



Valsts ieņēmumu dienests

STATE REVENUE SERVICE DEVELOPMENT STRATEGY 2020-2022

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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 European Union budget, implements the customs policy and handles customs matters.

SRS moto Together we make Latvia even better!

SRS mission The SRS is a reliable ally in tax and customs matters for honest business and public welfare

SRS vision Latvia is a country where everyone voluntarily fulfils tax and customs obligations

SRS values

- Professionalism
- Cooperation
- Loyalty
- Honesty
- Responsibility

Strategic objectives

1. Services compliant with customer needs — we know our customer.
2. Trust-oriented communication and cooperation — we trust our customer.
3. Smart monitoring for ensuring honest business environment and welfare — we help to change compliance behaviour by sharing information and knowledge.
4. Professional, loyal, honest, responsible and cooperation-oriented employees.



1st STRATEGIC OBJECTIVE

Services compliant with customer needs — we know our customer

The SRS as a modern and professional organisation has been rapidly and comprehensively developing for over 25 years of its operation and continues to pursue its path of continuous development. Significant improvements can be observed specially in the SRS work with its customers. Simultaneously, exactly this area, - services oriented to customer needs - makes the core of SRS operation, requiring constant development and further improvement. This is determined and affected by various internal and external circumstances, as well as the environment wherein the institution operates, inter alia, laws and regulations, the public, economic and social circumstances in Latvia, the European Union and across the world.

The SRS customer is any Latvian entrepreneur, employer, self-employed person, as well as any resident of Latvia and — in certain cases — also foreigner and foreign entrepreneur. We provide services to our customers in tax and customs matters, as well as carry out activities aimed at the successful prevention of money laundering.

We continue to implement the introduced proactive approach to the elimination of informal economy, creating a more favourable business environment for both domestic and foreign entrepreneurs and providing the public with more comprehensible information about the aspects of tax application, simultaneously even more actively aspiring for the development of e-environment services and their wider use.

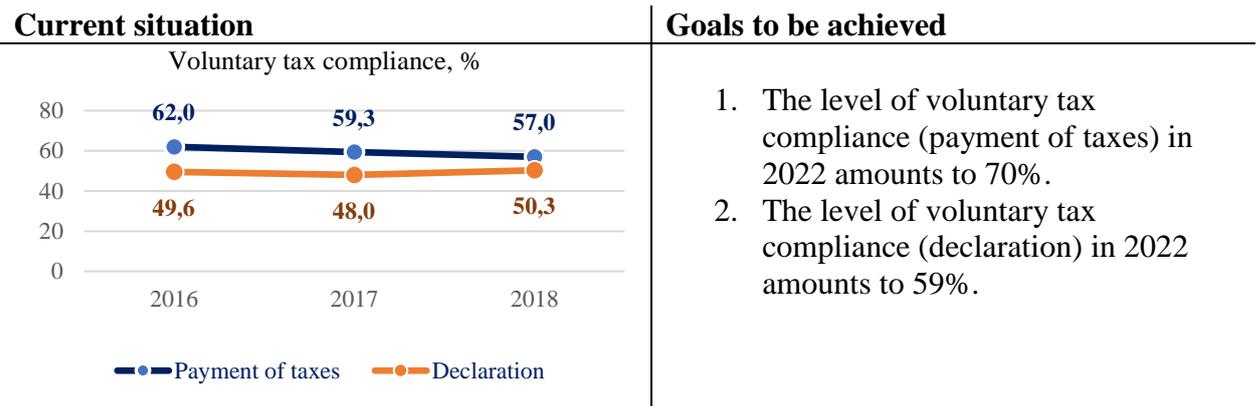
We continue to make the administration of Latvian tax and customs matters effective, fair and comprehensible — simple and convenient for honest taxpayers and consequently supervising and dissuasive for law violators.

According to the progressive international practice, when more and more attention is paid to studying and understanding the behaviour of taxpayers, we will also develop analytics at a higher level, applying an innovative approach and new tools to segment taxpayers. This will be the basis for a completely new approach — to provide the most suitable services to each segment of taxpayers in order to ensure the consequent increase in the level of voluntary fulfilment of tax and customs obligations investing optimal resources.

