Valsts ieņēmumu dienests

# State Revenue Service
# PUBLIC REPORT

2024

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# *Director General's Opening Statement*

## Dear colleagues, cooperation partners and citizens of Latvia!


2024 has been a year of change and development for the State Revenue Service (SRS) – one in which we have taken confident steps forward to become more open, understandable and trustworthy.

We have strengthened the SRS as a modern and people-friendly service institution. We are proud to say that more than 99% of our services are already available electronically, and the way forward for a full digital transformation is set. From testing AI solutions to smart segmentation and the introduction of a taxpayer rating system, we are thinking about the customer, not just the process.

The figures also show what has been achieved: the total revenue administered by the SRS was €14.98 billion, €1.05 billion more than in 2023. Total debt has been reduced, voluntary tax payments have increased, and research by the State Chancellery shows that public confidence has increased. All this confirms: we are heading in the right direction.

Particularly important has been the re-organisation that clearly separates the service delivery and investigative functions. This is an essential step towards strengthening the SRS as an institution that supports rather than punishes. At the same time, reforms of the internal control system have been launched to increase fairness and transparency in every step we take.

We have supported people – both in the administration of mortgage compensation, making it simple and almost invisible, and by sending letters to those whose income and account statements do not match. We understand that every person is important and every situation is unique.

We have strengthened cooperation with businesses, NGOs and international partners. Our work to curb the shadow economy has been recognised both in Latvia and abroad. We are actively working to make fairness the norm, not the exception.

And of course – we are not just systems and processes. We are people. We are a strong, knowledgeable and professional team. More than 29,000 training sessions in 2024, higher levels of emotional wellbeing and many acknowledgements from our customers show that the SRS is a place where people grow and develop. I am truly proud of our employees – everyone whose work contributes to our common goal.

We still have a lot of work to do – modernisation, better use of data, clearer communication with customers, sustainable and responsible governance. Looking ahead, I see only one direction – forward.

I want to thank everyone – colleagues, partners, honest taxpayers – for your contribution. This is not just an achievement of the SRS – it is a shared Latvian story of responsibility and sustainability.

Looking ahead, we will continue to be open to change, to learn, to grow and to collaborate. Our goal is a strong, honest and transparent public administration that people trust.

**Together we are building an even better Latvia!**

**Best regards**
**Director General of the State Revenue Service**
**Baiba Šmite-Roķe**

# 1. BASIC INFORMATION

## 1.1. Legal Status, Key Activities and Functions of the SRS

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 European Union, implements customs policy and handles customs matters[1].

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

**Key functions**

- Tax administration
- Customs administration
- Investigation of criminal offences against state revenue and customs

**Additional functions**

- Prevention of money laundering
- Administration and control of declarations of public officials
- Exchange of information with other authorities and/or the public and publishing of information for the public
- Administration of the status of a public benefit organizations
- Licencing of outsourced accountants
- Other functions (including storage of confiscated objects of a criminal offence, as well as vehiclesand other confiscated property)
- Maintenance of information systems and digital records in the area of state revenue and customs

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

[1] By implementing the functions and tasks set out in the Law On the State Revenue Service, the Law On Taxes and Duties, the Customs Law, the Cabinet of Ministers Regulation No 940 of 16 November 2004 Statute of the State Revenue Service, other regulatory enactments and the SRS Rules of Procedure.

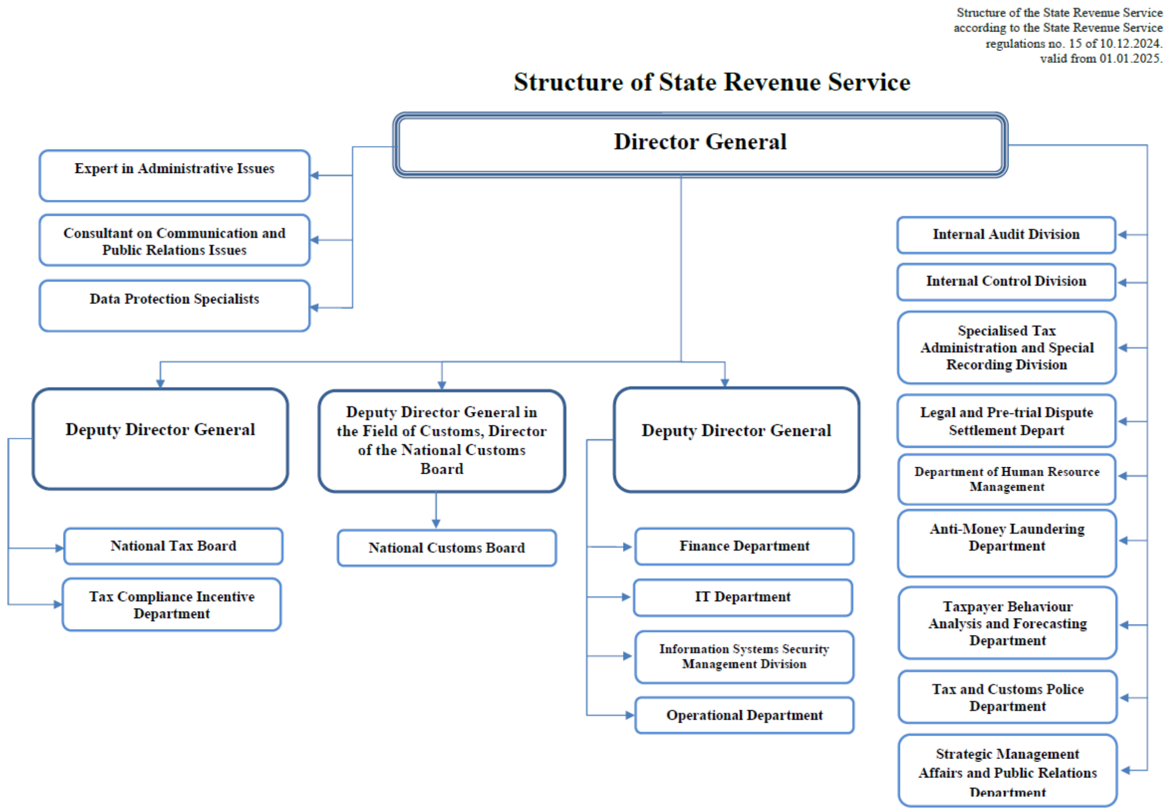



*Figure 2.* ***Structure of the SRS in 2024***

## Key Structural Changes of the SRS in 2024

On 13 February 2024, Baiba Šmite-Roķe took up the post of Director General of SRS. On 10 October 2024, the Deputy Director General of the SRS, Jānis Upmanis, started his new position, with direct responsibility for the Financial Administration, the Informatics Administration, the Information Systems Security Management Division and the Operational Department.
As of 1 January 2025, the SRS function of investigating corruption offences and carrying out operational activities is concentrated in the Corruption Prevention and Combating Bureau. At the same time, the SRS is undergoing structural changes in the area of internal security, reorganising the SRS Internal Security Board and replacing it with the SRS Internal Control Division as of 1 January 2025, which ensures the maintenance of the internal control system in the area of prevention of corruption and conflict of interest, timely identification and prevention of misconduct committed by employees, as well as conducting official inspections and handling disciplinary cases, including representation in court, ensuring the activities of SRS employees in the public interest.

As of 1 January 2025, a new independent unit, the Specialised Tax Administration and Special Records Management Division, was established under the direct authority of the Director General of SRS, abolishing the Specialised Tax Administration Unit of the Tax Administration and the post of Senior Security Officer and Special Records Manager of the Operational Department.

In order to promote taxpayers' confidence in the SRS without giving the impression of the SRS as a repressive institution, and to strengthen the efficiency and autonomy of the Tax and Customs Police, a reorganisation of the SRS was launched in 2024 with the aim of separating its crime detection and investigation functions from its service provider functions. On 6 February 2024, the Cabinet of

Ministers approved the Ministry of Finance's information report "On Measures to Improve the Operations of the State Revenue Service", which envisages reforming the SRS and developing it as a service institution:

- transferring the investigative and operational functions and tasks of the Internal Security Department of the SRS to the Corruption Prevention and Combating Bureau;
- transferring the functions and tasks of the Tax and Customs Police Administration of the SRS to a new direct administration body, the Tax and Customs Police within the Ministry of Finance.

As part of the implementation of the reform of the SRS, on 31 October 2024 the Saeima adopted the Law on the State Revenue Service, the Law on Taxes and Customs Police, amendments to the Law on Taxes and Duties, amendments to the Law on Criminal Procedure and amendments to the Law on Cash Declaration at the State Border, and on 7 November 2024 – the Law on Amendments to the Customs Law.

