



Valsts ieņēmumu  
dienests

2023

# State Revenue Service PUBLIC REPORT



# TABLE OF CONTENTS

- 1. BASIC INFORMATION ..... 6
  - 1.1. SRS Legal Status and Structure ..... 6
  - 1.2. SRS Development Strategy for 2023-2026 .... 8
- 2. SRS PERFORMANCE RESULTS..... 9
  - 2.1. Strategic Priority "Services" ..... 9
  - 2.2. Strategic Priority "Compliance" .....15
  - 2.3. Strategic Priority "People" .....18
  - 2.4. Strategic Priority "Organisation" .....22
  - 2.5. Strategic Priority "Sustainability" .....25
- 3. FINANCIAL RESOURCES .....26
- 4. COMMUNICATION WITH THE PUBLIC.....29
- 5. ACTIVITIES PLANNED FOR NEXT YEAR.....32

## Director General's Opening Statement

### **Dear citizens of Latvia, entrepreneurs and foreign cooperation partners!**



The year 2023 has been an eventful one for the State Revenue Service (hereinafter – SRS). For me personally it is a special honor and pleasure to address you as the Director General of the SRS, as I was confirmed in the position in February 2024.

25 November 2023 marked the 30th anniversary of the founding of the SRS. We celebrated it with an international conference "SRS 30. Transformation and Sustainability", which was dedicated to the most important issues of tax and customs administration development at the moment: creating an excellent customer experience, security challenges and opportunities and possibilities provided by modern and efficient data processing and analysis. The anniversary was also a great reason for us, SRS employees, to

look back on what has been accomplished so far and to look into the immediate and distant tasks and challenges of the future. Perhaps that is why our work together with the independent international audit company PricewaterhouseCoopers and in close cooperation with social and cooperation partners of Latvia on the new SRS strategy for 2023–2026 took place in a particularly productive and efficient atmosphere. As a result, a clear vision has been created for the next four years, where one of the priorities is more targeted service baskets in line with taxpayers behavior and in case of honest fulfillment of obligations - new benefits.

Returning to what was accomplished in 2023, I would like to start with the support of Latvia, and specifically the Latvian tax and customs administration, to Ukraine in its, unfortunately, still unfinished fight against Russian aggression.

Since February 2023, thanks to the amendments to the law adopted by the *Saeima* as a matter of urgency, we have been transferring some of the state-owned vehicles, confiscated from drivers who were driving while being under the influence of alcohol, to the Ukrainian government free of charge - for general support to Ukrainian society. In turn, vehicles registered in the Russian Federation have been prohibited from entering the European Union (hereinafter – the EU) through border crossing points of the Republic of Latvia since September 2023. A symbolic but internationally significant step – on 27 June, in Tbilisi, Georgia, members of the European Organization of Tax Administrations (*IOTA*) voted to exclude Russia and Belarus from *IOTA*, at the urging of the Latvian tax administration.

Since Russia's invasion of Ukraine, monitoring of the increasingly widespread sanctions imposed by the European Commission has been a priority for the Latvian Customs Service on the border with both aggressor states – Russia and Belarus. At the same time, customs officials continue to monitor and control the flow of goods from third countries, taking care of national security, to prevent smuggled goods from entering Latvia and the EU, as well as to take care of the convenience

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of customs clients and the modernization of services. To ensure compliance of the Latvian customs information systems with the requirements of the Union Customs Code, the SRS has developed and in 2023 has launched automated import, export and transit systems.

In 2023, we also managed to introduce several significant measures to reduce the administrative burden for our entrepreneurs.

By streamlining and simplifying the SRS's work with taxpayers, the four different types of tax audits used so far have been replaced by one - tax control.

The same like before, in the event of significant and malicious tax non-payment, the SRS will also be able to conduct a tax audit, which is a comprehensive examination of the entrepreneur, but it is clear that a simpler process of inspections conducted by the SRS will make it easier for entrepreneurs and residents to understand the situation and communicate with the institution.

The new agreement options available to entrepreneurs and residents who have been subject to a tax audit by the SRS and resulted in unpaid tax payments provide for up to 85% reduction in late payment fees and reduced or completely cancelled fines. We hope that such agreements will become more and more frequent and will constructively replace long-term legal disputes, facilitating the rapid transfer of unpaid tax payments to the state budget.

In order to provide quality and safety guarantees to consumers, increase the quality of services and reduce the risks of the shadow economy, as well as increase the international credibility of the Latvian economy, a system was developed and implemented in close cooperation with the accounting industry, which provides that from 1 July 2023, the provision of accounting outsourcing services without a license is prohibited, and those outsourcing accountants who have not received a license may not provide accounting services. Licensing requirements apply to both companies that provide accounting outsourcing services and natural persons who provide accounting outsourcing services as economic operators. Anyone can currently check whether an accountant has a license on the SRS website in the Publishable Database section "Register of Licensed Outsourced Accountants".

At the end of 2023, another project cherished by the SRS and business organizations for a long period of time was launched – the taxpayer rating system or a guide to honest entrepreneurship. This is the next level of the previously known Enhanced Cooperation Program, or the so-called "white list", which significantly expands the range of companies that the SRS trusts. The new taxpayer rating means that from December 2023, every entrepreneur can view their detailed taxpayer rating in their State Revenue Service electronic declaration system (EDS) profile, but from March 2024, it, expressed in letters, can be viewed in the SRS public database for anyone interested. This is an important step to strengthen understanding of fair business practices and to motivate and support entrepreneurs, thereby reducing the shadow economy. For companies with an "A" rating, the SRS provides all necessary support, as well as a wide range of benefits, while control measures are planned only for companies with risks of violations.

In February 2023, the final draw for the almost 3.5-year-long Receipt Lottery took place, with a total of 241,189 participants, submitting 41.8 million checks,

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receipts, tickets, and online purchase invoices. This helped the SRS to obtain information about undeclared income of companies, on which taxes had not been paid, and it resulted in the fact that at the request of the SRS companies adjusted 2,749 value-added tax declarations, reporting previously unreported income. In total, the information obtained during the Receipt Lottery allowed us to increase state budget revenues by 10.9 million euros, and therefore we are grateful to all participants of the Lottery.

Returning to the SRS strategy for the coming years approved in 2023, I am truly pleased and satisfied that the directions set out therein are also in line with my personal vision for the future development of the SRS, with which I entered the competition for the position of Director General. Namely, the main directions of the SRS transformation are customer service, digitalization of services and the use of artificial intelligence, as well as organizational culture and operational efficiency. I promise that in the coming years we will carefully review our communication with clients so that our language becomes more understandable and simple, we will develop our data science practices so that we can identify and prevent negative trends in the field of tax and customs obligations at an early stage, as well as the tasks entrusted to the SRS, abandoning functions that are not characteristic for us and increasingly focusing on direct responsibilities - customer service, tax administration and care for the economic security and safety of the external border of Latvia and the entire EU.

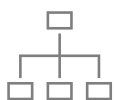
I am convinced that a little over 30 years ago, when we began to build our country from scratch, our main idea was that it should be a free, safe, and prosperous place in the world, where we could all live, work, and be happy. I believe that this goal still unites us all in our hearts and minds!

Best regards  
and looking forward to further successful cooperation

SRS Director General  
Baiba Šmite-Roķe

# 1. BASIC INFORMATION

## 1.1. SRS Legal Status and Structure



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

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

Core functions		Maintenance of information systems and digital registers in the field of State revenue and customs
Tax administration	Investigation of criminal offences in the field of State income and customs	
Customs administration		
Non-specific functions		
Prevention of money laundering	Administration and control of declarations of State Officials	
Information exchange with other authorities and/or inhabitants and publication for public needs	Administration of the status of public benefit organizations	
Management of the risk of sanctions	Licensing of outsourced accountants	
Other functions (including storage of confiscated items from commitment of criminal offence, as well as vehicles, animals and other property and items to be confiscated)		

Figure 1. **Basic and non-specific functions of the SRS**

## Structure of the SRS

	<b>Director General</b>		
Expert in Administrative Issues			
Consultant on Communication and Public Relations Issues			Internal Audit Division
Data Protection Specialists			Internal Security Department
			Legal and Pre-trial Dispute Settlement Department
<b>Deputy Director General in the Field of Taxes, Director of the National Tax Board</b>	<b>Deputy Director General in the Field of Customs, Director of the National Customs Board</b>	<b>Deputy Director General</b>	Department of Human Resource Management
			Anti-Money Laundering Department
National Tax Board	National Customs Board	Finance Department	Taxpayer Behaviour Analysis and Forecasting Department
Tax Compliance Incentive Department		IT Department	Tax and Customs Police Department
		Information Systems Security Management Division	Strategic Management Affairs and Public Relations Department
		Operational Department	

*Figure 2. Structure of the SRS in 2023*

SRS structural changes in 2023:

