



State Revenue Service of the Republic of Latvia

SRS PERFORMANCE STRATEGY

for 2017–2019

ADOPTED
by the Resolution No.438
of the Ministry of Finance
on 13 October 2017

Riga, 2017

Introduction

In accordance with the Law On the State Revenue Service, the SRS is a direct administration authority under the supervision of the Minister for Finance, which ensures the accounting of tax payments and taxpayers, the collection of State taxes, fees and other mandatory payments specified by the State in the territory of the Republic of Latvia, as well as collects taxes, fees and other mandatory payments for the EU budget, implements the customs policy and handles customs matters.

The SRS Performance Strategy for 2017–2019 defines strategic goals within the framework of three pillars:

1. Satisfied and honest SRS customers and society in general.
2. Motivated and actively involved employees.
3. Effective internal processes based on modern technologies.

Necessary improvements and development have been identified, setting several goals for each of the pillars, describing planned activities for attaining goals, and determining performance results of goal attainment and effective indicators.¹

Purpose of Operation of the SRS (Mission)

Fair and effective administration of taxes and customs matters, rendering high-quality services and implementing smart supervision of the compliance.

Future Goal of the SRS (Vision)

We are a modern and effective, fair and respectable national regulatory authority open and comprehensible for customers — a reliable partner for the State and society, the authority with a well-developed corporate culture, where the employees are proud of their affiliation to the SRS and the State of Latvia.

SRS Values

- Professionalism — knowledge and competences at a high level, skills in applying it in work, continuous development and high work ethics
- Cooperation — collegiality and transparency in fulfilment of duties, single understanding of goals and attainment thereof
- Loyalty — dedication to the interests of the State and the public, considering them as primary both at work and outside of it
- Honesty — equal and fair attitude towards customers, partners and colleagues
- Responsibility — non-avoidance of decision-making and actions, and responsibility for consequences

¹ The SRS Performance Strategy for 2017–2019 is related to the areas of activity determined in the Action Strategy of the Ministry of Finance for 2017–2019: management of taxes and duties; management of the subsector of the public benefit organisations' policy, customs policy management.



1st pillar. Satisfied and honest SRS customers and society in general

1st goal. *Fair competition environment and shadow economy reduction in the SRS area of influence*

Areas of action:

1. Segmentation of merchants and appropriate approach to administration.
2. Observance of the “Consult First” principle.
3. Strengthening of the analytical function and capacity for the maximum effective performance results.
4. New methods in tax administration supervision processes, prevention of overlapping of inspections, enhanced attention to risky sectors.
5. Effective supervision of public benefit organisations.
6. Improvement of the process of contestation and appealing of the SRS decisions.
7. Targeted actions in revealing and preventing criminal offences in the field of State revenues and customs matters.
8. Combating smuggling, particularly in the field of illegal transportation of excise duty goods.
9. Active actions in the prevention of money laundering and terrorism financing in the SRS area of influence.

Performance results	Effective indicators	Numeric values of effective indicators			
		2016 actual	2017 plan	2018 forecast	2019 forecast
Reduction of the tax gap in the most important tax revenues (there is reduction tendency)	VAT gap at the declaration stage in the previous year, %	15.4	15.0	14.4	13.9
	PIT gap at the declaration stage in the previous year, %	19.5	17.5	17.0	15.8
	SSIMC gap at the declaration stage in the previous year, %	20.2	18.4	17.4	16.6
	Excise duty gap for cigarettes in the previous year, %	25.7	23.5	20.0	19.5
Maximum possible collected amount of taxes to be collected	Rate of increase in collected revenues* as compared to the rate of increase in GDP, %	+4.6	+1.1	+0.7	+0.5
Targeted and high-quality pre-trial investigation of criminal offences has been achieved	Share of criminal proceedings transferred for the commencement of criminal prosecution, returned from the Prosecutor’s Office to the SRS in the calendar year, %** - in the field of State revenues	7.32	6	6	5
	- in the field of customs matters	7.58	6		
Restriction of organised crime has been achieved	Share of serious and especially serious crimes of all criminal proceedings transferred for the commencement of criminal prosecution, % - in the field of State revenues	64.6	80	80	82
	- in the field of customs matters	71.0	72		

* SRS-administered total budget revenues

** As of 2018, creating the Tax and Customs Police Department, there are foreseen integrated crime combating indicators in the field of State revenues and customs matters.

