State Revenue Service

Development Strategy

2023–2026

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Introduction

The State Revenue Service (hereinafter - SRS) Development Strategy for 2023-2026 (hereinafter - the Strategy) is a medium-term development plan. It sets out our priorities, goals, and tasks for the next four years. The Strategy defines the results to be achieved and performance indicators to be able to assess whether we have been carrying out the functions assigned to us efficiently.

Data collected from a survey of Latvian residents demonstrate that our effort has yielded results. Most of the population (86%) welcomes measures that promote voluntary compliance with tax and customs obligations and help create a positive attitude towards tax payment in society.

Under the current economic, social, and political circumstances, effective performance of SRS tasks requires innovative solutions and closer cooperation with clients, cooperation partners, employees, and other involved parties. We set ambitious goals and created a vision – become one of the most efficient tax and customs administrations in Europe, a leader in development of services that serve the public interest. Rapid technological advancement has also affected the daily life of SRS clients: it is crucial to address their needs swiftly, professionally, and accurately. We will improve our digital self-service tools and communication processes and offer services that are based on state-of-the-art technologies and easy to use. We will adapt solutions provided by the Electronic Declaration System (EDS) and the Electronic Customs Data Processing System (EMDAS) to the skills, accessibility possibilities, and technological capabilities of different users. Thus, these systems will become a model of excellence for digital tools in the Latvian public sector.

To improve the client experience at customs control points and create a good first impression for visitors to Latvia, as a state ruled by law state with a high level of digitalisation, we will remove obstacles that hinder speedy and efficient compliance with customs obligations.

The information we provide should be understandable to everyone, so we will use a plainer language and be more concise in our documents and explanations.

We will continue to promote social justice and support honest taxpayers. We will implement all the necessary measures to prevent non-compliance and accelerate detection of violations, as well as carry out inspections in an efficient manner. In this context, solutions such as data analytics and early identification of negative trends will be used more effectively.

Performance of all our functions requires not only innovative technologies, but also a high-performance team. Therefore, we will pay more attention to the professional growth of our employees, analyse their learning needs, develop digital skills, and improve our communication.

The well-being of our employees, mutual support of colleagues, and a comfortable and positive work environment are all important prerequisites for maintaining team spirit. Yet, a competitive salary, balanced remuneration system, and additional benefits are essential. A balanced set of these factors will allow for innovative ideas and solutions and attract new talent.

In compliance with the principles of good management, we will continue the optimisation, automation, and simplification of internal operational processes. Digitally improved document processing, data analytics tools, and user-friendly technological support will

allow our employees to find the most suitable solution efficiently and swiftly for SRS clients.

It is important to reduce the negative impact of our operations on the environment and climate and to create a socially inclusive environment for every member of society. Therefore, we will use our resources responsibly and improve the accessibility of our services to all population groups, including the most vulnerable.

We are aware of our role in the development of a sustainable Latvia: we will contribute to the growth of future taxpayers and support students in their research.

We will serve as an important partner in the transformation of Latvia's economy for better living conditions in Latvia, the goal set by Krišjānis Kariņš' new government.

SRS motto

Together, we make Latvia even better!

SRS mission

SRS is a reliable ally in tax and customs matters for honest business practices and public welfare.

SRS vision

SRS is one of the most efficient tax and customs administrations in Europe, playing a leading role in the development of services serving the public interest.

SRS strategic values

We respect all the values of the state administration and the SRS Code of Ethics. Our guiding values at this stage of Strategy development are:

Efficiency		**Cooperation**
Work in a professional manner, be broad-minded, and exceed client expectations by using our resources economically and carefully	Be brave, just, honest, and prepared to aim higher, leaving a mark on the overall results of public administration	Teamwork and building relationships within the team, with clients, and society based on respect, trust, and openness

Target groups – interests and needs

While developing the Strategy, working groups and interviews were arranged with employees from all levels, policy makers (representatives of the Ministry of Finance), and representatives of the SRS Development Advisory Council; a sociological survey was conducted to include public opinion.We work in the interests of all members of society; however, our closest cooperation partners represent target groups who have interests and needs:

Needs and interests/target groups	Policy makers[1]	Public administrations[2]	Cooperation partners[3]	Society and merchants	Media	International organisations[4]	SRS employees
Complete, timely, comprehensible, and easily accessible information	✓	✓	✓	✓	✓	✓	✓
Quality services and cooperation-oriented communication			✓	✓	✓		
Reduction of administrative burden	✓	✓	✓	✓			✓
Provision of expert opinion, performance of data analysis, and participation in policy making	✓	✓	✓			✓	
Collection and accounting of state budget revenues	✓	✓					
Customs border control for protection of public safety and security	✓	✓	✓	✓		✓	
Prevention and disclosure of criminal offences	✓	✓	✓	✓		✓	
Openness and transparency	✓	✓	✓	✓	✓	✓	✓
Efficient management and digitalisation of processes	✓	✓	✓	✓		✓	✓
Growth of competitive personnel and a modern work environment							✓
Promoting public awareness of the importance of compliance with tax and customs obligations	✓		✓	✓	✓		