## 1.2. SRS Development Strategy for 2023–2026

In 2024, work continued on the implementation of the SRS Development Strategy 2023–2026 (hereinafter – the Strategy). The main objective of the Strategy is to make the SRS one of the most efficient tax and customs administrations in Europe, a leader in the development of services that serve the public interest.

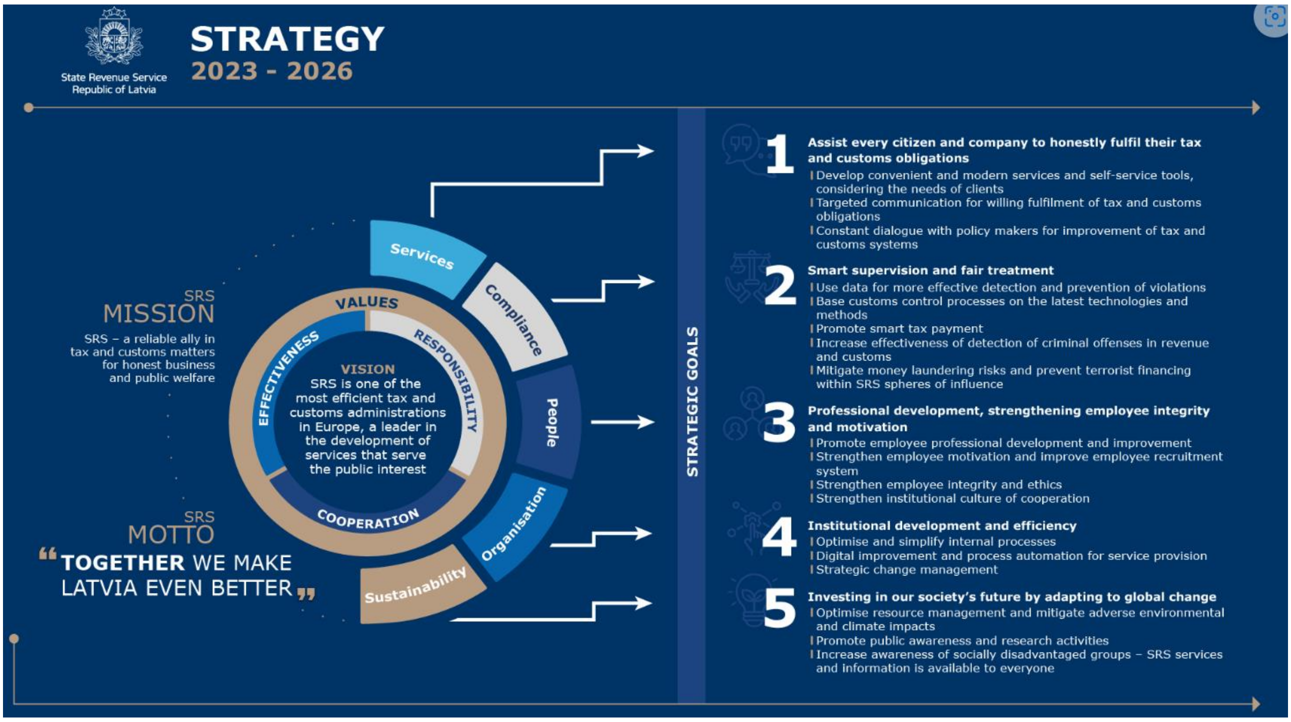



*Figure 3. **Strategic Roadmap for 2023–2026***

# 2. STRATEGIC PRIORITIES, OBJECTIVES AND RESULTS

## 2.1. Strategic Priority "Services"

Table 1

SRS Development Strategy for 2023–2026
performance indicators in 2024

| Result to be achieved | Performance indicators | Execution (2024) | Target value (2024) |
|---|---|---|---|
| Voluntary and timely fulfillment of tax obligations | Increased share of taxpayers included in segments "Trusted" and "Encouraged" from total number of segmented taxpayers | 18,1% (according to segmentation results as at 01.11.2024) | 15,3 |
| Timely submission of declarations | Share of declarations submitted on time | VAT – 92,15%<br>CIT – 72,57%<br>MSSIC and PIT – 89,06% | VAT – 92%<br>CIT – 70%<br>MSSIC and PIT - 88% |
| Customer satisfaction with SRS services and service quality | Average customer assessment of their experience with the SRS and its employees during their last interaction[2] | 63,2% | 60% |
| Increased public trust in SRS | Level of public trust in SRS[1] | 59% | 50% |
| Accelerated customs declaration processing for honest customers | Share of automated import (release for free circulation) declarations | 64% | 45% |
| | Share of automated export declarations | 87% | 87% |

(Abbreviations used in the table: VAT – value added tax, CIT – corporate income tax, MSSIC – mandatory state social insurance contribution, PIT – personal income tax)

[2] Data from the Public Administration Customer Satisfaction Study commissioned by the State Chancellery.

In 2024, 237 services were available to SRS customers, including 235 or 99.1% of services could be requested and/or received electronically.
Two services could be requested and received in person: "Cash statement" and "Statement of movement of excisable good".

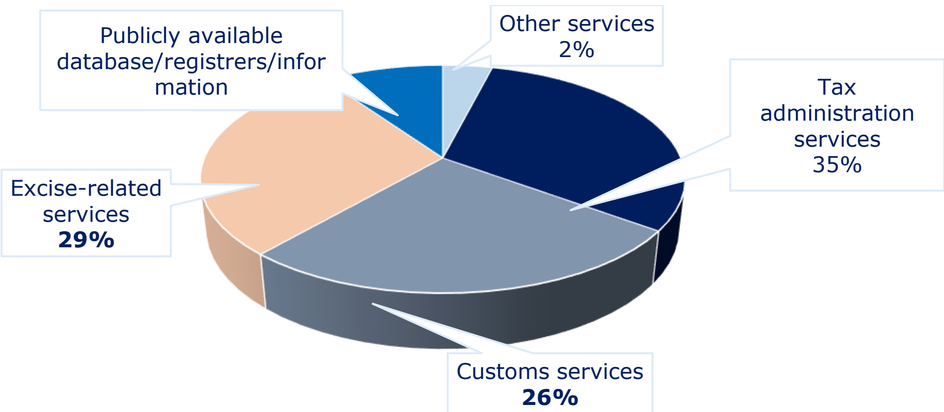



*Figure 4.* ***Number of services provided by the SRS by service groups in 2024***

The total number of SRS service cases provided in 2024 is 46 278,976.

Table 2

"Top services" with the highest number of service cases in 2024

| | Service | Service cases |
|---|---|---|
| **1.** | Customs import declarations for postal items | **3 571 858** |
| **2.** | Employer’s report | **1 188 074** |
| **3.** | Value added tax return | **1 166 767** |
| **4.** | Payroll tax booklet | **1 153 943** |
| **5.** | Refund of tax, fee and other overpayments | **1 099 656** |
| **6.** | Annual income statement | **1 041 793** |
| **7.** | Information regarding employees | **668 187** |
| **8.** | Help on matter relating to the application of regulations | **540 565** |
| **9.** | Statement of amounts disbursed to private individuals | **445 062** |
| **10.** | Replies to submissions to the State Revenue Service | **330 159** |

## Service improvement measures implemented in 2024:

### Rating system and service baskets

A publicly available taxpayer rating system was launched in 2024. The rating is an assessment by the SRS of the company's tax compliance.

The information is made public in accordance with Section 18, Paragraph one Clause 36 of the Law on Taxes and Fees.

The rating is based on the results of taxpayer segmentation, which is used by the SRS in the tax administration process to identify the segment of each taxpayer and to ensure the SRS approach is consistent with the level of taxpayer behaviour and voluntary compliance.

In parallel, a data-driven basket of services for each segment of taxpayers is being launched – an efficient tool to motivate legal entities to improve their tax and customs obligations towards the State.

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. Anyone interested can view the tax compliance rating of each Latvian company on the SRS database published on the website. The ranking criteria are constantly reviewed and improved, taking into account the information available to the SRS and listening to the opinions and suggestions of entrepreneurs and cooperation partners. Several foreign tax administrations have also acknowledged the SRS's taxpayer rating and the detailed information it provides to businesses on their performance indicators, as well as the availability of the overall rating to the public.

**Letter campaign to promote voluntary payment of taxes**

On 23 September 2024, the SRS started to gradually address those persons (private individuals) who, according to data analysis, have significant discrepancies between their officially declared income and the information provided by banks on the turnover of bank accounts. Letters have been sent to the people whose data analysis has revealed the biggest discrepancies, i.e. a difference of €20,000 or more between their bank account turnover and their declared income. The purpose of the letters is to draw people's attention to the risk of tax evasion (undeclared income) by asking them to assess the amounts of money they have received in their accounts and to declare previously undeclared income, if any, or to provide a reasoned explanation for the cash flow. The campaign has a positive fiscal effect and a stimulating impact on tax compliance.

