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Dear reader of this report!

We offer you to become acquainted with the Annual Public Report of the State Revenue Service on the performance results in 2016, evaluation of the SRS Business Strategy for 2014 - 2016 and further priority areas.

The SRS has performed a range of measures in development of its activities to refine the collection of taxes and administration of customs matters, improve the services provided by the SRS, promote voluntary compliance with the obligations and minimise informal economy.

The services sector has reached a high level of development. The SRS is a leader in Latvia with regard to the availability of services electronically. A uniform self-service portal Electronic Declaration System has been established and is being constantly improved, new solutions for the customs information systems have been created. Currently, almost 90% of services are available electronically, and the time per year, which is necessary to pay the taxes, has reduced by 96 hours during the last three years. Nevertheless, there are still many areas of providing services, which lack improvement – speed, simplicity, awareness, application of the latest technologies.

Although the tax gap tends to reduce, nevertheless, the proportion of informal economy is still on a high level, and this distorts business environment and impedes economic development of the State. Minimisation of informal economy has been and will remain one of the key priorities of the SRS also in the future.

The impact of negative external discourse has especially affected reputation of the SRS. Due to both internal and external circumstances, the organisational culture of the SRS has become weaker. However, employees are our most important resource. The level of knowledge, honesty, responsibility, kindness, openness to cooperation and loyalty of its employees will influence the SRS’s image of a united and customer friendly and professional institution. Therefore, henceforth, we will pay special attention to strengthening the organisational culture of the SRS so that every employee would feel himself/herself as a united organisation’s member whose contribution makes a particular investment in achieving the institution’s aims and in implementation of its tasks.

The aims and tasks set in the new SRS Business and Development Strategy for 2017 – 2019 to great extent are related with activities already accomplished and commenced so far, however, during development of the Strategy, there are also aims identified and set which concern new challenges.

We have defined three strategic pillars:
- satisfied and honest SRS customers and society in general,
- motivated and actively involved employees,
- effective internal processes which are based on modern technologies.

In order to achieve them, customers will be segmented pursuant to the model of their behaviour. With regard to the honest taxpayers we will keep to the principle “consult first”, the customers will receive high quality and innovative services, friendly treatment, support and assistance. Whereas, with regard to dishonest customers, we will invest all the resources available to disclose and prove their violations and to apply sanctions stipulated by law.

We will create even more determined and specific cooperation and mutual measures that have already been established with associations of companies of the non-governmental and private sector, and we will seek for new approaches and methods for coordinated cooperation between State authorities in minimisation of the illegal and unlawful turnover of excise goods.

From now on, the SRS will concentrate its activities not only towards specific aims and tasks but will pay specific attention to the role and place of the SRS in the context of economic growth and development of our State in general. The set aims for further development will impact every taxpayer and non-payer of taxes as well as the whole society in general. An optimum equilibrium and balance between the service and repressive functions of the institution will be established in order to become a State administration authority which is the most customer friendly and the most loyal to society in Latvia.

Yours sincerely,

SRS Director General
Ilze Cirule
1. Background Information

1.1. Legal status and main tasks of the SRS

Pursuant to the Law On the State Revenue Service, the SRS is a direct administration authority under the supervision of the Minister for Finance ensuring the accounting of tax payments and taxpayers, the collection of State taxes, fees and other mandatory payments in the territory of the Republic of Latvia, as well as collection of taxes, fees and other mandatory payments for the EU budget, implementation of the customs policy and handling customs matters.

The Law On the State Revenue Service determines the principal tasks of the SRS:

1) to ensure the collection of State taxes, fees and other State mandatory payments administered by the SRS in the territory of the Republic of Latvia and on the customs border, as well as the collection of taxes, fees and other mandatory payments for the EU budget;
2) to participate in the development of customs policy, tax and fee administration and disclosure of violations of the law in the field of State revenue and to implement such policy. To develop draft development planning documents, draft informative reports and draft legal acts in the relevant field;
3) to prevent and detect criminal offences in the field of State taxes, fees and other mandatory payments and customs matters;
4) to ensure the training of civil servants (employees) of the SRS, as well as in accordance with the procedures specified in this Law to consult taxpayers regarding issues on the application of tax regulatory enactments;
5) in accordance with the procedures specified in laws and Cabinet Regulations to register and account taxpayers and to control the conformity of registration documents with the requirements of the laws and actual circumstances;
6) to ensure the execution of the regulatory enactments governing the movement of goods subject to excise duty;
7) to ensure the supervision of PBOs pursuant to the procedures specified in the Public Benefit Organisations Law;
8) to provide the necessary information (also without a previous request) and to coordinate exchange thereof in order to ensure mutual assistance in recovery of tax claims, as well as to maintain contact with tax authorities (competent authorities) of EU Member States.

Organisational structure of the SRS In 2016:

1) The position of the Deputy Director General of the SRS, Director of the Operational Department was changed to the position of the Deputy Director General of the SRS, Director of IT Department;
2) The Information Systems Security Management Division was determined to be subordinate to the Deputy Director General of the SRS, Director of IT Department;
3) In connection with the accomplished introduction of a uniform customer servicing policy and standard, the position of the Tax Service Consultant, directly subordinate to Director General of the SRS, was liquidated in the SRS;
4) The vacant position of the Deputy Director General of the SRS in the Field of Combating Crime was liquidated and the subordination of the SRS independent structural units was changed:
   - the Finance Police Department and the Customs Police Department of the SRS were determined to be subordinate to the Director General of the SRS;
   - the SRS Excise Goods Division was determined to be subordinate to the Deputy Director General of the SRS in the Field of Taxes.

SRS mission

**Fair administration of tax and customs matters for the protection of society and entrepreneurship**

SRS values

<table>
<thead>
<tr>
<th>SRS values</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Integrity</td>
<td>we are fair in the application of laws, making of decisions and correct in communication.</td>
</tr>
<tr>
<td>Professionalism</td>
<td>we possess high-level skills necessary for the task; we know how to apply these skills efficiently and duly in our everyday work and we are continuously striving to improve.</td>
</tr>
<tr>
<td>Responsibility</td>
<td>we perform our tasks and duties independently and in groups obtaining the best possible results; we always provide support and help to our colleagues when necessary.</td>
</tr>
<tr>
<td>Loyalty</td>
<td>in performing our duties, we are loyal to the interests of the State and society and always consider them first.</td>
</tr>
</tbody>
</table>

SRS strategic objectives

1. To act in accordance with the behaviour necessary for the compliance of taxpayers and customs clients in order to ensure the collection of State budget revenues and effective protection of the financial interests of the EU.
2. To ensure society’s protection, security and safety by performing effective customs control measures.
3. To prevent criminal State revenue and customs offences by decreasing tax fraud and smuggling.
4. To increase the efficiency and effectiveness of using the SRS’s resources.

1.3. Priorities for 2016

In order to achieve the aims set in the SRS Business Strategy for 2014 – 2016 and fulfil SRS tasks in an effective manner ensuring the fulfilment of the plan of revenues administered by the SRS as determined in the Law, as well as to ensure the rational use of allocated resources, the following SRS priorities have been set for 2016:

- improvement of VAT collection, including strengthening the disclosure and prevention of fraud;
- limitation of non-registered economic activities and eradication of “envelope” salary payment;
- reduction of opportunities for fraudulent activities with electronic cash registers and systems;
- development of the SRS electronic environment in compliance with the latest information technologies, by ensuring the maximum availability of electronic services and circulation of electronic documents;
- introduction of requirements set forth in the Union Customs Code;
- modernisation of customs technical equipment in the border control points of the EU external border to ensure appropriate circumstances for fast border-crossing and effective control at the same time;
- combating organised crime and reducing its influence in the field of State revenues and customs matters;
- reduction of the administrative burden for taxpayers and customs customers;
- increasing the efficiency and effectiveness of use of the SRS resources, revising and improving the quality of fulfilment of processes.

2.1. Evaluation of implementation of effective strategic indicators in 2014 – 2016

For the purposes of evaluation of implementation of the SRS Business Strategy for 2014 – 2016, Table 1 provides information on the implementation of effective strategic (policy) indicators in 2014 – 2016.