[1] International institutions with whom we have direct cooperation, e.g., European Commission, Organisation of Economic Cooperation and Development, World Customs Organisation, Intra-European Organisation of Tax Administrations, Saeima, Saeima Finance and Budget Commission, Cabinet of Ministers, Prime Minister, Ministry of Finance, and other ministries.
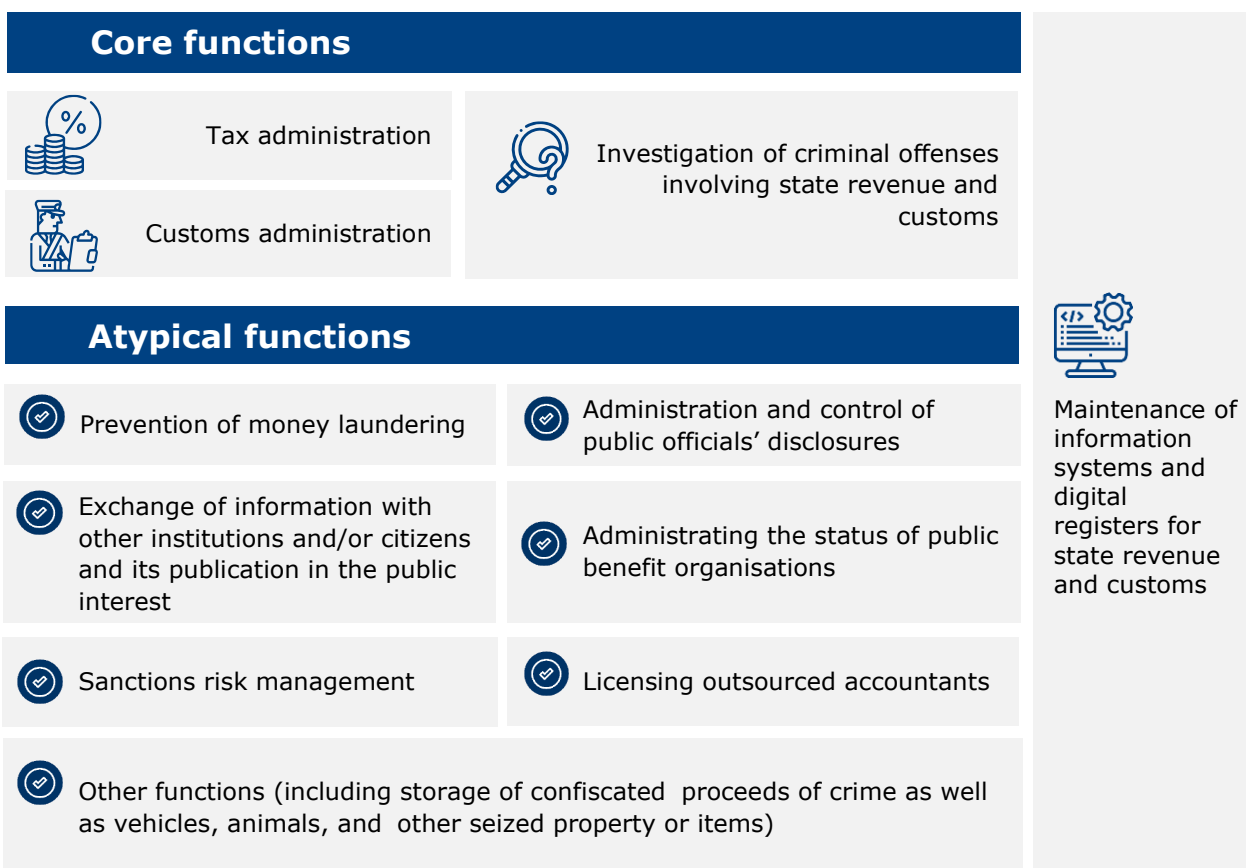[2] State and municipal budget institutions, public officials, courts and law enforcement institutions, incl. the Supreme Court, the Prosecutor's Office, the Corruption Prevention and Combating Bureau (KNAB), etc.
[3] Non-governmental organisations and associations, professional organisations, SRS advisory and research institutions, educational institutions.
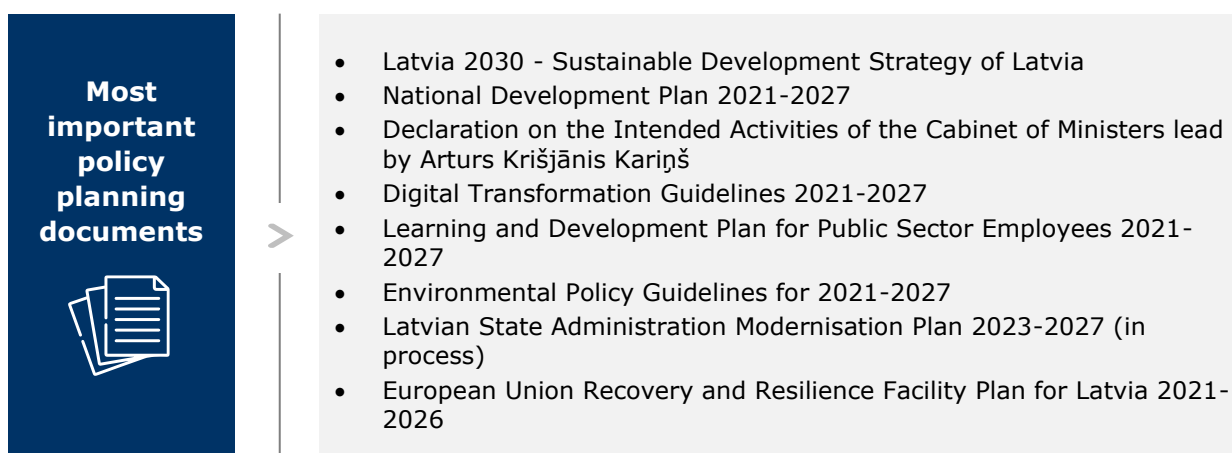[4] Incl. foreign tax and customs administrations.

