Business Environment and Prosperity – We Help Change Compliance Behaviour by Sharing Information and Knowledge

| PERFORMANCE RESULTS   | INDICATOR  | PERFORMANCE  | DESCRIPTION  |
|---|--|--|--|
| Voluntary elimination of non-compliance and violations is increasing because of the "Consult First" principle and preventive measures | Proportion of taxpayers who update their own declarations during incentive measures out of all taxpayers for whom tax incentive measures have been initiated, %  | 2020 – 30.0<br>2021 – 32.6<br>2022 – 36.0  | <p>The indicator was included in the revised SRS Development Strategy for 2020–2022 on 21.10.2021, replacing the indicator "Percentage of taxpayers who self-adjust their declarations before the start of the audit of all taxpayers who are scheduled to be audited, %" because the calculation methodology for the indicator was changed.</p> <p>The indicator exceeded expected results for 2022. Results demonstrate a positive trend, moreover, exceeding forecasts:</p> <ul style="list-style-type: none"> <li>• 2021 – 0.6 pp (forecast – 32%)</li> <li>• 2022 – 1 pp (forecast – 35%)</li> </ul> <p>The increase of the indicator can be explained by active incentive measures (communication with taxpayers, consultations, negotiations), achieving voluntary change in taxpayer behaviour – taxpayers themselves submitted adjustments to their returns.</p>  |
|   | Discrepancies eliminated by taxpayers themselves in VAT declarations as the result of preventive measures, calculating the amount of VAT to be paid additionally or reducing the amount of overpaid VAT, million EUR | 2020 – 22.6<br>2021 – 24.16<br>2022 – 32.8   | <p>The indicator exceeded expected results for 2022. Compared to 2019, the indicator is higher by 16.8 million EUR. Results significantly exceeded forecasts:</p> <ul style="list-style-type: none"> <li>• 2020 – 7.6 million EUR (forecast – 15 million EUR)</li> <li>• 2021 – 9.16 million EUR (forecast – 15 million EUR)</li> <li>• 2022 – 17.8 million EUR (forecast – 15 million EUR)</li> </ul> <p>In general, the trend is positive because preventive methods are constantly being improved. A positive fiscal effect was also caused by work with Receipt Lottery data. Changes in VAT regulations contributed to a highly dynamic process of refunding VAT overpayments, but taxpayers eliminated identified discrepancies more actively. Preventive work with taxpayers who abuse the advantages provided by the VAT system for financial benefit increased, resulting in a significant fiscal contribution to the State budget.</p> |
| Share of the public that do not fulfil legal obligations stipulated has decreased   | Excise duty gap for oil products, %  | 2020 – 5.3 (for 2019)<br>2021 – 5.6 (for 2020)<br>2022 – calculation not performed   | <p>The result was included in the revised SRS Development Strategy for 2020–2022 on 21.10.2021. In 2020, the indicator was 0.3 pp higher than in 2019. In absolute terms, the excise duty gap for oil products increased by 3.2 million EUR. Performance results:</p> <ul style="list-style-type: none"> <li>• 2019 – 0.1 pp higher (forecast – 5.2%)</li> <li>• 2020 – 0.5 pp higher (forecast – 5.1%)</li> </ul> <p>In general, considering possible statistical deviations, the excise duty gap for oil products has not changed significantly over the last three years.</p>   |
|   | VAT gap, %   | 2020 – 8.6 (for 2019)<br>2021 – 6.8 (for 2020)<br>2022 – 4.9 (for 2021)              | <p>The VAT gap indicator demonstrates a positive trend – it has decreased each year. In 2022 (2021 calculation), it was 2.2 pp lower than in 2019. Performance results:</p> <ul style="list-style-type: none"> <li>• 2019 – 1.7 pp lower (forecast – 10.3%)</li> <li>• 2020 – 1.9 pp lower (forecast – 8.7%)</li> <li>• 2021 – 3.5 pp lower (forecast – 8.4%)</li> </ul> <p>According to SRS calculations, the VAT gap in 2021 was 4.9% (162 million EUR). In comparison to 2020, the VAT gap decreased by 1.9 pp; in absolute terms, the decrease was 31 million EUR. A similar decrease in the VAT gap was observed in 2020 compared to 2019 by 1.8 pp.</p>  |
|   | MSSIC gap from undeclared wages, %   | 2020 – 17.2 (for 2019)<br>2021 – 16.8 (for 2020)<br>2022 – calculation not performed | <p>The indicator includes the SRS development strategy for 2020–2022 updated on 21.10.2021. In 2020, the indicator was 0.4 pp lower than in 2019. In absolute terms, the decrease of the MSSIC gap was 34.08 million EUR.</p> <p>Performance results:</p> <ul style="list-style-type: none"> <li>• 2019 did not reach the forecast by 0.4 pp (forecast – 16.8%)</li> <li>• 2020 exceeded the forecast by 0.5 pp (forecast – 17.3%)</li> </ul> <p>In general, the MSSIC gap decreased in 2020 due to the decrease in the proportion of undeclared wages. The most significant decrease in the proportion of undeclared wages can be observed in the construction sector, which was probably facilitated by the introduction of the Unified Electronic Working Time Recording Database and the General Agreement concluded in the construction sector.</p>   |