Table 1. Implementation of effective strategic (policy) indicators of the SRS Business Strategy for 2014 – 2016 in comparison with what has been planned

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2014 implementation</th>
<th>2015 implementation</th>
<th>2016 implementation</th>
<th>Information regarding implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Implementation of the plan of budget revenues administered by the SRS, %</td>
<td>99.8</td>
<td>100.1</td>
<td>101.1</td>
<td>Actual implementation of the SRS administered budget revenue in comparison with what has been planned:</td>
</tr>
<tr>
<td></td>
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<td></td>
<td></td>
<td>- in 2014, the plan was implemented by 99.8 %;</td>
</tr>
<tr>
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<td></td>
<td>- in 2015, the implementation of the plan was exceeded by 0.1 %;</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>- in 2016, the implementation of the plan was exceeded by 1.1 %.</td>
</tr>
<tr>
<td>2. Changes in the amount of collected budget revenues administered by the SRS in comparison to the previous year, %</td>
<td>+3.7</td>
<td>+5.4</td>
<td>+7.3</td>
<td>The indicator has a rather stable tendency to increase which ranges from 3 to 7 %.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>The actual implementation of the indicator compared to what has been planned:</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>- in 2014, it was under-implemented by 0.2 per cent, and that was related with the implementation of</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>the revenue plan by 99.8 %;</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>- in 2015, its implementation was exceeded by 1.2 per cent;</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>- in 2016, its implementation was exceeded by 1.2 per cent.</td>
</tr>
<tr>
<td>3. Tax revenues, % of the Gross Domestic Product</td>
<td>28.3</td>
<td>28.7</td>
<td>29.7</td>
<td>According to information provided by the Ministry of Finance, during the period from 2014 to 2016,</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>the indicator increased by 1.4 per cent.</td>
</tr>
<tr>
<td>4. Changes in tax gap (shortage), %1</td>
<td></td>
<td></td>
<td></td>
<td>The tax gap calculations for 2014 and 2015 show a tendency to reduce. Calculations for 2016 will</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>be available in the 4th quarter of 2017.</td>
</tr>
<tr>
<td>- VAT gap</td>
<td>16.8</td>
<td>15.4</td>
<td>x</td>
<td>- the reduction reached exceeds by 0.5 per cent the reduction planned, and it exceeds by 1.4 per</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>cent the calculated VAT gap for 2014;</td>
</tr>
<tr>
<td>- SSIMC gap</td>
<td>20.8</td>
<td>20.2</td>
<td>x</td>
<td>- the reduction reached exceeds by 0.8 per cent the reduction planned, and it exceeds by 0.6 per</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>cent the calculated SSIMC gap for 2014;</td>
</tr>
<tr>
<td>- PIT gap</td>
<td>19.7</td>
<td>19.5</td>
<td>x</td>
<td>- the reduction reached exceeds by 0.9 per cent the reduction planned, and it exceeds by 0.2 per</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>cent the calculated PIT gap for 2014;</td>
</tr>
<tr>
<td>- excise duty gap for cigarettes</td>
<td>29.1</td>
<td>25.7</td>
<td>x</td>
<td>- the reduction reached exceeds by 1.3 per cent the reduction planned, and it exceeds by 3.4 per</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>cent the calculated gap for 2014;</td>
</tr>
</tbody>
</table>

1Tax gap calculations are carried out with a deviation by one year, thus the tax gap indicators specified in the report refer to the year of 2015.
<table>
<thead>
<tr>
<th>Indicator</th>
<th>2014 implementation</th>
<th>2015 implementation</th>
<th>2016 implementation</th>
<th>Information regarding implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>- excise duty gap for oil products (diesel fuel)</td>
<td>11.1</td>
<td>10.8</td>
<td>x</td>
<td>exceeds by 0.3 per cent the one which was planned, nevertheless it has tendency to reduce, because the gap was lower by 0.3 per cent than in 2014;</td>
</tr>
<tr>
<td>- excise duty gap for alcoholic beverages</td>
<td>8.5</td>
<td>8.3</td>
<td>x</td>
<td>exceeds by 0.3 per cent the one which was planned, nevertheless it has tendency to reduce, because the gap was lower by 0.2 per cent than in 2014.</td>
</tr>
</tbody>
</table>

5. Share of informal economy of the Gross Domestic Product (according to the F. Schneider’s study)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>24.7</td>
<td>23.6</td>
<td>22.9</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The share of informal economy for Latvia has been predicted in the amount of 22.9% in 2016. During the period from 2014 to 2016, the informal economy has reduced by 1.8 per cent. The implementation of the indicator compared to what has been planned:
- in 2014 – the reduction exceeded by 0.3 per cent the reduction planned;
- in 2015 – the reduction exceeded by 0.1 per cent the reduction planned;
- in 2016 – the planned result has been under-implemented by 0.3 per cent.

6. Indicators of the World Bank’s study “Doing Business”:

1) time required to calculate and pay taxes a year, hours

<table>
<thead>
<tr>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>193</td>
<td>193</td>
<td>168.5</td>
</tr>
</tbody>
</table>

The time required to pay taxes has reduced by 24.5 hours during the period from 2014 to 2016. The implementation of the indicator compared to what has been planned: in 2014 – exceeded by 57 hours a year; in 2015 – under-implemented by 13 hours a year, and in 2016 – exceeded by 11.5 hours a year.

2) time required for VAT registration, days

<table>
<thead>
<tr>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>3</td>
<td>3</td>
</tr>
</tbody>
</table>

The time required for VAT registration has reduced by seven days during the period from 2014 to 2016. The implementation of the indicator compared to what has been planned: in 2014 – under-implemented by one day, in 2015 – exceeded by two days, and in 2016 – implemented as planned.

3) period of customs clearance and inspections:

- export, days

<table>
<thead>
<tr>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>x</td>
</tr>
</tbody>
</table>

- import, days

<table>
<thead>
<tr>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>x</td>
</tr>
</tbody>
</table>

7. Share of court judgements favourable for the SRS, average weighted (in tax dispute cases, administrative violation cases and cases concerning coercive measures and other disputes), %

<table>
<thead>
<tr>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>88.4</td>
<td>90.2</td>
<td>92.1</td>
</tr>
</tbody>
</table>

The indicator has increased by 3.1 per cent during the period from 2014 to 2016. The implementation of the indicator has been exceeded compared to what has been planned:
- in 2014 – by 3.6 per cent;
- in 2015 – by 5.2 per cent;
- in 2016 – by 2.1 per cent.

Fig. 2. The volume of informal economy in Latvia in 2012 – 2016 according to the data of the Friedrich Schneider’s study, %
<table>
<thead>
<tr>
<th>Indicator</th>
<th>2014 implementation</th>
<th>2015 implementation</th>
<th>2016 implementation</th>
<th>Information regarding implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>8. Level of satisfaction among customers, points (according to the results of the study) — fully satisfied and likely satisfied, on a scale from 1 to 10, including:</td>
<td>7.95</td>
<td>x</td>
<td>7.71</td>
<td>According to data of the SKDS study, the overall evaluation of the SRS customer satisfaction, compared to the evaluation in 2012, has reduced by 0.45 points, incl. the evaluation of taxpayer satisfaction – by 0.65 points and the evaluation of the customs customer satisfaction – by 0.29 points. The implementation of the indicator compared to what has been planned: 1) in 2014, the overall satisfaction – lower by 0.45 points than planned: - taxpayers – lower by 0.62 points than planned; - customs customers – lower by 0.33 points; 2) in 2016, the overall satisfaction – lower by 0.29 points than planned: - taxpayers – lower by 0.44 points than planned; - customs customers – lower by 0.14 points.</td>
</tr>
<tr>
<td>- level of satisfaction among taxpayers, points</td>
<td>7.79</td>
<td>x</td>
<td>7.56</td>
<td></td>
</tr>
<tr>
<td>- level of satisfaction among customs customers, points</td>
<td>8.11</td>
<td>x</td>
<td>7.86</td>
<td></td>
</tr>
<tr>
<td>9. Level of satisfaction among personnel (according to the results of the study) — fully satisfied and likely satisfied, %</td>
<td>x</td>
<td>89.0</td>
<td>x</td>
<td>Pursuant to the results of the survey carried out by SKDS in 2015, the level of satisfaction among personnel with the SRS as a place of work is 89%, exceeding the anticipated result of 2015 by 9 per cent and exceeding the assessment of 2012 study by 8 per cent.</td>
</tr>
<tr>
<td>10. The costs of one collected euro, at the SRS in total, EUR</td>
<td>0.0150</td>
<td>0.0147</td>
<td>0.0143</td>
<td>The costs of one collected euro have an overall tendency to reduce. The implementation of the indicator has been reduced: - in 2014, by 0.0066 euro; - in 2015, by 0.0010 euro; - in 2016, by 0.0014 euro.</td>
</tr>
</tbody>
</table>

Fig. 3. The costs of one collected euro during the period 2012 – 2016, EUR

The fulfilment of strategic performance indicators of the SRS Business Strategy for 2014 – 2016 shows that the strategy has been successfully implemented. Out of 17 strategic performance indicators, 14 indicators have shown improvement tendency within the period from 2014 to 2016, two indicators cannot be assessed (personnel satisfaction, because the study was performed in 2015 only, and the time required for customs clearance for export and import according to the Doing Business study, because of changing the methodology for calculation of indicators) and only one indicator – level of satisfaction among customers – has had a slight reduction – by 0.24 out of 10 points (in 2014 – 7.95 points, in 2016 – 7.71 points).

When comparing 2014 with 2016, improvements have been achieved in the following most important strategic indicators:
- the amount of collected budget revenues administered by the SRS has increased compared to the previous year;
- the gaps of VAT, SSIMC, PIT, and excise duty for cigarettes, oil products and alcoholic beverages have reduced;
- the share of informal economy has reduced;
- the share of court judgements favourable for the SRS has increased;
- the time required for payment of taxes has reduced;
- the costs of one collected euro have reduced.

Thus, it may be considered that the strategic objectives of the SRS Business Strategy for 2014 – 2016 have been almost achieved (assessment of the SRS working group, using the experts’ method).
2.2. Performance results in implementing the first strategic objective “To act in accordance with the behaviour necessary for the compliance of taxpayers and customs customers in order to ensure the collection of State budget revenues and effective protection of the financial interests of the EU” in 2016.