**1)** In the Anti-Money Laundering Department (hereinafter – AML/CFT), by eliminating the Methodology Support and Risk Analysis Department, a Legal Department and a Risk Analysis and Licensing Department were established to ensure and strengthen the quality and intensity of supervision of anti-money laundering and counter-terrorism and proliferation financing (hereinafter – AML/CFT);

**2)** by dividing the responsibilities of the Deputy Director General of the SRS and the Director of the IT Department, taking into account the strategic priorities of the SRS and the current situation in the field of information technology (hereinafter – IT), two separate positions have been created: Director of the IT Department and Deputy Director General of the SRS, responsible for the Finance Department, IT Department, Information Systems Security Management Department and the Security Department;

**3)** by establishing the Financial Institutions Supervision Division of the International Information Exchange Division in the Tax Board, the SRS function related to the automatic exchange of information on financial accounts (hereinafter – CRS) has been centralized, inter alia, ensuring the effective operation of the Global

Reporting Standard on the CRS regulation developed by the Organization for Economic Cooperation and Development in the Republic of Latvia, implementing the annual recommendations and comments of the Organization for Economic Cooperation and Development and promoting cross-border tax transparency in relation to financial accounts held abroad;

**4)** structural units and functions related to assessing the reliability of declaration data and restricting economic activities, including inclusion in the list of risk persons, exclusion from the SRS value added tax (hereinafter – VAT) payer register at the initiative of the SRS, have been transferred from the Tax Board to the Tax Compliance Incentive Department, thus making tax payment compliance incentive measures more effective, achieving significant progress in tax collection, reducing fragmentation of processes and implementing the necessary tax



administration and shadow economy restrictive measures;

5) A new position of Deputy Director of the Department has been created in the Tax and Customs Police Department (hereinafter – TCPD), responsible for the Cooperation Department and the Analytical Department, in order to significantly reduce possible organizational, corruption and conflict of interest risks and strengthen analytical capacity by implementing the priorities set by TCPD;

6) In the Customs Board, by eliminating the Customs Tariff and Duty Application Division, the Tariff Division and the Post-Customs Clearance Division were established to increase taxpayers'

satisfaction with the quality of available services in the field of customs tariffs, in order, inter alia, to analyze and timely inform taxpayers about significant news, EU regulatory enactments, their changes and recommendations, developing methodological materials and practical advice;

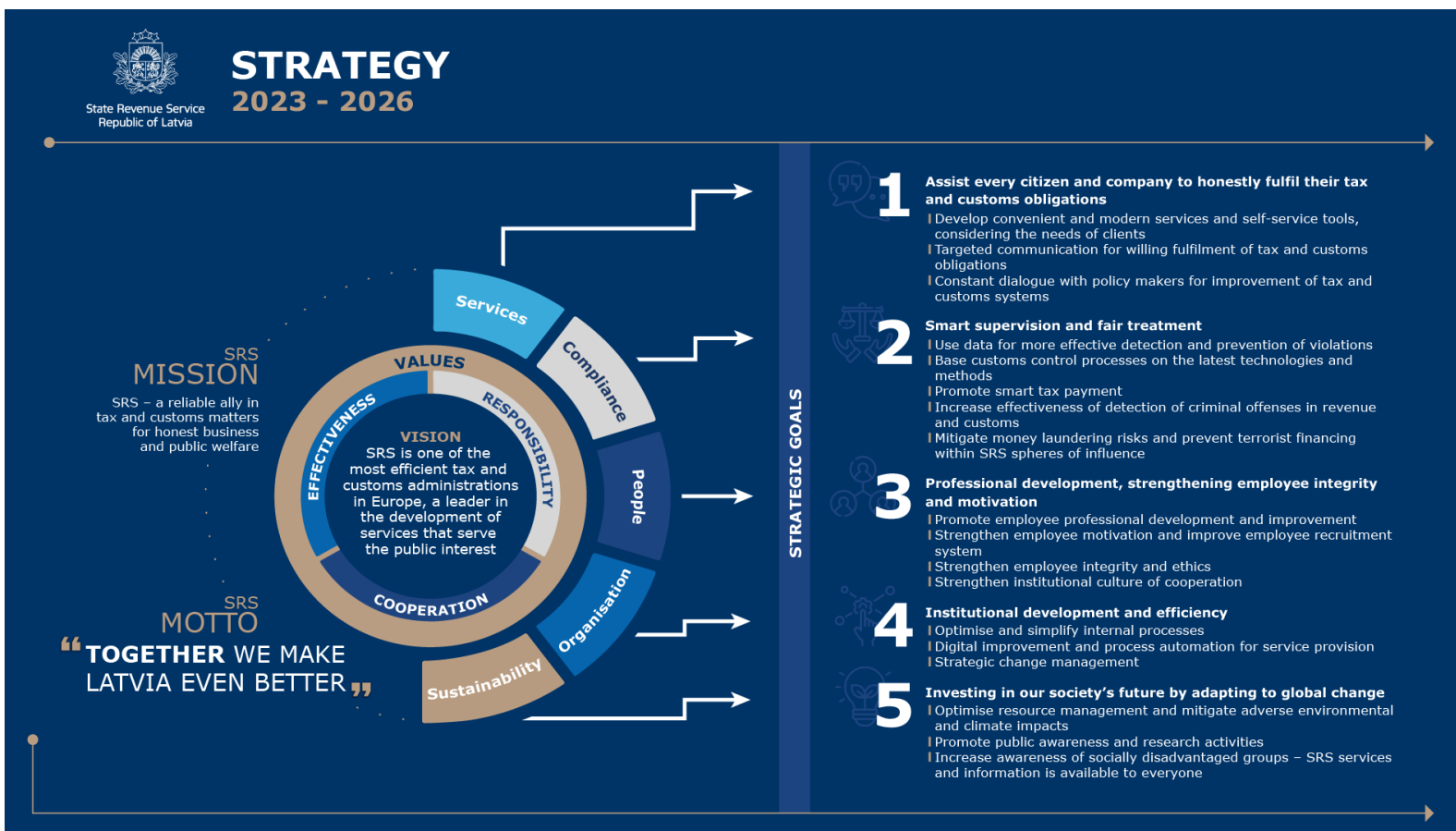
7) The International Trade Supervision Division has been established within the Customs Board to ensure the implementation of a new function in Latvia from 1 October 2023 in relation to the application, supervision and control of the carbon import adjustment mechanism.

## 1.2. SRS Development Strategy for 2023-2026



On 18 May 2023 the SRS approved the SRS Development Strategy for 2023-2026, proposing the priorities, goals and objectives of the authority for the next four years. This was an unusual strategy development process for the SRS, as the funding of the European Commission obtained through a tender procedure enabled to attract an independent international audit company PricewaterhouseCoopers. At the same time, the strategy was developed in close cooperation with social and cooperation partners of Latvia

Figure 3. **Strategical card for 2023 - 2026**





The SRS development strategy covers five priority directions. **First** priority is services, where the SRS assists every resident and company to honestly fulfill their tax and customs obligations. **Second** priority – compliance, when implementing smart supervision and fair treatment. **Third** priority – people, ensuring professional development and strengthening employee integrity and motivation. **Fourth** priority is the development and efficiency of the organization or institution. In turn, **the fifth** – sustainability – is related to investing in the future of society by adapting to global change.

## 2. SRS PERFORMANCE

### 2.1. Strategic Priority "Services"

Table 1

SRS Development Strategy for 2023 - 2026  
performance results in 2023

Result to be achieved	Performance result	Performance (2023)	Target value (2026)
Voluntary and timely fulfillment of tax obligations	Increase in the proportion of taxpayers included in the "Trusted" and "To be promoted" segments in the total number of segmentable taxpayers	17.6 % (according to segmentation results as on 01.12.2023)	Increase by 2-3%
Timely submission of declarations	Proportion of declarations submitted within the specified deadline	VAT – 90.6 % CIT – 65.5 % MSSIC and PIT – 87.7 %	VAT – 94% CIT – 75 % MSSIC and PIT – 90 %
Customer satisfaction with SRS services and service quality	Average customer assessment of their experience with the SRS and its employees during their last interaction <sup>1</sup>	52.3 %	65 %
Public trust to the SRS has increased	Public trust level to the SRS	49 %	55 %
Accelerated customs declaration processing for honest clients	Proportion of automated import (release for free circulation) declarations	39 %	60 %
	Proportion of export declarations processed automatically	85 %	90 %

(Abbreviations used in the table: VAT - value added tax, CIT - corporate income tax, MSSIC – Mandatory State social insurance contributions, PIT - personal income tax)



In 2023, 228 services were available to SRS clients, including 226 or 99.1% of services were requested and/or received electronically. However, only two services could be applied for and

received in person – "Cash Declaration" and "Excise Goods Movement Notification".

<sup>1</sup> Data from the study "Public Administration Customer Satisfaction Study" ordered by the State Chancellery.