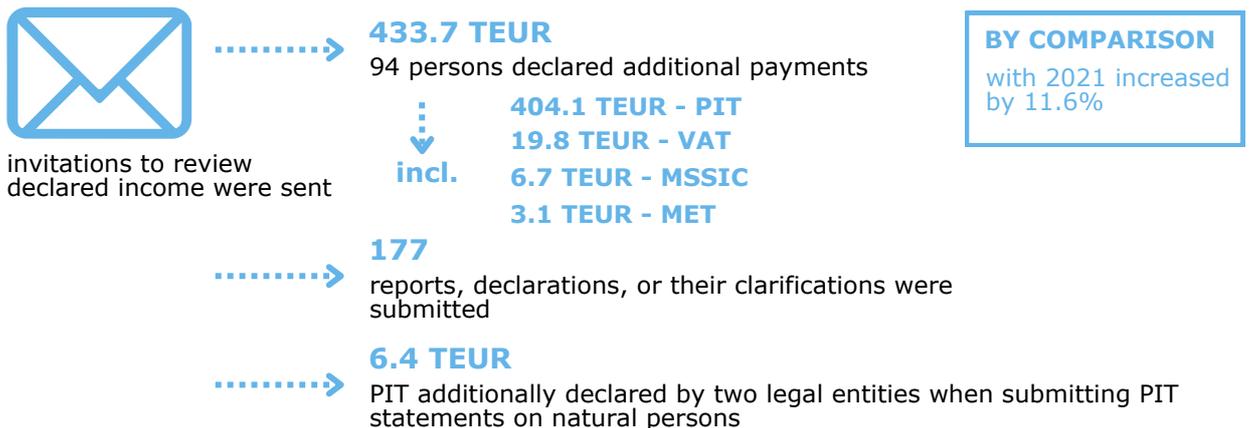
| PERFORMANCE RESULTS  | INDICATOR   | PERFORMANCE  | DESCRIPTION  |
|--|---|--|--|
| Share of the public that does not fulfil legal obligations has decreased | PIT (Personal Income Tax) gap from undeclared wages, %  | 2020 – 17.3 (for 2019)<br>2021 – 16.9 (for 2020)<br>2022 – calculation not performed   | The result was included in the revised SRS Development Strategy for 2020–2022 on 21.10.2021.<br><br>In 2020, the indicator was 0.4 pp lower than in 2019; in absolute terms, decrease of the PIT gap from undeclared wages was 20.8 million EUR.<br>Performance results:<br>• 2019 did not reach the forecast by 0.4 pp (forecast – 16.9%)<br>• 2020 exceed the forecast by 0.6 pp (forecast – 17.5%)<br><br>In general, the PIT gap decreased in 2020 due to the decrease in the share of undeclared wages. The most significant decrease in undeclared wages can be observed in the construction sector, which was probably facilitated by the introduction of the Unified Electronic Working Time Recording Database and the operation of the General Agreement concluded in the construction sector.   |
|  | Assessment of illegal circulation of tobacco products, % (research conducted by NielsenIQ)  | 2020 – 13.6 (2019 – KPMG data and SRS Report on monitoring of illegal circulation of tobacco products)<br>2021 – 15.8<br>2022 – 17.8 | The result indicator for 2022 exceeded the forecast. Increase in the consumption of illegal tobacco products in 2022 (and during the entire reporting period) was affected by an increase in the excise duty rate, significant price differences of tobacco products in Latvia and neighbouring countries to the east, and increase in demand for cheaper excise goods for tobacco products.<br><br>Performance results:<br>• 2020 – 1 pp less (forecast – 14.6%)<br>• 2021 – 1.7 pp increase (forecast – 14.1%)<br>• 2022 – 4,1 pp increase (forecast – 13.7%)  |
|  | Share of undeclared employment income in the business sector, %   | 2020 – 17.3 (for 2019)<br>2021 – 17.1 (for 2020)<br>2022 – calculation not performed   | The 2020 result is 0.2 pp lower than for 2019; in absolute terms, the decrease of undeclared wages (net) increased by 24.99 million EUR.<br>Performance results:<br>• 2019 – did not reach the forecast by 0.2 pp (forecast – 17.1%)<br>• 2020 – exceeded the forecast by 0.6 pp (forecast – 17.7%)<br><br>In general, the most significant decrease in undeclared wages can be observed in the construction sector, which was probably facilitated by the introduction of the Unified Electronic Working Time Recording Database and the operation of the General Agreement concluded in the construction sector.   |
|  | Efficiency of customs physical controls, %  | 2020 – 27.57<br>2021 – 24.0<br>2022 – 31.1   | The result indicator in 2022 exceeded the forecast. The increase was affected by several factors, including changes in data used for calculation of the indicator (in 2022 in comparison with 2021). The number of violations established as a result of physical controls increased, which was affected by enhanced control measures of sanctioned goods, following the "Consult First" principle. The number of minor violations in the field of excise goods for which no administrative offence proceedings were initiated increased rapidly. The number of suspicious postal items discovered increased.<br><br>Performance results:<br>• 2020 – 2.6 pp increase (forecast – 25%)<br>• 2021 – 1 pp less (forecast – 25%)<br>• 2022 – 6.1 pp increase (forecast – 25%)<br><br>Efficiency of customs physical controls increased in 2020-2022, but experienced a decrease in 2021 compared to 2019 by 1 pp due to:<br>• control level and intensity of natural persons involved in cigarette smuggling;<br>• control measures carried out over a long period to monitor specific companies, considering the detected criminal offense;<br>• implementation of control measures for companies for which, according to the results of SRS taxpayer segmentation, higher risks of fulfilling tax obligations have been identified. |
| Risks of money laundering and terrorism financing have been reduced      | Percentage of subjects of Law on the Prevention of Money Laundering and Terrorism and Proliferation Financing (AML/CFTP Law), whose activities comply with AML/CFTP Law requirements and the Law on International Sanctions and National Sanctions of the Republic of Latvia, % | 2020 – 78,9<br>2021 – 88,3<br>2022 – 87,5  | In 2022, the indicator exceeded the forecast.<br>Performance results:<br>• 2020 – 1.9 pp higher (forecast – 77%)<br>• 2021 – 9.3 pp higher (forecast – 79%)<br>• 2022 – 6.5 pp higher (forecast – 81%)<br><br>The percentage of those whose activities comply with requirements of the AML/CFTP Law and the Law on International Sanctions and National Sanctions of the Republic of Latvia increased because the e-training course was regularly updated, informative events were organised, informational materials were prepared, consultations were provided, and guidelines were regularly updated.   |

| PERFORMANCE RESULTS            | INDICATOR  | PERFORMANCE                             | DESCRIPTION  |
|--------------------------------|--|---|--|
| Restriction of organised crime | Number of organised criminal groups whose activities were discontinued   | 2020 – 18<br>2021 – 16<br>2022 – 17     | The number of organised criminal groups (OCG) terminated as a result of successful operational activities in 2022 exceeded the forecast.<br>Performance results:<br><ul style="list-style-type: none"> <li>• 2020 – 2 OCG termination increase (forecast – 16)</li> <li>• 2021 – status quo (forecast – 16)</li> <li>• 2022 – 1 OCG termination increase (forecast – 16)</li> </ul>  |
|                                | Share of criminal proceedings transferred for criminal prosecution in priority fields out of the total number of such proceedings, % | 2020 – 83.9<br>2021 – 82.5<br>2022 – 82 | The value of the indicator decreased each year. Compared to the base year, the decrease was 5 pp for 2022. Pre-trial investigation is performed in all criminal proceedings, regardless of classification of the criminal offence according to Criminal Law Section 7. Failure to reach the indicator was due to investigators' additional burden of initiation and investigation of criminal proceedings on violations of EU sanctions, which are considered serious international crimes.<br>Performance results:<br><ul style="list-style-type: none"> <li>• 2020 – 4.1 pp less (forecast – 88%)</li> <li>• 2021 – 6.5 pp less (forecast – 89%)</li> <li>• 2022 – 8 pp less (forecast – 90%)</li> </ul> |

To continue implementing the culture of voluntary compliance with tax obligations, tax administration and shadow economy restriction measures have been implemented.

**In 2022, work continued with natural persons for whom evasion of tax payments was determined**, including those for whom inconsistencies were identified between the turnover of accounts (turnover exceeding 15,000 EUR) and declared income.

#### Within the framework of preventive tax administration measures:



Nineteen decisions were adopted on tax audit results, calculating additional payments of 3,505.0 TEUR. Five natural persons submitted adjusted annual income declarations before commencement of the audit, additionally declaring PIT in the amount of 18.7 TEUR.

#### Results of tax payment incentive and control measures:



In 2022, SRS implemented an automatic warning for new debtors: warnings about debts were sent to 116,459 taxpayers between 28 April and 31 December.

**In 2022, work on post-control of aid granted due to COVID-19 continued,** monitoring whether the taxpayers received or used the aid granted in accordance with regulations.