In order to ensure even better quality, more convenient and timely servicing of taxpayers, to reduce the administrative burden in tax compliance and promote honest entrepreneurship, the SRS had accomplished the following measures in 2016:

1) the automatic processing of annual income returns and refund of PIT was introduced. The PIT refunds are automatically transferred to the bank account indicated by the taxpayer, if no risks have been identified, or if they are insignificant;

2) amendments to the Law on Corporate Income Tax were adopted stipulating that starting as of 1 January 2017, CIT advance payments are calculated automatically in the EDS and a taxpayer may become familiar with the advance payment calculated for it, when filling out the CIT return. The taxpayer does not have to fill out the tax advance payment calculation;

3) for natural persons, a storage for supporting documents of eligible expenditure has been introduced for the purpose of selection of data on eligible expenditure for the annual income return, and an SRS mobile application “Eligible Expenditure” has been created for uploading cheques;

4) a database of the SRS mobile application “Suspicious Transactions” has been created for uploading cheques;

5) several EDS improvements have been implemented:
   - a possibility of making online regular tax payments and tax debt payments for VAT, SSIMC, PIT, CIT and all types of excise duties collected inland, as well as to follow up the fulfilment of performed payments;
   - a report to employers on closed and annulled sick-leave certificates;
   - automatic entry of information in the annual income return regarding the tuition fee paid by persons to educational institutions;
   - automatic notification of State officials with regard to the deadline for submission of a return (three days prior to the deadline) and informing State officials regarding the publication of the part of the State official’s return, which is to be published in the public information database;
   - a convenient and easy-to-understand access to the preparation and submission of the most frequently used reports and returns in the EDS has been ensured under Section “My List”;
   - the process of preparation and submission of documents in EDS has been simplified – a new intuitive home-screen has been created which is adjusted to various user groups by a specific and personalised interface for legal entities and natural persons;
   - a joint widget “Reminders on deadlines for submission of documents and making payments” (calendar) has been created with an option to view the reminders on deadlines for submission of documents and making payments and make payments of the calculated taxes or submit return from the widget as well as to request postponement of the deadline, which is connected to several shortcuts to document generation, making payments and the form for requesting postponement of deadlines;
   - the page for specifying the tax refunds has been supplemented with a new option – to transfer the refundable amount;

6) ECDPS has been improved:
   - by introducing changes to the ECDPS architecture, the availability of the system has been increased, by reducing the planned information system operation interruptions, and the system’s operation speed has been increased;
   - the customers have been ensured an option to repeatedly use the data for preparation of various types of returns;
   - ECDPS has been adjusted for work as of 1 May 2016 in accordance with requirements set forth in the Union Customs Code, for which no transitional period is stipulated. The following most significant changes have been made:
     a) in the functionality of execution of import declarations – in the mechanism of application of currency exchange rates, in the controlling of guarantees, in the form of declaring the customs value, as well as in the controlling of the amount of value, etc.;
b) in the functionality of temporary storage – in the application of permits and guarantees, etc.;
c) in the export control system – in controlling the closing of export procedures; in the control of the exporter’s line, in the case of natural persons, the exporter in particular cases may also be a natural person from a third State;
d) in the transit control system – inspections have been cancelled which were related with stating codes of high-risk goods;

7) within the framework of the plan of EDS popularisation, 47 training seminars for 3,095 employees in total have been organised, 126 trips with the SRS e-van in connection with filing of the annual income returns were performed – 1,375 taxpayers have been served. In addition, press releases have been prepared, EDS popularisation campaigns have been implemented, as well as information on the news and EDS options becomes updated on a regular basis in the social network, participation in several television and radio productions about EDS and submission of annual income return took place;

8) in order to ensure residents with more freely available public services at one place, a cooperation agreement has been concluded with municipalities of 73 regions for the purpose of introduction of the principle of one-stop agency;

9) as of 5 September 2016, a new SRS website is available to the public, wherein information is structured by the target groups of taxpayers and is made more taxpayer-friendly, i.e. more illustrative:

- a block “Situation in Life” has been created wherein themes are published which are relevant to taxpayers – tax reliefs, eligible expenditures, customs rules which must be observed when traveling;
- the section “Latest Updates” ensures an option to follow the latest explanations of amendments to the Law or regulatory enactments with regard to subjects of relevance in a chronological order;
- a section of tax accounts (legal details) has been created which enables to quickly and easily find the necessary accounts for payment of taxes and duties;
- the website has been adjusted to persons with visual impairment – it is possible to change the font size and contrast;
- a mobile version of the website is available;
- information search function has been significantly improved;

10) the social dialogue has been improved and information availability has been ensured for nationals residing abroad. A section “Latvian Residents Abroad” has been created in the SRS website, which contains information on the need for Latvian residents to submit annual income returns and statements of capital gain, information stating that Latvian residents working in the EU will not be obliged to declare their salary as well as information on the cases, where residents do or do not have an obligation to declare and pay the tax for the amount of money received from relatives and friends living abroad;

11) for promoting the voluntary tax compliance and reducing the administrative burden, on 1 April 2016, the SRS in cooperation with SjSC “Latvijas Pasts” (VAS “Latvijas Pasts”) expressed its gratitude to 2448 taxpayers (to 1964 taxpayers repeatedly and to 484 taxpayers for the first time), whose contributions into the State budget exceeded EUR 100,000, and informed them that no tax control activity was planned for these enterprises until 1 May 2017;

12) in order to make the commencement of entrepreneurship and the possibility to gain additional income more understandable to people, the Financial Institute of Swedbank, JSC, in cooperation with the SRS and the Register of Enterprises, has developed a special support tool, which assists in determining the economic activity form and the tax regime which is most suitable to the person’s activity. The tool is available at the SRS website2.

Table 2. Fulfilment of performance indicators for performance results “Improved services to taxpayers and customs customers” and “Appropriate use of accelerated and simplified customs procedure implementation” in 2016

<table>
<thead>
<tr>
<th>Performance results / Performance indicators</th>
<th>2016 expected result</th>
<th>actual implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Changes in the number of justified complaints of taxpayers as compared to the previous year, %</td>
<td>–10</td>
<td>–39</td>
</tr>
<tr>
<td>Share of answered calls, %</td>
<td>92.0</td>
<td>85.8</td>
</tr>
<tr>
<td>Share of reports and returns submitted in the EDS from overall number of submitted reports and returns:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- legal entities, %</td>
<td>99.8</td>
<td>99.6</td>
</tr>
<tr>
<td>- natural persons, %</td>
<td>70.0</td>
<td>70.1</td>
</tr>
<tr>
<td>Share of electronically submitted customs declarations, %</td>
<td>99.9</td>
<td>99.7</td>
</tr>
<tr>
<td>Conformity of the customs clearance period to the average time limits determined in the standard, %</td>
<td>95.0</td>
<td>96.2</td>
</tr>
<tr>
<td>For the purpose of using the permissions for simplified procedures, the status of an authorised consignee and</td>
<td>–10.0</td>
<td>–8.1</td>
</tr>
</tbody>
</table>

Authorised consignor, the increase of the number of AEO certificates, % compared to the preceding year

As a result of implemented preventive and monitoring measures in 2016, 2312 natural persons registered themselves as the performers of economic activities, whereas the number of registered employees increased by 13,446 persons. Natural persons, who had registered, declared tax payments from economic activities in the amount of 57.5 thousand euro.

In order to assess the validity of applications submitted by taxpayers regarding the tax refund and prevent possible cases of tax fraud, based on risk management results, a data credibility assessment was carried out for 348,995 return submitted in 2016, including for 227,230 VAT returns, which is by 19,508 declarations less than in 2015.

To put business environment in order and promote fair competition in 2016, the following taxpayer operation-restricting measures and control measures were implemented:

- 9,655 taxpayers have been excluded from the VAT payers’ registry, incl. 6,365 taxpayers excluded upon initiative of the SRS and 45% of which were excluded due to failure to submit VAT returns;
- additional fine, namely, deprivation of the right to take certain positions in commercial companies, was applied to 1180 board members of commercial companies;
- 10,492 decisions were made on the suspension of economic activities;
- 8,780 decisions were made on the termination of economic activities, information regarding 8,392 taxpayers was sent to the Register of Enterprises for making a decision on exclusion thereof from the Commercial Register;
- the status of a risk address was assigned to 60 legal addresses;
- 1088 natural persons were included in the natural person risk list.

In 2016, the SRS structural units implemented 30,328 control measures for taxpayers and customs customers, for whom high risks of tax and customs non-compliance were identified.

**The results of control measures implemented in 2016**

1) 1,168 tax audits were carried out, which is 75 less than in 2015:
   - additionally calculated 289,536.40 thousand euro, which is 57,109.70 thousand euro more than in 2015;
   - before tax audits were commenced, 73 taxpayers themselves adjusted tax amounts in returns in the amount of 332.7 thousand euro, which is 39.4 thousand euro less than in 2015;
2) 8,067 data credibility checks were carried out, which is 2,211 less than in 2015:
   - additional tax payments to be made into the budget were calculated in the amount of 7,636.58 thousand euro, which is 1,880.64 thousand euro less than in 2015;
   - 1,030 taxpayers themselves had eliminated established discrepancies and submitted adjusted returns, increasing tax amounts to be paid into the budget by 2,712.15 thousand euro, which is 10.25 thousand euro more than in 2015;
3) 4,649 thematic inspections were carried out, which is 933 less than in 2015:
   - an administrative fines were applied in the amount of 1,327.20 thousand euro, which is 2.32 thousand euro more than in 2015;
   - during inspections, 1,348 taxpayers themselves adjusted tax amounts in returns in the amount of 1746.6 thousand euro, which is 217.6 thousand euro less than in 2015;
4) 4,219 inspections were carried out, which is 66 more than in 2015. In cases when the taxpayer did not cooperate with the tax administration during the inspection and failed to provide necessary information, fines were applied for revealed violations in the amount of 31.6 thousand euro, which is 68.3 euro thousand less than in 2015;
5) 393 observations were carried out, which is 211 more than in 2015;
6) 10,937 physical customs checks were carried out, which is 116 more than in 2015:
- for violations of customs regulations, fines were applied in the amount of 195.31 thousand euro, which is 36.28 thousand euro more than in 2015;
7) 895 decisions were made on the adjustment of the amount of taxes regarding excise goods to be confiscated inland and on the border, which is 34 more than in 2015; additional taxes were calculated in the amount of 348.70 thousand euro, which is 170.95 thousand euro more than in 2015.