As a result of improving and automating SRS services and with the according decrease in demand for in-person services, the SRS customs control point (hereinafter referred to as - CCP) in Jelgava and Valmiera ceased operations as of 1 May 2023. Clients already have broad opportunities to use various types of customs simplifications, electronically submit declarations for export and import customs procedures, and receive various customs services. While, clients can receive in-person customs services at other CCPs throughout Latvia.

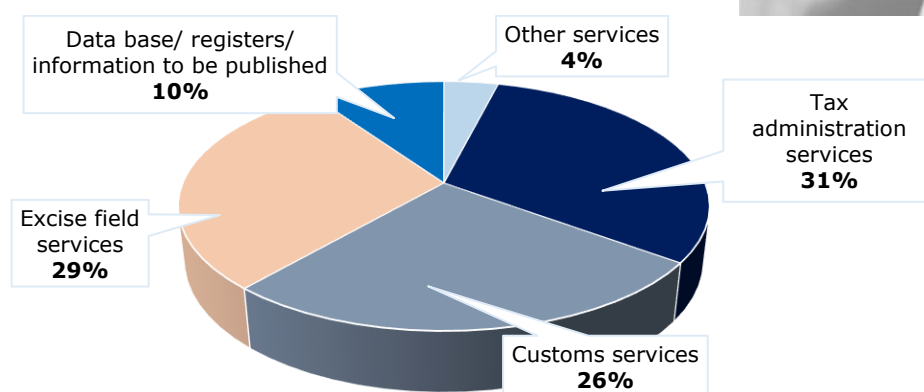


Figure 4. **Number of services provided by the SRS split by service groups in 2023**

The total number of SRS service cases provided in 2023 is 49,707,017.

Table 2

"Top 10 services" with the highest number of service provision occasions  
in 2023

	SERVICE	NUMBER OF CASES
1	Register of tax debtors	16 328 444
2	Notification on amounts paid to natural persons	10 751 047
3	Processing of import customs declarations for postal items	6 199 023
4	Public part of Public Official's declaration	2 196 671
5	Taxpayers and the Register of Taxpayer Units	2 159 534
6	SRS VAT payer register	1 468 941
7	Employer's report	1 108 719
8	Refund of overpayments of taxes, fees and other state-determined payments	1 102 708
9	Annual income declaration	1 046 718
10	Special permits (licenses) and certificates for activities with excise goods	899 990



#### service improvement measures implemented in 2023 in the field of **taxation:**

- various supervisory measures have been implemented to improve the quality and efficiency of service provision, for example, control of the content and style of letters prepared for clients, provision of services within the shortest possible time, assessment of the reasons for delays in the services provided, quality control of services by evaluating every customer complaint received on the inadequate quality of the service provided, supervisory measures and support mechanisms for telephone communication with SRS customer, trainings organized to improve the qualifications and competencies of employees, etc.;

- by switching to the Payment Administration Information System (hereinafter – PAIS), mechanisms have been provided and improved in the State Revenue Service Electronic Declaration System (hereinafter – EDS) ensuring automatic filling in columns of reports or declarations, preventing to present mathematically incorrect data, as well as a justified prohibition to fill in columns of reports and declarations in certain cases;

- SRS information systems have been improved to speed up the settlement of current issues and make customer cooperation with the SRS even more convenient,

efficient and less time-consuming, for example, the EDS functionality has been supplemented, which indicates errors made when saving data on submitted reports and declarations, categories have been created in the EDS section "Correspondence with the SRS" for asking certain questions, the design of the EDS section "Documents of eligible expenses" has been adapted for submission of eligible expense documents online using clients' mobile devices (smartphones, tablets), for the convenience of the VAT payer, information on inaccuracies or discrepancies established by the SRS in the submitted documents is available in the "Reports" section, PAIS has been supplemented with criteria that suggest the creation of manual tasks to ensure data quality.

- A business revenue account solution was developed in 2022 and successfully maintained in 2023, with the help of which economic operators in the micro-enterprise tax regime can automate tax payments, thus significantly reducing the administrative burden on micro-enterprise taxpayers.



#### Implemented service improvement measures **in the field of customs:**

- measures have been taken to improve the quality and efficiency of service provision, for example, quality checks of the services provided, i.e., quality assessment of the content of the consultations provided, letters prepared and decisions prepared, and verification of compliance with the provisions of regulatory enactments, on-site quality checks of service provision at the CCP, quality checks of the consultations provided, their compliance with the provisions of regulatory enactments;

- informative workshops were organized in person and online for company representatives, customs specialists (brokers) on the Automated Import System (AIS), Automated Export System (AES) and Transit Control System 2 (TCS 2) to help clients prepare and successfully start using 2 subsystems of the new Electronic Customs Data Processing System (ECDPS);

- informative materials (posters, booklets) for individuals have been prepared and placed at the EU external border CCP, as well as at the VIP centers of Riga Airport, to facilitate the fulfillment of customs obligations;

- To ensure faster fulfillment of customs obligations for customs clients, customs clearance processes for imported and exported goods have been improved at road customs control points on the external border, ensuring customs clearance of freights in control pavilions established on the lanes, as well as in cases of scanning and physical control, completing customs clearance of goods at the relevant workplaces, thus reducing the time required for border crossing;

- information of customs clients is continued about the possibilities of using EDS in correspondence with the CCP and using eAddress, thus reducing the time for providing services and increasing the availability of services.

- To ensure the compliance of the Latvian customs information systems with the requirements of the EU Customs Code, to ensure fast and continuous international data exchange, automated processing, high system availability and business continuity, the SRS has implemented new customs information systems in 2023:

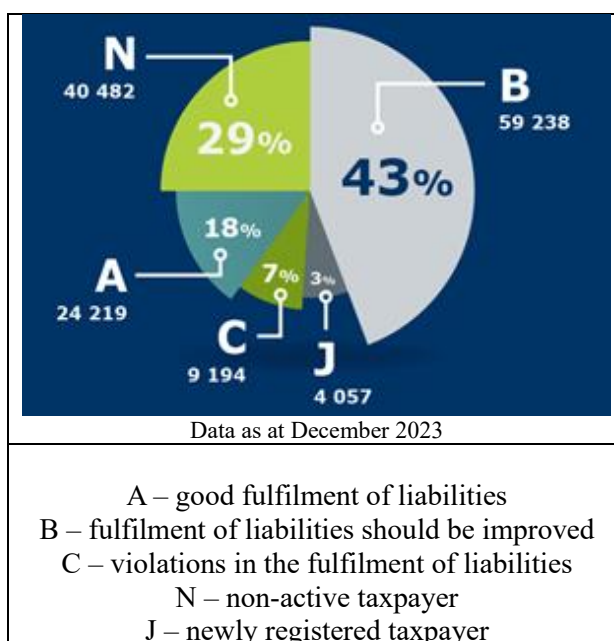
- 1) Automated import system;
- 2) Import Control System 2 (ICS2) (import summary declaration for air transport)
- 3) Automated export system;
- 4) Transit control system.

- In 2023, the availability of telephone consultations in the field of customs services has improved compared to 2022. The average waiting time for a call connection in the SRS advisory telephone menu "Mail" in 2023 was 10 seconds (in 2022 – 12 seconds) and in the menu "Customs consultations" – 23 seconds (in 2022 – 56 seconds).
- By simplifying and accelerating the processing of customs procedures, at the same time taking into account the need to reduce the risk of circumvention of sanctions, fair business activities have been supported and facilitated. In 2023, the proportion of automatically issued declarations for the import procedure "release of goods for free circulation" reached 39%, and the proportion of automatically processed export declarations reached 85%.



## Taxpayer rating

From 28 December 2023, every entrepreneur can view their taxpayer rating in their SRS EDS profile. The published taxpayer rating has informative nature, and at the same time it is an important step to strengthen understanding of fair business practices and motivate and support entrepreneurs, thus reducing the shadow economy.



The SRS has determined several advantages for **"A" rated companies in the field of tax and customs** to make relations with the State more convenient and simple:

- 1) The possibility to receive or re-register a special permit (license) for commercial activities with excise goods within 10 working days at the latest;
- 2) A reply to a written application can be received within 10 working days;
- 3) A statement on settlements with the budget can be received within 1–3 working days;
- 4) A certificate of income earned by a non-resident and income tax paid in Latvia can be received within 10 working days;
- 5) A permit for the non-application of corporate income tax (hereinafter – CIT) to transactions with tax-free or low-tax countries or territories can be obtained within 10 working days;
- 6) A reply to a question submitted electronically via EDS can be received within five working days;
- 7) The SRS does not initiate undisputed debt collection during the period when the taxpayer has committed to eliminate the non-compliance, namely, to pay the tax debt. At the same time, the SRS retains the right to secure the claim (to register pledge notes, and other prohibitions);
- 8) For a vehicle the year of manufacture of which is the current year or the five previous years and whose category is M1 (including M1G) or N1 (including N1G), and which was purchased in another EU Member State and is registered for the first time in Latvia or which, after its first registration in Latvia, was re-purchased in another EU Member State and is re-registered in Latvia, the SRS shall delete the prohibition on alienation registered with the State Register of Vehicles and Their Drivers within two working days of its registration;
- 9) The SRS refunds the overpaid VAT amount no later than within 10 working days;
- 10) At the initiative of a taxpayer with regard to whom an approved exporter (AE) or registered exporter (REX) permit has been issued, the SRS Customs Board organizes the provision of consultations with the taxpayer regarding the application of the rules of origin of goods to the goods to be exported;
- 11) Import customs declarations are released for free circulation automatically – without the involvement of a Customs Officer, if no customs risks are identified;
- 12) The SRS issues and makes amendments to the permit for the import of goods for processing, export for processing and import for final consumption no later than within 10 working days after the submission of all documents and information;
- 13) The SRS issues a general guarantee permit no later than within 15 working days after submission of all documents and information;

The established benefits are regularly reviewed and evaluated, seeking new opportunities for their expansion, thus strengthening public understanding and demand for fair business practices and motivating entrepreneurs to work honestly.