**Administration of mortgage loan support payments**

In 2024, the SRS provided mortgage interest compensation to mortgage borrowers. Around 100 000 borrowers received mortgage interest refunds and the support was implemented thanks to the successful digitisation of the SRS.

**People First**

In 2024, the SRS started to implement the "People First" concept developed in 2023 to assess service delivery processes and develop an easy-to-use and modern system for servicing natural persons by understanding the needs of SRS service users. The aim is to improve the personal service system in order to enhance customer satisfaction. In 2024, this initiative tested an artificial intelligence tool to help provide answers to taxpayers faster and more efficiently.

To ensure that the SRS communicates with its customers in a language that is easy to understand, unambiguous and relevant to target audiences with different levels of perception, cocreation workshops were launched in 2024 in several competent departments to improve letters and communications to make them clear, inclusive and friendly.

**Improving customs information systems**

As part of the further development of the Electronic Customs Data Processing System (EMDAS) to facilitate the work of customs customers, improve usability and reduce the administrative burden, a new version of the Automated Export System (AES) and Transit Control System 2 (TCS2), as well as a new version of the Automated Import System (AIS) for centralised clearance of goods through import declarations, have been introduced. Centralised customs clearance provides new opportunities for customs customers to review their business processes, optimise logistics flows and consequently costs.

**Reducing the administrative burden**

In 2024, a number of measures to reduce administrative burden were implemented, such as the introduction of a simplified procedure for registering economic activities by abolishing the questionnaire for planned activities, improved solutions for A-rated companies – for example, accelerated reimbursement of VAT overpayments on average within five days, personalised services including advisory support to promote exports for A-rated companies exporting goods under preferential agreements, and three new customs advantages for this group of companies:

- obtaining an Authorised Exporter permit in priority order within eight working days of the submission of all documents and particulars;
- obtaining an Registered Exporter permit in priority order within two working days of the submission of all documents and particulars;
- the status of Recognised Declarant under the Carbon Border Adjustment Mechanism is now granted in priority order within 80 days of the submission of all documents and information.

Simplified decision-making for all businesses in administrative offence cases at customs control posts – one decision instead of two decisions, without the need for the customer to attend an additional administrative offence hearing and decision-making.

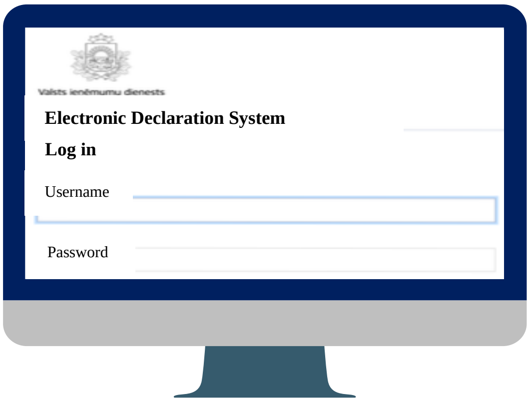
Amendments to the Cabinet of Ministers' Regulations on Annual Reports of Associations, Foundations and Trade Unions and Keeping of Accounts in the Simple Entry System have been drafted and will enter into force on 30 January 2025.

The amendments to the Value Added Tax Law put small and medium-sized enterprises on an equal footing with small and medium-sized enterprises in other EU countries, including by providing them with value added tax exemptions (under EU conditions).

For those associations and foundations with a turnover of up to €1,200 per year that have not carried out any activities, the annual report is no longer required to be accompanied by a derivative of the audit institution's report. The criterion under which the annual report of a society or foundation must be audited by a certified auditor or a commercial company of certified auditors and the auditor's opinion must be submitted has been increased.

In 2024, an initiative was launched to assess the feasibility of introducing digital excise duty stamps to reduce the administrative burden for both public administrations and businesses. A working group has been set up to implement the idea, and in cooperation with industry associations, involving the Ukrainian and Lithuanian tax administrations, implementation has started.

According to the amendments to the Cabinet of Ministers' Regulation Amendments to Cabinet of Ministers' Regulation of 7 September 2010 No 827 Regulations on Registration of Persons Making Mandatory State Social Insurance Contributions and Reports on Mandatory State Social Insurance Contributions and Personal Income Tax, employers are no longer required to provide information on the loss of employee status in certain cases, as the SRS will register it automatically.




**Continuing to improve the SRS electronic declaration system (EDS)**

- In 2024, the SRS virtual assistant Toms is also integrated into EDS, allowing the SRS virtual assistant to provide support for work in EDS.
- The implementation of structured transfer pricing documentation in EDS has been developed and the range of EDS services has been extended.

- For natural persons, the EDS home page includes a section called "Applications". The measure provides customers (natural persons) with the most frequently used applications, making it easier to find them in the "Documents" section.
- The electronic identification tools of the EDS have been supplemented with SMART-ID, thus ensuring that if the authentication of Latvija.lv maintained by the State Digital Development Agency (SDDA) fails, customers can still access the EDS using Smart-ID.
- A number of security measures have been developed and put in place to protect customers from fraudsters. The EDS will introduce the possibility to choose the channel for receiving notifications, thus avoiding both email and e-address notifications.
- A new reporting form for the natural resources tax has been created, with classifications of tax objects and tax rates. This will ensure that the tax is automatically calculated and allocated to the national and local budgets, reducing the time needed to fill in the report and the chances of errors in the preparation of the information.

**Further improving the Electronic Customs Data Processing System (EMDAS)**

- Improvements to the usability of the interfaces between customs officers and traders and work streamlining solutions have been implemented, speeding up the completion of declarations and improving the quality of the data submitted.
- Phase 1 of Centralised Clearance for Imports is introduced, enabling economic operators to benefit from the simplification provided for in the Union Customs Code, allowing them to review and optimise their logistics processes.
- There has been a significant increase in the share of automatically released import declarations (release for free circulation) from 39% in 2023 to 64% in 2024, which speeds up the clearance of customs procedures for customs customers.
- The share of automated export declarations has reached 87% (85% in 2023). Export procedures are processed automatically, without the involvement of customs control point officials, except for those declarations that are diverted for control as a result of risk analysis. Risk profiles are based on risk information on potential infringements, including sanctions infringements, where the risks remain very high and the control intensity is relatively high.

**Continuing to improve the Payment Administration Information System (MAIS)**

In 2024, we continued to implement the MAIS development solution for domestic tax functionalities to ensure improvement of the quality of tax services provided by the SRS, including:

- Measures to update the annual income tax return;
- Establishment of a new data exchange with the Register of Enterprises of the Republic of Latvia;
- Implementation of the mortgage borrower support functionality;
- Implementation of automated (faster) notification for outsourced accountants;
- Implementation of a payment automation solution for payment arrears;
- Implementation of the joint control mechanism for control payment cases;
- Improving tax accounting functionality;

- The integration of customs functionalities in MAIS is continued to ensure the inclusion of customs payments in the Single Tax Account from 2027 onwards.

**Improving service management**

The SRS is improving its service management process by implementing a service management policy in line with the Service Environment Improvement Plan 2024-2027 developed by the Ministry of Smart Administration and Regional Development to optimise service delivery, reducing the administrative burden on the institution and improving service quality at the same time.