Table 3. Fulfilment of effective indicators for performance results “Volume of non-registered economic activities has been reduced”, “Volume of non-declared income has been reduced” and “Volume of excise goods released for legal circulation of goods has increased” in 2016

<table>
<thead>
<tr>
<th>Performance results / Performance indicators</th>
<th>2016 expected result</th>
<th>actual implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Changes in the number of registered natural persons — performers of economic activities — as compared to the previous year, %</td>
<td>+2.0</td>
<td>+12.5</td>
</tr>
<tr>
<td>Share of VAT returns, for which tax default risks were established in the result of data credibility assessment, from verified VAT returns, %</td>
<td>22.0</td>
<td>20.0</td>
</tr>
<tr>
<td>Share of non-declared value of transactions subject to VAT in relation to the total value of transactions, %</td>
<td>1.0</td>
<td>0.8</td>
</tr>
<tr>
<td>Changes in the share of employees in the salary group above EUR 700 as compared to the previous year, percentage</td>
<td>+4.0</td>
<td>+3.1</td>
</tr>
<tr>
<td>Changes in the amount of excise duty goods released for consumption as compared to the previous year:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- oil products, %</td>
<td>+2.0</td>
<td>+2.9</td>
</tr>
<tr>
<td>- tobacco products, %</td>
<td>+2.0</td>
<td>+1.8</td>
</tr>
<tr>
<td>- alcoholic beverages, %</td>
<td>+0.5</td>
<td>+6.7</td>
</tr>
</tbody>
</table>

Tax debt enforcement

The total debt of budget payments administered by the SRS as on 1 January 2017 amounted to 1360.20 million euro, which is 3.9% or 55.71 million euro less than on 1 January 2016.

In 2016, 411.88 million euro were collected in the result of tax debt enforcement activities, which is 10.28 million euro more than in 2015.

Actually recoverable debts, to which the recovery of outstanding tax payments on a no contestation basis may be directed, as on 1 January 2017 amounted to 152.60 million euro or 15.7% of the total amount of current debts and 11.2% of the total amount of debts. As compared to 1 January 2016, the amount of actually recoverable debts increased by 36.23 million euro or by 31.1%.

In 2016, 10,897 term extensions were granted to 5,103 taxpayers for the total amount of 110.86 million euro. As compared to 2015, the number of granted term extensions decreased by 3.3%, the granted amount reduced by 19.5% and the number of taxpayers who received term extensions decreased by 1.6%.

As the result of voluntary payment of debt, debts of 337.14 million euro were paid, which is 10.39 million euro more than in 2015.

The new debts of 24,724.03 thousand euro were collected. The share of enforced new debts of the amount of new debts was 80.6%, exceeding the respective amount of 2015 by 3.7 per cent.

Tax debts were discharged for 13,785 taxpayers for the total amount of tax debts of 500,822.94 thousand euro, which is 175,257.10 thousand euro more than in 2015.
Pursuant to amendments introduced to Section 26 of the Law On Taxes and Duties, taxpayers, for whom a decision has been made on the recovery of outstanding tax payments, have an opportunity of submitting an application with a request to make a decision on the outstanding tax voluntary compliance. In 2016, 3,355 applications were received on the voluntary settlement of outstanding tax payments, out of them:
- in 2,608 cases, decisions were made on the voluntary settlement of outstanding tax payments in the amount of 30,624.78 thousand euro;
- 564 decisions on the voluntary settlement of outstanding tax payments in the amount of 9,772.64 thousand euro were cancelled due to violation of requirements stipulated by the laws and regulations.
Contributions of 13,196.78 thousand euro were made for the voluntary settlement of outstanding tax payments.

Out of 1,028 decisions of the SRS Director General, which were unfavourable for the taxpayer, either fully or partially, 431 decisions or 42% were contested in trial.

After assessing the expediency of contesting court judgements unfavourable or partially unfavourable for the SRS, in 2016, the SRS refrained from contesting court judgements in 73 cases.

The share of court judgements favourable for the SRS (incl. partially) was 92.1 % in 2016 in all categories of cases – in tax dispute cases, administrative violation cases, cases concerning coercive measures and other disputes.

Table 4. Fulfilment of effective indicators for performance results
“Enhanced debt enforcement effectiveness” in 2016

<table>
<thead>
<tr>
<th>Performance results / Performance indicators</th>
<th>2016 expected result</th>
<th>actual implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average monthly share of enforced debts from the actually recoverable debts, %</td>
<td>24.5</td>
<td>25.3</td>
</tr>
<tr>
<td>Changes in the total amount of debt in relation to the previous year, %</td>
<td>-2.0</td>
<td>-3.9</td>
</tr>
</tbody>
</table>

Pre-trial dispute settlement

The SRS Director General made 1,779 decisions in 2016 in tax dispute cases, incl. in 855 cases where the initial decisions on tax dispute cases were left unchanged.

In 2016, payments into the budget, which were determined by the decisions adopted by the SRS Director General in pre-trial dispute cases, amounted to 8,401.11 thousand euro, which is 6,457.53 thousand euro less than in 2015.

Pursuant to Section 41 of the Law On Taxes and Duties, in 2016, the SRS entered into 512 agreements with taxpayers, exceeding the respective figure of 2015 by 293 agreements. Payments into the budget, which were reduced as the result of the signed agreements, amounted to 2,384.71 thousand euro, which is 472.84 thousand euro more than in 2015.
2.3. Performance results of the implementation of the second strategic objective “To ensure society’s protection, security and safety by carrying out effective customs control measures” in 2016

Measures were carried out in order to achieve the objective, as a result of which:

1) narcotic, psychotropic substances and precursors were detected in 365 cases;
2) on the basis of the risk analysis performed by the customs control points, 8,553 customs control measures were carried out, as a result of which, 1,792 violations were detected;
3) on the basis of the risk criteria, 6,293 physical checks were conducted and 573 non-compliances were established;
4) in 122 cases, the goods were prohibited to be released for free circulation and in 719 cases, counterfeit goods were detected;
5) customs officials participated in 12 international customs operations in total.

In 2016, with the support provided by SRS customs dog handlers, over 10 kg of different types of narcotic substances were discovered in 349 cases; 3,577,807 illegal cigarettes were discovered in 162 cases and non-declared cash of 636,504.88 euro was discovered in six cases. In addition, by conducting 159 control measures in cooperation with Latvian law enforcement authorities, 879,113 pieces of cigarettes were seized in eight cases and 1,064.57 grams of various types of narcotic substances were seized in 21 cases.

During the period from 2014 to 2016, 16 service dogs were changed: four new service dogs were purchased in 2014, six in 2015, and six more in 2016.

In 2016, when conducting customs control measures:
- in 41 cases, which is 5 times more than in 2015, non-declared cash in the amount of 1,338 thousand euro was detected, the amount in turn being 4 times higher than in 2015. The increase was affected by one case of non-declared cash of especially high amount – 580,200 euro in Terehova Customs Control Point in March, 2016;
- in 719 cases, shipments/consignments of counterfeit goods were discovered, which is 210 cases or 41.3% more than in 2015. The increase of the discovered cases can be explained by the still growing number of postal consignments where violations are established;
- 54,564 units of counterfeit goods (footwear, mobile phones and their accessories, etc.) were discovered, which is 38.8% less than in the previous year.

The customs laboratory, while performing chemical forensic analyses, issued 669 expert opinions on 8,728 examined objects in 2016, incl. while performing the testing in the cases of discovering the largest amounts of narcotic and psychotropic substances – 43.3 kg of cocaine and 5.2 kg of marijuana.
As a result of activities of the SRS structural units, excise goods and narcotic substances were seized:

Fig. 7. Seized cigarettes (pcs.)