In relation to the allocated grants and to ensure the flow of current assets, 308 post-controls for 297 taxpayers were completed in 2022. During post-controls:

- illegal use of the grant was detected in 16 case;
- unjustified requests for grants were detected in 13 cases;
- unjustified use of the grant detected in 13 cases.

In relation to the unjustifiably received or illegally used grants, 143 taxpayers refunded 2,093.0 TEUR.

In 2022, 22 wage subsidy post-controls were completed: in seven cases, unjustified wage subsidy requests were discovered. Regarding unjustifiably received furlough and/or wage subsidies, 72 taxpayers refunded 101.9 TEUR.

**To ensure appropriate application of customs duties in 2022,** customs control measures based on results of risk analysis during customs clearance and post-clearance were implemented; possible losses in the amount of 3.83 million EUR were prevented. In post-clearance, on average, discrepancies in customs payments detected during one inspection decreased by 29%, and in post-clearance inspections, an average of 5,410 EUR was calculated per decision, which was affected by the change in priorities of control measures due to sanctions control measures.

**BY COMPARISON**

**In 2021:**

average 8.44 TEUR per decision

The activities of honest entrepreneurs were supported and facilitated by simplifying and speeding up customs procedures, while respecting the need to reduce the risk of bypassing sanctions. In 2022, the share of declarations automatically released under the import procedure 'Release of goods for free circulation' reached 30.8%.

**BY COMPARISON**

**In 2021:**

27.5%

In 2022, one of the main tasks for the SRS was to promote the payment of taxes, allowing taxpayers to fulfil their obligations voluntarily, thus promoting positive cooperation according to the goal of the 'Consult First' principle.

**The 'Consult First' principle was applied in tax administration:**



- 27,203 reminders were sent to individuals/businesses about the approaching deadline for submission of annual income declarations (55.32% of those to whom reminders were sent submitted their annual income declarations);
- 60,598 reminders were sent to taxpayers about the approaching deadline for submission of annual reports (85.48% of those submitted their annual reports); the number of reminders sent in comparison with 2021 increased by 22.3%;
- 11,199 reminders were sent to taxpayers about the approaching deadline for submission of annual reports for public organisations (70.4% of those submitted their annual reports);
- 96,580 reminders were sent to taxpayers about the approaching deadline for the submission of CIT declarations (90.36% of those submitted their CIT declarations);
- 43,177 reminders (increase of 14.6% compared to 2021) were sent to taxpayers about the approaching deadline for submission of the 'Statement on amounts paid to individuals' (96.62% of those submitted their statements on amounts paid to individuals);

- automatic reminders to taxpayers about pending declarations recorded in the SRS information system;
- 2,192 informative reminders were sent to excise duty payers due to changes in excise duty rates regarding stock-taking and calculation of excise duty (93.8% of those submitted their calculations of excise duty);
- 3,727 taxpayers received notification about errors made deliberately or unwittingly in 'Statements on amounts paid to individuals' (share of erroneous statements in 2022 totalled 1.1% of the total number of submitted statements);
- 319 notifications about risky transactions, specified in VAT declarations;
- 184 notifications to taxpayers (SRS analysis data) about risky behaviour based on information submitted by counterparties, resulting in amended VAT declarations (124 cases) and 306.66 TEUR.

Prior to performing control measures, taxpayers are invited to fulfil their tax payment obligations voluntarily and submit declarations on capital increases for the reporting period and in annual tax returns. Taxpayers contacted SRS using the most convenient and quickest methods of communication: phone – 4,241, EDS – 1,258, and post – 324. As a result, 1,359 taxpayers additionally declared PIT 8,921.58 TEUR, an increase of 2,989.8 TEUR or 50.4% compared to 2021.

#### The 'Consult First' principle was applied in 327 cases:



#### BY COMPARISON

with 2021 increase by 84.7%

After being informed about detected violations or discrepancies, taxpayers additionally declared:



#### BY COMPARISON

1.2 million EUR more than in 2021

#### The 'Consult First' principle was applied in customs matters:



- monitoring customs permits in 88.7% of cases by carrying out control measures – 478 violations/inconsistencies were found during inspections; the 'Consult First' principle was applied in 424 cases;
- data compliance checks (DCC) – 185 taxpayers voluntarily eliminated detected discrepancies (1,959.57 TEUR was additionally calculated (54.7% increase compared to 2021) and total of 420.00 TEUR was voluntarily adjusted);

- using the Taxpayer Notification System, 185 reminders were sent to taxpayers about pending deadlines for deferred payments.

The 'Consult First' principle was applied in anti-money laundering matters in 323 cases after findings during on-site checks.

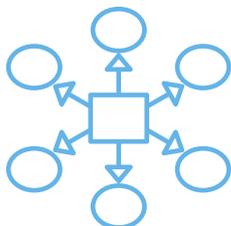
#### BY COMPARISON

39.2% more than in 2021

In 2022, SRS entered into 57 agreements with taxpayers (according to Law On Taxes and Duties Section 41 to end legal disputes about additional payments to the State calculated as a result of tax audits), cancelling late payments and fines calculated during tax reviews (audits) and DCCs in the amount of 235.10 TEUR and determining a period of 12 months from the date of conclusion of the agreement for payment of 1,135.93 TEUR remaining payments.



To comply with SRS measures for reducing undeclared wages for 2021-2022, tax compliance incentive **measures to reduce undeclared wages were introduced:**



- 649 taxpayers (2021 – 68 taxpayers) declared additional MSSIC and PIT totalling 1,671.7 EUR (2021 – 221,0 TEUR);
- 864 taxpayers declared additional MSSIC and PIT totalling 3,600.6 TEUR;
- thematic inspections of 265 employers (2.7 times greater than in 2021) resulted in fines totalling 52.1 TEUR for violations detected in 60 cases (thematic inspections resulted in 153 taxpayers self-correcting detected violations and declaring additional MSSIC and PIT of 836.8 TEUR);
- two tax audits were performed – additional MSSIC and fines of 290.2 TEUR and PIT and fines of 129.2 TEUR were calculated;
- 40 criminal proceedings were initiated and 34 criminal proceedings were sent for criminal prosecution for failure to pay labour taxes; losses caused to the State (PIT and MSSIC) were 2.88 million EUR;
- 17,895 informative letters were sent to natural persons aged 30-35 who had not earned income in the first half of 2022, requesting they adjust their taxpayer status and/or pay taxes if income was received; 199 letters were sent to natural persons requesting an explanation about their taxpayer status and means of subsistence;
- a pilot project was implemented to assess the security industry and determine typology of taxpayer behaviour;
- a retail sector assessment was initiated to identify a set of measures and activities to be implemented to contribute to the prevention or reduction of risks in this sector.

