



Valsts ieņēmumu
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STATE REVENUE SERVICE PUBLIC REPORT

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Dear reader of this report!



customs will always have to be improved.

The main goal of the SRS is to maximise the voluntary tax compliance, and all the rest is subordinate thereto. To achieve this goal, all of us together must work to implement fair and smart administration of taxes, ensure effective protection of the customs frontier, and eliminate informal economy. And, of course, we must invest in the development of human resources to make it all possible.

We must ensure high-level services to those honestly paying all taxes and those included in the Large Taxpayers' awards list, thus, clearly showing that any company operating in Latvia can be given this honour by doing certain homework. We must apply the principle 'Consult First' in a professional manner with regard to those taxpayers who are honest, but who have encountered certain problems and wish to resolve them. We must ensure the inevitability of punishment for those who maliciously use the opportunities provided by the State of Latvia.

Latvia is a beautiful country rich in opportunities; however, we never had and never will have any valuable mineral deposits to sell in order to enable our country to pay for the education, healthcare, safety of our citizens, and many more. Hence, we are as much educated, healthy, and safe as we are responsibly paying taxes. Over the last years, a lot has been spoken about hybrid threats, and tax evasion is the most obvious hybrid war, as, thus, the State is left without means of substance.

When the next public report of the SRS comes out, our new strategy will be already in force – a document that will be aimed at the voluntary payment of taxes, as well as the effective elimination of informal economy. This will not be an easy task; however, I am convinced that all of us together will succeed!

Ieva Jaunzeme,
SRS Director General

A handwritten signature in blue ink, appearing to read 'Jaunzeme'.

1. Background Information

1.1. Legal Status and Structure of the SRS

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

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

Structural changes in the SRS in 2018

On 01.01.2018, the following units and positions directly subordinate to the SRS Director General were established:

- Tax and Customs Police Department;
- Internal Security Department;
- a position of an expert for administrative matters and a position of a consultant for planning and development matters.

In accordance with the SRS Regulation No 1 of 19.01.2018, as from 22.01.2018:

- the Tax Control Department is set to be directly subordinate to the SRS Director General;
- the Finance Department is set to be subordinate to the Deputy SRS Director General, Director of the IT Department;
- the position of the Deputy SRS Director General in the Field of Taxes and the position of the Director of the National Tax Board (previously the Deputy Director General in the Field of Taxes) have been created.

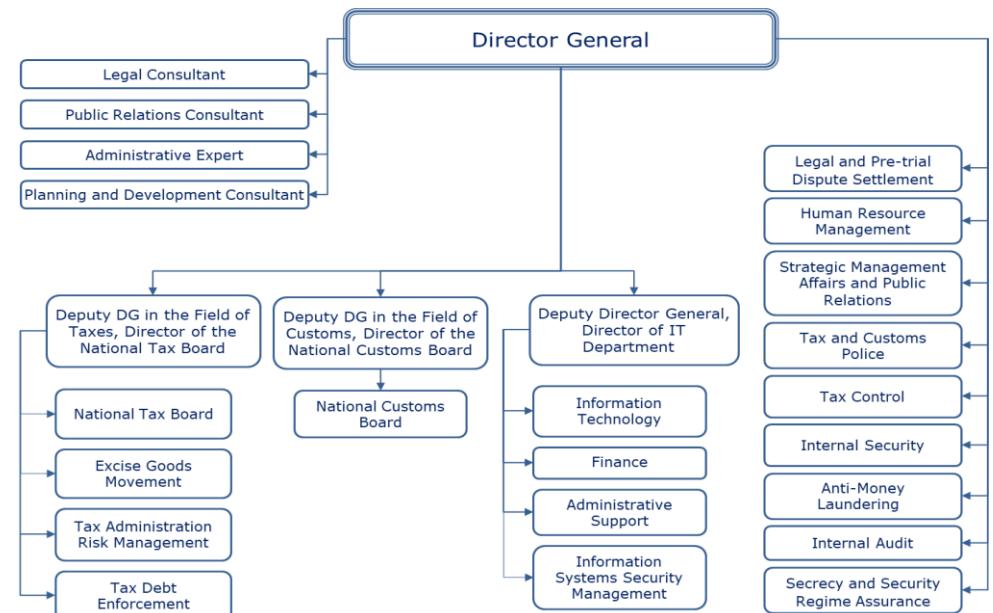


Fig. 1. Organisational structure of the SRS, 2018

1.2. Priorities for 2018

In 2018, the SRS set the following **priority tasks and activities**:

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

1.3. SRS Performance Strategy for 2017–2019

Purpose of Operation of the SRS (Mission)

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

Future Goal of the SRS (Vision)

We are a modern and effective, fair and respectable state administration institution open and comprehensible for customers — a reliable partner for the State and society with a high institutional culture and employees' pride for affiliation to the SRS and the State of Latvia.

Values of the SRS

PROFESSIONALISM — knowledge and competences at a high level, abilities to apply them in work, continuous development and high work ethics.

COOPERATION — good fellowship and openness in fulfilment of duties, single understanding of goals and attainment thereof.

LOYALTY — dedication to interests of the State and the public, considering them as primary both at work and outside it.

HONESTY — equal and fair attitude towards customers, partners and colleagues.

RESPONSIBILITY — non-avoidance of decision-making and actions, and responsibility for consequences.

Pillars and Strategic Objectives



Satisfied and honest SRS customers and society in general

- Fair competition and elimination of informal economy.
- High level of public safety and security.
- Strong taxpayer culture.
- Open cooperation with the public, private and non-governmental sectors.
- Fast, convenient, and understandable SRS services for customers.
- Image compliant with the SRS values and a strong reputation.



Motivated and actively involved employees

- Clear and predictable remuneration and motivation system.
- Professional, cooperation-oriented, honest, responsible, and loyal employees.
- Open, responsible, and mutual trust-based SRS organisational culture.



Effective internal processes which are based on modern technologies

- Maximum optimised internal processes.
- Effective management of priorities and projects.
- Green thinking in effective use of funds allocated to the SRS.

2. Performance Results for Attainment of Goals Set in the SRS Performance Strategy and Implementation of Priorities

2.1. Improvement of Customer Service

Improvement of Services Provided to International Taxpayers

On 01.03.2018, the Division of International and Large Taxpayers was created. The following improvements were introduced:

- the EDS interface is available in English and Russian;
- the standard, which stipulates ensuring an individual consultant for every large foreign investor, has been developed;
- the SRS website www.vid.gov.lv has been improved by supplementing it with the section ‘Invest in Latvia’ (in English) and ‘Инвестируй в Латвию’ (in Russian), wherein foreign entrepreneurs have access to concentrated and easy-to-understand information on taxes and services provided by the SRS;
- as of 27.06.2018, a merchant, who is a foreign investor, can receive a summary of a tax audit in English based on his/her request.