2nd goal. ***High level of public safety and security, preventing the importation of goods and substances dangerous for people and environment to Latvia***

Areas of action:

1. Improvement of customs risk management, ensuring proper respond to threats.
2. Targeted and expedient application of customs technical equipment during customs physical control.
3. Creation of a single customs control support centre.
4. Increasing the effectiveness of customs physical control in order to reveal and prevent transportation of illegal goods and importation of prohibited goods.
5. Active cooperation with other State institutions and foreign customs offices.

Performance result	Effective indicator	Numeric value of the effective indicator			
		2016 actual	2017 plan	2018 forecast	2019 forecast
Number of goods harmful for the public and environment, and counterfeit goods ending up in circulation has been reduced	Effectiveness of customs physical control, %*	23.7	24	25	25

* The indicator is foreseen taking into account that it can increase only to a certain level.

3rd goal. ***Strong taxpayer culture in society (“Don’t be indifferent to the avoidance of tax compliance!”)***

Areas of action:

1. Implementation of activities for promoting honest tax compliance, including work at educational institutions.
2. Facilitation of counterparty risk assessment in order to prevent the involvement of dishonest merchants.
3. Active involvement in activities of other institutions and organisations to explain the fulfilment of tax compliance.

Performance result	Effective indicator	Numeric value of the effective indicator			
		2016 actual	2017 plan	2018 forecast	2019 forecast
Tolerance of the public towards tax non-compliance has decreased	Public opinion, i.e. the public agrees that tax partial non-compliance is justified, based on SKDS research results, %	39	37	35	34

4th goal. ***Open and proactive cooperation with partners of the public, non-governmental and private sectors***

Areas of action:

1. Expansion of cooperation with partners of different sectors and types.
2. Targeted cooperation with associations of the non-governmental and private sector in implementing joint activities within the framework of signed agreements and memoranda.
3. New approaches and methods for coordinated cooperation of State institutions for reducing the illegal and unlawful circulation of excise duty goods.
4. SRS Advisory Board — the basic platform for regular cooperation on the implementation of the SRS strategy and improvement of work.

Performance result	Effective indicator	Numeric value of the effective indicator			
		2016 actual	2017 plan	2018 forecast	2019 forecast
Involvement of the public, non-governmental and private sector in promoting honest competition and reducing shadow economy has been achieved in the SRS area of influence	Satisfaction assessment of sector associations regarding cooperation with the SRS; according to survey results, increase in points in relation to the previous year	-	X*	+1.1	+1.1

* No survey was carried out in 2016; therefore, there is no base assessment to plan the numeric values of the indicator for 2017–2019. The survey, according to which the base value will be determined, will be carried out in 2017.

5th goal *Fast, convenient and comprehensible SRS services for customers*

Areas of action:

1. Introduction of simple language for communication with customers and standardised consultation thereof in an easy to understand manner.
2. Creation of a consultation hot line — instead of the SRS informative hot line, simultaneously determining what kind of consultations can be received by calling this hot line.
3. Improvement of the enhanced cooperation programme.
4. Introduction of the single account and savings principle.
5. Reduction of the administrative burden on taxpayers and customs customers.
6. Optimisation of personal income tax administration.
7. Further development of sustainability of the self-service portal and systems of electronic services for the purpose of receiving services in a quicker and more simple way.
8. Information on the SRS website in the structured and easy-to-understand manner.
9. Simplification and acceleration of communication between public benefit organisations and the SRS.