## 2.2. Strategic Priority "Compliance"

Table 3

Implementation of performance indicators of the SRS development strategy for 2023–2026 in 2024

| Result to be achieved | Performance indicators | Execution (2024) | Target value (2024) |
|---|---|---|---|
| Effectiveness of promotion (control) measures | Reduction in share of taxpayers included in the segments “Monitored” and “Low Sustainability” in the total number of segmented taxpayers | 45.7% | 45.5% |
| Increase of recovered debts | Share of recovered debts from actually recoverable debts (per month) | 23.2% | - |
| | Share of new debts recovered from the amount of new debts | 93.5% | 93.6% |
| Customs control efficiency | Effectiveness of physical customs controls – share of violations detected as a result of risk analysis in the total number of physical customs control activities | 30% | 25% |
| | Share of non-compliances voluntarily resolved and customs duties paid as a result of post-clearance inspections | 90% | 73% |
| | Assessment of illegal trafficking of tobacco products[3] | 19.1% | - |
| Fair application of legal provisions | Share of court rulings favorable and partially favorable to the SRS | 89% | 90% |
| Reduction in tax revenue losses | VAT gap in the previous year | 5% | - |
| | PIT gap from non-declared labour payment in the previous year | | - |
| | MSSIC gap from non-declared labour payment in the previous year | | - |
| | Share of general budget revenue administered by the SRS[4] in GDP | 37.32% | - |
| Efficiency of criminal investigation | Share of cases returned by the Prosecutor's Office for additional investigation (out of all cases forwarded for prosecution) | 0 | 5 |

**Shadow Economy Reduction Plan 2024-2027**

On 25 January 2024, the Cabinet of Ministers adopted the Shadow Economy Reduction Plan 2024-2027. The SRS is one of the implementers of this plan and its implementation in 2024 was one of its priority tasks. The Plan has implemented significant control and monitoring measures on the use of the Electronic Time and Attendance System (ETAS) at construction sites in accordance with Section 144 of the Law on Taxes and Fees. In cooperation with the Ministry of Finance, the Ministry

[3] Data from a study conducted by the research agency "NielsenIQ".
[4] Including budget revenue paid into the single tax account that has not yet been allocated to specific types of income.

of Economics, the State Construction Control Bureau, the Ministry of Welfare, the State Labour Inspectorate and the SRS, an information report "On the impact of the electronic working time accounting system on the components of the informal economy in the construction sector" was developed and approved by the Cabinet of Ministers at its meeting on 3 September 2024 (Minutes No 35 § 34), stipulating that from 2025 the SRS should carry out at least 50 inspections at construction sites per year. In 2024, 342 taxpayers whose main activity is the provision of construction services were subject to inspections.

On 26 November 2024, a Memorandum of Understanding on Information on Unfair Commercial Practices in the Health Services and Beauty Sector was signed between the SRS, the Health Inspectorate, the Consumer Rights Protection Centre, the Healthcare Employers Association and other non-governmental organisations.

The regulatory framework was improved, including the obligation for employers to inform the SRS of the fact that employees are paid in cash, the threshold declarations for cash deposits and withdrawals (reporting of cash deposits and withdrawals at ATMs), and the obligation for companies with an annual turnover of more than EUR 50 000 to provide customers with the possibility to make non-cash payments as well.

Industry associations have been approached to make suggestions for adding to the range of benefits for A-rated taxpayers. Three new customs advantages have been introduced for A-rated companies.

The electronic circulation system for supporting documents (e-invoices) is being implemented.

Discussions are underway to simplify and improve the exchange of data between providers of medical and educational services and the SRS – so that the SRS receives information from the provider on the expenses to be included in the person's eligible expenses. This would enable people to receive refunds of overpaid tax more quickly and reduce the time and resources needed to file and process annual income tax returns.

Work continues on the establishment of a data exchange solution between the SRS and the Association of Latvian Insurers.

Informing medical practitioners about the need to register their economic activity with the SRS or the appropriate form of business to prevent cases where the activity is not properly registered but the service is provided in a medical facility where space is rented.

Data exchange on linking beauticians and beauty (cosmetology) specialists registered with the SRS to the Unified Register of Health Professionals.

Section 18, Paragraph nine of the Law on Excise Duty is amended and enters into force on 1 January 2025. The amendments provide that fuel not exceeding 200 litres, which ensures the operation of a commercial motor vehicle entering the Republic of Latvia from a country which is not a Member State of the European Union, shall not be subject to tax. In addition, it is prohibited to enter the Republic of Latvia with a commercial motor vehicle if the amount of fuel in the standard tanks exceeds 200 litres. Fuel and odometer controls at customs control posts at the external border of the European Union have been revised to reinforce fuel controls on incoming goods vehicles (within existing resources) and fuel and odometer controls on outgoing goods vehicles have been discontinued with effect from 1 January 2025.

**Monitoring e-commerce**

Communication with taxpayers who engage in e-commerce and do not comply with the requirements of the regulatory enactments, measures taken to eliminate infringements, current technical solutions explored and their use evaluated to improve monitoring.

**Strengthening data exchange with other EU countries**

Development and implementation of an information exchange system to exchange data between Member States (DAC7) on digital platform operators, as well as adaptation of the SRS information system in the context of amendments to national and EU legislation for which targeted funding has been granted (DAC1 system). Design and implementation of an information exchange system to extract data from payment service providers (CESOP).

**Improving the excise movement and control system**

Changes have been developed and implemented to the Excise Movement and Control System (EMCS) in accordance with the EMCS Phase 4.1 specifications developed by the European Commission and the requirements of regulatory enactments.

**Study shows shadow economy shrinking**

According to the latest data from the Shadow Economy Index of the Baltic States of the Riga School of Economics (SSE Riga), the shadow economy in Latvia is declining – according to the data published in 2024, the size of the shadow economy in Latvia in 2023 is 22.9% of gross domestic product (GDP), which is 3.6 percentage points less than in 2022.

**Measures to improve the effectiveness of detection of offences in the field of state revenue and customs**


The project "Enhancing Law Enforcement Cooperation in Preventing and Combating Economic Crime in Latvia", co-financed by the European Economic Area (EEA) Financial Mechanism Programme "International Police Cooperation and Fight against Crime", was completed in 2024. The project has developed an information system including digital data analytics tools and a digital support system.

In order to enhance the capacity of Baltic law enforcement authorities to fight the shadow economy and to strengthen cooperation in combating crime in the field of excise goods, the Internal Security Fund (ISF) co-financed project "Combating Crime in the Field of Excise Goods in the Baltic Region" in cooperation with the Estonian Tax and Customs Administration and the Lithuanian Customs Criminal Investigation Service continued in 2024.

The European Anti-Fraud Office (OLAF) Union Anti-Fraud Programme (EUAF) financial instrument project "Acquisition of a Specialised Vehicle and Upgrading of Technical Means" aims at detecting and preventing criminal offences in the fields of public revenue and customs and contributes to the prevention and combating of fraud, corruption and other illegal activities affecting the financial interests of the European Union. In 2024, a specialised vehicle and software were purchased to strengthen the technical capacity of the Tax and Customs Police Directorate of the SRS.

In 2024, the OLAF EUAF financial instrument project "Strengthening the Analytical Capacity of the Tax and Customs Police of the SRS" was launched. The project will purchase analytical software and train SRS TCP experts to use it effectively. This software will enable high quality data analysis and intelligence in economic crime investigations, significantly improving the capacity of the TCP of the SRS to detect and prevent crimes affecting the financial interests of the European Union.

**To promote the fight against money laundering and terrorist financing, in 2024:**

- risk-based inspection of compliance with the requirements of the Law on Prevention of Money Laundering and Terrorism and Proliferation Financing and the Law on International and National Sanctions of the Republic of Latvia;
- sanctions have been imposed for decisions taken in general, including for violations of the International and National Sanctions Laws of the Republic of Latvia;
- outsourced accountants' licences have been issued;
- inspections lead to the preparation of materials to be sent to law enforcement authorities.

Table 4

Total revenue administered by the SRS in 2024 compared to 2023 revenue and 2024 revenue plan

| Type of payment | 2024 revenue plan (million euros) | Revenue (million euros) | | Changes (2024–2023) | | Execution of the 2024 revenue plan | |
|---|---|---|---|---|---|---|---|
| | | 2023 | 2024 | million euros | % | million euros | % |
| **Tax income** | **14,417.07** | **13,201.86** | **14,193.66** | **991.79** | **7.5** | **-223.41** | **98.5** |
| Enterprise income tax | 697.84 | 544.81 | 719.42 | 174.61 | 32.1 | 21.58 | 103.1 |
| Value added tax | 4,096.68 | 3,879.51 | 3,882.36 | 2.85 | 0.1 | -214.32 | 94.8 |
| Excise duty | 1,254.98 | 1,154.77 | 1,190.80 | 36.03 | 3.1 | -64.19 | 94.9 |
| Mandatory State social insurance contributions | 5,396.13 | 4,824.07 | 5,273.05 | 448.98 | 9.3 | -123.08 | 97.7 |
| Personal income tax | 2,634.71 | 2,500.73 | 2,810.99 | 310.26 | 12.4 | 176.28 | 106.7 |
| Natural resources tax | 74.01 | 61.86 | 66.09 | 4.23 | 6.8 | -7.93 | 89.3 |
| Customs tax | 68.40 | 56.89 | 62.25 | 5.36 | 9.4 | -6.15 | 91.0 |
| Gambling and lottery tax | 50.46 | 46.43 | 52.92 | 6.49 | 14.0 | 2.46 | 104.9 |
| Electricity tax | 5.15 | 4.91 | 4.95 | 0.04 | 0.8 | -0.20 | 96.2 |
| Vehicle operating tax | 105,30 | 102,53 | 102,32 | -0,21 | -0,2 | -2,98 | 97,2 |
| Company passenger vehicle tax | 33,40 | 25,34 | 28,50 | 3,16 | 12,5 | -4,90 | 85,3 |
| Undistributed share of microenterprise tax revenue | | 0,01 | 0,0001 | -0,01 | | | |
| **Non-tax income** | **668,88** | **731,68** | **787,90** | **56,23** | **7,7** | **119,02** | **117,8** |
| State fees and stamp duties | 156,54 | 216,09 | 251,24 | 35,14 | 16,3 | 94,70 | 160,5 |
| Fines and sanctions | 35,42 | 39,78 | 47,30 | 7,52 | 18,9 | 11,89 | 133,6 |
| Income from dividends (income from the use of state (municipal) capital) | 382,94 | 359,31 | 393,36 | 34,05 | 9,5 | 10,42 | 102,7 |
| Other non-tax income | 93,98 | 116,48 | 95,98 | -20,49 | -17,6 | 2,00 | 102,1 |
| Undistributed share of patent fee revenue | | 0,02 | 0,02 | 0,003 | 18,5 | | |
| **Total** | **15 085,95** | **13 933,54** | **14 981,56** | **1 048,02** | **7.5** | **-104,39** | **99,3** |