## 2.2. Strategic Priority "Compliance"

Table 3

### SRS Development Strategy for 2023 - 2026 performance results in 2023

Result to be achieved	Performance result	Performance (2023)	Target value (2026)
Effectiveness of promotion (control) measures	Reduction in the proportion of taxpayers included in the segments "Monitored" and "Low Sustainability" in the total number of taxpayers to be segmented	43.2% (according to segmentation results as at 01.12.2023)	Decrease by 2 %
Increase of recovered debts	Share of recovered debts from actually recoverable debts (per month)	12.3 %	20.2 %
	Share of new debts recovered from the amount of new debts	92.1 %	93.8 %
Customs control efficiency	Effectiveness of physical customs controls – the proportion of violations detected as a result of risk analysis in the total number of physical customs control activities	23 %	25 %
	Proportion of non-compliances voluntarily resolved and customs duties paid as a result of post-clearance inspections	89 %	75 %
	Assessment of illegal trafficking of tobacco products <sup>2</sup>	15.2 % (Q2 2023)	<14.05 %
Fair application of legal provisions	Proportion of court rulings favorable and partially favorable to the SRS	84 %	90 %
Reduction in tax revenue losses	VAT gap in the previous year	–	3.4 %
	PIT gap from non-declared labour payment in the previous year	19.4 % (2022)	15.6 %
	MSSIC gap from non-declared labour payment in the previous year	17.5 % (2022)	15.5 %
	Share of general budget revenue administered by the SRS <sup>3</sup> in GDP	34.57	Increasing
Efficiency of criminal investigation	Average duration of investigation of one criminal proceeding completed in the current year	750 days	182 days
	Proportion of cases returned by the Prosecutor's Office for additional investigation (out of all cases forwarded for prosecution)	0.7 %	4.5 %
Decrease of the risks of money laundering and terrorist financing	Proportion of entities subject to the AML/CFT Law whose activities comply with the requirements of the AML/CFT Law and the International and National Sanctions Law of the Republic of Latvia	88.21 %	90 %



In order to ensure the right of society to information about the most significant violations of tax and customs regulations by legal entities and to promote fair competition among taxpayers and voluntary fulfillment of tax (duty) obligations, the SRS publishes information on its website about **decisions taken by the SRS that are important to the public.**

<sup>2</sup> Data from a study conducted by the research agency "NielsenIQ".

<sup>3</sup> Including budget revenue paid into the single tax account that has not yet been allocated to specific types of payments.



Table 4

Decisions adopted and published by the SRS that entered into force during the period from 1 January to 31 December 2023

Decision type	Number of published decisions
On the results of the tax audit	6
On the results of the data compliance check	41
Decisions specifying the amount of taxes in accordance with Section 23, Sections 5. <sup>2</sup> and 5. <sup>3</sup> of the Law On Taxes and Fees	101
Decisions by which a customs debt has been established	109
Decisions by which refund of overpaid VAT has been denied	1302
Decisions adopted as a result of tax control	98

The **Receipt Lottery organized by the SRS ended on 19 February 2023**. With the decrease of activity of inhabitants, at the end of 2022, the *Saeima* of the Republic of Latvia decided not to continue the lottery, as it is important that the financial contribution from the lottery exceeds the investments in its organization. During three and a half years, 241,189 participants have participated in the lottery, submitting a total of 41.8 million checks, receipts, tickets and online purchase invoices. In total, the additional revenue declared by companies during the lottery, as well as the indirect impact calculated by the SRS, or more honest behavior by companies by more actively requesting receipts from residents, has allowed to increase the State budget revenue by 10.9 million euros. When analyzing receipts submitted by residents, the SRS obtained information on the non-declared income of companies, on which taxes had not been paid. Thus, at the request of the SRS, companies have adjusted 2,749 VAT returns, reporting previously unreported revenues. Cases were also discovered when companies operate with unregistered cash registers, when services are provided by companies whose economic activities have been suspended, or when companies illegally employ employees and pay "envelope salaries". The lottery has attracted widespread interest during its run, with participation of residents from all regions of Latvia. In total, 1,973 cash prizes in the total amount of 1.4 million euros were paid to lottery winners. There was also a chance to win prizes in the lottery provided by companies of the SRS Enhanced Cooperation Program. In total, they were offered by 30 companies and received by 466 lottery winners.

In 2023, **agreement opportunities were improved**, with the entry into force of amendments to the Law "On Taxes and Fees", which provide for more favorable payment reductions for taxpayers who have been subject to a tax audit commenced by the SRS and unpaid tax payments have been identified. A principle has also been introduced that stipulates that – **the sooner an agreement is reached, the bigger will be the reduction in these payments**. In general, the amendments provide for such significant improvements as the possibility to reach a settlement at the very beginning of the proceeding, even before the SRS has made a final decision, the percentage reduction in penalty payments has also been increased, the motivation to conclude agreements faster has been strengthened, and the payment deadline has been extended for residents who do not perform economic activities - now this can be performed within two years instead of one. Such agreements can constructively replace lengthy legal disputes, facilitating the rapid receipt of unpaid tax payments into the State budget. The new terms of the agreement are available for tax controls and audits initiated on or after 30 June 2023.

In 2023, 62 agreements were concluded, and the payments to the budget determined under the decision of the SRS are 1,705.0 thousand euros. The reduced payments to the budget constitute 235.4 thousand euros as a result of the concluded agreements. From 30 June 2023, nine agreements have been concluded regarding additional payments to the budget calculated during tax control until the tax control invoice is issued, resulting in payments to the budget in the amount of 143.2 thousand euros. Payments to the budget reduced as a result of the concluded agreements constitute 28.0 thousand euros.

With the amendments to the Law On Taxes and Fees, as of 30 June 2023 **four different types of tax inspections have been replaced with one - tax control**, thus streamlining and simplifying the SRS's work with taxpayers. A simpler process of inspections carried out by the SRS makes it easier for entrepreneurs and residents to understand the situation and communicate with the SRS. At the same time, in the event of significant and malicious tax non-payment, the SRS may also conduct a tax audit, which is a comprehensive examination of the entrepreneur.

On 1 July 2023, the two-year transition period in relation to **outsourced accounting services** ended, and further on only accountants who have received a license issued by the SRS will be allowed to provide them. Licensing system developed and implemented in close cooperation with the Latvian Association of Accountants:

- provides quality and safety guarantees to consumers;
- increases the quality of services;
- reduces the risks of the shadow economy;
- increases the international trust of the Latvian economy.

At the same time, taking into account the important role of accountants in creating a legal economic environment, including in the context of prevention of money laundering and terrorist financing, the licensing of accountants plays a significant role in creating a well-arranged and legal economy.

3259 licenses were issued during the period from 1 July 2021 to 31 December 2023, including in 2023 - 2316 licenses.

In accordance with the Council Directive (EU) 2021/514 of 22 March 2021 amending Directive 2011/16/EU on administrative cooperation in the field of taxation, which provides for the exchange of information on sellers who derive income from digital platforms (DAC7), a **technical solution has been implemented to receive such data from platform operators in the EDS** and also a technical solution for **sending and accordingly receipt of such data from other EU Member States**.

In accordance with Council Directive (EU) 2020/284 of 18 February 2020 amending Directive 2006/112/EC as regards introducing certain requirements for payment service providers, **a technical solution has been implemented for receiving data from payment service providers (PSPs) from the EDS**, which is necessary for cross-border data exchange to CESOP (central electronic system of payment information).



In 2023, the SRS Customs Board continued **control measures for compliance with the sanctions regime** to prevent the movement of goods across the border that are subject to EU sanctions. The sanctions control system has been revised to ensure monitoring of the implemented sanctions, and 350 risk profiles have been created and maintained.

As a result of the customs control measures taken in 2023, a total of 7,789 violations related to non-compliance with sanctions were detected, in 2,175 cases customs prohibited the export of goods from the EU or the import into the EU from Russia and Belarus, 534 postal items were rejected, in 2,647 cases individuals were prohibited from importing goods subject to sanctions, and in 2,433 cases cash was detected.