The focus on the segmentation of taxpayers is ensured by projects commenced in 2019, namely, the new model of the In-depth Cooperation Programme, wherein taxpayers are included in Gold, Silver or Bronze Level, as well as the Taxpayer Rating System, by means of which a taxpayer may inform its partners about its reputation, tax payment discipline and the compliance of business indicators to general economic trends.

Several research works have been commenced, using the extensive volume of data and information available to the SRS in conjunction with analytical tools, which will facilitate the development and introduction of an integrated obligation fulfilment strategy.

The development of the analytical function will include not only the taxpayer segmentation process, but also the identification of potential risks, as well as various other methodologically complicated processes, the implementation of which requires using information from various sources of data, processing and analysing a large volume of data or creating complicated systems of indicators. In continuing the commenced work, we will make the SRS a centre of knowledge and a data-driven institution.



Performance indicators

Performance results	Indicator	Numeric values of performance indicators			
		2019	2020	2021	2022
The majority of taxpayers pays taxes voluntarily — in full and in a timely manner	Level of voluntary tax compliance (payment of taxes), %	63.0	66.0	68.0	70.0
	Level of voluntary tax compliance (declaration), %	52.4	54.7	57.0	59.0
	Share of merchants generating tax revenues out of the total number of merchants, %	65.0	66.5	68.0	69.5
	Share of the total debt against the common budget revenues, %	9.81	8.88	8.42	8.07
Increased productivity and efficiency of collection	Collected revenues per SRS employee, thousand, EUR	2,477	2,564	2,664	2,794
	Costs of one collected euro, EUR	0.0118	0.0115	0.0108	0.0102

Strategic initiatives

1. Integration of analytics and development of data management.

- To centralise and enhance the analytical function at the SRS.
- To develop the data management infrastructure and increase the added value of the use of SRS data in order to facilitate tax collection, preventing evasion of tax payments.

2. Segmentation of taxpayers according to their tax compliance discipline during the entire life cycle of tax administration (360-degree approach).

- To introduce a universal information and communication (ICT) tool and to use it for the formalisation of indicators of tax compliance risks and the storage of knowledge on the profile of risky taxpayers.
- To create a comprehensive tax compliance risk analysis system in the fields of taxes, customs, excise goods, prevention of money laundering and elimination of crime.
- To introduce an action recommendation system for taxpayers for improving their compliance indicators.

3. Implementation of the tax compliance strategy, providing appropriate services to each segment.

- To develop taxpayer segments for promoting the fulfilment of tax obligations.
- To develop a set of services most suitable for each segment of taxpayers.

4. Services which are based on user experience and service design, as well as are convenient and easy to use.

- To involve customers in the improvement, testing and development of SRS services.
- To introduce pre-completed annual income declarations.
- To expand the possibilities of the Electronic Declaration System (EDS), facilitating the fulfilment of obligations set forth by laws and regulations for SRS customers.
- To improve customs services, ensuring the availability of exemptions stipulated by the Union Customs Code in Latvia.



2nd STRATEGIC OBJECTIVE

Trust-oriented communication and cooperation — we trust our customer

The SRS has always emphasised that clear and honest communication comprehensible to the customer plays a highly crucial role, as it affects trust to the institution, which, in turn, has a positive impact on the voluntary tax and customs compliance.

During the previous three years, one of the main SRS priorities was the improvement of communication with international taxpayers. Simultaneously, we paid special attention to the use of easy and simplified language in communication with customers who require that. We have also improved telephone communication by introducing easy-to-use customer identification by phone for the consultation hotline, thus ensuring provision of personalised consultations.

The Foreign Investors' Council in Latvia has positively appraised the improvements introduced by the SRS to the Electronic Declaration System (EDS), aimed at the creation of an online communication platform, observing the 'user experience' principle to ensure more effective communication with inhabitants and entrepreneurs.

Modern social processes cannot be imagined without digital tools. In its everyday work, the SRS cooperates with the largest share of the Latvian society, which means that the SRS must successfully use various digital tools, which collectively form the digital ecosystem of the SRS. SRS customers expect that increasingly modern and innovative digital solutions will be available in cooperation with the SRS.

We will continue to develop communication and services to create a digital ecosystem promoting the voluntary tax and customs compliance.