The total revenue administered by the SRS in 2024 is €14.98 billion, mainly due to labour taxes and value added tax. Compared to 2023, it has increased by €1.05 billion or 7.5%. The 2024 revenue plan was 99.3% executed and fell short of the plan by € 0.10 billion (see Table 4).

**Debt**

On 1 January 2025, the total amount of payments due to the general budget administered by the SRS amounted to €844.28 million. Compared to 1 January 2024, the total debt has decreased by €18.05 million or 2.1%. The decrease in total debt at 1 January 2025 is mainly due to a decrease of €15.23 million or 6.8% in the amount of suspended debt. The biggest decrease is in value added tax debts, down by €30.10 million, while labour tax debts increased by €39.55 million or 8.5%.

Table 5

Debt on general budget payments administered by the SRS on 1 January 2025 compared to 1 January 2024, million euro

| | 1 January 2024 | 1 January 2025 | Changes | |
|---|---|---|---|---|
| | | | million euros | % |
| **Total sum of debts, including:** | **862,33** | **844,28** | **-18,05** | **-2,1** |
| - current debts | 545,30 | 540,02 | -5,28 | -1,0 |
| - deadline extensions | 94,02 | 96,48 | 2.46 | 2,6 |
| - suspended debts | 223,01 | 207,78 | -15,23 | -6,8 |
| **Corporate income tax, including:** | **49,73** | **43,51** | **-6,23** | **-12,5** |
| - current debts | 22,18 | 21,43 | -0,75 | -3,4 |
| - deadline extensions | 5,33 | 3,74 | -1,59 | -29,8 |
| - suspended debts | 22,22 | 18,33 | -3,89 | -17,5 |
| **Value added tax, including:** | **265,41** | **235,31** | **-30,10** | **-11,3** |
| - current debts | 142,48 | 125,92 | -16,55 | -11,6 |
| - deadline extensions | 34,14 | 24,13 | -10,00 | -29,3 |
| - suspended debts | 88,80 | 85,25 | -3,55 | -4,0 |
| **Excise duty, including:** | **54,28** | **48,12** | **-6.15** | **-11,3** |
| - current debts | 19,91 | 15,17 | -4,73 | -23,8 |
| - deadline extensions | 5,20 | 0,76 | -4,44 | -85,4 |
| - suspended debts | 29,17 | 32,19 | 3,02 | 10,4 |
| **Personal income tax, including:** | **288,03** | **307,54** | **19,51** | **6.8** |
| - current debts | 233,65 | 246,90 | 13,25 | 5,7 |
| - deadline extensions | 22,63 | 28,94 | 6,31 | 27,9 |
| - suspended debts | 31,74 | 31,71 | -0,04 | -0,1 |
| **Mandatory State social insurance contributions, including:** | **175,99** | **196,02** | **20,04** | **11,4** |
| - current debts | 112,32 | 117,79 | 5,47 | 4,9 |
| - deadline extensions | 26,45 | 38,60 | 12,15 | 45,9 |
| - suspended debts | 37,22 | 39,63 | 2,42 | 6,5 |

In 2024, 12 781 tax extensions have been granted to 4929 taxpayers for a total of €174.2 million.

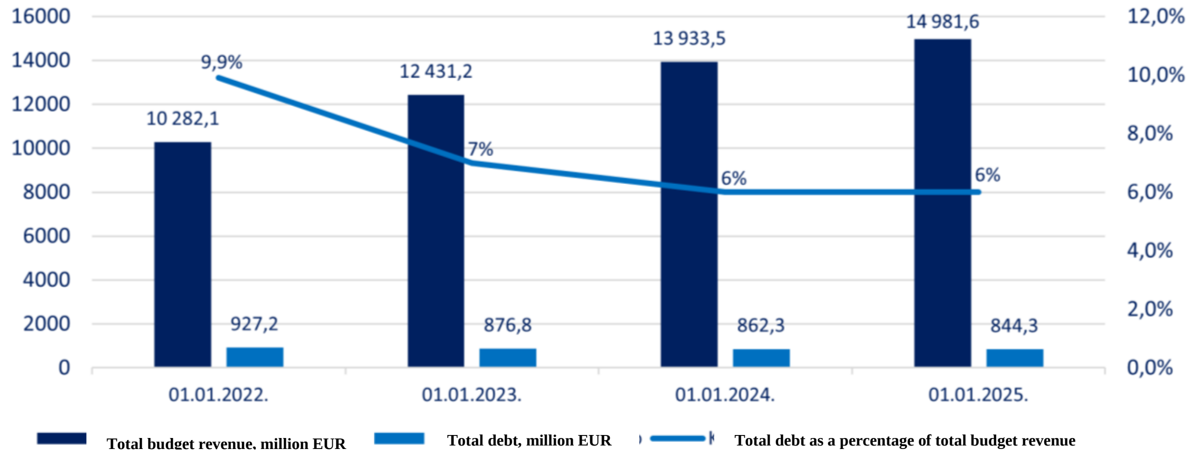



*Figure 5.* ***Total debt as a share of total budget revenue (2022–2024)***

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.

Table 6

Decisions adopted and published by the SRS that entered into force during the period from 1 January to 31 December 2024

| No | Decision type | Number of published decisions |
|---|---|---|
| 1. | About the results of the tax audit | 3 |
| 2. | Decisions specifying the amount of taxes in accordance with Section 23, Sections 5.$^2$ and 5.$^3$ of the Law On Taxes and Fees | 1 |
| 3. | Decisions by which a customs debt has been established | 146 |
| 4. | Decisions by which refund of overpaid VAT has been denied | 130 |
| 5. | Decisions adopted as a result of tax control | 230 |

### Monitoring compliance with the customs sanctions regime

In 2024, 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 European Union sanctions. Sanctions control system revised to monitor sanctions in place, 202 new risk profiles created, 469 risk profiles in total.

As a result of the customs control measures taken in 2024, a total of 9175 violations related to non-compliance with sanctions were detected, in 3147 cases customs prohibited the export of goods from the EU or the import into the EU from Russia and Belarus, 495 postal items were rejected, in 4342 cases individuals were prohibited from importing goods subject to sanctions, and in 1191 cases cash was detected. 144 criminal proceedings were initiated and 13 criminal proceedings were sent for prosecution under Section 84 of the Criminal Procedure Law for violation of sanctions imposed by international organisations and the Republic of Latvia.

Cooperation and exchange of information with third countries has been improved to prevent sanctions evasion. In order to confirm or deny suspected sanctions violations, in 2024, the SRS has sent 160 requests to customs authorities of third countries (Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Serbia, Tajikistan, Turkey, Ukraine and Uzbekistan). Of the responses received, 63% (84 responses) confirmed suspected irregularities.

### Carbon Border Adjustment Mechanism

In 2024, the functions of the competent authority of the Carbon Border Adjustment Mechanism (CBAM) were ensured, including providing information to the European Commission on the implementation of the national plan, integration of the European Commission's CBAM transitional portal with the EDS, granting 845 users the right to work in the CBAM portal production environment and 28 users to work in the test environment. Changes have been made to EDS so that external users can obtain the necessary user rights under certain conditions, and a notification to declarants in EMDAS of the CBAM requirements during the transitional phase has been introduced. Extensive information and advisory support activities have been implemented, including 4358 consultations, 1903 EDS notifications on the fulfilment of obligations and commitments, seminars on the application of the CBAM and current developments, regular updating and improvement of information in the "Carbon Border Adjustment Mechanism" section of the SRS website.