In order to ensure the protection of society and the EU single market, documentary and physical customs controls are carried out on cargoes of goods moved to and from third countries. In 2023, the number of violations prevented as a result of customs control measures increased by 1.4 times; 14,506 violations were prevented in 2023, in 2022 – 10,031 violations of customs regulations.

## 2.3. Strategic Priority "People"

Table 5

### Implementation of performance indicators of the SRS development strategy for 2023–2026 2023

Result to be achieved	Performance result	Performance (2023)	Target value (2026)
The attractiveness of the SRS as an employer	Employee turnover rate	16.91 %	15 %
	Employee Engagement Index <sup>4</sup>	–	84.16 %
Assessment of the SRS as an honest institution	Public assessment of the SRS honesty <sup>5</sup>	27 %	54 %
Anti-corruption training for SRS employees	Number of SRS employees trained in anti-corruption training	83 %	95 %
	Advanced anti-corruption training (number)	1	4

To ensure the operation of the SRS and achieve its strategic goals, the SRS staff is the most important resource of the institution. At the end of 2023, the SRS had 3,808 positions, while the number of actual employees was 3,380.

From the total number of SRS employees:



89% are civil servants and 11% are employees



female 77%  
men 23%



96% have higher education

<sup>4</sup> Data from the study of the State Chancellery "Level of engagement of public administration employees and SRS employees".

<sup>5</sup> Data from the public survey of the Corruption Prevention and Combating Bureau "Attitudes towards corruption in Latvia".

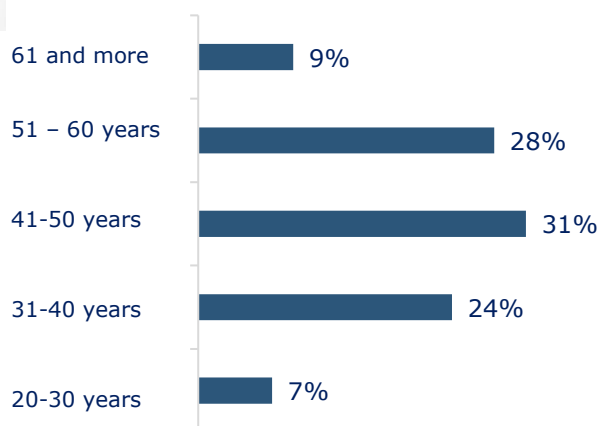


Figure 5. **Distribution of SRS employees by age groups in 2023**

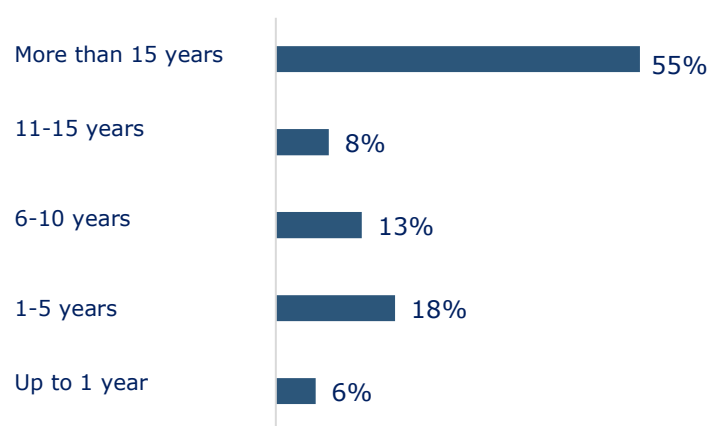


Figure 6. **Distribution of SRS employees by length of service groups in 2023**

In 2023, 262 civil servants and employees began their civil service and employment legal relations with the SRS, but 310 employees terminated their employment. Accordingly, the staff recovery rate is 7.8% and the staff drain rate is 9.2%, while the overall staff turnover rate is 16.9%. Thus, the staff turnover indicators at the SRS have improved in 2023, as the staff drain rate has remained at the previous year's level (+0.1%), while the situation with staff recruitment has improved, which is proved by the staff turnover rate (+1%).

A well-being survey is conducted in the SRS for the second year in a row. Results of it have also improved:

- **well-being** at the place of work was rated with **7.06** out of 10 points (+ 0.63) in 2023;
- **psycho-emotional well-being** at the place of work was rated with **7.28** out of 10 points (+ 0.78) in 2023.



In 2023, the SRS participated in the creation of the consortium "Internal Security Academy", the purpose of which is to prepare highly qualified specialists for work in the Latvian law enforcement institutions.

The SRS has concluded agreements with Riga Stradins University and the University of Latvia on the training of specialists in the following study programs:

- in the Master's degree study program "Protection of Economic Security";
- in the Master's degree study program "Pre-trial investigation";
- in the Master's degree study program "Management of Law Enforcement, Criminal Punishment and Rescue Services".

In September 2023, employees of the Internal Security Department and the TCPD of the SRS began their studies at the Internal Security Academy.

163 training sessions were organized in 2023 and in total, SRS employees participated in training sessions 9,367 times.<sup>6</sup>

In 2023, SRS Badges of Honor, SRS Letters of Recognition and Letters of Appreciation, as well as cash prizes were awarded to 292 SRS employees for professional, honest, and selfless work, significant personal contribution to the development of the SRS and the achievement of goals. Awards of the Ministry of Finance were granted to nine SRS officials.



To celebrate the 30th anniversary of the SRS, an international conference was held in Riga on 1 November 2023 "SRS 30. Transformation and Sustainability". The conference was dedicated to the issues of tax and customs administration development - creating an excellent customer experience, security challenges and opportunities and possibilities provided by modern and efficient data processing and analysis.



We are proud of the SRS's collective and individual achievements at the national and international level:

**1)** 13 SRS officials have been awarded the World Customs Organization's Certificate of Honor for their significant contributions to the development of the customs education system, promotion of the exchange of professional knowledge, as well as informing customs clients and the public;



**2)** a diploma has been received for the activity and curiosity of SRS employees in the 2023 European Examination<sup>7</sup>, ranking the SRS among the five most actively represented organizations;

**3)** The Latvian customs dog handler team took the second place in the international workshop - competition<sup>8</sup> for dog handlers with working dogs, both as a team and individually, demonstrating their skills in finding narcotic substances in premises, transport, luggage, and the surrounding area;



**4)** In July 2023, the Customs Laboratory received a certificate of recognition from the *UNODC (United Nations Office on Drugs and Crime)* for successful participation in the interlaboratory comparative testing program organized by the UN Office on Drugs and Crime and for excellent results, which confirms the competence of experts, high professionalism, as well as the accuracy of the equipment available at

the disposal of the Customs Laboratory and its compliance with international requirements in the field of chemical expertise;

<sup>6</sup> One employee could attend multiple training sessions.

<sup>7</sup> The European Examination is an online test that has been held in Latvia for 10 years on 7, 8, and 9 May in honour of the Europe Day. More detailed information on the [ES Māja \(esmaja.lv\)](https://esmaja.lv).

<sup>8</sup> The international workshop - a competition for dog handlers with drug detection working dogs was organized within the framework of the European Commission's programme "Customs 2027", with the participation of teams from Estonian, Latvian, Lithuanian and Finnish customs, as well as the Estonian Police and the Prison Administration.



**5)** On 17 May 2023, the officials of the TCPD received the award of the Federal Bureau of Investigation (FBI) "For invaluable partnership in the FBI's fight against Russian threats", presented for cooperation within the framework of a request for legal aid, which resulted in the detention of three citizens of the Republic of Latvia for attempting to smuggle dual-use goods, including those used in nuclear technologies, to Russia;



**6)** In 2023, in the public sector, inhabitants most often confirmed their e-Identity with eSignature tools through EDS, where, compared to 2022, the number of connections increased by 88%, reaching almost 600,000 times, thus the SRS won the title of eSignature Champion.

In relation to improvement of internal control measures in the field of prevention of corruption and conflict of interest in 2023:

- trainings on actions to be taken in cases of bribery were organized, promoting the "Zero Tolerance" principle against accepting bribes and gifts at the SRS;
- workshops "Risk management and the importance of internal control in the SRS" and "Risk management in the field of prevention of corruption and conflict of interest" were organized;
- The processes related to the SRS risk management process in the field of prevention of corruption and conflict of interest have been reviewed in two independent structural units, developing and implementing measures to mitigate the identified risks and improve the management process.

In 2023, in accordance with the Cabinet of Ministers Order No. 194 of 23 March 2022 "Regarding Common Auditable Priorities in Public Administration for 2022 and 2023", it was assessed whether the internal control system effectively prevents, detects and, where appropriate, corrects fraud, corruption and risks of conflicts of interest in the SRS.

In 2023, the management of the Recovery Fund Plan was covered for the first time, and the internal audit provided an early assessment of the extent to which the internal control system established by the Recovery and Resilience Mechanism is appropriate and implemented to facilitate the appropriate and timely acquisition of funds allocated to the SRS.