Policy Sector Objectives

The Law On the State Revenue Service states that the SRS is a direct administration authority under the supervision of the Minister for Finance, which ensures the accounting of tax payments and taxpayers; collection of State taxes, fees, and other mandatory payments specified by the State in the territory of the Republic of Latvia; collection of taxes, fees, and other mandatory payments for the European Union (hereinafter - EU) budget; and implements customs policy and handles customs matters.

Core functions

Tax administration

Customs administration

Investigation of criminal offenses involving state revenue and customs

Atypical functions

Prevention of money laundering

Administration and control of public officials' disclosures

Exchange of information with other institutions and/or citizens and its publication in the public interest

Administrating the status of public benefit organisations

Sanctions risk management

Licensing outsourced accountants

Other functions (including storage of confiscated proceeds of crime as well as vehicles, animals, and other seized property or items)

Maintenance of information systems and digital registers for state revenue and customs

The binding policy goals of the SRS, considered in the development of the Strategy, are included in the main **policy planning documents:**

Most important policy planning documents	
>	• Latvia 2030 - Sustainable Development Strategy of Latvia • National Development Plan 2021-2027 • Declaration on the Intended Activities of the Cabinet of Ministers lead by Arturs Krišjānis Kariņš • Digital Transformation Guidelines 2021-2027 • Learning and Development Plan for Public Sector Employees 2021-2027 • Environmental Policy Guidelines for 2021-2027 • Latvian State Administration Modernisation Plan 2023-2027 (in process) • European Union Recovery and Resilience Facility Plan for Latvia 2021-2026

Most important policy planning documents	• Stability Programme of Latvia 2022—2025 • Shadow Economy Curtailment Plan 2023-2025 (in process) • Anti-Money Laundering and Countering the Financing of Terrorism and Proliferation Action Plan 2023-2025 • Fifth National Open Government Partnership Action Plan of Latvia 2022–2025 • Corruption Prevention and Combating Action Plan 2021-2024 • Service Environment Improvement Plan 2020-2023 • Commission Implementing Decision (EU) 2019/2151 of 13 December 2019 establishing the Work Programme relating to the development and deployment of the electronic systems provided in the Union Customs Code

During Strategy development, policy goals (to be achieved in ministry policy areas) and performance goals (horizontal goals applicable to policy and institution management) of the Ministry of Finance's operational strategy for 2020-2024 were considered:

Policy Objectives	**Predictable and internationally competitive tax and customs system**	**Prevention of money laundering and terrorism and proliferation financing in the financial and non-financial sectors and improvement and monitoring of the internal control system within the competence of the Ministry of Finance**
Performance Objectives	• Integrated view of policy making • Client-centred services, reduced administrative burden, high-quality e-governance solutions • Innovation in policy-making processes • Smart and targeted monitoring policy to promote a fair business environment • Effective tax risk management	• Effective risk management of anti-money laundering and terrorist and proliferation financing in financial and non-financial sectors

Priority Directions and Goals

To ensure progress towards the achievement of the SRS vision and strategic goals, 18 goals have been defined in five priority directions.

Priority 1 SERVICES. An assistant for every resident and company in compliance with tax and customs obligations

Providing services and support that meet client needs is one of the preconditions for voluntary and timely compliance with tax and customs obligations. The client experience and preferences have changed as a result of digitalisation and modern technologies, thus creating an increasing demand for customised and flexible service delivery solutions.