Enhanced Cooperation Programme

In 2018, the Enhanced Cooperation Programme (ECP) was improved significantly. Conditions for participation in the ECP and the range of benefits provided to programme participants have been expanded, thus motivating an increasingly wide circle of taxpayers to apply for the ECP, promoting the voluntarily fulfilment of tax obligations in the long term.

ECP participants are grouped in three levels, i.e., gold, silver and bronze, depending on the scope of activity. Participants of each level have access to various benefits according to unified criteria (15 in total) and are simultaneously ensured with a more simplified programme administration and supervision process. The SRS offers participation in the relevant level of the cooperation programme to a merchant automatically, based on the previously performed assessment in the SRS information systems.

In 2018, five applications were received for participation in the ECP; four of them were admitted for participation in the programme and one

application was revoked. On 31.12.2018 there were 79 participants in the ECP.

Taxpayer Rating System

In 2018, the first and only company rating assessment tool in the Baltics, ‘Taxpayer’s Rating’ was developed and presented in September. It is not only an informative instrument, but also a tool that will motivate companies to improve themselves and aspire for achieving better results.

The main tasks of the company rating are the following:

- to inform the entrepreneur about the compliance of indicators characterising its economic activities with general economic trends;
- to protect honest entrepreneurs from the unintentional establishment of business relations with dishonest merchants;
- to motivate entrepreneurs to adhere to their tax payment discipline.

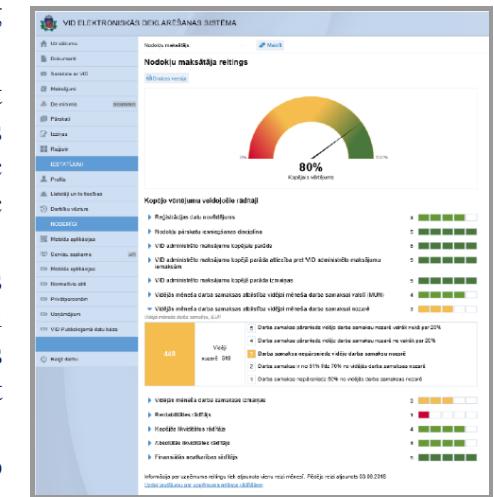


Fig. 2. Taxpayer’s Rating

Every entrepreneur, using the EDS, can become acquainted with his/her rating determined using the analysis of data available to the SRS, including company’s financial indicators, salary, declaration submission discipline, tax debt, etc.

Electronic Declaration System (EDS)

- six new statements, which can be requested and received by natural and legal persons online, are now available in the EDS: on average

MSSIC and the number of employees; on average salaries; on registration as a taxpayer, taxes paid and tax debts; on a person who is not a VAT taxable person; on the income of a natural person; on economic activity;

- an opportunity to make tax payments and associated payments for other natural or legal taxable person is ensured;
- the identification of taxpayers by phone, naming the unique code shown in the EDS window, for receiving a personalised consultation has been introduced;
- a solution has been developed for the convenient completion of a simplified declaration on income from capital increase in the EDS (applicable as of 01.03.2019);
- the submission of applications for excise duty stamps in the EDS has been simplified, taking into account the proposal of the sector: the amount of the requested information has been reduced.

In 2018, it was planned to consider and initiate the development of a solution for the preparation of initially completed declarations for the recovery of overpaid PIT or the payment of tax debt for certain groups of taxpayers. The SRS in cooperation with the MoF, in assessing possibilities, problems, and risks, i.e., lack of information on eligible expenses, technical costs, load on human resources, amount of information, postponed the introduction of the task until the introduction of the Payment Administration Information System.

Electronic Customs Data Processing System (ECDPS)

- an opportunity is ensured to move goods placed for temporary storage between different temporary storage places within the territory of Latvia, without using the transit procedure;
- the automatic approval of a temporary storage declaration is ensured, if the previous procedure is ‘transit’, thus enabling to optimise the processing of this declaration, reducing the consumption of time necessary for the closure of the previous procedure and the registration of temporary storage;

- the automatic release of export customs declarations is performed according to set criteria and parameters, ensuring the faster processing of export declarations and accelerating the process of registration of cargo to be exported.

Circulation of Excise Duty Goods

- the supply of excise duty stamps is ensured by post for small breweries of alcoholic beverages;
- the speed of circulation of documents has been reduced for entrepreneurs, supplementing the Excise Movement and Control System (EMCS) with electronic wine accompanying documents;
- the amount of information to be declared with the SRS regarding oil products has been reduced, improving the Data Warehouse System, integrating data retrieval possibilities from the database of the Rural Support Service.

To ensure the continuous operation of the SRS information systems in accordance with the laws and regulations of the European Union and Latvia, on 20 December 2018, a backup solution of the SRS information system was created in the remote data centre.

2.2. Combatting Informal Economy

To promote honest competition in business and the voluntarily fulfilment of tax obligations, the SRS implemented both preventive and control measures to reduce informal economy in 2018.

As the result of implemented control measures, tax losses of **EUR 153.0 million** have been eliminated in total, including the following:

- **EUR 94.6 million** — additionally estimated taxes (within the framework of tax audits, data conformity checks, etc.);
- **EUR 52.7 million** — VAT losses eliminated by excluding taxpayers, for which no additional estimations of VAT have been performed, from the SRS VAT Taxable Persons Register;
- **EUR 5.7 million** — taxpayers themselves have additionally declared taxes (within the framework of thematic inspections, data conformity checks, risk analysis, and prior to the tax audit).

Application of the “Consult First” Principle in Control Measures

In 2018, the ‘Consult First’ principle was applied in **3,635 control measures**, as the result of which taxpayers themselves additionally declared taxes in the amount of **EUR 5.7 million**, exceeding the respective figure of 2017 by **69%**. The “Consult First” principle was applied in the following control measures:

- **in 1,837 cases**, providing consultations on the application of laws and regulations;
- **in 377 cases**, carrying out negotiations with the officials of companies on an increase in salary;
- **in 854 cases**, providing consultations with regard to the new technical requirements for electronic cash registers;
- **in 567 cases**, inviting to correct declarations for periods which have not been audited.

New Approach to the Tax Auditing Process

In 2018, the approach to the tax auditing process was changed, introducing the real-time verification principle. It means that the taxpayer to be audited is monitored also after the period to be audited. As the result of introduction of a real-time audit:

- the number of tax control measures (inspections and observations) performed by tax auditors has increased;
- taxpayers to be audited correct declarations for the post-audited period, increasing the declared amount of taxes.