## 2.4. Strategic Priority "Organisation"

Table 6

Implementation of performance indicators of the SRS development strategy for 2023–2026 in 2023

Result to be achieved	Performance result	Performance (2023)	Target value (2026)
Cost-effectiveness	Number of registered legal entities and economic operators per one full-time employee of the tax administration	209	220
	Number of processed customs documents per one full-time employee of the customs administration	+ 74.7 % (10 574)	+75 %
	Cost of one euro collected	0.0108 euro	Decreasing to a certain level
Process efficiency	Number of optimized resource-intensive processes	–	25
The use of innovative technologies has increased	Proportion of ICT costs	8.5 %	OECD average – 10

In 2023, from 1 October to 31 December, the SRS carried out an automatic refund of PIT overpayment in accordance with the information available at the disposal of the SRS to those taxpayers who had submitted an application for automatic tax refund without submitting an annual income declaration (hereinafter – AID). By 29 December 2023, PIT in the amount of EUR 1,734,013.49 has been refunded. Inhabitants can receive a tax refund without submitting an annual income declaration in the following cases, taking into account that the SRS already has information about them:

- 1)** if all tax benefits (for example, for dependents, benefits in the event of disability, for politically repressed people or members of the national resistance movement) have not been applied to the salary or pension of a person during the year;
- 2)** if a person has had investments in private pension funds or accumulative life insurance in the previous year.

On 13 February 2023, the Excise Movement and Control System (EMCS) phase 4.0 was introduced, the most important component of which was to ensure the submission of an electronic Simplified Administrative Document (e-SAD) about the movement of excise goods released for consumption among EU Member States, and it replaced the paper accompanying document.



In 2023 the SRS commenced several projects:

1. "Modernization of the Annual Income Declaration" – it is planned to implement the transfer of AID functionality to the Payment Administration Information System and related information systems (Data Warehouse System and EDS) and a new, modernized risk-based AID analysis system will be created, ensuring the implementation of AID acceptance and processing processes in modern information systems that meet data security requirements and have a greater degree of automation and efficiency.
2. "Purchase of a specialized vehicle and modernization of technical means" – the aim is to strengthen the capabilities of the SRS TCPD to detect and prevent criminal offenses in the areas of state revenue and customs affairs, as well as to contribute to the prevention and combating of fraud, corruption and other illegal activities affecting the financial interests of the EU.
3. "Combating crime in the area of excise goods circulation in the Baltic region" – a joint project with the Estonian Tax and Customs Administration and the Lithuanian Customs Criminal Service, the purpose of which is to use the opportunities provided by the European Commission, in cooperation with regional partners, to strengthen the operational capacity of customs authorities in combating criminal offences in the area of excise goods circulation.

While in 2023 the following projects were concluded:

1. "Use of the advanced analytics for effective fraud detection in trade" – second-generation mobile device identification equipment was purchased and installed in a service vehicle, which ensures the performance of SRS TCPD operational tasks in the 5G mobile data transmission system with increased mobile data transmission capacity and speed.
2. "Modernization of Tax Information Services (Payment Accounting and Accrual Principle)" – 13 SRS core business processes have been improved, 21 e-services have been improved, 11 data sets have been created for publication in reusable data formats, the accrual principle has been introduced for 10 SRS administered taxes, fees and other payments in the State budget, and the unified tax account has been developed and implemented.
3. "Tax service automation" – 7 SRS core business processes have been improved, 2 SRS critical infrastructure processes have been ensured, 6 e-services have been additionally improved, a proactive e-service "Automatic refund of annual income declaration" has been created, 12 data sets have been created for publication in reusable data formats, 4 data sets have been modernized and 12 SRS critical IS databases have been replicated in the backup data center (DC2).

## The most important SRS projects continued in 2023:

### 1.

The ERDF co-financed project "Export and e-commerce processes in e-customs" is being implemented, ensuring the implementation of the basic functionality of the Automated Export System (AES) and the mutual integration of customs processes related to ecommerce.

In the project "E-customs (Stage 2)" and the ERDF project "Export and e-commerce processes in e-customs" the following have been implemented in the production environment:

- AES core functionality, for processing standard and simplified export declarations, export summary declarations, re-export notifications, as well as centralized customs clearance functionality and integration with other SRS core process support systems;
- Basic functionality of the Automated Import System (AIS), ensuring the processing of standard import declarations, integration with other SRS core processes and external support systems, as well as the central systems of the European Commission;
- Import Control System 2 (ICS2) Release 2 (import summary declaration for air transport), ensuring integration with the European Commission's central repository and with other SRS core process support systems;
- The basic functionality of the Transit Control System 2 (TCS2) is in accordance with the specifications of the European Commission, ensuring integration with other SRS basic process support systems, external systems, ensuring data exchange with other member states and merchant systems.

### 2.

Within the framework of the project "Prevention and Combating of Economic Crime at the Border Crossing Point "Terehova"" of the European Economic Area Financial Instrument Programme "International Police Cooperation and Combating Crime", improvements have been implemented in the infrastructure of the border crossing point "Terehova", training of employees has been carried out and the dog handling area at the SRS has been strengthened.

The framework of the project:

- The garage building was dismantled at the site in Rezekne and a construction contract for construction works was concluded;
- Improvement of the dog training area has been completed – an obstacle zone has been delivered and installed at 30 Maskavas Street, in Rezekne;
- specialized working dog training has been successfully organized, using the purchased equipment, as well as using newly acquired knowledge during experience exchange/training.

In turn, in order to strengthen cooperation between law enforcement institutions in preventing and combating economic crimes, the SRS is developing a unified criminal intelligence data exchange system for data exchange with the State Police with the assistance of the project "Promoting cooperation among law enforcement institutions in preventing and combating economic crimes in Latvia" co-financed by the program "International Police Cooperation and Combating Crime". The unified data exchange system will include a digital data analytics tool and a digital support system, which will be connected with the database of the State Police. Information analysts and special task experts will be trained to work with the system.

## The implementation of the SRS measures set out in the **Latvian Recovery and Resilience Mechanism Plan** has also been continued:

- Development of digital services facilitating cross-border cooperation in the field of taxation – the SRS is developing technical modernization of data exchange modules with EU member states;
- Digitalization of financial document circulation by creating a centralized financial document exchange, – the SRS is implementing the introduction of an electronic circulation system for source documents (e-invoices) in Latvia;
- Strengthening analytics and developing data management in the field of tax administration and customs – the SRS is modernizing the existing SRS analytical solution, developing a new analysis system and training the staff;
- Remote and centralized analysis of scanned images at customs control points – the SRS is expanding the functionality of the Baltic States cargo X-ray equipment image exchange system in Latvia (by linking it with railway cargo X-ray equipment), developing artificial intelligence solutions and creating an X-ray image analysis platform, strengthening the capacity of the Customs Laboratory, and improving customs control of the received postal items.

## 2.5. Strategic Priority "Sustainability"

Table 7

Implementation of performance indicators of the SRS development strategy for 2023–2026 in 2023

Result to be achieved	Performance result	Performance (2023)	Target value (2026)
More efficient use of office space	Average office space per employee	9.4 m <sup>2</sup>	8 m <sup>2</sup>
A more environmentally friendly fleet has been developed	Proportion of vehicles that meet the EURO 6 exhaust emission standard in the total vehicle fleet	60 %	70 %
Availability and storage of documents in electronic form	Proportion of documents to be stored only electronically in the institution	56 %	70 %
Improved public access to information and data	SRS e-index "Open Data Accessibility" <sup>9</sup>	–	71 %

The key works and achievements of the SRS on the way to a modern and contemporary work environment:

- 1) a physical office requires less space – we have eliminated 1,359 physical workplaces and 12,189 square meters of office space, thus saving almost 2 million euros;
- 2) IT solutions enable employees to valuably work from home and freely choose which desk to work at in the office;
- 3) an activity-based work environment has been created indoors – there is a place for quiet and focused work, and space for conversations;
- 4) we reduce our "ecological footprint" - spend less, improve environmental factors in the field of vehicle administration, use resources more consciously in the building:
  - reduction in electricity consumption – 5578.04 MWh were consumed in the 2022–2023 heating season, which is 11.08% less than in the 2021–2022 heating season;
  - reduction in heat energy consumption – 5453.84 MWh were consumed in the 2022–2023 heating season, which is 25.45% less than in the 2021–2022 heating season;
  - The reduction in fuel purchases in liters in 2022–2023 is 8% less compared to the previous period. This has been achieved by continuing fleet renewal measures – the number of vehicles older than 10 years and with an emission class of *Euro 5* or lower has been reduced by 14%, and the fleet has been increased with newer and more economical vehicles with an emission class of at least *Euro 6*.

<sup>9</sup> Data from the study "E-index of State Institutions and Local Governments" commissioned by the Ministry of Environmental Protection and Regional Development.