We will pay particular attention to the change of attitude in communication with our customers: we will be open, truly hear out and go deep into customers' questions and problems, as well as will be forthcoming, helpful and ready for cooperation in providing replies.

Our fundamental assumptions — most customers are honest, yet often do not know or understand the requirements of laws and regulations and, therefore, require our assistance and support. Facing such attitude on our part, customers will become more open to both receiving and providing information; moreover, customers' trust to SRS employees and the SRS as an institution in general will increase.

We will ensure that every SRS employee in his/her everyday work applies new guidelines developed by the SRS for the preparation of decisions and effective written communication with customers, which are aimed at ensuring a single structure and style of decisions and letters, preparing business-like, substantiated, easy-to-understand decisions and letters, promoting customer-oriented attitude and the image of the SRS as a professional institution. We will study which communication channels, especially electronic channels, language and content correspond the best to a particular group of taxpayers in order to make our services even more accessible, convenient and easy to understand. To ease the comprehension of information on tax laws and regulations, we will improve video seminars on the SRS website.

The SRS has accumulated vast experience in cooperation with organisations representing entrepreneurs, administration institutions of other countries, as well as

international organisations. We will keep applying the openness and cooperation approach of a higher quality. Our goal is to find out the wishes of entrepreneurs and inhabitants with regard to the SRS, to gain the best experience in the international environment in matters concerning the administration of tax and customs cases and fight against informal economy together with partners.

Current situation



Goal to be achieved

In 2022, 60% of the population trust the SRS

Performance indicators

Performance results	Indicator	Numeric values of performance indicators			
		2019	2020	2021	2022
The level of public trust to the SRS has increased, promoting the voluntary tax compliance (51.2% in 2018)	Level of public trust to the SRS, % (<i>according to the results of the study ordered by the State Chancellery</i>)	52	55	57	60
	Share of SRS decisions appealed in court, %	31	30	27	25
The effectiveness of the SRS e-management has increased	E-index, points (max. 100)*	55	57	60	65
High level of customer satisfaction with the quality of service provided by SRS employees	Services provided by the SRS to inhabitants are assessed as excellent or good, % (<i>according to the results of the study ordered by the State Chancellery</i>)	74.0	74.0	74.0	75.0
	Level of customer satisfaction — average evaluation according to the 10-point scale (<i>according to the results of the study ordered by the SRS</i>)	X**	8.1	X	8.1
The involvement of the non-governmental sector in increasing the voluntary tax compliance is promoted.	Assessment of cooperation with the SRS by sectoral associations, average evaluation according to the 10-point scale (<i>according to the results of the study performed by the SRS</i>)	7.85	7.85	7.9	8.0

* *Integrated monitoring of provision of public services and the needs of end users. Assessment of state institutions and e-index of state institutions. Study ordered by the Ministry of Environmental Protection and Regional Development (MoEPRD). The SRS e-index in 2018 is 51.7; 8th place in the rating of institutions.*

** *The study on the satisfaction of SRS customers is carried out once in two years.*

Strategic initiatives

1. **Targeted communication for promoting the voluntary tax compliance.**
 - To ensure open, forthcoming, helpful and cooperation-oriented attitude in communication with taxpayers.
 - To create an optimal solution for the publication of SRS decisions.
 - To improve the regulatory framework with the aim to achieve greater motivation for the voluntary settlement of tax disputes.
 - To implement communication on the cases of successful business achieved by honestly paying taxes and fulfilling tax obligations.
 - To implement proactive communication by developing real-life situations in the field of taxes in order to restrain from making mistakes.
 - To develop recommendations for customs customers to ensure faster fulfilment of customs obligations.
 - To educate future taxpayers.
2. **Language of communication compliant with customer's needs and method of communication (channel).**
 - To develop a communication matrix, i.e., channels, language and content suitable for each group of customers.
 - To direct service recipients to more convenient and effective channels, primarily the Electronic Declaration System (EDS).
3. **Development of a digital ecosystem.**
 - To introduce the SRS virtual assistant, ensuring provision of consultations 24/7.
 - To implement the Tax Information Services Modernisation Project in order to provide high quality SRS services to the public, improving the processes of the SRS principal activity and the provided e-services.
 - To continue electronic customs environment development projects, promoting and increasing the competitiveness of European Union entrepreneurs in the common market.
 - To develop and implement the data publication and availability concept, inter alia, for ensuring the publicity of open data.
4. **Expanded cooperation for ensuring added value to partners.**
 - To facilitate horizontal cooperation in Public administration between the SRS and institutions regulating the industry, inter alia, by taking active part in the development of laws and regulations and initiating

proposals therein with the aim to reduce the administrative burden and possibilities of evading tax payments.