### **In 2022, criminal offences were revealed and eliminated in state revenue and customs affairs:**

- 676 criminal proceedings were initiated;
- 302 criminal proceedings were transferred for criminal prosecution;
- losses incurred by the State in criminal proceedings transferred for criminal prosecution were 45.73 million EUR, 30.2 million EUR more than in 2021;
- harm prevented by criminal proceedings transferred for criminal prosecution, in cases where such harm could be calculated, amounted to 338.8 TEUR;
- property acknowledged as illegally acquired and transferred to the State amounted to 1.01 million EUR (an increase of 19.7% compared to 2021);
- operation of 18 organised criminal groups (OCG) was detected and eliminated of which eight were in the field of state revenue, four in excise goods, and five in narcotic substances – a total of two OCGs more than in 2021;

- 27 criminal proceedings commenced for non-declaration or false declaration of cash and/or money laundering; 13 criminal proceedings were transferred for criminal prosecution;
- 33 criminal proceedings were initiated for money laundering of which 17 were for money laundering (cash); 17 criminal proceedings were transferred to criminal prosecution of which three were for money laundering (cash);
- 114 criminal proceedings were initiated for violation of sanctions imposed by international organisations and the Republic of Latvia.

To improve discovery and prevention of criminal offences in state revenue and customs affairs and increase effectiveness, key development directions of the Tax and Client Police Department determined by the Tax and Customs Police Department Action and Development Strategy for 2021–2024 continued in 2022:



- enhancing analytical and intelligence capacity – introduction of a criminal intelligence model;
- transferring resources for revealing criminal offences that significantly increase state revenues;
- increasing efficiency of operation/consolidation of resources that strengthen synergy between finance and customs organisational units.

#### Major criminal offences detected::



- smuggling of more than 600 kg of hashish, attempted under the guise of transporting horses in hideouts created in floor compartments;
- illegal circulation of 15 tons of tobacco products was discovered (if sold on the Latvian market, initial calculations indicate the State would have suffered unpaid excise tax losses of at least 1.24 million EUR);



- activities of a criminal group engaged in the VAT fraud in taxi services and large scale laundering of proceeds of crime were stopped; they were incurring losses to the State of at least 600.00 TEUR (62 cars were seized to secure property);



- a group of persons involved in smuggling and sale of counterfeit medicine from India and Latvia was detained: over 306,000 pills were seized. Profit from possible sale of these pills on the black market was estimated at 1.5 million EUR.

#### Most significant criminal proceedings transferred to the prosecutor's office for criminal prosecution in 2022:

- three persons for the payment of undeclared wages and tax evasion (total losses to the State exceeded 67.00 TEUR);
- a group of persons for laundering illegally acquired funds in the amount of 144.78 million EUR and 4.89 million US dollars (to resolve property issues, immovable property of six suspected persons totalling at least 880.00 TEUR, vehicles totalling at least 149.00 TEUR, and 567.55 TEUR in cash was seized); three persons for illegal activities with goods subject to customs clearance, causing losses to the State in the amount of 33 million EUR.

## SRS seized the following excise goods and narcotic substances in 2022:

- cigarettes – 17,865,516 pcs;
- tobacco – 15,077 kg;
- alcoholic beverages – 5,850 litres;
- fuel – 37,612 litres;
- narcotic substances – 648,560.2 grams.



In response to Russia's invasion of Ukraine, EU imposed further sanctions against Russia and Belarus.



In 2022 in enhanced controls, National Customs Board officials, discovered 3183 violations of sanctions. In 2,280 cases, customs prohibited the import of sanctioned goods from Russia and Belarus into Latvia; in 903 cases, export of specific goods and cash from the EU was prohibited.

To ensure protection of society and the EU single market, documentation and physical control of goods transported to and from third countries was carried out. In 2022, the number of violations prevented increased 2.1 times, preventing 10,031 violations of customs regulations (4,644 violations were prevented in 2021).



## To combat laundering of illegally acquired property and financing of terrorism in 2022:

- 851 on-site inspections based on risk analysis, 28.4% more than in 2021, and 16 off-site inspections were performed;
- sanctions totalling 67,900 EUR were applied in accordance with 94 decisions adopted and 48 decisions were adopted on applying sanctions in the amount of 7,450 EUR for violation of the Law on International Sanctions and National Sanctions of the Republic of Latvia;
- 759 inspections revealed that in 87.54% of cases, activities complied with the AML/CFTP Law and the Law on International Sanctions and National Sanctions of the Republic of Latvia, 6.5 pp more than forecasted in 2022 (81%);
- 16 cases were prepared for law enforcement authorities as a result of inspections.

## SRS implemented several crucial measures in accordance with the AML/CFTP Action Plan for 2020–2022:

- updated guidelines for the subjects of the AML/CFTP Law supervised by SRS, clarifying the Financial Transactions Task Force (FATF) list of high-risk third countries;
- provided education activities for subjects of the AML/CFTP Law (online seminars, e-training) and consultations;
- developed an assessment on the necessity to license virtual currency service providers;
- improved regulations on 1 July 2022 when regulations (Cabinet Regulation No 380 of 21 June 2022 "Regulations on the Annual Accounts and Single-Entry Bookkeeping System Requirements for Religious Organisations and their Institutions") entered into force requiring religious organisations and their institutions, such as associations and foundations, to register separately the balance of donations and gifts received in cash or as non-cash payments at the beginning of the reporting year, as well as the amounts of donations and gifts received in cash or as non-cash payments during the reporting year in the Report on Donations and Gifts;
- development of the Sectoral Risk Assessment for 2020–2022 commenced.

# Professional, Loyal, Honest, Responsible, and Cooperation-Oriented Employees

| PERFORMANCE RESULTS   | INDICATOR  | PERFORMANCE   | DESCRIPTION   |
|---|--|---|---|
| 'Cooperation' – cooperation between SRS employees improved  | Average evaluation by SRS employees on a 10-point scale, for the statement "Relations with my co-workers are good and promote productivity of work" (according to results of an employee satisfaction study ordered by SRS)                      | 2020 – X<br>2021 – 8.59<br>2022 – X                                   | A study on SRS employee satisfaction is carried out every two years. Results indicate that cooperation between SRS employees has improved. The average evaluation (10-point scale) for "Relations with my co-workers are good and promote productivity of work" in 2021 exceeded the planned value by 0.29 points (forecast – 8.30 points). |
| 'Loyalty' – SRS employee satisfaction with SRS as a place of work   | Satisfaction of SRS employees with SRS as a place of work, average evaluation on a 10-point scale (according to results of an employee satisfaction study ordered by SRS)  | 2020 – X<br>2021 – 7.23<br>2022 – X                                   | Results confirm that SRS employee satisfaction with SRS as a workplace has increased. Satisfaction in 2021 exceeded the forecast by 0.23 points (forecast – 7.0 points).  |
| 'Responsibility' – SRS employee involvement increased   | Index of SRS employee involvements, % (according to results of a study ordered by State Chancellery)   | 2020 – no study performed<br>2021 – no data available<br>2022 – 90.15 | 1573 SRS employees were involved in the study in 2022, exceeding the forecast by 28.65%. 746 SRS respondents were involved in the study in 2019. Data is unavailable for 2021 due to the insufficient number of participants (424 respondents).   |
| 'Professionalism' – SRS employee professional development has a positive impact on the development of SRS | SRS employees admit that training and development activities have helped improve performance, average evaluation on a 10-point scale (according to results of an employee satisfaction study ordered by SRS)                                     | 2020 – X<br>2021 – 7.65<br>2022 – X                                   | In general, SRS employees note that training and development measures have helped improve their work performance. The 2021 result exceeded the forecast by 0.05 points (forecast – 7.6 points).   |
| 'Honesty' – SRS employee actions increase SRS prestige  | Share of taxpayers and customs clients who assess SRS employee behaviour during tax collection, tax control, and customs control measures as honest, % average weighted (according to results of an employee satisfaction study ordered by SRS)) | 2020 – 87.9<br>2021 – X<br>2022 – no study performed                  | A study on the satisfaction of SRS clients is carried out every two years. The 2020 results indicate that the planned indicator was not reached by 3.1% (forecast – 91.0%).   |