Performance result	Effective indicators	Numeric values of effective indicators			
		2016 actual	2017 plan	2018 forecast	2019 forecast
Increased satisfaction of customers with services provided by the SRS	Satisfaction of customers with the speed, convenience and comprehensibility of services provided by the SRS: according to survey results, increase in points as compared to the previous year	-	X*	+0.3	+0.3
	Changes of the time necessary for paying taxes — based on the results of the World Bank's study "Doing Business", hours per year	168.5	150	130	120

* No survey was carried out in 2016; therefore, there is no base assessment to plan the numeric values of the indicator for 2017–2019. The survey, according to which the base value will be determined, will be carried out in 2017.

6th goal. *Image compliant with the SRS values and a strong reputation in the society.*

Areas of action:

1. Informing the public about the SRS achievements, active cooperation with partners, and improvements introduced to customer service.
2. Purposeful communication with mass media and the public in general
3. Strict respond, if mass media provide false, distorted information about the SRS.

Performance result	Effective indicator	Numeric value of the effective indicator			
		2016 actual	2017 plan	2018 forecast	2019 forecast
High SRS reputation in the public	Public trust to the SRS — according to SKDS survey results, %	34	36	40	45



2nd pillar. Motivated and actively involved employees

1st goal. *Open, responsible and mutual trust-based SRS organisational culture.*

Areas of action:

1. Implementation of organisational culture — strong and tight-knit team of the SRS moving towards the attainment of common goals.
2. Improvement of change management and internal communication.
3. Active involvement of employees in the area of activity of the SRS common interests.

Performance result	Effective indicator	Numeric value of the effective indicator			
		2016 actual	2017 plan	2018 forecast	2019 forecast
Cooperation in ensuring the attainment of common goals has been strengthened	Satisfaction of the SRS employees with the cooperation of its structural units — according to survey results, increase in point as compared to the previous year	-	X*	+0.4	+0.5

* No survey was carried out in 2016; therefore, there is no base assessment to plan the numeric values of the indicator for 2017–2019. The survey, according to which the base value will be determined, will be carried out in 2017.

2nd goal. *Clear and transparent remuneration and motivation system; professional improvement based on performance priorities*

Areas of action:

1. The new SRS remuneration policy for 2017–2019 according to available SRS budget funds.
2. Development of the non-material motivation system.
3. Training system according to necessary competences and changes in external environment.
4. Development of internal trainers network.
5. Increasing the usefulness of national and international training and experience exchange activities, ensuring feedback.

Performance results	Effective indicators	Numeric values of effective indicators			
		2016 actual	2017 plan	2018 forecast	2019 forecast
The SRS employees are satisfied with the set remuneration and motivation system	Satisfaction of the SRS employees with the remuneration and motivation system — according to survey results, %	54	60	65	70
	Shares of employees who have left the SRS, who indicate the remuneration and/or motivation system as the reason for leaving, % of the employees who indicated reasons for leaving	29	27	25	23

Training is useful and is ensured according to activity priorities and development of competences	Satisfaction of the SRS employees with implemented training activities — according to survey results, %	76	78	80	82
	Satisfaction of the SRS employees with the opportunities for professional improvement — according to survey results, %	72	75	78	80

3rd goal. *Professional, cooperation-oriented, honest, responsible and loyal employees*

Areas of action:

1. Appropriate internal communication and motivation for implementation of the permanent SRS values.
2. Involvement of talented, creatively thinking employees in the implementation of development activities.
3. Effective management of corruption risks for preventing corruptive activities and decisions.

Performance results	Effective indicators	Numeric values of effective indicators			
		2016 actual	2017 plan	2018 forecast	2019 forecast
High level of customer satisfaction with the service culture of the SRS employees	The SRS provides services to inhabitants in an excellent and good manner, % according to the results of the SKDS survey ordered by the State Chancellery	66	68	70	72
Corruption risks at the State Revenue Service have been reduced by carrying out effective management of corruption risks.	Share of justified corruption incidents from all received corruption incidents, %	12	7	5	4



3rd pillar. Effective internal processes based on modern technologies

1st goal. *Maximum optimised internal processes*

Areas of action:

1. Development of the process management system for the effective operation of the SRS.
2. Use of the latest technology opportunities.
3. Revision of internal regulations, excluding excessive, bureaucratic requirements and conditions.
4. Eradication of bureaucratic non-regulated procedures of internal communication.