- To strengthen cooperation with associations that represent industries with the highest informal economy risks.
- To promote the exchange of the best practice with the Member States of the European Union for promoting the voluntary tax compliance, especially in the field of digitalisation of tax administrations.



3rd STRATEGIC OBJECTIVE

Smart monitoring for promoting honest business environment and welfare — we help to change behaviour in fulfilling obligations by sharing information and knowledge

The results of studies performed by the SRS suggest that the gaps of the most important taxes tend to decrease every year and a significant decrease in informal economy has been noted in recent years. At the same time, several findings show that it is necessary to seek new methods and implement smart tactics for reducing the level of non-registered tax obligations, i.e., informal economy:

- the level of non-declaration of taxes and, hence, the share of paid ‘envelope’ salaries in Latvia is still high — according to the SRS calculations, approximately 19% of the total income from employment was paid as ‘envelope’ salaries in 2018;
- the rate of decrease in the level of non-declared tax obligations is slowing down;
- the level of illegal consumption of excise goods, especially cigarettes, as well as the smuggling of narcotic substances is still comparatively high;
- the dynamics of macroeconomic development rates and tax gaps points at possible connection between economic development and non-declaration of taxes, which suggests high risks of non-payment of taxes under the conditions of economic crises.

To reduce the level of non-registered tax obligations and enhance the protection of the society, the priorities of SRS monitoring measures during the upcoming three years will be the minimisation of payment of ‘envelope’ salaries, value added tax (VAT) fraud, illegal circulation of excise goods, smuggling of narcotic substances, and circulation of cash of illegal origin.

Primarily, we support the voluntary compliance and promotion thereof, implementing targeted monitoring measures based on risk analysis in the event of discrepancies, stipulating that these actions will have a positive impact on the tax and customs compliance in future. Our approach will be determined by the taxpayers’ behaviour, attitude, discipline in fulfilling tax and customs obligations, as well as willingness to cooperate.

Based on the goal of the principle ‘Consult First’, we will show initiative to achieve mutual understanding with taxpayers. If we detect knowingly or unknowingly made mistakes or violations, we will first give an opportunity for taxpayers to eliminate discrepancies voluntarily themselves. Only if the taxpayer does not take advantage of this opportunity, the application of sanctions will follow. To ensure that the actions of SRS employees in applying the principle ‘Consult First’ are clear and unambiguous, we will revise appropriate laws and regulations and, if necessary, express proposals on amendments to legal acts in cooperation with the Ministry of Finance.

Our goal is to apply supervisory and control measures for improving the voluntary fulfilment of tax and customs obligations.

Current situation	Goal to be achieved								
<p>Share of informal economy in 2016-2018, % of the Gross Domestic Product (GDP), according to the data of F. Schneider's study</p>  <table border="1"> <caption>Share of informal economy in GDP (2016-2018)</caption> <thead> <tr> <th>Year</th> <th>Share (%)</th> </tr> </thead> <tbody> <tr> <td>2016</td> <td>22,9</td> </tr> <tr> <td>2017</td> <td>21,3</td> </tr> <tr> <td>2018</td> <td>20,2</td> </tr> </tbody> </table>	Year	Share (%)	2016	22,9	2017	21,3	2018	20,2	<p>The share of informal economy in 2022 does not exceed 17.1%.</p>
Year	Share (%)								
2016	22,9								
2017	21,3								
2018	20,2								