To provide convenient and up-to-date services to every client, we will focus on strengthening the client-oriented approach. Digital self-service solutions will be improved for faster and more convenient delivery of information, thus ensuring continuous online client support. We will continue our previous work by creating a basket of services suitable for each group of taxpayers and customs clients and introduce benefits for honest taxpayers and customs clients with a good track record of compliance.

An open, sympathetic, helpful, and collaborative client service culture with simplified communication (e.g., preparing documents in plain language or reviewing comprehensibility of communication materials) will contribute to improved quality of our services. We will analyse the factors that influence client behaviour and monitor the level of client satisfaction when choosing the most appropriate client service tactics.

Creating client awareness and increasing public trust in SRS plays an essential role in promoting voluntary compliance with tax and customs obligations, so we will look for solutions to educate and inform our clients more systematically, paying more attention to our client needs. To build public trust, we will carry out information campaigns on possibilities of receiving services and proactively inform the public about the benefits of using the self-service tools we offer.

Objective	Tasks
M1.1. Development of convenient and modern services and self-service tools considering the needs of clients	U1.1.1. Continuous **development of user-oriented, simplified, and proactive services and digital self-service solutions** U1.1.2. Promote open, sympathetic, and **collaborative communication with the client** U1.1.3. Improvement of services based on **client behaviour analysis and satisfaction research**
M1.2. Targeted communication for voluntary compliance with tax and customs obligations	U1.2.1. Development of a systematic and plan-based approach to educating and informing **clients about** tax application and tax payment and customs issues U1.2.2. Promoting **dialogue with the public,** building trust in SRS, and expanding **cooperation with national economy sector organisations**

Objective	Tasks
M1.3. Continuous dialogue with policy makers for comprehensive improvement of tax and customs systems	U1.3.1. Active engagement in improvement of tax and customs **legislation and** development **of new tax policy guidelines that considers the client's perspective**

Results to be achieved and performance indicators:

	Results to be achieved	Performance indicator	Baseline value		Target value (2026)	Indicator type
R1.1.	Voluntary and timely compliance with tax obligations	Increased share of taxpayers in segments "Trusted" and "Encouraged" from total number of segmented taxpayers, %	13.6 (2022)		Increase by 2-3%	KPI[5], TPI[6] (sector policy implementation progress)
R1.2.	Timely submission of declarations	Declarations submitted on time, %	VAT	83.4 (2021)	94	
			CIT	74.5 (2021)	75	
			MSSIC and PIT	80.9 (2021)	90	
R1.3.	Client satisfaction with SRS services and service quality	Average evaluation by clients on their experience with SRS and its employees during the last communication, % *Key:* Data from "Study of Client Satisfaction in the Public Administration"[7] commissioned by the State Audit Office	60.2 (2021)		65	TPI (sector policy implementation progress)

[5] Key performance indicators (KPI).

[6] TPI = total performance indicator, i.e., indicator referring to development areas topical for public administration from 2021 to 2027. The applicable areas specified in the TPIs (total performance indicators must be specified in the following: progress in implementing sector policy; efficiency of internal processes and conformity to statutory requirements, skill development and involvement of human resources, climate neutrality, digital transformation, innovation).

[7] Characterisation categories (2021): 1) competent and professional – 72.3%; 2) accessible, provide opportunity to receive the service at a place and time convenient for me - 65.6%; 3) feel responsible for their work done - 63.2%; 4) kind to me - 58.6%; 5) speak/write in plain language, understandable for me - 58.4%; 6) show respect and a positive attitude towards me and my needs - 55.6%; 7) focused on cooperation ("did not football" me sending from one institution to another, listened to my suggestions) - 55.4%; 8) show interest, understand the client's wishes - 53.8%, 9) trustworthy - 50.9%; 10) flexible when choosing the most suitable solution - 49.7%, and 11) fair and just, delivered promises - 45.2%.
Available at:http://petijumi.mk.gov.lv/sites/default/files/title_file/Valsts_parvaldes_klientu_apmierinatibas_petijums_2021_PETIJUMS.pdf.

	Results to be achieved	Performance indicator	Baseline value	Target value (2026)	Indicator type
R1.4.	Increased public trust in SRS	Level of public trust in SRS, % *Key:* Data from "Study of Client Satisfaction in the Public Administration" commissioned by the State Audit Office	51 (2021)	55	KPI
R1.5.	Accelerated preparation of customs declarations for honest clients	Share of import (release for free circulation) declarations drawn up automatically, %	32 (2022)	60	
		Share of export declarations drawn up automatically, %	84 (2022)	90	

Priority 2 COMPLIANCE. Smart monitoring and fair attitude

To increase our capacity and awareness of taxpayer behaviours and trends, we will increase the use of data analytics and the latest technologies and assess opportunities to apply the accumulated data more extensively. We will continue our previous work on the segmentation of taxpayers, applying a level of monitoring that corresponds to taxpayer behaviour and tax compliance discipline. Our taxpayer compliance control process is based on risk management and efficient use of resources, and we will continue to look for ways to make our work even more efficient.