Performance results	Effective indicators	Numeric values of effective indicators			
		2016 actual	2017 plan	2018 forecast	2019 forecast
Productivity of work increases in the result of optimisation of processes	Amount of collected revenues per employee, thousand EUR	1,839	2,091	2,358	2,477

Reduced bureaucratic impediments and amount of in-expediently used resources in internal administrative procedures	Types of internal documents, the circulation of which occurs on paper, number	125	68	46	23
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2nd goal. *Effective management of priorities and projects*

Areas of action:

1. Management of priorities for effective and expedient use of resources.
2. Systemic implementation of projects in accordance with set guidelines and priorities.

Performance results	Effective indicators	Numeric values of effective indicators			
		2016 actual	2017 plan	2018 forecast	2019 forecast
The project "MAIS core" ("MAIS kodols") has been implemented	Share of the extent (budget) of project implementation from the total project budget, %*	-	1	34	48
	Extent of project implementation (activities) according to the project plan, %	-	100	100	100
The project "E-customs. Stage 1" has been implemented	Share of the extent (budget) of project implementation from the total project budget, %**	-	29	37	26
	Extent of project implementation (activities) according to the project plan, %	-	100	100	100
The project "Introduction of Video Surveillance at the BCPs" has been implemented	Share of the extent (budget) of project implementation from the total project budget, %	-	7	93	-
	Extent of project implementation (activities) according to the project plan, %	-	100	100	-

* In 2020, the extent of fulfilment of the project budget will be 17%.

** In 2020, the extent of fulfilment of the project budget will be 8%.

3rd goal. *Green thinking in effective use of funds allocated to the SRS*

Areas of action:

1. Introduction of the green thinking principles.
2. Environmentally-friendly attitude and actions in maintaining the working environment of employees.
3. Application of green thinking regulations for procurements, where it is possible and expedient.

Performance result	Effective indicators	Numeric values of effective indicators			
		2016 actual	2017 plan	2018 forecast	2019 forecast
The SRS employees understand and observe green thinking principles in fulfilling daily routine and maintaining their own working environment	Used paper per employee as compared to the previous year, %	-	-5	-5	-5
	Energy savings as compared to the previous year (at Talejas Street), %	-*			
	Share of green procurements from all procurements included in the overall plan of procurements	-*			

* In 2016, these indicators had not been calculated. The base value and forecast values for 2018 and 2019 will be determined in 2017

Strategic risks, the occurrence of which might significantly affect the attainment of strategic goals

Risk of tax compliance:

- cases of VAT fraud
- non-declared income from economic activities
- payment of salaries in envelopes

Risk of illegal importation (smuggling) of goods:

- illegal importation of excise duty goods: cigarettes, fuel, alcoholic beverages
- threat to the safety and health of population: illegal importation of goods of strategic significance, counterfeit goods, drugs

Reputation risk:

- negative external rhetoric
- decrease in public trust to the SRS
- dishonest actions of employees: corruptive violations occurred with or without intent

Risk of legislation (including international) amendments:

- frequent and often very quickly introduced amendments to legal acts without the introduction of sufficient funding
- significant effects on the SRS performance
- significant impact on customer satisfaction and honest and correct tax compliance

Risk of insufficiency of resources:

- decrease in the number of personnel under conditions of increase in quality and modern technology requirements; sufficient funding necessary for development
- delegation of new functions, tasks without appropriate funding

Abbreviations used in the text

EDS —	Electronic Declaration System
EMCS —	Excise Movement Control System
ECDPS —	Electronic Customs Data Processing System
EU —	European Union
GDP —	Gross Domestic Product
PIN —	Personal Income Tax
VAT —	Value Added Tax
SKDS —	Marketing and Public Opinion Research Centre
SRS —	State Revenue Service
SSIMC —	State Social Insurance Mandatory Contributions