Fig. 8. Seized alcohol (litres)

Fig. 9. Seized fuel (litres)

Fig. 10. Seized narcotic and psychotropic substances confirmed during the expert examination (grams)

Table 5. Fulfilment of performance indicators for performance results “Violations of customs regulations have been disclosed and eliminated” and “Possibility of releasing consumer-hazardous goods for free circulation has been reduced” in 2016

<table>
<thead>
<tr>
<th>Performance results / Performance indicators</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share of disclosed violations according to the results of risk analysis out of all disclosed violations, %</td>
<td>76</td>
</tr>
<tr>
<td>Share of violations disclosed as a result of physical customs controls in relation to performed physical control activities, %</td>
<td>23.0</td>
</tr>
<tr>
<td>Changes in the number of cases of detected counterfeit goods as compared to the previous year, %</td>
<td>x</td>
</tr>
<tr>
<td>Changes in the number of cases of detected narcotic and psychotropic substances as compared to the previous year, %</td>
<td>x</td>
</tr>
<tr>
<td>Changes in the number of established cases of non-declared cash as compared to the previous year, %</td>
<td>x</td>
</tr>
<tr>
<td>Changes in the number of prohibitions for releasing goods for free circulation as compared to the previous year</td>
<td>x</td>
</tr>
</tbody>
</table>

Actual implementation:

- Share of disclosed violations according to the results of risk analysis out of all disclosed violations, %: 81.4
- Share of violations disclosed as a result of physical customs controls in relation to performed physical control activities, %: 23.7
- Changes in the number of cases of detected counterfeit goods as compared to the previous year, %: +41.3
- Changes in the number of cases of detected narcotic and psychotropic substances as compared to the previous year, %: -47.1
- Changes in the number of established cases of non-declared cash as compared to the previous year, %: 5.1 times more
- Changes in the number of prohibitions for releasing goods for free circulation as compared to the previous year: +69.4
2.4. Performance results in the implementation of the third strategic objective “To prevent criminal State revenue and customs offences by decreasing tax fraud and smuggling” in 2016

| In 2016: | In complex and voluminous criminal proceedings, participation in investigation teams: 17 | Requested to commence criminal prosecution against 305 persons | In 214 criminal proceedings, prevented loss for the State: 18.7 mln euros in the field of customs |

A priority related to disclosing and preventing criminal offences in the field of State revenues was the fight against organised crime. In the complicated and voluminous criminal proceedings, for conducting a more efficient investigatory operations and investigation, the SRS investigators took part in 17 established investigation groups in 2016, incl. in five international investigation groups.

The activities of nine organised criminal groups were disclosed and discontinued in the field of State revenues, as a result of which the amount of established losses incurred by the State in cases, when it could be calculated, was 6,473.91 thousand euro, which is 40.9% less than in 2015.

The activities of 11 organised criminal groups were disclosed and discontinued in the field of customs, as a result of which the amount of eliminated damage in cases, when it could be calculated, was 100 thousand euro or 3.7 times less than in 2015.

In 2016, 186 criminal proceedings were initiated in the field of State revenues and 587 criminal proceedings were initiated in the field of customs matters, which in total is 202 criminal proceedings less than in 2015.

13 criminal proceedings were initiated for the illegally obtained belongings, as a result 952.89 thousand euro were recognised as criminally acquired and transferred to the State budget, exceeding the respective figure of 2015 by 2.2 times.

The most important criminal proceedings transferred for the commencement of criminal prosecution in the field of State revenues:

1) In January 2016, criminal proceeding regarding the activities of an organised criminal group which were not sold (mobile phones, portable computers, tablet computers) were seized. Eight persons have been recognised as suspects within the said criminal proceedings and they have been subjected to security measures which do not involve deprivation of liberty.

2) In December 2016, criminal proceeding regarding the activities of a group of persons forming chains of transactions between interrelated companies for the purpose of evasion of tax payments on a large scale and money laundering on a large scale, which caused loss to the State budget in the amount EUR 771,956.52 euro, was transferred to the Specialised Prosecutor’s Office for Organised Crime and Other Fields for the commencement of criminal prosecution. It was requested to commence criminal prosecution against four persons.

The most important criminal proceedings initiated in 2016 in the field of State revenues

1) In February 2016, criminal proceedings were initiated for VAT defrauding from the State budget by several interrelated companies in the amount of 1.7 million euro during the period from January 2013 to December 2015, as well as for unlawful use of other persons’ means of payment and for laundering of proceeds of crime in an organised group including also an SRS official. Four persons were arrested in the result of the performed searches, including one SRS official. Five persons have been recognised as suspects within the said criminal proceedings and they have been subjected to security measures, which do not involve deprivation of liberty. One of these persons, who was sentenced within the framework of criminal proceedings in 2007 to six years of actual deprivation of liberty for defrauding VAT from the State budget, continued the conduct of illegal activities after four years spent in prison.

2) In June 2016, criminal proceedings were initiated for forming a fictitious scheme of transactions in sales of tyres and electronic devices in internet stores by a group of persons for the purpose of evasion of tax payments on a large scale and money laundering on a large scale, which were committed within the period from January 2014 till the end of May 2016. In accordance with initial calculations, the damage caused to the State amounts to approximately half a million euro. 30 searches were performed, during which cash in the amount of 14,000 euro as well as goods related to activities of the group which were not sold (mobile phones, portable computers, tablet computers) were seized. Eight persons have been recognised as suspects within the said criminal proceedings and they have been subjected to security measures, which do not involve deprivation of liberty.

The most important criminal proceedings for criminal offences detected in the conduct of officials and employees of the State Revenue Service
In September 2016, criminal proceeding was initiated for failure to act by a State official – a fictitiously closed transit declaration by a customs official, as a result of which the loss caused to the State amounted to 1,774,174.61 euro. The criminal proceeding was transferred on 23 November 2016 to Ludza Public Prosecutor’s Office for commencement of criminal prosecution.

The most important criminal proceedings transferred for the commencement of criminal prosecution in the field of customs matters

1) In April, May, June and August of 2016, four criminal proceedings were transferred for commencement of criminal prosecution against five persons in relation with activities of smuggling narcotic substances by a criminal group, which was stopped in January 2015, because three criminal proceedings were separated into independent record keeping in the course of investigation. Within the framework of the proceedings, 12.350 kg of narcotic substances – 12.332 kg of marijuana and 18.49 g of hashish were seized, the value whereof amounts to approximately 61,000 euro in the illegal market;

2) In June 2016, criminal proceedings for illegal smuggling in of 32,760,800 contraband cigarettes from Russia were transferred for commencement of criminal prosecution. This is the largest amount of cigarettes arrested in a single attempt within the whole period of existence of the SRS Customs Police Department, the damage caused to the State – almost five million euro. Four persons were prosecuted, including two customs officials;

3) In December 2016, criminal proceedings initiated in October 2014 against four natural persons and one legal entity were transferred for commencement of criminal prosecution for illegal activities with goods subject to customs clearance – 47,822 litres of fuel brought into the customs territory of the Republic of Latvia on a large scale without the permission of customs authorities.

Table 6. Fulfilment of effective indicators for performance results “Tax fraud and smuggling have been reduced”, “Activity of organised criminal groups has been restricted”, and “Circulation of narcotic substances has been reduced” in 2016

<table>
<thead>
<tr>
<th>Performance results / Performance indicators</th>
<th>2016 expected result</th>
<th>actual implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of criminal proceedings transferred for the commencement of criminal prosecution in the field of State revenues, number</td>
<td>107</td>
<td>82</td>
</tr>
<tr>
<td>Share of serious and especially serious crimes, % of all criminal proceedings transferred for the commencement of criminal prosecution in the field of State revenues, %</td>
<td>≥55.0</td>
<td>64.6</td>
</tr>
<tr>
<td>Number of criminal proceedings transferred for the commencement of criminal prosecution in the field of customs matters, number</td>
<td>83</td>
<td>132</td>
</tr>
<tr>
<td>Share of cases transferred for the commencement of criminal prosecution in priority fields, i.e. smuggling of drugs and excise duty goods, % of all criminal proceedings transferred for the commencement of criminal prosecution in the field of customs matters, %</td>
<td>≥80.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Changes in the amount of losses established within the framework of criminal proceedings transferred for the commencement of criminal prosecution in the field of State revenues, %</td>
<td>x</td>
<td>-48.0</td>
</tr>
<tr>
<td>Changes in the amount of losses eliminated within the framework of criminal proceedings transferred for the commencement of criminal prosecution in the field of customs matters, %</td>
<td>x</td>
<td>+111.1</td>
</tr>
<tr>
<td>Persons against whom it was requested to commence criminal prosecution:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- in the field of State revenues, number</td>
<td>x</td>
<td>145</td>
</tr>
<tr>
<td>- in the field of customs matters, number</td>
<td>x</td>
<td>160</td>
</tr>
<tr>
<td>Activity of organised criminal groups has been discontinued:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- in the field of State revenues, number</td>
<td>8</td>
<td>9</td>
</tr>
<tr>
<td>- in the field of customs matters, number</td>
<td>8</td>
<td>11</td>
</tr>
<tr>
<td>Amount of seized narcotic substances confirmed during expert-examinations — grams</td>
<td>x</td>
<td>246,608.1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5</td>
</tr>
</tbody>
</table>
2.5. Performance results in the implementation of the fourth strategic objective “To increase the efficiency and effectiveness of using the SRS’s resources” in 2016.

In 2016, several development measures for improving the SRS internal processes and raising efficiency have been implemented:

- A programme of development of the SRS management competencies was implemented, having ensured training in the area of developing management competency for the management of the SRS;
- A uniform Document Management System was introduced, having completely substituted the ALSW system used before and which was dispersed into several registers;
- The Centralised Resource Management System “Horizon” was supplemented with a functionality where the accounting documents supporting the SRS business transactions are circulated and approved for payment;
- The accounting of administrative violation cases has been introduced in the single accounting system AVCIS;
- A uniform and centralised solution for managing the configuration of information technology resources has been introduced which will reduce the time for detecting mutual dependency among systems;
- An electronic system for accounting and registration of visitors of the SRS administrative building has been introduced which ensures a modern registration of visitors electronically, clear view over the registered persons and the issued visitors’ access smart cards, it facilitates the smart card audit process, as well as cancels the visitor registration journals used before;
- The SRS awarding procedure has been improved;
- The planning of acquiring financial means and implementation of procurements in accordance with the identified risks have been improved;
- The management of processes has been improved in order to be able to determine the costs of the process more precisely;
- The optimisation of the CSC has been commenced;
- The reduction of official positions has been commenced.
3. Statistics on Services Provided by the SRS

3.1. Total services provided by the SRS

In 2016, SRS customers were ensured with access to 212 public services; moreover, requesting and/or receipt of 190 services was ensured in electronic form.