In assessing the behaviour of audited taxpayers after completing the tax audit, it has been concluded that the following continue to carry out economic activities in 2018:

- **67%** of the total number of legal persons, for which tax audits were performed in 2018;
- **43%** of the total number of legal persons, for which tax audits were performed in 2017;

- **37%** of the total number of legal persons, for which tax audits were performed in 2016.

Measures for Eliminating ‘Envelope’ Salaries

In 2018, the following measures were performed:

- **70 educational seminars** were organised on illegal employment and ‘envelope’ salaries for taxpayers;
- as the result of preventive measures, **4,941 employees were legalised** and additional contributions of **EUR 2,514.6 thousand** were made into the budget;
- thematic inspections of 1,315 employers were performed; the fine of **EUR 89.4 thousand** was applied in 112 cases;
- **140 tax audits** were performed with regard to ‘envelope’ salaries, within the framework of which MSSIC and **fine of EUR 14,865.2 thousand** as well as PIT and **fine of EUR 6,487.1 thousand** were additionally calculated.

As the result of control measures, additional payments to be made into the budget due to ‘envelope’ salaries were calculated the most for taxpayers, the activities of which were related to public catering, security services, entertainment and recreation activities, production and construction of timber items.

In 2018, the records of the SRS Tax and Customs Police Department contained **16 criminal proceedings** qualified according to Section 217¹ of The Criminal Law regarding the violation of work remuneration regulations; one of these criminal proceedings was transferred to the Prosecution Office for the Investigation of Financial and Economic Crimes for the commencement of criminal prosecution in May 2018.

In order to promote the safety of the commercial activity environment, fair competition, and voluntary fulfilment of tax obligations, as of 26.02.2018, the SRS published information on employers whose employees have average monthly salaries in the amount which equals or is below the minimum monthly salary set by the State.

Electronic Working Time Accounting System (EWTAS)

In order to ensure the electronic registration and accounting of working time of persons employed on construction sites, the storage of registered data and the transfer of the said data for inclusion in the single electronic working time accounting database, the EWTAS was introduced on 01.10.2017. The introduction and usage of the EWTAS was tested on 87 construction sites, within the framework of 100 thematic inspections, for 53 main performers of construction works. It was established that:

- on 27 construction sites data had not been registered or incomplete data had been registered in the EWTAS regarding the contract with the initiator of construction;
- on 17 construction sites EWTAS data could not have been showed or submitted;
- on 15 construction sites the EWTAS did not ensure the registration of full information;
- on six construction sites the EWTAS had not been introduced;
- on 41 construction sites 193 employees of subcontractors had not been registered in the EWTAS;
- on 5 construction sites 6 employees of the general contractor had not been registered in the EWTAS;

555 inspections were performed for subcontractors whose employees were working on the construction site.

One of the priorities, for which enhanced supervision was continued in 2018, is **car trading**.

With regard to registered prohibitions on alienation, when receiving information from SJSC “Road Traffic Safety Directorate” (‘RTSD’):

- an enhanced risk analysis was performed for 1,733 taxpayers;
- 172 decisions were adopted on prohibition on the alienation of a vehicle;
- within the framework of eight tax audits, payments of **EUR 940.7 thousand** were additionally calculated to be paid into the budget.

The verification of documents submitted for the registration of vehicles imported from the EU is performed in places of vehicle registration, receiving explanations from natural persons during the first registration of the vehicle in the Republic of Latvia. In 2018, explanations were received on documents submitted by 127 natural persons for the registration of vehicles. Of them, the registration of vehicles was rejected in 24 cases.

As the result of control measures, the budgetary revenues of the card trading sector in 2018 **increased by EUR 12.1 million**, i.e., 8.3%, compared to the previous year.

Detection and Prevention of Criminal Offences

Significant improvement of achieved results was ensured in the field of State revenues and customs matters in 2018:



Fig. 3. Initiated criminal proceedings, 2016-2018

- **1,371 criminal proceedings were initiated**, exceeding the respective figure of 2017 by 878;
- **241 criminal proceedings** were transferred for the commencement of criminal prosecution, exceeding the respective figure of 2017 by 51;
- the amount of losses incurred by the State, which were established in criminal proceedings transferred for the commencement of criminal prosecution and which the State was able to recover, was **EUR 17,092,001**, which is 3.6 times more than in 2017;
- the property acknowledged as criminally acquired and transferred to the State budget amounted to **EUR 2,663,782**, which is an increase of 40% compared to 2017;
- the operation of **17 organised criminal groups (OCG)** was detected and **stopped**: eight — in the field of State revenues; five — in the field of excise duty goods, and four — in the field of narcotic substances, which in total is by three OCG's more than in 2017.

Combatting Crime and Smuggling

Most important **criminal cases initiated** in the field of State revenues and customs matters in 2018.

- A marijuana farm was discovered in the border area with Lithuania. In March 2018, criminal proceedings were initiated against **an organised criminal group** engaged in the growing, selling, and smuggling of marijuana on a large scale.
- Two citizens of the Republic of Latvia were detained for the smuggling of **57.828 kg of psychotropic substances** in a postal consignment; criminal proceedings were initiated.
- During the search in a car garage located in the territory of a company in Ķekava Municipality, a gas cistern adopted for the transportation of smuggled goods was found and **14,837,780 cigarettes of various brands** were seized in total.
- A group of VAT frauds and money launderers, which evaded VAT payments and legalised criminally acquired funds within the period from January 2016 to June 2018, causing **losses of over EUR 750 thousand** to the State budget, was stopped.
- In June 2018, search was performed at a factory in Daugavpils, where ethanol was illegally produced and sold in large volumes. Distillery's alcohol production licence was annulled; **three tons of illegal alcohol** were seized; criminal proceedings were initiated **against five persons**.



Photo: SRS



Photo: SRS

Most important **criminal proceedings transferred** for the commencement of criminal prosecution in 2018.

- Criminal proceedings regarding the storage of 8.6 million illegal cigarettes on a large scale by an organised group in the premises of a company, which carried out illegal activities with tobacco products at its excise duty goods warehouse concurrently to the production of legal tobacco products. The State incurred losses of over **EUR 700 thousand**.



Photo: SRS



Photo: SRS

- Criminal proceedings regarding the smuggling of narcotic substances by an organised group — smuggling of **31.19 kg of cocaine**.
- Criminal proceedings regarding the evasion of tax payments in the amount of more than EUR 5 million and the squeezing of funds in the amount of EUR 0.9 million. These activities resulted in losses of more than **EUR 6 million** for the State budget.
- Criminal proceedings initiated against **a group of persons** engaged in the growing, selling and smuggling of marijuana on a large scale in the border area of Lithuania.
- Criminal proceedings against a natural person, whose possible criminal activities caused losses of more than **EUR 700 thousand** to the State budget.