Considering the development of international trade and geopolitical events in the world and resulting sanctions, we will place special emphasis on strengthening customs control and building capacities and increase operational efficiency. We will improve customs risk analysis and control processes by introducing the latest technology-based control equipment, methods, and information systems (IS). The effectiveness of the control measures carried out by the customs will increase, preventing movement of unauthorised goods or goods threatening the public safety across the customs border.

To make tax payment incentive measures more effective, we will improve tax control processes and introduce new solutions for resolving tax disputes within a reasonable period.

Among others, an important direction will be to increase the effectiveness of detection of criminal offenses in state revenue and customs. We will develop and implement a methodology for evaluating the effectiveness of the investigation in criminal proceedings to accelerate investigation in criminal proceedings and strengthen the analytical capacity of criminal intelligence by introducing the National Criminal Intelligence Model support system and ensuring automatic data exchange with the State Police. We will also continue to digitalise criminal procedural operations in the future.

Objective	Tasks
M2.1. Use data for more effective detection and prevention of violations	U2.1.1. Improve **planning of tax payment facilitation and customs control** priority **measures,** based on trends observed through broader data analysis U2.1.2. Increase **efficiency of the** use of accumulated data by identifying datasets available to SRS and using possibilities provided by data analytics and the latest technologies, including continuing implementation of taxpayer segmentation U2.1.3. Modernise **international data** exchange, strengthened cross-border cooperation and development of risk analysis in international compliance issues U2.1.4. Strengthen **interdepartmental cooperation and data exchange for prevention and detection of** tax and customs violations U2.1.5. Improve **sanctions risk** management processes
M2.2. Customs control processes based on the latest technologies and methods	U2.2.1. **Implement smart solutions** in customs clearance and customs control processes U2.2.2. Introduce and develop **IS** required for ensuring **foreign trade** as per requirements set out in EU and national legislation U2.2.3. Strengthen **post-clearance** inspections and monitoring accurate and complete collection of customs duties, promoting voluntary compliance U2.2.4. Continue **targeted customs risk management** to ensure monitoring of customs duty collection and restrictions and prohibitions on cross-border movement of goods
M2.3. Promote smart tax payment	U2.3.1. Streamline **tax control process** by implementing a new approach in tax administration - tax control U2.3.2. Implement **smart solutions** for ensuring control process workflows U2.3.3. Introduce **new approach to tax dispute resolution** (e.g., settlement options) to shorten litigation time and number of litigations
M2.4. Increase effectiveness in detection of criminal offenses in state revenue and customs.	U2.4.1. Increase **effectiveness of investigation of criminal proceedings** by developing and implementing a system of performance indicators to achieve the goal, strengthen analytical capacity of criminal intelligence, and digitalise criminal procedural operations
M2.5. Reduce risks of money laundering and counter-terrorism financing in SRS areas of influence	U2.5.1. Continue development of risk-based **prevention of money laundering and terrorism and proliferation financing** in areas of SRS influence

Results to be achieved and performance indicators:

	Results to be achieved	Performance indicator	Baseline value	Target value (2026)	Type of indicator
R2.1.	Efficient incentive (control) measures	Decrease share of taxpayers included in "Monitored" and "Low sustainability" segments in the total number of segmented taxpayers, %	47.2 (2022)	Decrease by 2%	TPI (sector policy implementation progress)
R2.2.	Increase recovered debts	Share of recovered debts from the realistically retrievable debts (per month), %	NA	20.2	KPI
		Share of new debts collected from amount of new debts, %	93.5 (2022)	93.8	
R2.3.	Customs control efficiency	Efficiency of physical customs control measures: share of violations revealed because of risk analysis from total number of physical customs control measures, %	24 (2021)	25	TPI
		Share of discrepancies voluntarily eliminated and customs payments made because of post-clearance inspections, %	70	75	
		Assessment of illegal circulation of tobacco products, % *Key:* Data from research conducted by *NielsenIQ*	16.2 (2021)	<14.05	
R2.4.	Fair application of legal norms	Share of court judgements favourable and partially favourable for SRS, %	92.5 (2021)	90[8]	
R2.5.	Decrease tax revenue losses	Value added tax (VAT) gap in the previous year, %	7,1 (2020)	3.4	TPI (sector policy implementation progress)

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[8] Taking into account the appearance of new categories of cases in SRS proceedings - sanction cases and cases related to state aid in overcoming the consequences of Covid-19 – in which SRS provides a ruling, contestation and legal proceedings for requesting, rejecting and recovering the state aid, but the litigation results of which are affected by several external factors, the set target value is considered to be an ambitious, yet reasonably achievable result.