Performance indicators

Performance results	Indicator	Numeric values of performance indicators			
		2019	2020	2021	2022
As the result of application of the principle 'Consult First' and the performance of preventive measures, the voluntary elimination of discrepancies and violations increases	Share of taxpayers who adjust declarations themselves prior to the commencement of an audit out of the total number of taxpayers for whom it is planned to perform an audit, %	12.0	18.0	19.0	20.0
	Discrepancies eliminated by taxpayers themselves in the VAT declaration as the result of performed preventive measures, calculating the amount of VAT to be paid additionally into the budget or reducing the amount of overpaid VAT, million EUR*	16.0	15.0	15.0	15.0
The share of the public, which does not fulfil obligations stipulated by laws and regulations, has decreased	Share of informal economy, %**	20.0	18.9	18.3	17.1
	Assessment of illegal circulation of tobacco products, %***	15.0	14.6	14.1	13.7
	Share of non-declared employment income in the business sector, %****	19.0	18.7	18.0	17.6
	Effectiveness of customs physical control, %	25.0	25.0	25.0	25.0
Restriction of organised crime has been achieved	Stopped activity of organised criminal groups, number	16	16	16	16
	Share of criminal proceedings transferred for the commencement of criminal prosecution in priority fields out of the	87	88	89	90

	total number of proceedings transferred for the commencement of criminal prosecution, %*****				
Money-laundering and terrorism-financing risks have been reduced	Share of subjects of the Law “On the Prevention of Money Laundering and Terrorism and Proliferation Financing” (AML/CFTP), whose activity complies with the requirements of the AML/CFTP Law and the Law “On International Sanctions and National Sanctions of the Republic of Latvia”, %	75	77	79	81

* The actual value of the indicator in 2018 is EUR 15.9 million. Increase in the indicator value is not predicted, taking into account decrease in the reduction rate of the VAT gap.

** According to the results of the study performed by Austrian professor F.Schneider.

*** Assessment is performed in accordance with the assignment given by the Work Group of Law Enforcement Authorities, created within the framework of the National Criminal Investigation Model (NCIM). Calculations for the 1st half of 2019 are specified for 2019.

**** According to the results of the assessment performed by the SRS and forecasts.

***** Priorities include the restriction of money laundering and circulation of cash, evasion of tax payments, fraud, payment of ‘envelope’ salaries, illegal circulation of excise goods, and circulation of narcotic substances.

Strategic initiatives

1. Using analytic knowledge and available material and technical resources, measures which promote the voluntary payment of taxes have been developed and implemented.

- To achieve commensurability in tax administration measures between consumed resources and obtained benefit in the form of revenues, inter alia, to apply the principle ‘Consult First’ to the fullest extent possible.
- To optimise the types of control measures and inspections, reducing their number and improving their targeted use.
- To identify in a timely manner the taxpayers who experience problems with paying taxes.
- To implement measures for restricting the dishonest business approach.

2. Targeted actions and cooperation in revealing and preventing violations and criminal offences in the field of State revenues and customs matters.

- In cooperation with the State Border Guard, to develop and promote/implement a concept for the implementation of synchronised border inspections in border-crossing places.

- To implement customs control measures based on risk analysis for restricting smuggling and importation of goods hazardous and dangerous for the public.
- To enhance cooperation and shape a single understanding with the public prosecutor's office for accelerating pre-trial investigation, while maintaining high quality therein.
- To implement the integration of SRS law enforcement units in the National Criminal Investigation Model.
- To enhance the intelligence, analytical, investigation, support and technical capacity in revealing and preventing criminal offences.

3. International cooperation and introduction of EU-level requirements.

- To activate agreed inspections and joint audits of Members States.
- To take active and purposeful part in international projects and initiatives.
- To implement constant cooperation with European Union organisations *Europol* and *Eurojust* in revealing and preventing criminal offences.
- To introduce the Public Safety and Security Information System which implements measures for the secure movement of goods across the border of the European Union.
- To improve technological solutions necessary for customs control, which facilitate customs risk management in the chain of supply.

4. Active, risk-based actions in the field of anti-money laundering and combating financing of terrorism in the SRS area of influence.



4th STRATEGIC OBJECTIVE

Professional, loyal, honest, responsible and cooperation-oriented employees

The development tendencies of both international and Latvian national State administration are aimed at purposefully aspiring for the value-based culture of an organisation, focused on a person and the work for the benefit of the public.

The SRS values, i.e., **professionalism, cooperation, loyalty, honesty and responsibility**, support the SRS vision and the achievement of strategic objectives, form the environment and culture of the organisation, determine the perception and thinking of employees, and are reflected in the actions and attitude of every employee.