Excise Duty Goods and Narcotic Substances Were Seized as the Result of Activities of the SRS Structural Units



Fig. 4. Amounts of seized excise duty goods and narcotic substances, 2016-2018

Effective Results of the SRS Performance Strategy for 2017-2019:

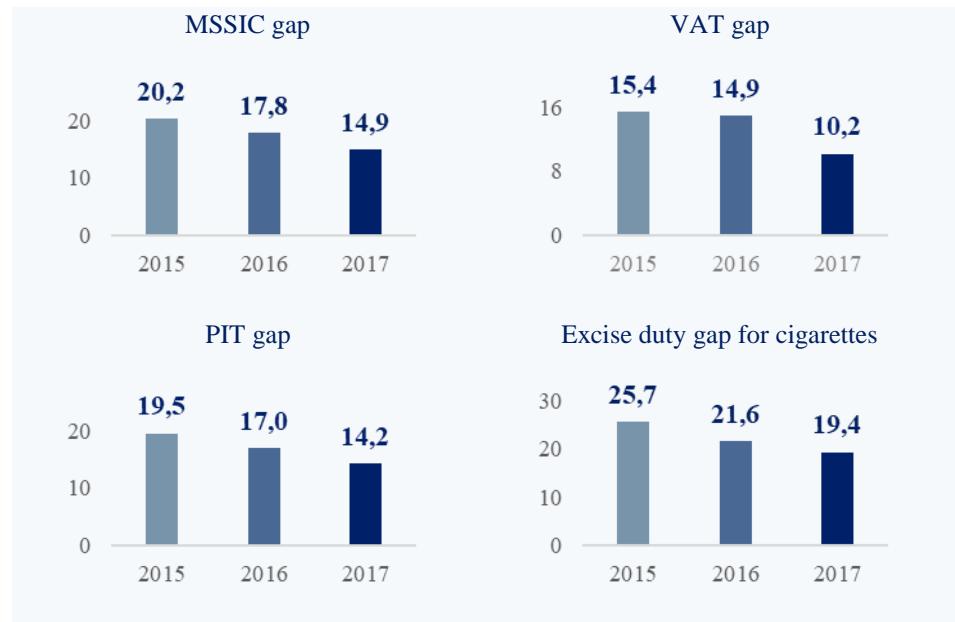


Fig. 5. Tax gaps at the declaration stage in the most important tax revenue, %

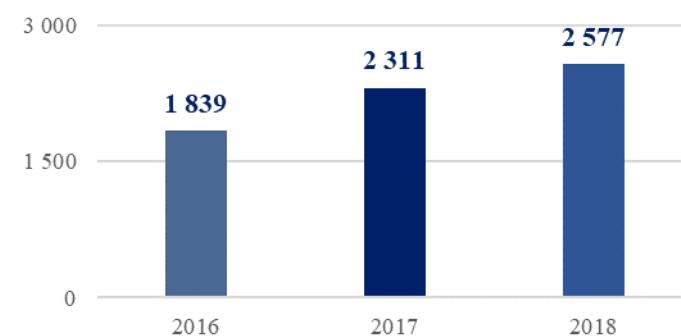


Fig. 6. Amount of collected revenues per employee, EUR

In the Field of Anti-Money Laundering

In 2018, the SRS implemented the following activities to facilitate the fight against money laundering and terrorism financing:

- 223 on-site inspections and 157 remote inspections were performed, which is almost twice as much as in 2017;
- 18 seminars were organised on the application of the Law On the Prevention of Money Laundering and Terrorism Financing for taxpayers and representatives of supervisory institutions **1,743 persons were trained.**

2.3. Optimisation of Internal Processes and Raising Efficiency

Centralisation of the Document Management Function

The centralisation of the document management function was implemented: the single management of documents within the framework of one structural unit was ensured and the comparison of work loads was performed.

Electronic Inventory

The annual final inventory of material values was introduced at Talejas iela 1, Riga. QR codes are used for labelling material values, and mobile scanning devices are used to ensure the convenience of scanning. As a result, human resources involved in the process were optimised, significantly reducing the number of inventory commissions, simultaneously reducing the number of responsible persons and the consumption of material resources, i.e., paper.

Link to ‘eKase’

The use of the online data exchange module of the State Treasury electronic budget payment system ‘eKase’ was ensured for work with the SRS economic accounts, accelerating the processing of bank documents.

Centralised Resource Management System

Procedures were introduced for ensuring the submission of source documents on the expenses of a person’s business trip and work trip to the accounting department electronically in the Centralised Resource Management System ‘Horizon’; as the result, the time of submission and processing of source documents on expenses, as well as the time of making final payments decreased.

Guidelines on Assessment and Optimisation of the SRS Processes

To promote the application of a single approach to the assessment of work processes of the SRS structural units and the determination of optimisation solutions, ‘Process Assessment and Optimisation Guidelines’ were developed and introduced on 21.12.2018.

2.4. Implementation of the Most Important SRS Projects

In 2018 active work was carried out on the implementation of the following most important SRS projects:

- modernisation of tax information services (project co-financed by the ERDF);
- E-customs (1st stage) (project co-financed by the ERDF);
- technical assistance for the implementation of medium-term tax guidelines (SRSS funding);
- modernisation of customs technical equipment at CCP’s;
- introduction of tobacco products traceability system (*Track and Trace*);
- cheque lottery.

In turn, the project ‘Introduction of Video Surveillance at CCP’s’ has been implemented. The video surveillance system was installed on 23 sites of the SRS



3. Statistics on Services Provided by the SRS

In 2018 SRS customers had access to 227 public services, *inter alia*, the requesting and/or receipt of 220 services, i.e., 97%, is ensured in electronic form and only seven services are provided in person or by post.

Of all SRS services 86% (195 services) make three groups of services: tax administration services — 32%, services of the excise duty field — 29%, and customs services — 25%.

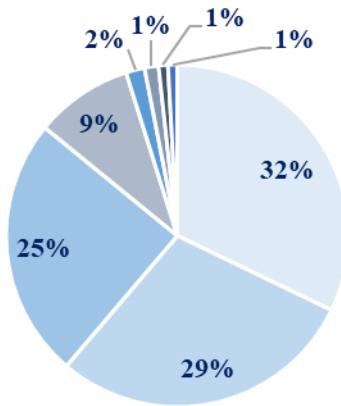


Fig. 7. Structure of the SRS public services, 2018

Detailed information on 28,341,798 SRS services provided in 2018 is published¹ on the SRS website in the section '[About SRS – Services](#)'. Information has been summarised for the first time and, hence, it is impossible to compare with the previous year.