### 3. FINANCIAL RESOURCES

In accordance with the Law On the State Budget for 2023 and the Budget Framework for 2023, 2024 and 2025 and the orders of the Minister of Finance of 2023, the SRS used the financial resources allocated in the budget in 2023 in accordance with the approved estimates of resources (revenues) and planned expenditure and financing plans for basic budget programs, sub-programs, and measures.

Table 8

#### SRS budget funding for 2023 and its use (euro)

No.	Financial indicator	2022 (actual implementation)	2023	
			approved by law and orders of the Minister of Finance	actual performance
<b>1.</b>	Financial resources to cover expenditure (total)	203 329 203	163 644 581	162 623 655
<b>1.1.</b>	grants	199 038 325	161 259 772	160 878 788
<b>1.2.</b>	charged services and other own revenue	286 001	323 439	344 482
<b>1.3.</b>	foreign financial assistance	3 719 444	1 806 878	1 150 080
<b>1.4.</b>	transfers	285 433	254 492	250 305
<b>2.</b>	Expenditure (total)	203 645 425	164 497 314	162 711 034
<b>2.1.</b>	maintenance expenditure (total)	188 249 730	139 232 582	138 737 992
<b>2.1.1.</b>	current expenditure	121 363 405	136 377 282	136 058 827
<b>2.1.2.</b>	subsidies, grants and social benefits	63 892 006	1 768 808	1 766 457
<b>2.1.3.</b>	current payments to the EU budget and international cooperation	1 737 685	908 808	669 718
<b>2.1.4.</b>	transfers of maintenance expenditure	1 256 634	177 684	242 990
<b>2.2.</b>	capital expenditure	15 395 695	25 264 732	23 973 042

Table 9

#### Use of funding allocated for the implementation of programmes and sub-programmes in 2023

Programme/ sub-programme	funding used in 2023	
	thousand euros	% of planned
programme 33.00.00 "Ensuring State Revenue and Customs Policy"	150 884.3	99.7
sub-programme 62.09.00 "Implementation of Projects and Activities of the European Regional Development Fund (ERDF)"	6131.7	100.0
sub-programme 67.07.00 "European Community Incentive Projects"	12.7	55.1
sub-programme 70.07.00 "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"	24.9	100.0
sub-programme 70.24.00 "Implementation of Projects and Activities under the Internal Security and Asylum, Migration and Integration Funds and the Instrument for Financial Support for Border Management and Visa Policy (2021–2027)"	44.6	89.2
sub-programme 71.07.00 "Projects Funded by the European Economic Area and the Norwegian Financial Mechanism"	2240.6	98.7
sub-programme 73.06.00 "Financial Resources Allocated Within the Framework of Agreements between the European Commission (with Participating Member States) and Tobacco Manufacturers"	236.3	31.4
sub-programme 73.07.00 "Projects Financed by the European Commission for Improvement of the Internal Market Within the Tax and Customs System"	775.0	70.3
sub-programme 73.08.00 "Projects Implemented by the State Revenue Service in the Field of Protection of Financial Interests"	361.4	50.3
sub-programme 74.06.00 "Recovery and Resilience Mechanism (RRMF) Projects and Measures"	1943.3	92.5
program 99.00.00 "Contingency Funds"	56.3	99.9

In 2023, **the total budget revenue administered by the SRS** is 13.93 billion euros, which is 1.38 billion euros or 11.0% more than in 2022. The increase in revenue in the comparable periods was driven by an increase in labor tax and VAT revenues. In 2023, the revenue plan was exceeded by 0.52 billion euros or 3.9%, which was positively affected by both inflation and the increase in the average income of employees. Tax revenue in 2023 is 13.20 billion euros, which is 1.18 billion euros or 9.8% more than in 2022. The tax revenue plan was exceeded by 0.38 billion euros or 2.9%, which was mainly provided by the amount of PIT and CIT revenue. In turn, non-tax revenue in 2023 is 0.73 billion euros, which is 0.20 billion euros or 37.4% more than in 2022. This revenue growth in the comparable periods was mainly driven by an increase in dividend income (income from the use of state (municipal) capital) by EUR 0.15 billion or 68.1%. The non-tax revenue plan was exceeded by 0.14 billion euros or 24.0%, which was mainly provided by the amount of other non-tax revenue, 0.10 billion euros or 82.5% of which are revenues from the sale of confiscated criminally acquired funds, which are transferred to the budget by sworn bailiffs, and revenues from the repayment of budget funds received by budget institutions and unused in previous years.

Table 10

General budget revenue administered by the SRS in 2023,  
in comparison with the plan for 2023

Type of payment	2023 revenue plan (million euros)	Revenue in 2023 (million euros)	Execution of the 2023 revenue plan	
			million euros	%
<b>Tax income</b>	12825.71	13201.86	376.15	102.9
Corporate Income Tax	402.00	544.81	142.81	135.5
VAT	3793.25	3879.51	86.27	102.3
Excise duty	1187.70	1154.77	-32.93	97.2
Mandatory State Social Insurance Contributions	4768.19	4824.07	55.87	101.2
Personal Income Tax	2357.80	2500.73	142.94	106.1
Natural resources tax	60.40	61.86	1.46	102.4
Customs tax	85.80	56.89	-28.91	66.3
Gambling and lottery tax	41.37	46.43	5.05	112.2
Electricity tax	5.10	4.91	-0.19	96.4
Vehicle operating tax	102.00	102.53	0.53	100.5
Company passenger vehicle tax	22.10	25.34	3.24	114.7
Undistributed share of microenterprise tax revenue		0.01		
<b>Non-tax income</b>	590.01	731.68	141.67	124.0
State fees and stamp duties	198.50	216.09	17.60	108.9
Fines and sanctions	34.41	39.78	5.37	115.6
Income from dividends (income from the use of state (municipal) capital)	321.29	359.31	38.02	111.8
Undistributed share of patent fee		0.02		
Other non-tax income	35.81	116.48	80.67	
<b>Total</b>	13415.72	13933.54	517.82	103.9

**The debt of the general budget payments administered by the SRS** as of 1 January 2024 was 862.33 million euros, which, compared to 1 January 2023, has decreased by 14.45 million euros or 1.6%.

Table 11

Debt of general budget payments administered by the SRS as on 1 January 2024 compared to 1 January 2023, million euros

Type of debt	1 January 2023	1 January 2024	Changes million euros	%
Total sum of debts, including:	876.78	862.33	-14.45	-1.6
- current debts	479.76	545.30	65.54	13.7
- deadline extensions	141.25	94.02	-47.23	-33.4
- suspended debts	255.77	223.01	-32.76	-12.8

In 2023, the SRS has granted a total of 10.744 tax payment extensions for a total amount of 135.41 million euros.

In 2023, the SRS has allocated additional funding for the implementation of the following **priority measures**:

- "Strengthening the capacities of the Ministry of Finance, including strengthening the capacity of the Procurement Monitoring Bureau, the State Treasury and the SRS TCPD and improving the customs infrastructure for implementation" for 2,358,900 euros;
- "Development of the State Revenue Service Payment Administration Information System (PAIS), including changes to regulatory enactments" for 5,635,076 euros;
- "Development of a new solution for data exchange with the Register of Enterprises of the Republic of Latvia and maintenance and improvement of the publication management system of the Procurement Monitoring Bureau" for 1,386,122 euros;
- "Covering the increase in state real estate lease payment and management expenses" for 515,418 euros;
- "Adjustments to information systems for the implementation of regulatory frameworks on disqualified managers and cross-border reorganizations" for 95,046 euros;
- "Increasing the provision of benefits and compensation for service abroad for the high-quality protection of national security and economic interests of Latvia" by 50,087 euros;
- "Strengthening the capacity of public administration by ensuring remuneration for strategically important job groups" for 1,620,309 euros.



## 4. COMMUNICATION WITH THE PUBLIC

Media breakfasts were held for several times at the central building of the SRS in Riga:

- on 31 March 2023 – in order to introduce representatives of various mass media with the latest developments and future plans of the SRS;
- on 13 September 2023 - in order to introduce journalists with the latest study conducted by the experts of the SRS on the non-declared labour payment in 2022. Journalists were also informed on the results of the SRS's activities in the area of reducing "envelope wages" and about the monitoring of sanctions at external borders.

In 2023, the SRS honored the most honest taxpayers of Latvia already for the 25th year in a row<sup>10</sup>. 15 awards in total were presented to the largest labour tax payers in five regions of Latvia in the group of large, medium, and small enterprises, as well as two more thematic special awards were selected - "The Largest Tax Payer in Latvia in 2022" and the "SRS 30" award, which is received by a company that, like the SRS, was founded in 1993 and celebrates its 30th birthday in 2023.



### Communication on social networks

To communicate with residents and businesses, the SRS actively uses social networks *Facebook*, *Twitter*, *Instagram* and *LinkedIn*, as well as the video sharing platform *YouTube*.