## Promoted manager and employee self-development, professional improvement and growth:

- access to lecture and conference recordings ensured;
- SRS library offers over 1,400 books and nine board games for team building;
- book exchange point;
- various self-development tools are offered and introduced (e-booklet 'Growth Support Programme', career planner, individual development plan, form 'Studying as Awareness' that promotes an informed approach to studies and sharing of obtained knowledge, 'KāpNes' – publications on effective management and work environment);
- e-courses and training materials on 212 various topics are offered through the e-training System (EMS);
- 513,902 SRS employees took part in 522 various training events (courses, workshops, online workshops), 27,0% more than in 2021;
- SRS has 124 in-house trainers who provided 24% of training in 2022 with 6,090 participants;
- mentoring programme was implemented to support 231 new employees, 204 new employees completed the "Introductory course on work organisation in SRS";
- conducted basic training for new National Customs Board employees, implementing the basic training programme for customs officials in seven blocks on 36 customs topics (average of 72 participants were trained on each topic and availability of basic training materials in the e-learning system was ensured);

- seven face-to-face qualification upgrading courses were organised on customs physical control issues and one on the creation of various reports and data selection by using data warehouses; workshops for improving the professional knowledge of customs employees (306 customs officials were trained in qualification upgrading courses in 2022).

### **Implemented space optimisation and development:**

- implementation of the SRS working environment and premises development concept (2020–2025) continued, evaluating the intensity of use of current premises and carrying out re-planning work to reconcile the desired with the necessary in the new working environment, including the creation of premises for various functions (individual work, team work, recreation) and the most essential elements of universal design to enable employees to work effectively in any workplace and environment;
- leased premises were reduced in the regions – in Kuldīga by 31.38%, Preiļi by 5.54%, Saldus by 33.26%, Aizkraukle by 27.39%, and Dobele by 26.27%. Adaptation of premises in Liepāja, Cēsis, and Daugavpils continues;
- large-scale optimisation of workplaces was implemented in the SRS head office at Talejas iela 1, Riga, which affected almost all organisational units and SRS management: premises were reduced by 5143 m (14m per employee – previously 16 m);
- premises optimisation processes included reduction of areas and facilitated implementation of energy saving measures in heating, lighting, etc.

### **The car fleet was optimised:**

- changes were made in the distribution and use of fleet vehicles, reducing the number of vehicles with an average annual mileage of less than 8500 km;
- a schematic description of data use from the Vehicle Monitoring and Control System (VMCS) was developed to ensure a unified system for monitoring and controlling vehicle use (tickets in the Centralised Resource Management System Horizon, fuel overuse or economy analysed, routes compared with applications, energy resources (fuel) savings measures performed), but when engaging in resource economy in the state administration in general, 57,829 km less than in 2021 were covered;
- an agreement for self-service vehicle washing services was signed, which may reduce the costs for washing one vehicle by at least half.

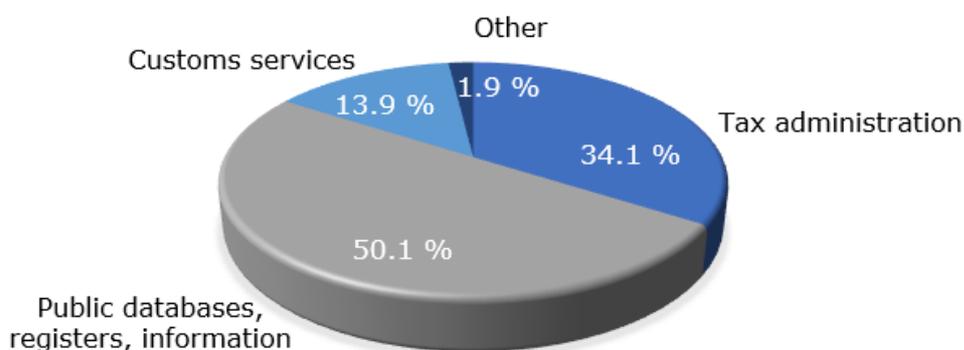
### **Put the values in practice and promote effective internal communication in 2022:**



- the SRS value ambassador movement continued operation;
- important initiatives were organised, such as a charity project at the social care residence 'Gauja', panel discussions on current SRS issues, a friendship volleyball tournament, involvement in Earth Day events across Latvia, online team building events for structural units, hikes, sports challenges, and board game evenings;
- SRS structural unit colleagues shared their stories and recommendations about SRS colleagues, colleagues' talents of outside of work in publications "Highlighting a SRS employee", "Habits for the benefit of you and your team", etc.

# SERVICES

In 2022, 228 public services were available to SRS clients, including 226 services (99.1%) for which electronic request and/or receipt was ensured. Only two services could be received in person only: 'Cash Declaration' and 'Notification of Movement of Excise Goods'. In total, SRS provided 48,555 587 services in 2022, which is 27.8% more than in 2021.



## Breakdown by groups of services provided in 2022

Out of the total range of services provided by the SRS in 2022, 16,574,692 tax administration services (34.1%) were provided to SRS clients – 13.71% less than in 2021. This reduction was due to 53.23% fewer submitted tax declarations for micro-enterprises and 64.93% fewer registered reduced patent fee payers (prompted by changes in laws and regulations); 17.97% fewer EDS user rights were granted because it is possible to authenticate in EDS through [www.latvija.lv](http://www.latvija.lv) authentication tools.

Taxpayers used information found in SRS public databases and registers in 24,345,378 cases, 52.6% more than in 2021, which indicates the importance of the data therein. In 2022, compared to 2021, the share of public information provided by SRS public databases and registers in the total volume of SRS services increased by 8.1 pp, reaching 50.1%.

In the field of customs, 6,739,115 services were provided in 2022 of which the most frequent were:

- creating import customs declarations for postal consignments, including H7 (5,400,471 services);
- customs procedure 'transit' (290,525);
- customs procedure 'release for free circulation' (199,901);
- 'Notice of movement of excise goods' (526,620);
- customs procedure 'export' (211,956);
- etc.

The share of customs services of the total volume of SRS services in 2022 increased by 9.7 pp compared to 2021, reaching 13.9%. This was affected mostly by the rapid increase in the number of import customs declarations for postal consignments (5,049,639 declarations or more than 15 times compared to 2021) because of changes to laws and regulations on the declaration of postal consignments for natural persons, which state that all shipments of goods purchased on the Internet from countries outside the EU are subject to VAT and require an import customs declaration. As a result, the service "Drawing-up of import customs declarations for postal consignments" was one of the most frequently provided services in 2022.