For educating and informing taxpayers and customs customers, the following services were rendered in 2016:

− 442 informational events were organised, which is two events less than in 2015;
− 327 information materials were developed, which is 131 less than in 2015;
− 74 methodology materials were developed, which is 21 more than in 2015;
− 623 statements were issued, which is 89 more than in 2015;
− consultations were provided – orally in person at a CSC, in writing (in the form of documents and in electronic form), by phone and by informative hotline 67120000 – 868,572 consultations in total, which is 20,508 more than in 2015.

![Fig. 11. Number of consultations provided by the SRS in breakdown by their types](image)

Fig. 11. Number of consultations provided by the SRS in breakdown by their types

In 2016, 7,698,158 reports, returns in the field of taxes and excise duty, as well as customs documents were received and processed, exceeding the respective figure of 2015 by 80,160 documents, including the following:

− in the field of taxes — 2,665,845 reports and returns, exceeding the respective figure of 2015 by 134,989 documents;
− in the field of taxes — 35,855 reports and returns, exceeding the respective figure of 2015 by 4360 documents;
− in the field of customs matters — 4,996,458 customs documents (including 1,842,120 postal items documents), which is 59,189 documents less than in 2015.

![Fig. 12. Dynamics of the number of EDS users](image)

Fig. 12. Dynamics of the number of EDS users

The dynamic growth of the number of EDS users – natural persons in 2016 was promoted by a substantial simplification of submission of annual income returns as well as EDS popularisation campaign in several Latvian towns and populated areas.

According to the summary of statistics performed by MEPRD, the most popular e-service of the portal www.latvia.lv in 2016 was “Payment of taxes administered by the SRS” which was used for 57.5 thousand times making payment in the amount of 31.3 million euro.

3.2. Tax administration services

The number of taxpayers registered by 1 January 2017, as compared to the respective period of the previous year, increased in almost all taxpayer segments: the number of legal entities increased by 0.4%, the number of persons subject to VAT payment has increased by 0.4%, whereas the number of natural persons who perform economic activities reduced by 1.9%.
Enhanced cooperation programme

Applications from 22 taxpayers were received for participation in the programme in 2016, out of who: 16 – included into the programme, four – were rejected from participation in the programme and two – withdrew their applications themselves. By 31 December 2016, 69 taxpayers were included in the programme.

Fig. 13. Dynamics of the number of registered taxpayers

Fig. 14. Number of participants of Enhanced cooperation programme

Granting the status of a public benefit organisation (PBO)

In 2016, 338 applications were received on the granting of the PBO status. 243 decisions were made on the granting of the PBO status to non-governmental organisations exceeding the respective figure of 2015 by eight decisions. By the end of 2016, the PBO status was in force for 2,640 non-governmental organisations, which is 186 more than in 2015.

Fig. 15. Valid PBO status

Fig. 16. Number of PBO in breakdown by areas of activity in 2016

Taxes refund

Table 7. The performed tax refunds and the average time for approval of taxes refund

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Performed refunds:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- VAT collected inland (million, EUR)</td>
<td>943.26</td>
<td>925.80</td>
<td>785.52</td>
</tr>
<tr>
<td>- CIT (million, EUR)</td>
<td>74.40</td>
<td>69.32</td>
<td>60.84</td>
</tr>
<tr>
<td>- PIT (million, EUR)</td>
<td>55.48</td>
<td>70.34</td>
<td>89.00</td>
</tr>
<tr>
<td><strong>Refund refused:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- VAT (million, EUR)</td>
<td>29.04</td>
<td>23.84</td>
<td>27.48</td>
</tr>
<tr>
<td>- CIT (million, EUR)</td>
<td>0.05</td>
<td>0.10</td>
<td>0.51</td>
</tr>
<tr>
<td>- PIT (million, EUR)</td>
<td>1.27</td>
<td>1.47</td>
<td>2.53</td>
</tr>
<tr>
<td><strong>The average time for approving refunds:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- VAT (days)</td>
<td>10</td>
<td>9</td>
<td>12</td>
</tr>
<tr>
<td>- CIT (days)</td>
<td>8</td>
<td>11</td>
<td>9</td>
</tr>
<tr>
<td>- PIT (days)</td>
<td>67</td>
<td>76</td>
<td>55</td>
</tr>
</tbody>
</table>
3.3. Customs services

Administration of EU tariff quotas

In order to benefit from importing certain categories of goods from third countries at a reduced or zero customs tariff rate, in 2016, Latvian economic operators submitted 641 tariff quota applications, including 19 cases — after the release of the goods for free circulation. The requested tariff quotas were granted in the amount of 100% in 615 cases and partially (in the amount of 0.17% to 59.73%) — in nine cases, renunciations due to the exhaustion of the requested quotas were issued in seven cases. 10 tariff quota applications were cancelled upon executing declarations as the result of adjustment or cancellation of declarations.

Processing of customs procedures

In 2016, 468,614 export customs declarations were drawn up (by initiation and discharge of the procedure) in Latvia, exceeding the respective figure of 2015 by 23.1%.

In 2016, 142,993 import declarations for the release of goods into free circulation were drawn up, which is 11.4% more than in 2015.

In 2016, the total number of processed import, export, transit declarations and documents has increased by 33,729 customs documents or by 2% compared to 2015.

Issuance of customs permits

In order to speed up and simplify the customs clearance procedures, economic operators have an opportunity to obtain a permit to apply simplified procedure — entry in the declarant’s records (before – local customs clearance permit) and simplified declaration, the permit granting the status of authorised consignee and consignor and AEO certificate. In 2016, five AEO certificates were issued, which is four more than in 2015.
3.4. Services in the field of excise goods circulation

In 2016, 1,458 licences, permits, statements and certificates were issued for business activities with excise goods and 1,610 of these documents were renewed. Due to the established violations of regulatory enactments, 348 licences, permits, statements and certificates were annulled and suspended in 2016. By 31 December 2016, there were 11,007 valid licences, permits, statements and certificates in the field of circulation of excise goods.

In order to enable merchants to handle excise duty goods and to make use of the deferred excise duty payment, in 2016, the SRS issued and renewed the registration of 492 excise duty general and single-time security certificates.

In 2016, 206,608,081 tax stamps were issued, which is 7,318,641 tax stamp less than in 2015.

3.5. Services in the field of preventing the conflict of interest in the activities of State officials

As of 31 December 2016, 57,645 State officials were registered in the country, which is 572 officials more than in 2015.

In 2016, the total number of returns submitted to the SRS by State officials was 67,244 and 8,807 lists of State officials and amendments thereto were also submitted to the SRS.

3.6. Chargeable services

Table 8. The number of provided chargeable services and revenues in 2016

<table>
<thead>
<tr>
<th>Chargeable service</th>
<th>Number</th>
<th>Revenues, EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Selling of strict accountancy seals¹</td>
<td>57,700</td>
<td>4,039</td>
</tr>
<tr>
<td>Selling of wire-type customs security seals¹</td>
<td>7,500</td>
<td>3,150</td>
</tr>
<tr>
<td>Selling of customs security stickers¹</td>
<td>500</td>
<td>85</td>
</tr>
<tr>
<td>Conclusion on the conformity of marked (labelled) oil products to the requirements of regulatory enactments of the Republic of Latvia¹</td>
<td>268</td>
<td>8,318</td>
</tr>
<tr>
<td>Information provided to a credit information bureau about the income of a natural person²</td>
<td>500,000</td>
<td>35,445</td>
</tr>
<tr>
<td>Determining the market price (value) for a transaction or the type of a transaction with an associated foreign company³</td>
<td>1</td>
<td>7,114</td>
</tr>
</tbody>
</table>

¹Pursuant to Cabinet Regulation of 10 September 2013 No. 778 “Price List of Chargeable Services of the State Revenue Service.”
²Pursuant to Cabinet Regulation of 3 January 2013 No. 16 “Procedure of Conclusion of a Prior Agreement Between the Taxpayer and the Tax Administration on Determining the Market Price (Value) for a Transaction or the Type of a Transaction.”
³Pursuant to Cabinet Regulation of 22 December 2015 No. 760 “Procedure for Requesting Information on a Natural Person’s Income by a Credit Information Bureau or by a Natural Person and Provision Thereof By the State Revenue Service.”
4. Financial Resources and Execution Thereof

4.1. State budget funding and execution thereof

Pursuant to the Law On State Budget 2016 and orders of the Minister for Finance of 2016, in 2016, the SRS has used the funds allocated in the budget in compliance with the approved programmes and sub-programmes of the basic budget, activity for covering of revenue collection expenses (revenues), estimated costs of the planned expenditures and financing plans.