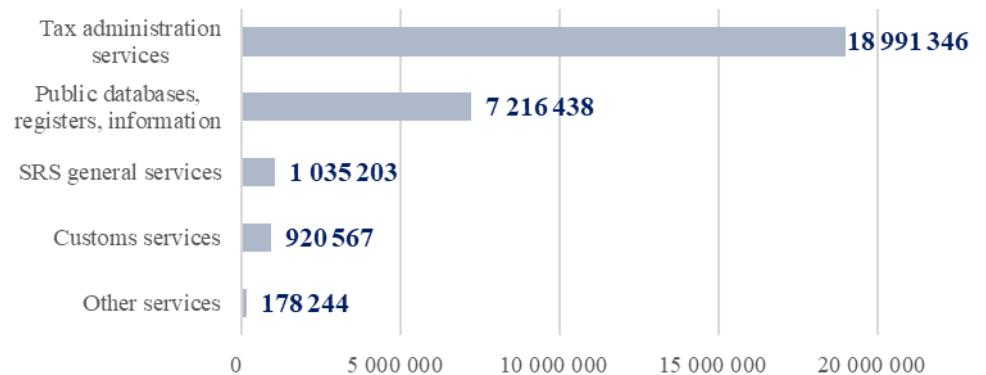


Fig. 8. Number of services provided by the SRS in breakdown by groups of services, 2018

Most often the SRS customers received tax administration services. 73 tax administration services available on the list of services were requested and received in 18,991,346 cases, which makes **67%** of the total amount of services provided by the SRS. Most tax administration services were provided in the following groups of services:

- reports, statements, notifications — 14,595,997;
- declarations — 2,005,035;
- payment of taxes, prolongation of term — 1,430,753.

Taxpayers requested and received information from public databases and registers in 7,216,438 cases, which makes almost **25%** of the total amount of services provided. The SRS public databases contain information on 21 topics, from which information is most often requested from the following:

- SRS VAT Taxable Persons Register — 2,036,586;
- Register of Tax Debtors — 1,659,055;
- Public parts of the public official's declaration — 1,613,140;
- Register of Special Permits (Licences) and Certificates for Activities with Excise Goods — 1,037,612;

¹ In accordance with Paragraphs 24 and 31 of Cabinet Regulation No 399 of 4 July 2017 "Procedures for Accounting, Quality Control and Provision of State Administration Services".

- Register of Electronic Devices and Equipment, Their Users and Maintenance Services — 337,856;
- Register of Natural Persons-Performers of Economic Activities — 306,554.

General SRS services were provided in 1,035,203 cases, which makes **4%** of the total amount of services provided, *inter alia*:

- provision of replies to various questions within the competence of the SRS — 205,195;
- consultations on the application of laws and regulations — 829,262;
- SRS references on the rights of an individual in his/her particular legal situation — 746.

920,567 services were provided in the field of customs, which accounts for **3%** of the total amount of services provided.

Other services were provided in less than **1%** of cases, i.e., 178,244, which included the following:

- services to public officials — 78,431;
- e-services on the State administration portal www.latvija.lv — 53,406;
- services in the field of excise duty — 46,025;
- chargeable services — 382.

Table 1. Chargeable services provided by the SRS, 2018

Chargeable service	Number
Selling of strict-accountancy seals*	239
Report on the conformity of marked (labelled) oil products to the requirements of regulatory enactments of the Republic of Latvia	107
Customs clearance of goods outside the location of or outside the working hours of the customs office	12
Performance of analyses for the determination of the Combined Nomenclature code and TARIC code	24

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

In 2018 19 services were requested and provided in less than 10 cases, and 12 services were not provided at all.

In turn, the list of ten largest services received include the following services.

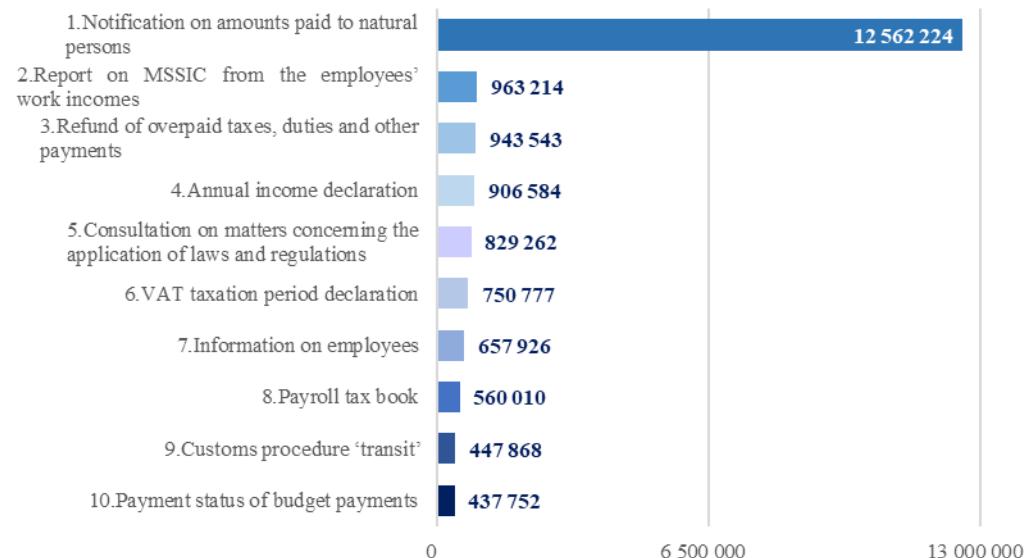


Fig. 9. 'Top 10 services' with the highest number of service recipients, 2018

These 10 services account for 90.46% of all the services received.

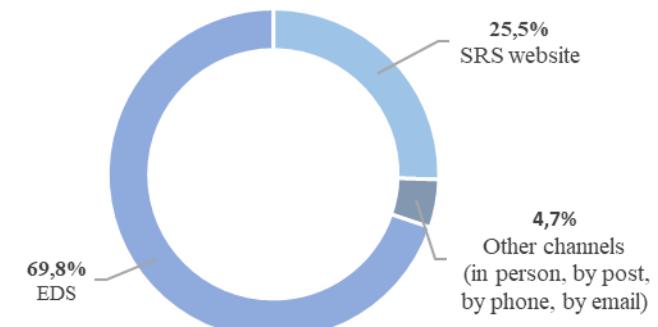


Fig. 10. Most important channels for requesting and receiving SRS services

4. Financial Resources and Their Use

4.1. State Budget Funding and Its Use

In accordance with the Law On State Budget for 2018 and the Orders of the Minister for Finance of 2018, in 2018 the SRS used the funds allocated in the budget in compliance with the approved programmes and sub-programmes of the basic budget, covering of revenue collection expenses (revenues), cost estimates and financing plans of the planned expenditures.