Moreover, the SRS project "Import customs declaration for postal consignments" in the Electronic Customs Data Processing System (ECDPS) received a letter of appreciation from the Latvian Information and Communication Technology Association as this service provides the opportunity for clients to settle customs formalities at a time and in a manner convenient for them without a service fee, speeding up the receipt of postal consignments received from outside the EU.



Other services were provided in 896,402 cases, including:

- consultations on application of laws and regulations (563,948 services);
- excise field (146,256);
- e-services on the state administration portal [www.latvija.lv](http://www.latvija.lv) (39,068);
- services for public officials (76,663);
- replies to inquiries for which SRS is responsible (69,869);
- SRS information on the rights of individuals in their legal situation (465);
- paid services (133).

The share of other services in the total volume of services in 2022 decreased by 1.3 pp compared to 2021, reaching 1.9%. This was influenced mostly by the decrease by 69.36% of the e-service "Making customs payments online" provided on the portal [www.latvija.lv](http://www.latvija.lv) because some customs payments could be made directly in the import customs declaration in ECDPS.

#### Paid services provided in 2022

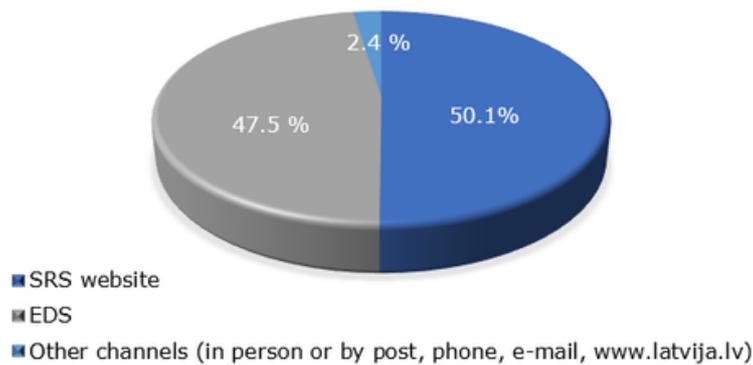
(according to Cabinet Regulation No 345 of 19 June 2018 "SRS Paid Services Price List")

| PAID SERVICE  | NUMBER |
|---|--------|
| Sales of strict accountancy seals   | 103    |
| Opinion on the compliance of marked (labelled) petroleum products with legal requirements of the Republic of Latvia | 18     |
| Customs clearance of goods outside the customs office or outside business hours                                     | 11     |
| Performance of analyses to determine the Combined Nomenclature and TARIC code                                       | 1      |

Ten most frequently provided services make up 86.1% of all services provided by the SRS.

#### 'Top 10 services' in 2022

|     | SERVICE  | NUMBER     |
|-----|--|------------|
| 1.  | Register of tax debtors  | 16,900,126 |
| 2.  | Statement on amounts paid to individuals                                     | 9,447,294  |
| 3.  | Creating import customs declarations for postal consignments                 | 5,400,471  |
| 4.  | Taxpayers and the register of taxpayer organisational units                  | 2,494,161  |
| 5.  | Published section of a public official's declaration                         | 1,822,139  |
| 6.  | SRS VAT Taxable Persons Register   | 1,483,932  |
| 7.  | Employer report  | 1,106,555  |
| 8.  | Refunding overpaid taxes, duties, and other statutory payments               | 1,096,917  |
| 9.  | Annual income declaration  | 1,018,047  |
| 10. | Special permits (licences) and certificates for activities with excise goods | 1,022,705  |



### Most important channels for requesting and receiving SRS services in 2022

Compared to 2021, the number of services provided on the SRS website (registers and information available in SRS public databases) increased by 8.1 pp (2021 – 42%), but services provided in EDS and European information systems decreased by 7.5 pp (2021 – 55%). Services provided through other channels decreased by 0.6 pp ((2021 – 3%). This shows the importance of SRS public databases and published information, as well as the public’s need to access information held by SRS.

In 2022, the number of consultations provided through the hotline decreased by 30% due to the decrease in the number of calls received in connection with the end of COVID-19 and the renewal of face-to-face client service.

SRS received 2nd place as ‘eSignature Champion’ for providing secure e-identity with eSignature tools in the public sector: EDS was the second most popular information system in which users were authorised by using eSignature identification.



# FINANCIAL RESOURCES

## Use of State Budget Funding

SRS used the funds allocated in the budget in compliance with the approved basic budget programmes, sub-programmes, measures to cover revenue collection expenditures (revenues), and planned expenditure estimates and financing plans according to Law on State Budget for 2022 and orders of the Minister for Finance of 2022.

### Total funding allocated to SRS and its use, EUR

| No     | Financial indicator  | 2021<br>(actual) | 2022        |             |
|--------|--|------------------|-------------|-------------|
|        |  |                  | approved    | actual      |
| 1.     | Expenses (total)   | 818,971,333      | 205,841,956 | 203,329,204 |
| 1.1.   | Subsidy  | 811,928,262      | 200,526,122 | 199,038,325 |
| 1.2.   | Paid services and other revenue                              | 285,346          | 301,396     | 286,002     |
| 1.3.   | Foreign financial aid  | 6,470,116        | 4,727,678   | 3,719,443   |
| 1.4.   | Transfers  | 287,609          | 286,760     | 285,434     |
| 2.     | Expenses (total)   | 819,725,812      | 206,853,284 | 203,645,544 |
| 2.1.   | Maintenance expenses (total)                                 | 805,665,844      | 190,532,945 | 188,249,849 |
| 2.1.1. | Current expenses   | 118,656,144      | 121,813,586 | 121,363,524 |
| 2.1.2. | Subsidies, grants, and social benefits                       | 682,216,447      | 65,001,913  | 63,892,006  |
| 2.1.3. | Current payments to the EU and for international cooperation | 4,785,888        | 2,460,810   | 1,737,685   |
| 2.1.4. | Transfers of maintenance expenses                            | 7,365            | 1,256,636   | 1,256,634   |
| 2.2.   | Expenses for capital investments                             | 14,059,968       | 16,320,339  | 15,395,695  |

Of the state budget allocated to the SRS, 203,600,000 EUR or 98.4% of the planned amount was used.