SRS values form a stable foundation which enables every employee to start his/her work in the direction of the institution's vision and mission, understanding his/her role and contribution to the achievement of institution's goals. As generations, thinking and the vision of processes change, those are the values of the institution that tend to become a beacon for many employees in adopting decisions and formulating their attitude.

Our goal is to achieve that our goals are not just written into the strategy, but are also implemented in the everyday life of all SRS employees, promoting the reputation of State administration, inter alia, the SRS, and the trust of inhabitants thereto.

To achieve high performance results, crucial factors include also working conditions and working environment, in which people feel comfortable and are motivated to work and improve themselves. Appropriate technical equipment optimised for the needs of work processes and supporting employees' efforts promotes higher performance and productivity.

The SRS has created a team of value messengers, the main goal of which is to help all SRS employees to understand our values and, based on particular actions, to promote their manifestations in various situations related to job duties and out-of-work activities.

SRS values:

- **promote the development of employees** — we value our knowledge, competences and ability to develop constantly;
- **improve the motivation and involvement of employees**, which is the guarantee for achieving SRS goals and performance results;
- **help employees to make better decisions** — we serve as an example for the public, as we undertake responsibility for the work we do and have done;
- **improve internal communication** — communication and interaction of employees and managers improve the working environment and are the grounds for the increase in productivity;
- **promote the attraction and retaining of talents** — we publish our values to improve recruitment for attracting employees who support our values;
- **help customers to understand what the SRS is and what kind of an institution the SRS is** — we are always honest and open towards ourselves, the others and the work we do.

Current situation

Level of satisfaction of customers and employees, points

**Goal to be achieved**

The level of customer satisfaction in 2022 is at least 8 points (average evaluation according to the 10-point scale)

The level of personnel satisfaction in 2022 is at least 8.1 points (average evaluation according to the 10-point scale)

Performance indicators

Performance results	Indicator	Numeric values of performance indicators			
		2019	2020	2021	2022
'Cooperation' — cooperation among SRS employees has improved.	The average evaluation by SRS employees according to the 10-point scale for the statement 'Relations with my co-workers are good and promote productivity of work' (according to the results of the employee satisfaction study ordered by the SRS)	8.26	X*	8.30	X*
'Loyalty' — the satisfaction of SRS employees with the SRS as a place of work has increased	Satisfaction of SRS employees with the SRS as a place of work, average evaluation according to the 10-point scale (according to the results of the employee satisfaction study ordered by the SRS)	6.98	X*	7.0	X*
'Responsibility' — the involvement of SRS employees has increased	Index of involvement of SRS employees, % (according to the results of the study ordered by the State Chancellery)**	60.5	60.7	61.0	61.5
'Professionalism' — the professional growth of SRS employees has a positive impact on the SRS development	SRS employees admit that the performed training and development activities have helped them to improve their performance, average evaluation according to the 10-point scale (according to the results of the study ordered by the SRS)	7.54	X	7.6	X
'Honesty' — the actions of SRS employees promote the prestige of the SRS	Share of taxpayers and customs customers who assess the behaviour of SRS employees in tax collection, tax control and customs control measures as honest, % average weighted (according to the results of the study ordered by the SRS)***	X	91.0	X	91.5

* The study on the satisfaction of SRS employees is carried out once in two years.

** Involvement is a set of positive attitude and actions, which promote high performance according to the mission and goals of the organisation. In 2018, the involvement index of SRS employees was 60% (52% — involved, 8% — actively involved).

*** The study on the satisfaction of SRS customers is carried out once in two years. In 2018, the value of the indicator in the study was 91.4%.

Strategic initiatives

1. Implementation of values in the everyday life of SRS employees.

- To implement the activities of SRS value messengers and SRS structural units.
- To promote effective internal communication regarding the implementation of SRS values.
- To expand the involvement of all-level managers and their responsibility in the processes of value implementation and change management.

2. Working environment supporting employees' needs for achieving high performance results.

- To develop and implement a concept of development of SRS working premises and infrastructure.
- To promote the change of layout of work places, increasing their share in SRS structural units located in regions.
- To develop more flexible working conditions, supporting the possibilities of remote work.
- To promote the self-development and growth of managers and employees.

Enclosed: Calculation of effective strategic indicators on 10 pages.

Director General of the State Revenue Service

I.Jaunzeme