	Results to be achieved	Performance indicator	Baseline value	Target value (2026)	Type of indicator
		Personal income tax (PIT) gap from un-declared wages in the previous year, %	16.9 (2020)	15.6	
		Mandatory state social insurance contribution (MSSIC) gap from un-declared wages in the previous year, %	16.8 (2020)	15.5	
		GDP share of overall budget revenues administered by SRS[9], %	not yet transferred for particular payment types.32.19 (2022)	Rising	
R2.6.	Crime investigation efficiency	Average duration of investigation for single criminal proceedings completed in the current year, days	NA	182	TPI (efficiency of internal processes)
		Share of proceedings returned by the prosecutor's office for additional investigation, % of all proceedings transferred for criminal prosecution	5	4.5	
R2.7.	Reduction of money-laundering and financing of terrorism risks	Share of subjects of the Law "On the Prevention of Money Laundering and Terrorism and Proliferation Financing" (AML/CFTP) whose activity complies with requirements of the AML/CFTP Law and the Law "On International Sanctions and National Sanctions of the Republic of Latvia", %	88.3 (2021)	90	TPI (sector policy implementation progress)

Priority 3 PEOPLE. Professional growth, enhancement of employee integrity, motivation

The ability of SRS to provide quality service depends on competent, professional, efficient, and honest staff. Individual professional growth and development for each and

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[9]Including the budgetary revenue paid to the single tax account,

every employee will be one of the cornerstones of the next strategy period. We will promote professional growth of employees by introducing a competence-based approach in personnel management and develop horizontal growth opportunities and a personal development plan based on the employee's needs and training opportunities. Every employee will be given the opportunity to reach their full professional potential. One of our continued focus areas will be data protection know-how.

In addition to employees' personal development, we will continue to strengthen SRS organisational culture by paying special attention to strategic values. Special thanks go to the Value Messenger Movement: they not only support achievement of the vision and strategic goals, but also form the basis for honest and ethical approaches, actions, decisions, and development of every employee. At the same time, each employee's individual performance will contribute to overall team spirit with foundations in cooperation at all levels. By implementing various cooperation projects between structural units, optimizing the balance of remote and on-site working hours, as well as implementing other initiatives for team building, we will promote a more efficient and quicker exchange of experience and good practice.

In the next strategy period, it will be very important to motivate existing employees, as well as hire new ones. By implementing measures to ensure competitive remuneration and consolidate the image of SRS as a good employer, the turnover rate of existing employees may be reduced and the probability of new talents joining the team will increase. We will implement measures promoting employee well-being, a balanced workload, and a comfortable, positive, and inclusive work environment.

In the fight against corruption, we will continue to maintain the "zero tolerance" principle in the duties of SRS officials, as well as implement effective anti-corruption policies and procedures.

Objective	Tasks
M3.1. Promote professional growth and development of employees	U3.1.1. Introduce **a competence-based approach in personnel management** (including recruitment) U3.1.2. Introduce human resource, incl. **employees and managers**, personal development plans considering the required knowledge and skills and promoting the horizontal (lateral) growth of employees U3.1.3. Develop **a talent and career management system by combining various HR management processes (hiring and recruiting candidates, assessment, performance management, development, succession and career planning, etc.)**
M3.2. Build employee motivation and improve employee hiring system	U3.2.1. Implement measures aimed at **ensuring a competitive and balanced remuneration policy for SRS employees** U3.2.2. Bring to life **well-being program**/solutions as an employee incentive tool U3.2.3. Consolidate the image of **a good employer**
M3.3. Strengthen integrity and ethics of employees	U3.3.1. Achieve **changes in behaviour of employees** in performance of their duties to reduce corruption risks U3.3.2. Further activities for the **implementation of SRS values**

Objective	Tasks
M3.4. Strengthen the culture of collaboration	U3.4.1. Strengthen **collaboration** between structural units to achieve the institution's goals, promote proactive behaviour by the heads of structural units U3.4.2. Optimize the **balance of on-site and remote working hours** to strengthen the **team**

Results to be achieved and performance indicators:

	Results to be achieved	Performance indicator	Baseline value	Target value (2026)	Indicator type
R3.1.	Attractiveness of SRS as an employer	Staff turnover indicator, %	17.7 (2021)	15	KPI
		Employee involvement index, % *Key:* State Audit Office study data "Engagement Level of Public Sector Employees and SRS Employees".	NA	84.16	TPI (skill development and involvement of human resources)
R3.2.	Evaluation of SRS as an honest institution	Public assessment of SRS integrity, % *Key:* KNAB public survey date "Attitudes Towards Corruption in Latvia".	48 (2022[10])	54	
R3.3.	Anti-corruption training for SRS employees	SRS employees who have completed anti-corruption training, %	NA	95	
		In-depth anti-corruption training, number	NA	4	

Priority 4 ORGANISATION. Development and efficiency of the institution

To achieve strategic priority goals, we will continuously develop and improve our core operations and support processes. Optimising institutional management and focusing primarily on increasing the efficiency of the most resource-intensive processes will shorten process execution times, thus reducing the burden on taxpayers. As we move towards streamlining personnel record-keeping and human resources management processes, we will take into account and take part in the State Treasury and the State Chancellery initiative to develop unified public administration service centres in Latvia.