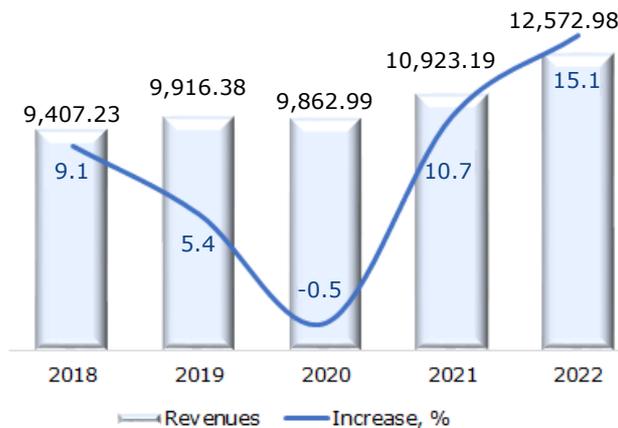
### Use of funding allocated for implementing budget programmes and sub-programmes

| Programme/sub-programme  | Funding used in 2022 |              |
|--|----------------------|--------------|
|  | TEUR                 | % of planned |
| 33.00.00 programme "Ensuring State Revenue and Customs Policy"   | 129,186.9            | 99.8         |
| 62.09.00 sub-programme "Implementation of Projects and Activities of the European Regional Development Fund (ERDF)"  | 2,254.6              | 95.6         |
| 67.07.00 sub-programme "European Community Incentive Projects"   | 2.8                  | 56.3         |
| 70.07.00 sub-programme "Compensation of Travel Expenses of Latvian Representatives when Going to Meetings of Working Parties of the Council of the European Union and to the Council Meetings" | 5.7                  | 100.0        |
| 71.07.00 sub-programme "Projects Funded by the EEA and Norway Grants"  | 484.9                | 90.4         |
| 73.02.00 "Repayments into the State Budget for the Financing of Projects Co-funded by Financial Aid from Other Countries"  | 1,151.5              | 100.0        |
| 73.06.00 sub-programme "Financial Resources Allocated Within the Framework of Agreements between the European Commission (with Participating Member States) and Tobacco Manufacturers"         | 507.8                | 53.5         |
| 73.07.00 sub-programme "Projects Financed by the European Commission for Improvement of the Internal Market Within the Tax and Customs System"   | 1,538.9              | 62.3         |
| 73.08.00 sub-programme "Projects Implemented by the State Revenue Service in the Field of Protection of Financial Interests"   | 2,916.7              | 98.5         |
| 74.06.00 sub-programme "Recovery and Resilience Mechanism (RRM) Projects and Measures"   | 841.0                | 79.2         |
| 99.00.00 sub-programme "Contingency Funds"   | 65,754.8             | 98.3         |

### Funding Allocated for the Implementation of Priority Activities:

- When examining applications for priority measures, i.e. measures that correspond to the Latvian National Development Plan for 2021-2027 and other development planning documents, the Cabinet of Ministers approved 2.36 million EUR in 2022 for the implementation of the SRS priority measure "Strengthening the Capacity of the SRS Tax and Customs Police Administration and Improving the Customs Infrastructure".

## SRS-Administrated Total Budget Revenues in 2022



**SRS-administered total budget revenues in 2018-2022, including budget revenues paid to the single tax account in 2022 not yet transferred for specific types of payments, million EUR**

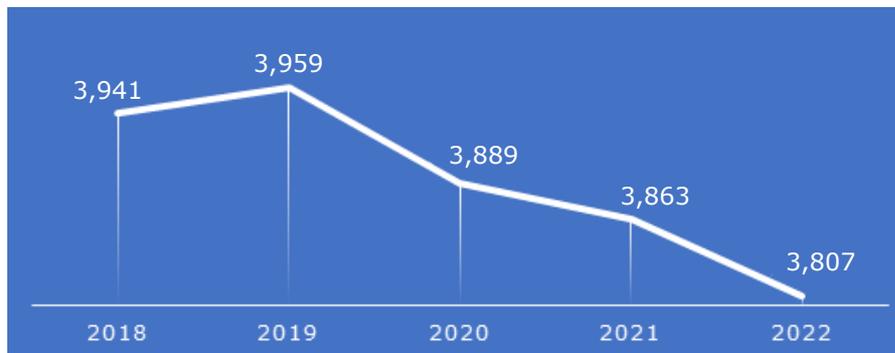
In 2022, total budget revenues administered by the SRS, including budget revenue paid to the single tax account not yet transferred for specific types of payments, totalled 12,572.98 million EUR, which is 1,553.54 million EUR or 14.1% more than planned. Including the amount of tax revenues collected was 12,022.46 million EUR or 13.5% more than planned. The amount of non-tax revenues collected was 532.66 million EUR or 25.8% more than planned.

In 2022, tax and non-tax revenues administered and collected by SRS was 1,649.79 million EUR or 15.1% more than in 2021.

On 2 May 2022, the annual report of state revenues administered by the SRS was submitted to the State Treasury for the first time, thanks to the work carried out over several years by the SRS MAIS system so that tax accounting could be carried out according to the accrual principle.

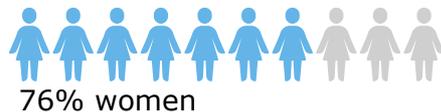
# PERSONNEL

At the end of 2022, SRS had 3,807 positions but the actual number of employed persons was 3,409. The number of officials' positions was reduced by 56.



## Dynamics of SRS positions in 2018–2022

Of the total number of SRS employees:

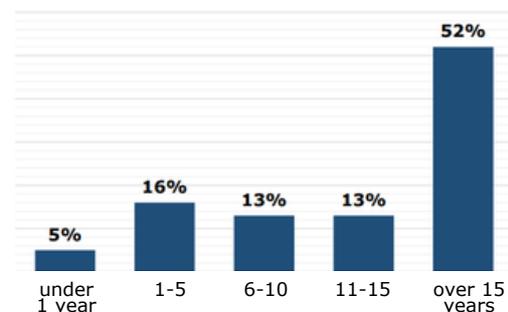


96% higher education



89% civil servants  
11% employees

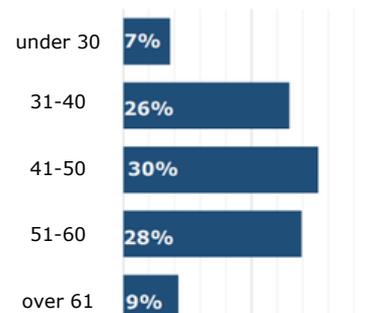
In 2022, the SRS hired 233 civil servants and employees; 312 employees left. Thus, the personnel variability rate was 15.9% (a decrease by 1.8 pp compared to 2021), the personnel renewal rate was 6.8% (a decrease by 0.5 pp compared to 2021), and the personnel departure rate was 9.1% (a decrease by 1.2 pp compared to 2021).



The average monthly salary of an SRS employee in 2022 was 1,610 EUR, exceeding the 2021 average by 4.1%.

## Division of SRS employees by years of service, 2022

SRS Badges of Honour, Certificates of Appreciation and Certificates of Gratitude, and cash prizes were awarded to 254 SRS employees for professional, honest, and dedicated service and significant personal contribution to the development of SRS and attainment of goals in 2022. Ministry of Finance awards were given to 10 SRS civil servants.



Disciplinary action was taken against 36 SRS employees in 2022; of these, 13 employees were reprimanded, 17 employees' monthly salaries were temporarily reduced, and six employees were dismissed.

## Division of SRS employees by age, 2022

# COMMUNICATION WITH THE PUBLIC

Clear, honest, and understandable communication is very important to taxpayers. It promotes trust in the institution, which has a positive effect on voluntary compliance of tax and customs obligations. SRS implemented active and purposeful communication with the public to promote public awareness of the importance of fulfilling tax and customs obligations to improve state welfare, helped taxpayers to understand and fulfil their obligations and exercise their rights, and strengthened the reputation of the SRS as an open and efficient, modern and cooperative public administration institution.