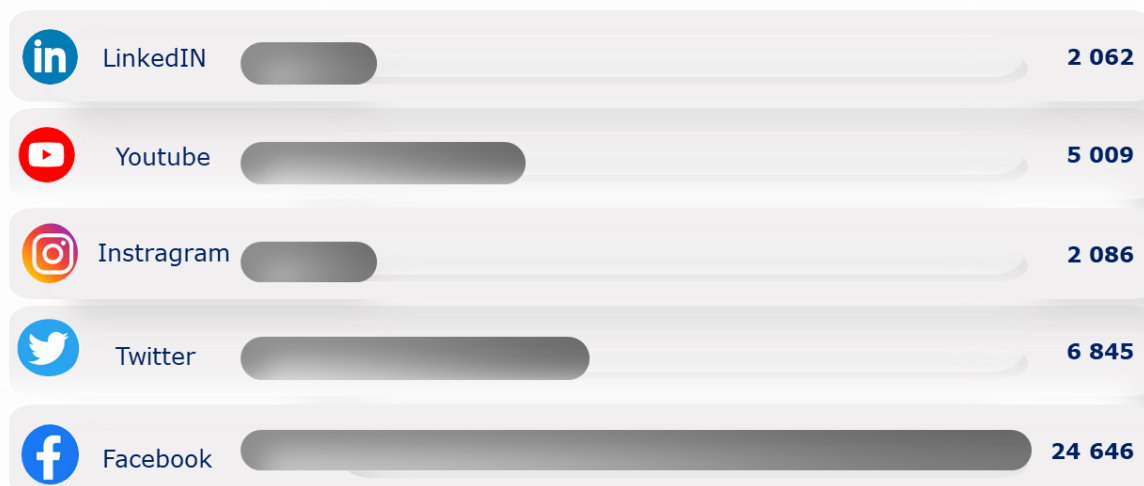


Figure 7. **Number of followers of SRS on social networks**

<sup>10</sup> The nomination and evaluation criteria for the 2022 Taxpayer Award are set out in a specially developed regulation, which is available on the SRS website [Taxpayer Annual Award | State Revenue Service \(vid.gov.lv\)](https://vid.gov.lv/en/publications/2022-taxpayer-award).



## SRS network

Information on tax and customs issues is available to residents on a modern and easy-to-use website on the unified platform of state and local government websites.

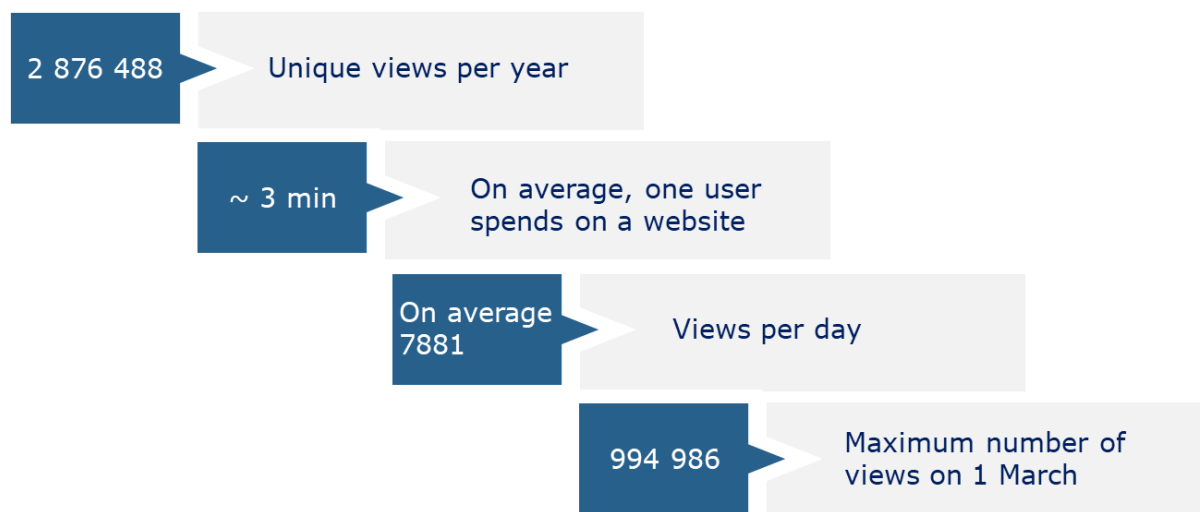


Figure 8. **SRS website visit statistics in 2023**

## Informative and educational events for clients

- 19 video seminars were organized, such as "When should self-employed persons register with the VAT payer register", "How to correctly fill out and submit a public official declaration?", "What should be taken into account when submitting annual reports for 2022?", "Filling out an import customs declaration in the new system", "What is tax control and how an agreement with the SRS reduces payments", "What you need to know when trading on the go, on the Internet or at an additional point of sale" (recordings and presentations of all seminars after their closure are freely available to anyone interested);
- 257 methodological and informational materials in the field of taxation and 82 in the field of customs have been prepared and updated;
- 145 visual materials and infographics have been created and posted on the SRS website and social networks;
- newsletters to almost 7,000 subscribers are regularly sent out about current events in the practical application of tax and customs law, SRS services, as well as workshops;
- cooperation with the Patent Office is continued in the implementation of the public information initiative "Fake Reality", participating in the campaign "Be original – choose original!";
- 440 persons have passed the final exam of the e-learning course "Requirements for the Implementation of the AML/CFT Law and the International and National Sanctions Law of the Republic of Latvia";



- 209 persons have passed the final exam of the e-learning course "Requirements for the Implementation of International and National Sanctions Law of the Republic of Latvia";
- 245 persons have passed the final exam of the e-learning course "Theoretical and Practical Aspects of Client Transaction Monitoring";
- 375 persons have passed the final exam of the e-learning course "Reporting Suspicious Transactions";
- a new e-learning course "Sanctions Risk Assessment and Monitoring" has been published, with 335 persons passing the final exam;
- involvement in the conversation festival "LAMPA", with the Head of the Customs Board participating in the discussion "How sanctions affect each of us".

- in the school program "Ready for Life", SRS lecturers delivered 34 guest lectures on "Taxes" to a total of 869 students and 41 lectures on "Career Backpack" to a total of 931 students;
- As part of the "Shadow Day", 69 students visited 29 SRS specialists throughout Latvia;
- The SRS hosted a total of 12 study tours, including in two CCPs – Daugavpils Goods Station CCP and Ventspils Port CCP. In total 270 pupils and students participated therein. As part of study tours, SRS specialists provide young people with in-depth lectures on topics that are relevant to the profession chosen by young people, and introduce them to customs work;
- SRS Customs Officials met with 25 young Investigator";
- Customs dog handling experts with working dogs for pupils and students;
- participation in the opening event of the career week at the Riga Art and Media Technical School;
- in cooperation with the Ministry of Finance, people organized by "JA Latvia" "Ahead of the

- one meeting of the Development Advisory Council, which reviewed the implementation of the SRS Development Strategy for 2020–2022, the new SRS Development Strategy for 2023–2026 and the proposal of strategically important tax administration and customs issues that should be considered by the SRS Development Advisory Council in the future;
- two meetings of the Excise Advisory Council, where current issues in the circulation of excisable goods, trends in excise tax revenue, and changes in regulatory enactments were reviewed;
- one meeting of the Customs and Entrepreneurs Advisory Council, where current issues in the field of customs, including the application of sanctions, current issues in customs information systems, and information on changes in the regulatory framework for the application of the export customs procedure were reviewed.

In order to jointly combat tax evasion and "envelope wages", promote fair competition, and encourage merchants to show initiative and understanding in resolving tax compliance issues in their industry, the SRS concludes agreements with industry associations on cooperation. In total, by 31 December 2023, **agreements on cooperation have been concluded with 31 unions and industry associations**. In 2023, the cooperation agreement with the association "Professional Cleaning and Facility Management Association of Latvia" (*LPUAA*) was renewed.

The results of a study conducted in 2023 showed that the satisfaction rating of industry associations regarding cooperation with the SRS (on a 10-point scale) is 7.25 points.

## 5. ACTIVITIES PLANNED FOR NEXT YEAR

In order to continue to purposefully implement the strategic initiatives included in the SRS Development Strategy for 2023–2026, with the aim to promote voluntary compliance with tax obligations, the following priorities have been set in 2024:

- 1 Provide an overall rating assessment (rating letter for each specific company) in the SRS public database.
- 2 Improve the mobile platform for authenticated users with the ability to customize it to customer preferences and provide choices.
- 3 Introduce elements of artificial intelligence and machine learning technologies, providing human-centered services to society.
- 4 Continue the reorganization of the SRS initiated in 2023, intending to separate the TCPD as an autonomous institution under the Ministry of Finance and the Internal Security Administration, transferring its investigative and operational activities to the Corruption Prevention and Combating Bureau.
- 5) 6
- 7 Continue implementing the "People First" concept.

Continue to develop customs risk analysis for monitoring compliance with sanctions.

Continue to maintain the principle of "zero tolerance" in the fight against corruption cases and implement an effective anti-corruption policy.



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