Table 9. The total funding allocated to the SRS in 2016 and execution thereof, EUR

<table>
<thead>
<tr>
<th>No.</th>
<th>Financial indicator</th>
<th>in 2015 (actual implementation)</th>
<th>approved in the Law and orders of the Minister for Finance</th>
<th>actual implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Financial resources for covering the expenses (total)</td>
<td>109,313,704</td>
<td>121,851,208</td>
<td>121,746,276</td>
</tr>
<tr>
<td>1.1</td>
<td>subsidy</td>
<td>107,731,282</td>
<td>120,724,048</td>
<td>120,724,048</td>
</tr>
<tr>
<td>1.2</td>
<td>chargeable services and other own revenues</td>
<td>51,935</td>
<td>167,994</td>
<td>63,062</td>
</tr>
<tr>
<td>1.3</td>
<td>foreign financial assistance</td>
<td>1,520,533</td>
<td>959,166</td>
<td>959,166</td>
</tr>
<tr>
<td>1.4</td>
<td>transfers</td>
<td>9,955</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2.</td>
<td>Expenses (total)</td>
<td>110,241,366</td>
<td>122,361,089</td>
<td>115,507,227</td>
</tr>
<tr>
<td>2.1</td>
<td>maintenance expenses (total)</td>
<td>97,043,889</td>
<td>99,275,137</td>
<td>97,050,561</td>
</tr>
<tr>
<td>2.1.1</td>
<td>current expenses</td>
<td>96,885,031</td>
<td>99,207,680</td>
<td>96,984,025</td>
</tr>
<tr>
<td>2.1.2</td>
<td>transfers of maintenance expenses</td>
<td>37,945</td>
<td>482</td>
<td>482</td>
</tr>
<tr>
<td>2.2</td>
<td>expenses for capital investments</td>
<td>13,197,477</td>
<td>23,085,952</td>
<td>18,456,666</td>
</tr>
</tbody>
</table>

4.2. Utilisation of budgetary programmes and sub-programmes and performance results thereof

The State budget funds allocated to the SRS in 2016 were used in the amount of 115,507.2 thousand euro or 94.4 % of the planned amount.

Table 10. Utilisation of funding allocated for implementation of budgetary programmes and sub-programmes in 2016

<table>
<thead>
<tr>
<th>Programme/sub-programme</th>
<th>The funding used in 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>thousand, EUR</td>
</tr>
<tr>
<td>33.00.00 programme “Ensuring State Revenue and Customs Policy”</td>
<td>113,418.8</td>
</tr>
<tr>
<td>70.07.00 sub-programme “Compensation of Travel Expenses Of Latvian Representative when Going to Meetings of Working Parties of the Council of the European Union and to the Council Meetings”</td>
<td>5.6</td>
</tr>
<tr>
<td>73.06.00 sub-programme “Financial Resources Allocated Within the Framework of Agreements between the European Commission (with Participating Member States) and Tobacco Manufacturers”</td>
<td>610.5</td>
</tr>
<tr>
<td>73.07.00 sub-programme “Projects Financed by the European Commission for Improvement of Internal Market within the System of Taxes and Customs”</td>
<td>306.2</td>
</tr>
<tr>
<td>73.08.00 sub-programme “Projects Implemented by the State Revenue Service in the Field of Protection of Financial Interests”</td>
<td>1,166.1</td>
</tr>
</tbody>
</table>
Table 11. Tax stamps issued for alcoholic beverages and tobacco products in 2016

<table>
<thead>
<tr>
<th>Effective indicator</th>
<th>Plan of effective indicator in the reporting period</th>
<th>Fulfilment of the effective indicator in the reporting period</th>
<th>Difference between the plan and fulfilment in the reporting period (in absolute terms)</th>
<th>Deviation of fulfilment in the reporting period from the plan (percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax stamps issued for alcoholic beverages, thousand pcs.</td>
<td>120,000,000</td>
<td>99,305,689</td>
<td>20,694,311</td>
<td>−17.2</td>
</tr>
<tr>
<td>Tax stamps issued for tobacco products, thousand pcs.</td>
<td>115,700,000</td>
<td>107,302,392</td>
<td>8,397,608</td>
<td>-7.3</td>
</tr>
</tbody>
</table>

Expenses for purchasing tax stamps in 2016 comprised 745.57 thousand euro.

The total budget revenue administered by the SRS in 2016 comprised 8,014.95 million euro, which is 544.31 million euro or 7.3% more than in 2015.

The under-implementation of the PIT revenue plan can be explained by the rapid increase of the amount refunded from the PIT, which can be mainly explained by greater activity of people when declaring the eligible expenses for education and the medical services.

The under-implementation of the VAT revenue plan can be explained by the reduction of the total value of transactions in 2016 in comparison to 2015, incl. the transactions subject to standard rate, thus also the amount paid to the State budget has reduced by 25.46 million euro or 0.9%, which could not be compensated by the reduction of refunds by 140.78 million euro or 15.2%. Furthermore, the number of registered value added tax payers has reduced, too.

4.3. New policy initiatives

The Cabinet of Ministers, in examining the applications of NPI activities, i.e. activities that comply with Latvian National Development Plan for 2014 – 2020 and other development planning documents, approved funding for the SRS for the implementation of the following six NPI in 2016.

Table 12. Funding allocated for NPI in 2016

<table>
<thead>
<tr>
<th>NPI name</th>
<th>Funding (EUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Radical action for combating informal economy in the field of tax administration and customs matters</td>
<td>5,131,952</td>
</tr>
<tr>
<td>2. Introduction of new single requirements of EU Customs Union</td>
<td>1,415,976</td>
</tr>
<tr>
<td>3. Reduction of administrative burden for SRS customers by improving the availability and quality of e-services provided by the SRS</td>
<td>6,716,329</td>
</tr>
<tr>
<td>4. Implementation of SRS informal economy measures and improvement of tax collection</td>
<td>6,488,048</td>
</tr>
<tr>
<td>5. Ensuring additional remuneration for the financial and customs police officials with special service ranks</td>
<td>1,200,000</td>
</tr>
<tr>
<td>6. Equalisation of salaries as of 1 January 2014</td>
<td>137,640</td>
</tr>
<tr>
<td>Total</td>
<td>21,089,945</td>
</tr>
</tbody>
</table>
5. Personnel

At the end of 2016, the planned number of the SRS employees and officials’ positions was 4255, whereas the actual average number of employees was 4044. The reduction of the number of the officials’ positions was commenced in the SRS and 104 officials’ positions were liquidated in 2016.

Out of the total number of the SRS employees:
- 87% are civil servants and 13% are employees;
- 74% are women and 26% – men;
- 94% have higher education.

In 2016, the SRS entered into civil service and employment relationship with 185 officials and employees, but it terminated thereof with 311 officials and employees. Thus, the ratio of personnel turnover was 12.27%, the ratio of personnel renewal – 4.57%, and the ratio of personnel quitting – 7.69%.

The average monthly salary of SRS employees in 2016 amounted to EUR 1050, exceeding the respective figure of 2015 by 2.9%.

372 SRS employees were awarded for professional, honest and self-denying work, significant personal contribution in the SRS development and fulfilment of objectives in 2016, out of who:
- one official was awarded an acknowledgment of the Cabinet of Ministers;
- 11 employees were awarded a gratitude of the Prime Minister;
- 30 employees were granted awards of the Ministry of Finance;
- 310 employees were granted awards of the SRS;
- 20 employees were granted awards from other institutions.

33 SRS employees (31 official and two employees) were applied disciplinary sanctions for violations in 2016, one of them was given a reproof, 20 – were applied a disciplinary sanction – a reprimand, five – were applied a temporary reduction of salary, for one of them the level of position was reduced, and six of them were fired.

In 2016, the SRS employees took part in 667 various training events (courses, seminars) for 12,835 times, which exceeds the respective figure of 2015 by 16.2%. The average time spent in training was 10.5 hours per participant. The main subjects of training: combatting crime – 21%, customs matters – 19%, legal and administrative matters – 19%, contact and communication – 10%.
6. Communication with the Public

The communication function plays a highly crucial and important role in the SRS activity, since the level of voluntary tax compliance and effectiveness of SRS activity in general is closely related to the awareness of taxpayers and level of trust of taxpayers to the institution. The SRS informs the public of the latest developments and results of activities of the service on a regular basis.

In 2016, 263 press releases were sent to mass media and were published, out of which, 93 press releases covered combating smuggling; seven press conferences took place concerning the recent developments of the SRS, as well as information on the processes related thereto was provided by participating in television and radio programmes, as well as answers were provided to different press editions.