To facilitate our employee's work in client service and provide customised advice, we will commence work on creation of the "Smart Workplace".

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[10] Base (n): Companies who answered the relevant question.

We will continue digitalisation and automatisation of both administrative and operational processes, thus increasing IS capacity and improving business continuity management.

Considering the impact of strategic measures on core operating processes, we will establish a change management group that will identify areas of change and implement change management activities during strategy implementation.

Objective	Tasks	
M4.1. Optimise and simplify internal processes	U4.1.1.	Prepare for **implementation of the "Smart Workplace" approach**
	U4.1.2.	**Identify the most resource-intensive processes** and assess their optimisation possibilities
M4.2. Digital advancement and process automation for service provision	U4.2.1.	Continue **automation of SRS core operating processes**
	U4.2.2.	Implement **automated solutions for support processes**
	U4.2.3.	Improve **of information and communication technologies (ICT) infrastructure** and ensure continuity of core operating processes
M4.3. Strategic change management	U4.3.1.	Develop higher quality **change management** and strengthen internal communication

Results to be achieved and performance indicators:

	Results to be achieved	Performance indicator	Baseline value	Target value (2026)	Type of indicator
R4.1.	Cost-effectiveness	Number of registered legal entities and economic operators per full-time employee	200 (2022)	220	TPI (efficiency of internal processes)
		Number customs documents created per full-time employee	6,051 (2021)	+75 %	
		Costs of one collected euro, EUR	0.0102 (2022)	Lower to a specific level	
R4.2.	Increase the efficiency of processes	Number of optimised resource-consuming processes[11]	NA	25	TPI (efficiency of internal processes)
R4.3.	Increase use of innovative technologies	Share of ICT costs, %	7.6 (2020, OECD)	Average OECD country indicator : 10	TPI (innovation)

Priority 5 SUSTAINABILITY. Contribution to the future of the society, adapting to global changes

We are aware that respect for sustainability is essential, especially in today's changing environment. We will contribute to the promotion of sustainable growth, creating not only

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[11] In determination of the target value, we have taken into account that the optimisation of **the most resource-intensive** processes may require amendments to regulatory enactments, process automation, as well as other changes requiring time, human and financial resources.

economic value for our clients, employees, and society in general, but also by promoting social inclusion and environmental protection.

To become an institution of excellence in the field of environment, we will continue our work on resource optimisation by reducing usable premises and the consumption of energy, fuel, and paper. Only by changing our mindset and consumption habits will we be able to reduce the negative impact on the environment and climate. In addition to integrating sustainable values into our daily lives, we will also ensure transparency by making public statements about our work.

We will pay a special attention to raising the level of financial literacy by promoting the awareness of new and future taxpayers of the importance of paying taxes and interest in researching tax issues and customs matters. In cooperation with primary, secondary, and tertiary education institutions, we will teach the younger generation about taxes and customs by becoming more involved in educational activities and supporting students in their research. We will continue our previous work to ensure accessibility of accumulated data and share them in an interactive and transparent way.

In caring for the social inclusion of vulnerable groups, we would like to note that our services and information are available to every resident. We will ensure that our website and EDS and their contents are in line with the principles of accessibility. As provision of face-to-face services is becoming less and less relevant, we will continue to provide support to clients with limited electronic access opportunities.

Objective	Tasks
M5.1. Optimise resource management and mitigate adverse environmental and climate impact	U5.1.1. Optimise usable **premises and energy consumption** U5.1.2. Implement **environmentally friendly transport and mobility** policies U5.1.3. Promote a sustainable approach to process and service management by developing an **electronic (paperless) environment** U5.1.4. Comply with **"green" procurement principles** our operation U5.1.5. **Notify the public** about what we have done to reduce our ecological footprint
M5.2. Promote public awareness and research activities	U5.2.1. Implement measures for **education of the young and prospective taxpayers** by becoming more engaged in primary, secondary, and higher education U5.2.2. Promote and provide **open data** in SRS public databases and the Latvian Open Data Portal for study of tax and customs matters, incl., preparation of research papers and theses
M5.3. Raise the awareness of the socially vulnerable residents that SRS services and information are accessible to everyone	U5.3.1. Constant evaluation and improvement of the content in all sections of the **SRS website and EDS** U5.3.2. Improve the accessibility of services for clients with limited opportunities to access electronic services