## 2.3. Strategic Priority "People"

Table 7

Implementation of performance indicators of the SRS development strategy for 2023–2026 in 2024

| Result to be achieved | Performance indicators | Execution (2024) | Target value (2024) |
|---|---|---|---|
| The attractiveness of the SRS as an employer | Employee turnover rate | 13,8 % | - |
| | Employee Engagement Index[5] | 57 % | - |
| Assessment of the SRS as an honest institution | Public assessment of the SRS honesty[6] | 49 % | - |
| Anti-corruption training for SRS employees | Number of SRS employees trained in anti-corruption training | 47 % | - |
| | Advanced anti-corruption training (number) | 3 | - |

**The SRS had 3,813 posts on 1 January 2024 and 3,696 posts on 31 December 2024[7].**

Of the total number of employees in the SRS:

[5] Data from the study of the State Chancellery “Level of engagement of public administration employees and SRS employees”.
[6] Data from the public survey of the Corruption Prevention and Combating Bureau "Attitudes towards corruption in Latvia".
[7] For several years now, the number of posts in the SRS has been reduced by optimising and digitising tasks and processes. According to the Cabinet of Ministers' Order of 4 December 2024 "On the reorganisation of the State Revenue Service, an institution subordinate to the Ministry of Finance, and transfer of the functions of the Internal Security Administration of the State Revenue Service to the Corruption Prevention and Combating Bureau", Paragraph 3, 17 additional positions of the SRS have been transferred to other institutions as of 1 January 2025: 16 - to Corruption Prevention and Combating Bureau, 1 - to State Police.

89% are civil servants and 11% are employees;

78 % – women;

22 % – men;

96 % – have higher education.

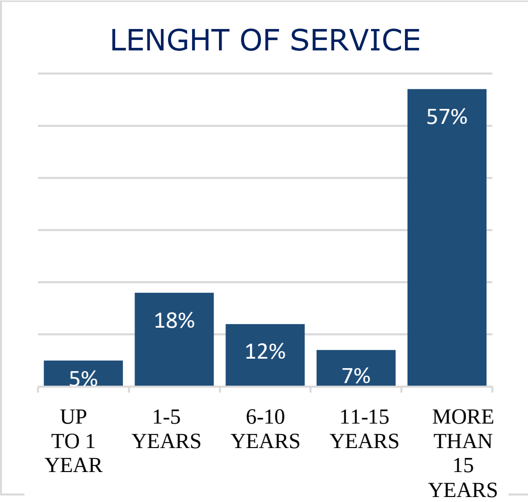



*Table 8* ***Distribution of SRS employees by length of service groups in 2024***

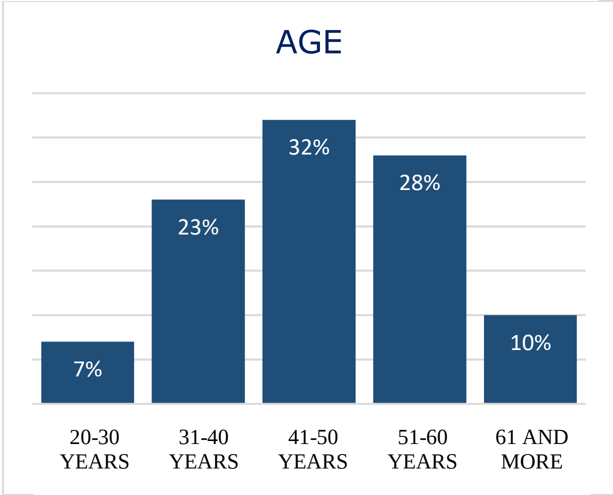



*Table 9* ***Distribution of SRS employees by age groups in 2024***

In 2024, 226 civil servants and employees began their civil service and employment legal relations with the SRS, but 248 employees terminated their employment. Accordingly, the staff renewal rate in 2024 is 6.7 (7.8 in 2023) and the staff attrition rate is 7.2 (9.2 in 2023), while the overall staff turnover rate is 13.8 (16.9 in 2023).

**Quality of the working environment**

A survey on employee well-being was carried out in the SRS. The results show:

- satisfaction with the well-being at the workplace in the SRS is 7.45 out of 10, an increase of 0.17 points compared to 2023;
- emotional well-being at the workplace in the SRS is 7.22 out of 10, an increase of 0.16 points compared to 2023.

**Employee training**

In 2024, 282 training sessions were organised and 29 979 employees trained.[8]

**Achievements and awards of our employees**

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

1) eight 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 customers and the public;

[8] One employee could attend multiple training sessions.

2) in 2024, SRS Badges of Honor, SRS Letters of Recognition and Letters of Appreciation, as well as cash prizes were awarded to 276 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 Cabinet of Ministers and the Ministry of Finance were granted to seven SRS officials .

**In order to ensure the continuous improvement of the internal control system in the area of prevention of corruption and conflict of interest, in 2024 we have:**

- identified and reassessed the potential corruption and conflict of interest risks, determined the effectiveness of risk mitigation measures, analysed past incidents and identified new preventive measures to reduce the risk of future incidents;
- carried out an in-depth review and analysis of the SRS risk management process in the area of corruption and conflict of interest prevention in one autonomous unit, creating a unified internal control environment in SRS, including the implementation of the same corruption risk management principles in all SRS autonomous units;
- raised awareness among managers and employees at different levels of their responsibilities and duties in the implementation of corruption risk management through seminars/trainings on corruption risk management, including on identifying corruption and conflict of interest risks;
- organized practical training on how to deal with bribery cases, promoting the "Zero Tolerance" principle against accepting bribes and gifts in the SRS;
- led training for new SRS employees on professional ethics, conflict of interest prevention and integrity in the performance of their duties, including in cases of bribery;
- developed information materials for SRS employees on current developments in the area of corruption and conflict of interest prevention.

## 2.4. Strategic Priority "Organisation"

*Table 10*

Implementation of performance indicators of the SRS development strategy for 2023–2026 in 2024

| Result to be achieved | Performance indicators | Execution (2024) | Target value (2024) |
|---|---|---|---|
| Cost-effectiveness | Number of registered legal entities and economic operators per one full-time employee in the tax administration | 210,89 | - |
| | Number of processed customs documents per one full-time employee in the customs administration | + 3,4% (6255) | - |
| | Cost of one euro collected | Costs per euro collected have decreased by 2.6% | - |
| Process efficiency | Number of optimized resource-intensive processes | – | - |
| The use of innovative technologies has increased | Share of ICT costs | 8,8 % | - |

In 2024, the Recovery and Resilience Facility Plan investment projects for the modernisation of analytical solutions were completed, including:

1) RRF investment 6.1.1.1.i. "Modernisation of existing analytical solutions", project "Implementation of SAP HANA technology platform for analytical solutions", which includes the migration of risk systems to a single centralised analytical platform, modernisation of the Personal Risk System and the Excise Duty Risk Management System. The existing ESKORT system has been migrated to the SAP HANA database and analytical data transformation processes have been provided to support risk systems;
2) Under RFF investment 6.1.1.2.i "Development of new analysis systems", a new information technology (IT) system for the calculation of taxpayer segments and rating has been launched. Information for taxpayers has been integrated into the database to be published, data visualisation of taxpayer rating assessment results in the State Revenue Service EDS and integration of taxpayer segment calculation results into the Taxpayer 360$^{o}$ view in the Payment Administration Information System (MAIS) have been ensured, and risk assessment systems for customs processes have been developed. A risk analysis solution has been developed to support the tax recovery process;
3) RFF investment 6.1.1.3.i "Staff training on the analytical platform and consultancy", under which 64 SRS staff members were trained. The training included theoretical presentation and practical skills training based on the solutions to be implemented. The technological platform allows SRS specialists to develop analytical solutions on their own, thus training of SRS specialists on SAP HANA technological platform was implemented to train analysts and system administrators.

Two projects have been implemented under the programme "International Police Cooperation and Fight against Crime" co-financed by the European Economic Area (EEA) Financial Mechanism for the period 2014-2021, including the project "Prevention and Combating of Economic Crime at the Terehova Border Crossing Point" improved the infrastructure of the Terehova Border Crossing Point, modernised the training facilities for dog handlers and equipment for training customs working dogs, and improved the information system for automatic allocation of employees to work places at customs control posts (DOIS).

In 2024, the implementation of the E-invoicing project started and on 27 December 2024 a tripartite agreement (MoEPRD, SRS, MoF) on the implementation of the Recovery and Resilience Mechanism Plan investment 2.1.1.1.i. "Modernisation of the administration and digital transformation of services, including the business environment" project No. 2.1.1.1.i.0/1/24/I/VARAM/011 "Digitisation of financial document circulation by creating a centralised financial document exchange point" was signed.