Table 2. Total funding allocated to the SRS in 2018 and its use, EUR

No	Financial indicator	in 2018	
		in 2017 (actual implementation)	approved in the Law and orders of the Minister for Finance
1.	Covering of financial resources expenses (total)	115,246,520	126,411,846
1.1.	subsidy	113,325,306	125,044,022
1.2.	chargeable services and other own revenues	67,907	207,604
1.3.	foreign financial aid	1,836,807	1,005,199
1.4.	transfers	16,500	155,021
2.	Expenses (total)	114,636,628	126,564,666
2.1.	maintenance expenses (total)	101,457,041	109,307,634
2.1.1.	current expenses	101,440,372	109,058,236
2.1.2.	subsidies, grants, and social allowances	6,455	8,478
2.1.3.	current payments to the European Community budget and international cooperation	10,214	58,548
2.1.4.	transfers of maintenance expenses	0	182,372
2.2.	expenses for capital investments	13,179,587	17,257,032

4.2. Total Budget Revenues Administrated by the SRS, 2018



Fig. 11 Total budget revenues administered by the SRS, 2018

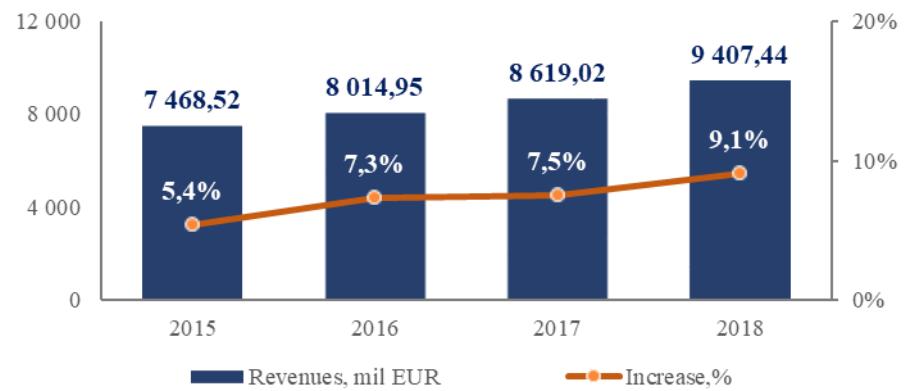


Fig. 12. Budget revenues administered by the SRS in 2015-2018, million EUR

The total budget revenues administered by the SRS in 2018 comprised EUR 9,407.44 million which is by EUR 788.40 million or 9.1% more than in 2017 and by EUR 120.44 million or 1.3% more than planned.

Use of Budgetary Programmes and Sub-programmes and the Results of Their Performance

The State budget funds allocated to the SRS in 2018 were used in the amount of EUR 124.9 thousand or by 98.7% of the planned amount.

Table 3. Use of funding allocated for the implementation of budgetary programmes and sub-programmes in 2018

Programme/ sub-programme	Funding used in 2018	
	thousand, EUR	% of the planned
33.00.00 programme “Ensuring State Revenue and Customs Policy”	121,396.7	99.2
38.02.00 “Implementation of European Union Cooperation Projects and Activities”	2.3	54.4
62.09.00 sub-programme “Implementation of Projects and Activities of the European Regional Development Fund (ERDF)”	3,038.1	100.0
70.07.00 sub-programme “Compensation of Travel Expenses Of Latvian Representative when Going to Meetings of Working Parties of the Council of the European Union and to the Council Meetings”	15.6	94.6
73.06.00 sub-programme “Financial Resources Allocated Within the Framework of Agreements between the European Commission (with Participating Member States) and Tobacco Manufacturers”	34.0	5.4
73.07.00 sub-programme “Projects Financed by the European Commission for Improvement of Internal Market within the System of Taxes and Customs”	334.9	76.1
73.08.00 sub-programme “Projects Implemented by the State Revenue Service in the Field of Protection of Financial Interests”	85.1	70.9
99.00.00 “Use of Funds for Unforeseen Case”	0.1	100

4.3. Funding Allocated for the Implementation of Priority Activities

The Cabinet of Ministers, in examining the applications of priority activities, i.e., activities that comply with the Latvian National Development Plan for 2014-2020 and other development planning documents, approved funding for the SRS for the implementation of seven priority activities in 2018.

Table 4. Funding allocated for priority activities, 2018

Name of the priority activity	Funding, EUR
1. Enhancing the capacity of institutions of the Ministry of Finance, including for combating informal economy, attaining the strategic goals of the SRS (including for the remuneration of customs officers, inspectors, and financial police officers)	2,272,661
2. Continuation of the SRS administrative structural reform, including an internal agreement on the market value of the transaction and enhancement of transfer pricing capacity	1,500,000
3. Elimination of money-laundering and terrorism-financing risks	533,182
4. Modernisation of tax information services (including with the creation of the Payment Administration Information System and the provision of functionality)	615,000
5. Creation of the second SRS data centre	250,470
6. Establishment of the joint tax and customs police and implementation of change of subordination of the Internal Security Division	950,138
7. Enhancing analytical capacity in the field of tax revenues, risk management, and segmentation of taxpayers	493,461
Total:	6,614,912

5. Personnel

At the end of 2018, number of employees and officials' positions at the SRS were 3,941, whereas the number of actually working employees were 3,636.



Fig. 13. Dynamics of the number of SRS planned positions, 2015-2018

In 2018, 15 positions were abolished and 4 positions were additionally created.

Out of the total number of the SRS employees:

- 88% are civil servants and 12% are employees;
- 74% are women and 26% — men;
- 95% have higher education.

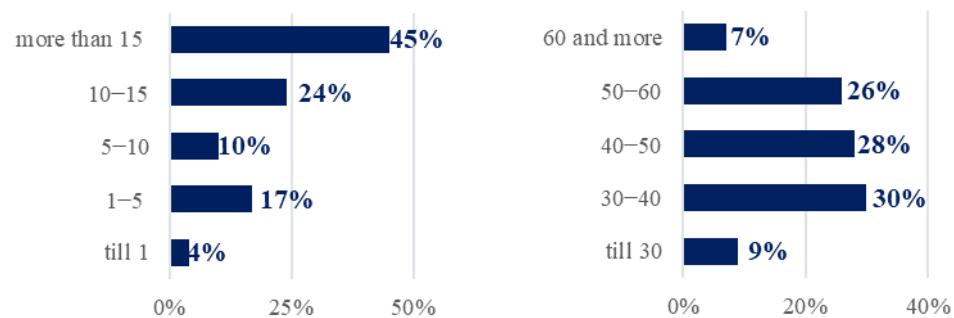


Fig. 14. Division of the SRS employees by employment period, 2018

Fig. 15. Division of the SRS employees by age, 2018

In 2018 the SRS entered into civil service and employment relationship with 196 officials and employees, but terminated it thereof with 235 officials and employees. Thus, the personnel turnover ratio is 11.67%, personnel restoration ratio — 5.37%, and personnel leaving ratio — 6.30% (the calculation of ratios does not include data on the reduction of the number of officials and employees).

