

New agreement options have been adopted, providing more favourable payment reductions for taxpayers

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New agreement options are now available to entrepreneurs and citizens for whom SRS has initiated tax checks and identified unpaid tax payments, which can reduce late fines up to 85% or completely cancel fines. The sooner an agreement is reached, the greater the reduction of the fine.

Amendments to the law "On Taxes and Fees" (Section 41) motivate taxpayers to conclude agreements with SRS (before SRS had published a final decision) by reducing penalty payments and increasing the payment deadline for residents who do not engage in economic activity to two years instead of one.

These agreements can replace lengthy legal disputes and facilitate collection of unpaid taxes.

Undeclared and unpaid tax can be detected by SRS through two types of checks - tax control or tax audit. As part of tax control, SRS assesses specific non-compliance and, if unpaid taxes are discovered, issues a bill for the unpaid tax and a late payment fee. No fines are usually applied, except in situations in which illegal manipulations with cash registers have been made. In this case, the bill includes only a fine and cannot be negotiated. A tax audit is a comprehensive examination of a taxpayer in cases of significant non-payment of taxes. A fine is applied in addition to outstanding tax payments and late fees.

Settlement agreements do not cancel the obligation to pay taxes but allow for a reduction of late fees and fines if payment is made voluntarily within the specified terms of the agreement. The earlier the agreement is reached, the greater the reduction.

An agreement reached as a result of tax control offers:

- 85% reduction of the late fee if paid before the tax bill is issued,

75% reduction of the late fee after the tax bill is issued but paid before the final due date,

55% reduction during legal proceedings in the first instance, but 10% reduction in each subsequent court instance.

An agreement reached as a result of tax audit offers:

60% reduction of the late fee and 60% of the fine if paid before the audit results are issued,

50% reduction of the late fee after the audit results are issued but paid before the final due date for contesting or appealing; the fine may be reduced by 85%, 50%, or cancelled completely, depending on the violation,

30% or 65% of late fees and fines are waived during legal proceedings in the first instance, depending on the offense, but in each subsequent court instance, the amount is reduced by 10%.

All payments – taxes and reduced late fees and penalties, if any – must be paid to the state within a year from the day of the conclusion of the agreement. Payments can be made monthly. The exception is for residents (natural persons) who do not carry out economic activity: they may make these payments within two years by making equal monthly payments.

If the terms of agreement are not met, the agreement becomes invalid. In this case, the unpaid part of the principal debt will be calculated for the entire late period and overdue payments will be recovered with no possibility for appeal.

The new terms are valid for tax controls and audits that have commenced since June 30. All previously initiated and unresolved SRS inspections are subject to terms under the previous legislation.

<https://www.vid.gov.lv/en/article/new-agreement-options-have-been-adopted-providing-more-favourable-payment-reductions-taxpayers>