Informative and educational activities

In 2016, the SRS performed the following informative and educational activities:
- participation in the 6th Zemgale Regional Contact Exchange of Craftsmen and Domestic Producers, where it provided consultations on the possibilities to register economic activity and the use of EDS, as well as answered to questions;
- participation in a regional business idea competition at an MEPRD training seminar “Business Express”, where consultations were provided to the authors of the business ideas with regard to the SRSe-services and other topical issues in the field of taxes;
- consultations have been provided to entrepreneurs in an exhibition – fair “Choose Piebalga!”;
- participation in seven events organised by the Ministry of Economics and a development financial institution “Altum” such as “Support to Entrepreneurs” and “Support Fair for Beginners in Business”, where it provided consultations to entrepreneurs on commencement of economic activity, the SRS e-services and provided replies to questions;
- within the framework of EDS popularisation campaign, as of 1 March 2016, the SRS e-van started its trips around Latvian municipalities in order to help the taxpayers to acquire the SRS e-services and submit annual income returns. During eight trips, the services were provided to 155 taxpayers;
- within the framework of the 6th Zemgale Regional Contact Exchange of Craftsmen and Domestic Producers, where it provided consultations on the possibilities to register economic activity and the use of EDS, as well as answered to questions;
- within the framework of EDS popularisation campaign, as of 1 March 2016, the SRS e-van started its trips around Latvian municipalities in order to help the taxpayers to acquire the SRS e-services and submit annual income returns. During eight trips, the services were provided to 155 taxpayers;
- within the framework of the 6th Zemgale Regional Contact Exchange of Craftsmen and Domestic Producers, where it provided consultations on the possibilities to register economic activity and the use of EDS, as well as answered to questions;
- within the framework of EDS popularisation campaign, as of 1 March 2016, the SRS e-van started its trips around Latvian municipalities in order to help the taxpayers to acquire the SRS e-services and submit annual income returns. During eight trips, the services were provided to 155 taxpayers;
- within the framework of the 6th Zemgale Regional Contact Exchange of Craftsmen and Domestic Producers, where it provided consultations on the possibilities to register economic activity and the use of EDS, as well as answered to questions;
- participation in a safety festival “Safety to school!!”, where a SRS dog handler provided demonstration performances with the service dog;
- participation in the safety festival organised by the State Police and its partners for families with children “Adventure Summer 2016”, explaining the conditions of safe travelling and demonstrating the skills of service dogs in searching for narcotic substances, tobacco, and cash;
- participation in an event “Day of Shadows”. The “Shadows” had a possibility to follow and get acquainted with the daily routine of heads and specialists of various structural units in the field of tax administration, excuse goods circulation, customs, public relations, etc.;
- within the framework of the State Administration’s Open Doors Day the SRS was visited by almost 500 pupils, students and their teachers in several places in Latvia;
- the SRS was visited by students from BA School of Business and Finance, Alberta College, Ogre Technical College and the Faculty of Economics and Public Development of the Latvian Agricultural University, who were acquainted with the work of the SRS, the internship and employment opportunities in the service.

International events

- participation in the regular meeting of the heads of structural units of financial and customs law enforcement authorities of the Baltic States in Lithuania to analyse the activity results and latest developments in disclosure and prevention of criminal offences in the Baltic region;
- participation in the regular meeting of the heads of tax and customs administrations of Latvia, Lithuania and Estonia to discuss and exchange opinions on the most recent developments and achievements in the field of taxes and customs in the Baltic States;
- participation in an annual international conference “Issues on Combatting Cigarette Smuggling” in Riga organised jointly by the SRS and the European Anti-fraud Office (OLAF);
- participation in the general assembly of the Intra-European Organisation of Tax Administrations (IOTA) in Romania, where the best and most innovative solutions in the field of business information technologies were presented;
- participation in the conven for the heads of European Police authorities organised by the European Police Office (Europol) in the Hague;
- participation in the International Customs Exhibition XVII “Customs Service – 2016” organised by the Federal Customs Service of Russian Federation in Moscow, where also the customs services from Latvia, Lithuania and Estonia took part with a joint stand.
Cooperation with the non-governmental sector and other organisations

The following most significant measures were performed for development of cooperation and dialogue with the non-governmental sector and other organisations of the public sector:
- cooperation with the associations and societies of sectors was continued within the framework of 22 agreements;
- amendments were made to the interagency agreement concluded on 17 August 1998 between the SRS and the Register of Enterprises, as a result of which mutual exchange of information will be ensured on a regular basis – from the side of the SRS, with regard to taxpayers included into the audit plan, from the side of the Register of Enterprises, with regard to the changes to be entered into the registers of the Register of Enterprises as requested by the taxpayers included into the audit plan;
- a cooperation agreement has been concluded with a body subordinate to the Ministry of Economics – the Construction State Control Office – for the purposes of exchanging information, coordination of inspections and provision of professional consultations;
- a cooperation agreement has been concluded with the Financial and Capital Market Commission on provision of information;
- an interagency agreement has been concluded with the Ministry of the Interior on the exchange of data on an online mode (SRS AVCIS and the Penalties Register of the Information Centre of the Ministry of the Interior).

Awarding the large taxpayers

On 31 March 2016, during a solemn event organised by the SRS to award the largest taxpayers, especially created awards and certificates of appreciation were presented to the largest taxpayers of 2015. In 2016, for the first time, in each of the 13 categories, not only the main awards were presented but also the certificate of appreciation was received by the second largest taxpayer in each particular nomination. This event symbolises the idea of a State, the basis, sustainability and overall welfare of which is ensured exactly by revenues received in the result of successful and responsible entrepreneurship and honestly made payments into the State budget. The largest taxpayers were honoured for the nineteenth year now.

The awards, recognitions and evaluations received by the SRS

In 2016, the SRS received the following awards, recognition and evaluation:
- in the campaign “Appraise Good Service!” (Uzslavē labu servisu!), the SRS was evaluated to have the second highest result in the State and municipality sector having received 2,468 praises in the category of the largest companies;
- The annual prize of the Cabinet of Ministers for customer service “Excellent Example 2016” was received by the SRS Riga Customer Service Centre as the most approved State administration body, and the honorary prize for customer service “Excellent Example” was received by the Chief Tax Inspector of the Jelgava Customer Service Centre of the SRS Tax Board being the second most approved customer service employee of the State administration. Furthermore, there are 11 more employees of the SRS who are among the most praised customer service specialists in State administration who received Certificates of Appreciation of the Prime Minister for professionalism and responsiveness;
- The SRS was awarded the title of “eSubscription Champion” in 2016 by SJSC “State Radio and Television Centre of Latvia” (VAS “Latvijas Valsts radio un televīzijas centrs”). For the third year in a row, the SRS was recognised to be the largest user of secure electronic signature in the country. In 2016, the secure electronic signature was used in total for 4.1 million times, which is for almost a million more than the year before.

SRS studies

In 2016, the SRS study on the quality of service provided to taxpayers and customs customers was performed. The overall evaluation by the taxpayers and customs customers of the SRS is 7.71 out of 10 points, which is by 0.24 points lower than in 2014. The total level of satisfaction among taxpayers is 7.56 points, which, as compared to the results of the study carried out in 2014, has decreased by 0.23 points, whereas the level of satisfaction among customs customers is 7.86 points, which is 0.25 points less than the result of the previous study.

In 2016, compared to the data of the preceding study, the SRS service quality was evaluated more positively by individual merchants (+2.4 points) and by representatives of the largest taxpayers (+1.5 points).
7. Activities Planned in 2017

The SRS has set the following priority areas of action for 2017:

− Minimisation of informal economy – combatting VAT fraud schemes, “envelope” salaries and smuggling.
− A more customer-friendly institution – effective, comprehensive and simple communication, quick services, introduction of the principle “Consult first”.
− In the field of control measures – approach to the most risky sectors, introduction of new standards, application of methods of indirect calculation.
− Simplification of internal processes and efficiency increase.

Projects and activities commenced in 2016 to be continued in 2017:

− Further development of the self-service portal of electronic services for receiving services in a quicker and more simple way.
− Implementation of stage 1 of the project “Modernisation of tax information services, PAIS core”.
− Implementation of the project (stage 1) “E-customs”.
− Implementation of the project “Video Surveillance in the BCP”.
− Implementation of the project “ESKORT Module for cases’ management and monitoring” (ESKORT CMT).
− Modernisation of the custom’s technical equipment in the control points on the external borders of the European Union.
− Establishment of a joint data exchange network between the customs services scanning devices of the Baltic States, having implemented the OLAF/2015/D1/024 project.
− Development of system for evaluation of the efficiency of the SRS activities.
− Reorganisation of the SRS by establishing the Tax and Customs Police Department.
− Reduction of the number of official positions within the SRS.

The key tasks and measures of the SRS in 2017

1. Implementation of the SRS Business Strategy for 2017 – 2019:
− Commencement of introduction of the principle “Consult first”.
− Introduction of simple language in communication with customers and consultation thereof in an easy to understand manner.
− Improvement of the enhanced cooperation programme
− Regular and active operation of the Consultative Council of the SRS.
− Ensuring automatic information exchange on the bank accounts opened by non-residents (OECD Global Standard)
− Raising quality of the SRS control measures.
− Determined and effective action in disclosing and prevention of criminal offences
− Implementation of structural reforms – organisation of the work of tax and customs administration, analytical functions, strengthening the capacity of anti-money laundering and counter-terrorist financing function

2. International events:
− In cooperation with the Intra-European Organisation of Tax Administrations (IOTA) the SRS will organise a forum on the issues of automatic information exchange on 22 – 24 November 2017.
− Within the framework of the “Fiscalis 2020” Programme, an annual working seminar will be organised with regard to the working plan of the “Fiscalis” Programme for 2018.

3. Studies:
− The SRS study on the level of satisfaction among the personnel.
Abbreviations Used in the Report

AEO – Authorised Economic Operator
ATA – Admission Temporaire/Temporary Admission
AVCIS – Administrative Violation Cases Information System
BCP – Border Control Point
CIT – Corporate Income Tax
CSC – Customer Service Centre
ECDPS – Electronic Customs Data Processing System
EDS – Electronic Declaration System
EU – European Union
ICTAL – Information and Communication Technology Association of Latvia
IOTA – Intra-European Organisation of Tax Administrations
JSC – Joint Stock Company
MEPRD – Ministry of Environmental Protection and Regional Development
NPI – New Policy Initiatives
OECD – Organisation for Economic Co-operation and Development
OLAF – European Anti-Fraud Office
PAIS – Payment Administration Information System
PBO – Public Benefit Organisation
PIT – Personal Income Tax
SJSC – State Joint Stock Company
SKDS – Marketing and Public Opinion Research Centre “SKDS”
SRS – State Revenue Service
SSIMC – State Social Insurance Mandatory Contributions
TIR – Transports Internationaux Routiers
VAT – Value Added Tax