The average monthly salary of SRS employees in 2018 amounted to EUR 1,404 exceeding the respective figure of 2017 by 10.9%.

376 SRS employees were awarded for professional, honest, and selfless work, significant personal contribution in the SRS development and fulfilment of objectives in 2018, out of who:

- MoF awards — 18;
- SRS awards — 339;
- awards from other institutions — 19.



Photo: SRS

36 SRS employees were disciplinarily punished for violations in 2018, of them a disciplinary sanction 'reprimand' was applied to 13 employees, the monthly salary was temporarily reduced for 12 employees, one employee was downgraded, and 10 employees were dismissed.

In 2018, the SRS employees took part in 676 various training events (courses, seminars). 10.5% of training events were ensured to the SRS by internal lecturers. The average time spent in training was 44.7 hours per participant. The main training topics: communication — 23%; combatting crime — 22%; customs matters — 19%; legal and administrative matters — 13%; computer sciences and information technology — 6%. 116 training courses are available for professional improvement in the SRS e-training environment.

6. Communication with the Public

To promote the understanding of the significance of fulfilling tax and customs obligations by the public in improving the welfare of the State and enhance the reputation of the SRS as a modern and efficient, fair and respectable State administration institution open and understandable for customers, active and purposeful communication with the public is implemented.

Cooperation with mass media:

- 5 press conferences and media briefings were organised on the especially important matters of the SRS activities;
- various media events were organised with regard to the most significant changes in laws and regulations within the framework of the tax reform;
- 160 press releases were sent, *inter alia*, regarding the work performed by the SRS in combating informal economy: discovered cases of smuggling, cases of ‘envelope’ salaries, criminal offences in the field of State revenues, etc.

Educating and Informing Customers:

- 49 seminars were organised in 26 cities on the tax reform, which were attended by a total of 2,629 participants;
- 6 explanatory video materials were created:
 - on topical issues with regard to the AID;
 - on the non-taxable minimum forecast by the SRS;
 - on the work of customs in inspecting postal consignments and detecting narcotic substances in consignments;
 - on the SRS values;
 - on the Taxpayer Rating and its benefits;
 - on the work culture within the framework of the movement ‘Fraud Off’ (two video materials);
- 100 infographic diagrams and other visual materials were developed on the tax reform, taxes in Latvia, SRS statistics, etc.;
- 2 manuals were developed for customers (on AID, EWTAS);
- the SRS informative campaign ‘Find Out. Understand. Ask the SRS.’ was implemented, explaining the most topical issues of the tax reform;

- participation in 7 informative campaigns with other institutions:
 - ‘Digital Week 2018’ (in cooperation with the MoEPRD);
 - ‘Check – Buy – Used’ (in cooperation with the RSTD, the CRPC, and the association “Auto Association”);
 - ‘Fraud Off’ (in cooperation with the MoF and more than 20 State institutions and organisations representing entrepreneurs);
 - ‘Counterfeit Reality’ (in cooperation with the CRPC and the Patent Board);
 - ‘STOP Smuggling’ (in cooperation with SIA “Philip Morris Latvia”);
 - ‘My Latvia. Do Digitally’ (in cooperation with the MoEPRD, the SRDA);
 - ‘Take care of your future today!’ (in cooperation with the SSIA)
- a separate consultation hotline and an email address were created for improving diaspora customer service.

Educating and Informing Schoolchildren and Young People:

- On 15.02.2018, the SRS participated in the ‘Shadow Day’ project organised by ‘Junior Achievement Latvia’, during which 52 pupils from the 9th to 12th grades ‘shadowed’ 22 SRS employees, whose daily work is related to various areas of the SRS activity;
- On 21.09.2018, the SRS participated in the MoF Open Doors Days to ensure youngsters an opportunity to become acquainted with the SRS and MoF in general;
- In autumn 2018, the SRS organised a competition of short video films for pupils ‘I am a tax vlogger!’ for youngsters from 16 to 19 years old. The aim of the competition was to promote schoolchildren’s understanding of the importance of tax payments and honest fulfilment of tax obligations;
- throughout the year, the SRS organised nine excursions for schoolchildren and young people, during which youngsters were familiarised with the institution’s areas of activity, main tasks, and career opportunities, as well as were informed about the significance of tax payments and their effects on every individual and the public in general.

International Events:

- On 12.09.2018, the SRS in cooperation with the Latvian School of Public Administration organised an international conference devoted to the 25th anniversary of the SRS and the promotion of elimination of informal economy ‘The SRS is 25. Open for Future’. Social responsibility, security, data and analytics values, as well as generations X, Y, Z were discussed at the conference.



- On 17.10.2018, the SRS organised the seminar ‘Digital Transformation at Tax Administrations’ with the support from SIA “PricewaterhouseCoopers”.

Awarding the Large Taxpayers

On 05.04.2018, during a solemn event organised by the SRS to award the large taxpayers, awards especially created by an artist and certificates of appreciation were presented to 20 largest taxpayers of 2017 in various nominations.



Cooperation with Partners of the Public, Non-governmental and Private Sectors

To improve the dialogue with the unions and associations of entrepreneurs, non-governmental organisations, and other interested parties, and to examine and resolve particular tax administration issues together with MoF

experts, the SRS Consultative Board was restructured in 2018, creating the following:

- the SRS Development Consultative Board — for the consideration of matters of strategic significance;
- the SRS Tax Consultative Board — for resolving issues related to the collection of taxes and the application of laws and regulations.

In 2018, eight meetings of the SRS consultative boards took place in total:

- 3 meetings of the SRS Tax Consultative Board;
- 2 meetings of the SRS Development Consultative Board;
- 2 meetings of the Customs and Entrepreneurs Consultative Board;
- 1 meeting of the SRS Excise Duty Consultative Board.