## Research and development activities

### Study on the shadow economy in construction

On 5 June 2024, the Ministry of Finance, the SRS and Riga Technical University signed a cooperation agreement on research activities in the field of shadow economy reduction and tax policy. The cooperation agreement foresees the implementation of the research project "Assessment of the extent of the shadow economy in the construction sector", which will include the implementation of the e-Government Innovation Academy research pilot project.

**A modern solution for annual income tax returns**

In taxation area, we are implementing a project to update the annual income tax return, including the development of a data collection solution, risk assessment solution, an automatic refund solution and a surcharge solution. Changes have been introduced in the registration of an economic operator - from waiting for a decision to self-registration (automatic registration by filling in a form in the EDS).

**New mobile app for SRS customers**

In 2024, a survey on the SRS mobile app was carried out to find out the public's opinion and preferences regarding a new mobile app for SRS services. Preparations are underway for the development of a new mobile app in 2025.

## 2.5. Strategic Priority "Sustainability"

Table 11

Implementation of performance indicators of the SRS development strategy for 2023–2026 in 2024

| Result to be achieved | Performance indicators | Execution (2024) | Target value (2024) |
|---|---|---|---|
| More efficient use of office space | Average office space per employee | 8,7 $m^2$ | 10 $m^2$ |
| A more environmentally friendly fleet has been developed | Share of vehicles that meet the EURO 6 exhaust emission standard in the total vehicle fleet | 63 % | 63 % |
| Availability and storage of documents in electronic form | Share of documents to be stored only electronically in the institution | 62 % | 60% |

**Contributing to the future of the society by adapting to global change**

Energy efficiency improvement measures have been implemented in line with the Work Environment and Premises Development Concept 2020-2025 and the Department's planned energy consumption reduction measures. By introducing co-working office space, the size of premises has been reduced to 8 m2 per employee. Compared to 2023, CO2 emissions for the operation of the premises have been reduced by 11%. Measures have been taken to reduce carbon emissions from the fleet and overall fleet CO2 consumption has been reduced by 3% compared to 2023.

As part of the Earth Day activities, information on the institution's ecological footprint - reduced electricity consumption, waste sorting stations and reduced paper circulation - was published on the SRS's external communication channels.

**EDS solution in line with the Law on Sustainability Disclosures**

The Law on Sustainability Disclosures allows for the submission of sustainability reports in the EDS as required by the law from 1 January 2025. This will provide comparable information on sustainability issues such as environmental impacts, social empowerment, human rights and governance factors.

**Updating the dialogue with non-governmental organisations (NGOs)**

In 2024 SRS signed ten agreements with business organisations and professional associations - Latvian Construction Contractors Association, Latvian Sustainable Transport Infrastructure Development Association, association Zemnieku Saeima, Latvian Food Merchants Association, Latvian Social Entrepreneurship Association, Latvian Caterers Association, Latvian Restaurant Association, Latvian Cartographers and Geodesists Association, Association of Security Industry Companies, association Latvijas Ceļu būvētājs.

# 3. FINANCIAL RESOURCES

Table 12

SRS budget funding for 2024 and its use (euro)

| *No* | *Financial indicator* | *2023 (actual implementation)* | *2024* | |
|---|---|---|---|---|
| | | | *approved by law and orders of the Minister of Finance* | *actual implementation* |
| **1.** | Financial resources to cover expenditure (total) | 162 623 655 | 238 237 330 | 227 141 595 |
| **1.1.** | grants | 160 878 788 | 232 374 490 | 224 001 322 |
| **1.2.** | charged services and other own revenue | 344 482 | 283 439 | 320 469 |
| **1.3.** | foreign financial assistance | 1 150 080 | 5 064 442 | 2 306 712 |
| **1.4.** | transfers | 250 305 | 514 959 | 513 092 |
| **2.** | Expenditure (total) | 162 711 034 | 238 650 061 | 226 869 418 |
| **2.1.** | maintenance expenditure (total) | 138 737 992 | 208 489 864 | 204 090 798 |
| **2.1.1.** | current expenditure | 136 058 827 | 145 078 249 | 141 817 970 |
| **2.1.2.** | subsidies, grants and social benefits | 1 766 457 | 61 786 729 | 60 764 571 |
| **2.1.3.** | current payments to the European Union budget and international cooperation | 669 718 | 1 152 011 | 1 040 151 |
| **2.1.4.** | transfers of maintenance expenditure | 242 990 | 472 875 | 468 106 |
| **2.2.** | capital expenditure | 23 973 042 | 30 160 197 | 22 778 620 |

Table 13

Use of funding allocated for the implementation of programmes and sub-programmes in 2024

| *Programme/ sub-programme* | *Funding used in 2024* | |
|---|---|---|
| | *thousand euros* | *% of planned* |
| programme 33.00.00 "Ensuring State Revenue and Customs Policy” | 219 350,5 | 96,2 % |
| sub-programme 62.09.00 “Implementation of Projects and Activities of the European Regional Development Fund (ERDF)” | 17,6 | 62,7 % |
| sub-programme 67.07.00 "European Community Incentive Projects" | 29,0 | 100,0 % |
| sub-programme 70.07.00 “Compensation of Travel Expenses of Latvian Representatives when going to Working Group Meetings of the Council of the European Union and to the Council Meetings" | 1184,8 | 90,9 % |
| 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)” | 71,7 | 90,3 % |
| sub-programme 71.07.00 “Projects Funded by the European Economic Area and the Norwegian Financial Mechanism” | 1516,8 | 100,0 % |
| sub-programme 73.06.00 “Financial Resources Allocated Within the Framework of Agreements between the European Commission (with Participating Member States) and Tobacco Manufacturers” | 308,5 | 100,0 % |
| sub-programme 73.07.00 “Projects Financed by the European Commission for Improvement of the Internal Market Within the Tax and Customs System” | 166,9 | 58,2 % |
| sub-programme 73.08.00 “Projects Implemented by the State Revenue Service in the Field of Protection of Financial Interests” | 1194,2 | 76,5 % |
| sub-programme 74.06.00 “Recovery and Resilience Facility (RRF) Projects and Measures” | 440,5 | 15,2 % |
| program 99.00.00 “Contingency Funds” | 2540,3 | 100,0 % |

**In 2024:**

- The implementation of the project "Modernisation of the Annual Income Declaration", currently using information from the annual declaration process, continues with the adoption of the draft law "Amendments to the Law on Personal Income Tax" (general declaration);
- The international exchange of information with Member States on income generated on vendors' platforms (DAC7) has been launched;
- Version 7.6 of the VAT special scheme (OSS) was introduced and the three-year transition period for the mini one stop shop (MOSS) was successfully completed, with the MOSS format fully migrating to the OSS format;
- The Centralised Electronic Payments Information System (CESOP) was introduced, under which EU Member States collect payment data and exchange information between tax administrations of EU Member States, strengthening the fight against VAT fraud;
- Changes to the system for the exchange of international information on foreign income, as required by the European Commission, have been introduced, thus ensuring that the SRS will continue to receive the necessary data from foreign tax administrations, which is important for combating tax evasion.

**Results and spending of projects implemented under programmes funded by cooperation partners and foreign investment programmes**

In the framework of the European Economic Area (EEA) Financial Instrument project "Promoting Cooperation between Law Enforcement Authorities in Preventing and Combating Economic Crime in Latvia", a unified information system for data exchange with the Information Centre of the Ministry of the Interior has been developed. Information analysts and special task experts have be trained to work with the information system. The total financing of the project is EUR 2 million 197 thousand.

The IDF project "Combating Excise Crime in the Baltic Region" purchased the necessary technical equipment for the Tactical Task Unit and the Specialised Task Unit of the Tax and Customs Police Department. In addition, training and inter-agency meetings were organised to upgrade the skills of operatives, analysts and investigators. Project financing – EUR 267 666.

The OLAF EUAF project "Acquisition of a specialised vehicle and upgrading of technical means" started at the end of 2024 with the refurbishment of the acquired vehicle and the training of staff in the use of the specialised software. The project received a total funding of EUR 423 000.

The OLAF EUAF project "Strengthening the Analytical Capacity of the Tax and Customs Police of the SRS" launched in 2024 with the budget of EUR 343 167. The project received 50% pre-financing for the purchase of analytical software.

All these projects are aimed at more effective detection and prevention of criminal offences, strengthening the cooperation and analytical capacity of national law enforcement authorities, and contributing to the fight against the shadow economy, which is of vital interest to the citizens of Latvia, the European Union and the country.