SRS actively uses Facebook, Twitter, Instagram, LinkedIn, and YouTube to communicate with inhabitants and entrepreneurs.

## The number of SRS followers in social networks

The number of SRS followers on Facebook increased by 1,134 in 2022 compared with 2021.



The number of Twitter followers increased by 11% and Instagram followers by 12%, which confirms the growing importance of social networks in communication with citizens and entrepreneurs. The total number of SRS followers on social networks was 36,616.

On 15 November 2022, SRS joined the state and local government institution uniform website platform. Tax and customs information will be available to citizens on a more modern and easier-to-use website.

|                 |   |                  |                                   |
|-----------------|---|------------------|-----------------------------------|
| 2,812,308       | Average time spent by one user on the website | On average 7,705 | Maximum number of views – 1 March |
| Unique visitors | ~ 3 min                                       | Views per day    | 385,545                           |

## SRS website traffic statistics, 2022

SRS sent out more than 200 press releases on various issues, explaining both the conditions and changes in tax and customs obligations, informing about SRS services, and giving the public an overview of the results of SRS' work.

SRS gives interviews and written answers to media questions daily. In 2022, regular interviews and comments were given by SRS management and experts on Latvian radio and television – LTV 1 "Rīta Panorāma", TV 3 "900 sekundes" and other programmes. More than 900 written answers and comments were also provided.

## Informative and educational events for clients:

- seven online seminars were organised – "How to report suspicious transactions in the goAML system", "Business revenue account or how to pay tax more easily", "Licensing of outsourced accountants and basic principles of the internal control system", "Circulation of accounting e-documents", "EDS report 'Summary of the reporting period – comparison' and other EDS news", "Deposit system for packaging: taxes and accounting" and "Amendments to the Law On Personal Income Tax and the Law On State Social Insurance" (recordings and presentations of all seminars are readily available);



- the e-training course “Requirements on the Fulfilment of the AML/CFTP Law and the Law on International Sanctions and National Sanctions of the Republic of Latvia” was updated (the final test was passed by 715 people and completed by 464 people);
- two new e-training courses “Theoretical and Practical Aspects of Client Transaction Monitoring” (72 people passed the final exam) and “Reporting on Suspicious Transactions” (38 people passed the final exam) were published;
- three video tutorials were created – “How to register economic activities”, “How to prepare company accounting data in the Electronic Declaration System”, “How to submit information on employees in the Electronic Declaration System”;



- 388 methodological and informative materials on taxation were prepared and updated, 12.5% more than in 2021; 67 in the field of customs;
- SRS regularly sent newsletters to more than 6,000 subscribers about current practical application of tax and customs laws, SRS services, as well as info on seminars;
- 130 visual materials and infographics were posted on the SRS website and social networks;
- Cooperation with the Patent Board continued in 2022 with the implementation of the public information initiative ‘Fake Reality’ to inform the public about the infringement of intellectual property rights and the damage it causes to the national economy and citizens;
- SRS participated in the Conversation Festival LAMPA: representatives participated in the discussion “[Non]Transgressable Borders”.

### **Educating and informing schoolchildren and young people:**

- SRS employees read guest lectures within the framework of the “Ready for Life” school programme, conducting lectures on the topic “Taxes” both in person and remote lessons within the framework of the additional programme “Career Backpack” for Grade 8 and 9 pupils (in total, about 60 lessons were conducted in person and online at 27 schools);
- SRS participated in the University of Latvia “Career Days”;
- SRS participated in the annual Junior Achievement Latvia (JA Latvia) organised Latvia-wide “Shadow Day” and the European Commission (EC) initiative “Back to School/Back to University 2022”;
- At the request of educational institutions, SRS regularly hosts pupil and student groups who visit the SRS premises and familiarise themselves with SRS work by listening to SRS specialist-led lectures (topics are adjusted to the interests and specialty when possible). In 2022, SRS hosted 17 groups from eight different secondary schools, vocational schools, and tertiary institutions.

Four SRS Advisory Councils are working to improve dialogue with unions, business associations, non-governmental organisations, and other interested parties and jointly address various tax administration and customs issues.

### **In 2022, ten SRS Advisory Council meetings took place:**

- three Development Advisory Council meetings in which issues related to development of the new SRS development strategy for 2023–2026 were examined and discussed;

- two Excise Duty Advisory Council meetings at which current issues on the circulation of excise goods, trends in excise duty revenues, and planned changes in laws and regulations were examined;
- one Customs and Entrepreneur Consultative Council meeting in which current customs issues were considered, including the application of sanctions, development progress of ECDPS2 in accordance with the requirements of the Union Customs Code, and the introduction of the Import Control System (ICS2) for rail transport.



As of 30 December 2022, agreements have been entered into with 43 foundations and sectoral associations.

SRS signed five new cooperation agreements in 2022 to jointly fight against tax evasion and undeclared wages, promote conditions of fair competition, and encourage business operators to show initiative and understanding in sorting out tax compliance obligation issues in their sector:

- "Association of Safety Professionals" on 4 April 2022;
- "Association of Latvian Builders" on 24 November 2022.

Simultaneously, one cooperation agreement was renewed with the Society Vehicle Dealers Association of Latvia (LATTA) and necessary amendments were introduced to the terms and conditions thereof.

As the result of the study performed in 2022, it was revealed that sectoral association satisfaction on cooperation with SRS (scale of 1 – 10) was 7.9 (exceeding the figure for 2021 by 0.07 points).



# ACTIVITIES PLANNED FOR 2023

The EC Technical Support Instrument project was launched in 2022 for the development and implementation of the new SRS operational strategy for 2023–2026. A draft of the SRS Development Strategy for 2023–2026 was developed in close cooperation with the consulting service provider attracted by the EC – PricewaterhouseCoopers EU Services EESV, SRS external cooperation partners (members of the SRS Development Advisory Board), and a wide range of representatives from various levels of the institution. In 2023, it will be approved, and the strengthening of SRS capacity will continue to ensure the successful implementation of the SRS Development Strategy for 2023–2026.

## **SRS challenges and priorities in 2023:**

- develop client-friendly communication and interaction at a new level and quality by continuing to promote voluntary fulfilment of tax and customs obligations;
- develop user-oriented services and digital self-service solutions;
- implement Latvian Recovery Fund (RF) plan projects:
  - strengthen analytics and data management;
  - develop digital services to promote cross-border tax cooperation;
  - strengthen customs control capacity;
- continue to implement electronic tax and customs environment development projects;
- modernise customs control point infrastructure and technological solutions necessary for customs control;
- ensure the licensing of outsourced accounting service providers;
- implement EEA financial instrument programme projects, integrating SRS law enforcement authorities into the National Criminal Intelligence Model;
- improve tax promotion and monitoring processes;
- continue optimisation and automation of SRS processes;
- maintain the principle of 'zero tolerance' and implement an effective anti-corruption policy.



State Revenue Service  
Republic of Latvia

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