Signed and Renewed Cooperation Agreements

In order to jointly fight against tax evasion and ‘envelope’ salaries, promote fair competition conditions, as well as to interest merchants themselves to show initiative and understanding of the issues of fulfilling tax obligations of their sector, the SRS signed seven new cooperation agreements in 2018:

- on 25.06.2018 with the Healthcare and Employers’ Association;
- on 16.07.2018 with the Association of Mechanical Engineering and Metalworking Industries;
- on 01.08.2018 with the Latvian Building Sector Trade Union;
- on 13.09.2018 with the Road Carriers Association “Latvijas Auto”;
- on 11.12.2018 with the Latvian Association of Real Estate Transactions;
- on 13.12.2018 with the Salaspils Association of Entrepreneurs;
- on 19.12.2018 with the Latvian Tire Management Association.

Concurrently, two cooperation agreements were renewed in 2018 — with the Latvian Agricultural Cooperatives Association and the Association of the Latvian Manufacturers of Building Materials, introducing necessary changes to the terms and conditions of agreements.

In total, agreements with associations of 31 industries were signed as of 30.12.2018.

Cooperation between the Authorities Involved in the Customs and Border Control Process

In 2018, three agreements were signed with Russian customs and border guard authorities on the following:

- cooperation during the organisation of official cultural and sports events, ensuring fast and secure settlement of customs formalities and crossing of the border (memorandum);
- exchange of information regarding vehicles which participate in international goods carriage and cross the Russian-Latvian State border;
- exchange of information regarding revealed violations of law in the field of customs at the Russian-Latvian State border, incl. a regulation and technical solutions.

An agreement was signed with the customs and border control authorities of Belarus on the information exchange procedure between the customs and border control authorities of Latvia and Belarus, ensuring the continuous movement of vehicles and improving the capacity of border-crossing points on roads.

Awards, Recognitions, and Evaluations Received by the SRS

In 2018, the SRS received the following awards, recognitions, and assessments:

- ‘eSubscription Champion’ title. SRS employees used electronic signatures almost half a million times throughout the year;
- On 30 November, the SRS project “Processing of Tax Declarations Using the Robotised Solution” submitted to the ICTAL received the Latvian Information and Communication Technologies Award ‘Platīna pele 2018’ in the category ‘Artificial Intellect Solution — for Public and Business’.
- On 14 December, during the solemn ceremony devoting to the presentation of the CoM Honorary Customer Service Award, the Honorary Customer Service Award for the 1st place was presented to the SRS Riga Customer Service Centre; the Honorary Customer Service Award was received also by two SRS employees; three SRS employees received CoM Certificates of Acknowledgement for their forthcoming and professional customer service as they were among 20 customer service specialists in the entire Latvia, which were recognised by customers as the best and most responsive.



Photo: SRS

In 2018, customs dog handlers participated in five competitions, the most important being the following:

- Latvian customs team earned the 1st place at the International Competition of Customs Dog Handlers organised in Rēzekne and Rēzekne Municipality on 24-27 April;
- The Latvian customs team came in 1st in the individual discipline ‘search of tobacco products’ at the 4th International Competition of Dog Handlers with Sniffer Dogs ‘Ukraine 2018’, organised by the WCO Regional Dog Training Centre of Ukraine 15–18 May;
- The SRS team of dog handlers came in 3rd out of 13 teams at the seminar-competition organised in September by the Estonian Customs Service, while an SRS dog handler with a drugs sniffer dog came in 2nd among 29 participants.

SRS Studies

Four studies were performed in 2018:

- an assessment on the satisfaction of sectoral associations with cooperation with the SRS (on a scale of 1 to 10) — 7.81 (exceeding the respective figure of 2017 by 0.33 points);
- customers’ satisfaction with the speed, convenience, and understandability of services provided by the SRS (on a scale of 1 to 10) — 7.15 (0.08 points less than in 2017);
- a study on the quality of servicing of taxpayers and a study on the quality of servicing of customs customers were performed. According to the data of the SKDS study, the overall customer service evaluation of SRS taxpayers and customs customers (on a scale from 1 to 10) — 8.06 points (exceeding the respective figure of 2016 by 0.35 points). The taxpayer service quality assessment was 7.85 points (exceeding the respective figure of 2016 by 0.29 points), whereas the customs customer service quality assessment was 8.26 points (exceeding the respective figure of 2016 by 0.4 points).



Photo: SRS



Photo: SRS

7. Activities Planned in 2019

The SRS Has Set the Following Priority Areas of Action for 2019:

- Maximisation of overall budget revenues administered by the SRS.
- Improvement of communication and satisfaction of customers.
- Application of the restraining penal policy.
- Investment in employees.

The SRS Performance Strategy for 2020–2022 in 2019 will be developed.

To ensure the integrated and targeted implementation of measures for eliminating informal economy, the SRS action plan to eliminate informal economy for 2019-2023 will be developed.

One of the most important challenges in 2019 will be the implementation of the Action Plan for Prevention of Money Laundering and Terrorism Financing for the period until 31 December 2019.

Studies Planned in 2019:

- a study on the level of satisfaction among SRS employees (to be performed by the SKDS).
- the assessment of satisfaction of sectoral associations with cooperation with the SRS (to be performed by the SRS).
- customer satisfaction with the speed, convenience, and understandability of services provided by the SRS (to be performed by the SRS).

Planned International Events in 2019

To promote the representation and recognisability of the SRS at an international level, the following international events will be organised in Latvia:

- The 3rd meeting of the 6th area of activity ‘TNA — Transaction Network Analysis’ of the *EUROFISC* network will be organised on 14-15 May within the framework of the EC *Fiscalis 2020* programme.
- The meeting of the heads of tax and customs authorities of the Baltic States will be organised on 30-31 May;
- The visit of four representatives of the Kosovo tax administration will be organised on 8-14 September within the framework of the experience exchange programme of the European Union Agency for Law Enforcement Training (CEPOL) to discuss matters concerning the investigation of financial crimes and transfer pricing.

List of Abbreviations

RTSD — SJSC “Ceļu satiksmes drošības direkcija” (Road Traffic Safety Department)
EWTAS — Electronic Working Time Accounting System
EDS — Electronic Declaration System
EC — European Commission
ERDF — European Regional Development Fund
EU — European Union
EUROFISC — Network of National Tax Administration Institutions
MoF — Ministry of Finance
AID — Annual Income Declaration
PIT — personal income tax
ICTAL — Information and Communication Technology Association of Latvia
CoM — Cabinet of Ministers

CCP — customs control point
OCG — organised criminal group
CRPC — Consumer Rights Protection Centre
VAT — value added tax
SKDS — Marketing and Public Opinion Research Centre
SRSS — EC Structural Reform Support Service
TARIC — Integrated Tariff of the European Communities
MoEPRD — Ministry of Environmental Protection and Regional Development
SJSC — State Joint Stock Company
SRS — State Revenue Service
SRDA — State Regional Development Agency
SSIA — State Social Insurance Agency
MSSIC — Mandatory State Social Insurance Contributions