In accordance with the Law On the State Budget for 2024 and the Budget Framework for 2024, 2025 and 2026 and the orders of the Minister of Finance of 2024, the SRS used the financial resources allocated in the budget in 2024 in accordance with the approved estimates of resources

(revenues) and planned expenditure and financing plans for basic budget programs, sub-programs, and measures.
During the reporting period, the State Revenue Service continued to assess the interaction of the elements of the internal control system with the adequacy and effectiveness of service delivery, focusing on the results to be delivered.

**Funding allocated for priority actions**
In 2024, the SRS was allocated additional funding for the implementation of the following priority measures:

- "Application of the Carbon Border Adjustment Mechanism in Latvia" - EUR 1 024 434;
- "Compliance with national and EU legislation, including adaptation of IT systems" - EUR 8 389 567;
- "Adaptation of the State Revenue Service's IT systems and communication campaign for universal declaration" - EUR 413 995;
- "Registered partnership draft law package" - EUR 130 000;
- "Remuneration of employees of the State Revenue Service" - EUR 1 492 791;
- "Implementation of the control function for infringements of sanctions imposed by the European Union" - EUR 883 536;
- "Increase in remuneration of staff in direct State administration" - EUR 104 433;
- "Increase in rents for public entities" - EUR 254 217.

**Mitigating customs risks**

- Customs duty control:
  - improved monitoring of exports, re-exports and special procedures to prevent declaration discrepancies.
- Sanctioned cargo monitoring:
  - the Limur e-seal system has been implemented, allowing real-time tracking of cargo and identification of irregularities.
- Combating smuggling:
  - the risk of duplication of performance indicators between institutions has been eliminated, introducing a common accounting methodology for reliable data analysis.
- Data security:
  - improved synchronisation and automated revocation of user rights in the centralised resource management system HORIZON.

**Strengthening compliance**

- Monitoring of Recovery and Resilience Facility (RRF) projects:
  - RRF's ICT project evaluation methodology and monitoring mechanisms have been implemented.
- Analysis of the Vehicle and Container Automatic Identification System (TLKAIS):
  - analysis of the unavailability of scales to improve data accuracy and prevent tax errors.
- Application of special tools:
  - Improved application of special technical equipment at Riga Airport, ensuring more efficient control of goods.

**Efficiency improvements**

- Analysis of re-export data:

    - based on qualitative data from the Data Warehouse Repository, ensuring transparency and comparability.
- Reducing administrative burden:
    - several monthly reports are cancelled, saving time and resources.
- Improving the segmentation process:
    - differences between SRS service tactics and taxpayer segments have been specified, improving targeting.
- MAIS monitoring:
    - a classifier for identifying performance problems and automated analysis has been introduced.
- Staff capacity:
    - the risk of overloading experts has been eliminated by reviewing the delegation of processes.
- Administrative contracts:
    - common practices have been introduced, cutting red tape.

# 4. COMMUNICATION WITH THE PUBLIC

Two media breakfasts organised by SRS:

- 13 August 2024 - to inform various media outlets in time about the citizens' awareness campaign carried out by the SRS, during which for the end of the year the SRS sent letters to a large number of people who, according to an analysis of SRS data, have a significant discrepancy between their bank account turnover and the income they have declared to the SRS;
- 29 October 2024 - to introduce the activities of the SRS and explain the process of administering tax debts of legal entities (companies) to various media representatives.

In 2024, the SRS honored the most honest taxpayers of Latvia already for the 26th year in a row. A total of 21 awards were presented to the largest payers of labour taxes in the five regions of Latvia in the groups of large, medium, small and micro enterprises, and to the largest taxpayer in Latvia in 2023. The Director General of SRS Baiba Šmite-Roķe presented the awards during her visits to all Latvian districts, at the same time getting acquainted with the recipients and listening to their stories about their daily work, current problems and opportunities to strengthen mutual cooperation.

**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 6.* ***Number of followers of SRS on the social networks***

**SRS website**

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. It is regularly revised to provide up-to-date information, and new sections are added to cover relevant topics.

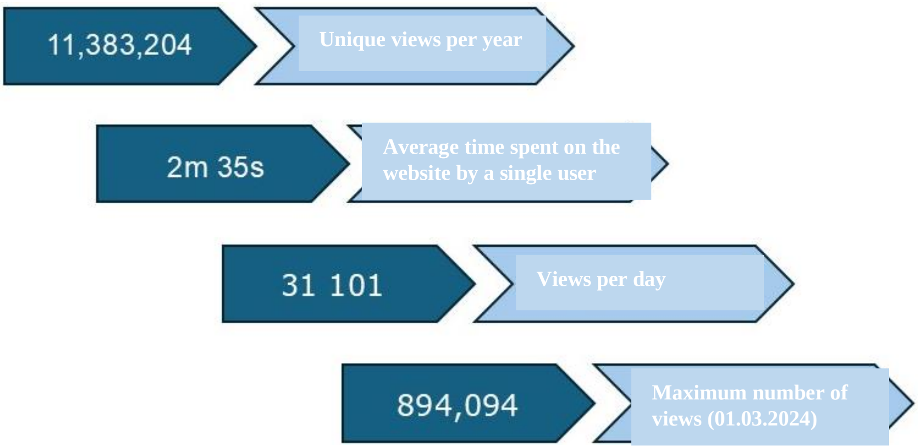



*Figure 7.* ***SRS website visit statistics in 2024***

In 2024, a new section "SRS Letters - Questions and Answers" was created on the front page of the website, containing the entire FAQ section and a dedicated guide "Guide to preparing and submitting the required data to the SRS".

A dedicated section of the website, "E-invoicing", has also been set up to regularly update information on structured e-invoicing - infographics, answers to accountants' questions, etc.

**Informative and educational events for customers**

- Webinars on topical issues:
  - "Latest in the application of the Carbon Border Adjustment Mechanism in Latvia";

- "Completion of the report on the use of immovable property (VAT 7)";
- "Investment account and taxation";
- "How to fill in and submit a Public Official's Declaration correctly?";
- "Application of the Carbon Border Adjustment Mechanism";
- "Taxpayer Rating - a guide to fair business";
- "What's changing in taxation in 2024".

- New methodological and information materials and infographics on taxation and customs.
- Newsletters to subscribers on the latest developments in the practical application of tax and customs law;
- Participation in the "Counterfeit - a great set?" campaign.
- An infographic "A guide for medical and beauty treatment providers when starting their business " and an animation "Say no to off-the-books payment".
- Regional seminars on declarants' obligations during the CBAM transition period and preparation for the application of the basic requirements, including on becoming a recognised CBAM declarant, etc.
- Workshop on "e-AFA administration" on accessing the European Union Intellectual Property Portal (IPEP) and submitting European Union applications to customs (e-AFA).
- Participation in an information campaign to showcase the support and benefits of the European Union's economic recovery initiative NextGenerationEU to the people of Latvia.
- Three new courses for subjects of the Law on the Prevention of Money Laundering and Terrorism and Proliferation Financing have been published in the EDS.

**Education and information for students and young people**

- Participation in a television project “Me and my brother – fantastic together”. In cooperation with ReTV's “Me and my brother – fantastic together” programme, eight audiovisual episodes on various tax topics have been produced.
- Working with schools to explain the role and tasks of the SRS, tax and customs issues, etc.
- Participation in project Back to School/Back to University 2024.
- Participation in the project Ready for Life.
- Cooperation with the Ministry of Finance in the financial literacy project "Will I get shortchanged?" on "red flags" in financial relations.
- An animated film for pre-school and primary school children, explaining taxes with the help of a character named Vido the bee.
- Educational activities for schoolchildren at the Customs Administration's Dog Handling Centre in Rēzekne.
- Study tours for vocational education students and Riga Technical University students.

- Participation of SRS representatives in the activities of the "Night of Scientists" at Riga Technical University.

**Public participation**

In order to ensure full cooperation with our partners and to address various topical issues in the field of tax administration and customs, a meaningful ongoing dialogue with business associations, non-governmental organisations and other stakeholders has been developed both during regular meetings and in the SRS Advisory Councils.

## 5. MEASURES PLANNED IN 2025

1. Improving customer service:
   - Reducing administrative burden;
   - Further implementation of the "People First" concept;
   - Improvement of service management.
2. Combating the shadow economy - targeted mass awareness-raising and letter campaigns, promotion and control measures in priority areas and sectors.
3. Digitalisation - strengthening the SRS information technology management, further implementation of ongoing information and communication technology (ICT) projects (e-invoicing, MAIS, EMDAS, etc.), targeted identification of new digital products and technological innovations.
4. Strengthening the organisation:
   - Reform of the SRS by establishing the Tax and Customs Police as an autonomous body under the Ministry of Finance;
   - Reorganisation of the SRS support unit;
   - Optimising and improving the efficiency of SRS processes.