Results to be achieved and performance indicators:

	Results to be achieved	Performance indicator	Baseline value	Target value (2026)	Indicator type
R5.1.	More efficient use of office premises	Average area of office premises per employee, m^2	14.5 (2021)	8	
R5.2.	More environmentally friendly car fleet	Number of vehicles compliant with EURO 6 emission standard in the vehicle fleet, %	57 (2022)	70	TPI (climate neutrality)
R5.3.	Document availability and their storage electronically	Share of documents stored at the institution only in electronic form, %	50 (2022)	70	TPI (digital transformation)
R5.4.	Improved information and data availability to the public	SRS e-index "Open data availability", % *Key:* Study "E-Index of Public Administration and Local Governments" date commissioned by MoEPRD	30.9 (2021)	71	TPI (digital transformation)

Evaluation of Available Resources, Operational Capabilities, and Risks

The main preconditions for achieving the goals laid down in the Strategy are human resources, funding, and technological and material-technical support. In each sector, we have identified the resources available to us, our operational capabilities, and risks that may affect the achievement of strategic goals.

Human Resources

Our staff are our key asset by ensuring the efficient performance of operational, administrative, and support functions. In January 2022, SRS had 3,863 positions while the number of employed persons was 3,476.

3,476 employees	
Distribution of SRS employees by age Under 30 31-40 41-50 51-60 Over 61	75% women 25% men
	89% civil servants 11% employees
96% of employees completed higher education	79% employed with the SRS over 6 years
211 courses for professional growth available in the SRS e-learning environment	

The structure and work organisation of SRS is regulated by the [regulations of the State Revenue Service](). The head of SRS is the Director General; three deputies (taxation, customs, IT, financial and security matters) and independent structural units administrations and divisions report directly to her.

During Strategy implementation, our most significant challenges will be human resources - staff turnover and the lack of qualified personnel (especially IT specialists, lawyers, and data analysts). This is largely explained by the public sectors' lacklustre image as an employer, uncompetitive pay, and the lack of specialists in the labour market in general. The need to improve the digital literacy of our staff will also increase.

Financial Resources

Our operations are funded by: 1) grants from general revenues in the state budget, 2) revenues from services we provide, and 3) foreign financial aid.

Our budget grew by 5% during the previous strategy period **up to 127.3M EUR.** The largest share of the budget (65%) is earmarked for wages and employer mandatory state social insurance contributions (MSSIC). Since 2020, our investments in fixed assets have been halved to 1.5M EUR. Instead, we have focused on the development of ICT services: the volume of intangible investments has increased by less than 40%, reaching 8.1M EUR in 2022. ICT spending is also expected to increase by at least 2.6% between 2023 and 2026 compared to the 2022 budget.
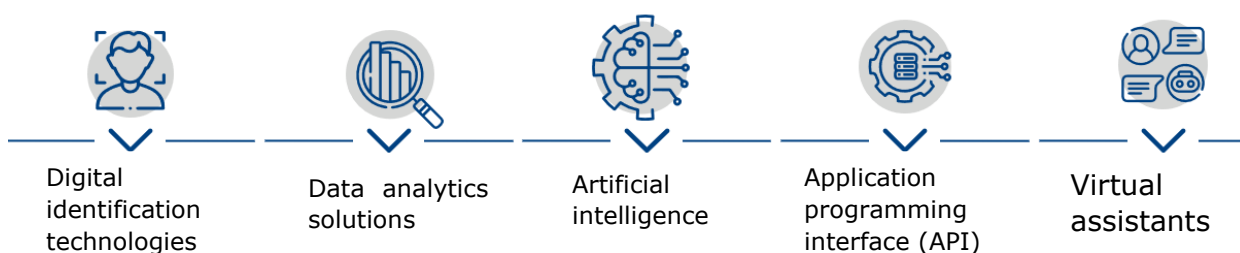
SRS Budget Breakdown in 2022

During the Strategy implementation period, the most important financial challenges will be the provision of funding for the remuneration fund, efficient implementation of

projects, and attracting potential additional funding. As a result of changes in regulations, SRS has been delegated with the implementation of new tasks or functions, especially for which digital tools or tax calculation and administration procedures often must be adapted over a very short period of time.

Technological Resources: ICT and Digital Solutions

Smart use of ICT and digital solutions is recurrent in our list of priorities and goals. Our ICT architecture meets the requirements of both users and regulations. The SRS Informatics Department maintains **146 full-fledged IS** that supports all essential operational functions. In recent years, no critical IT security incidents have been recorded, external security and performance audits are regularly conducted, and measures recommended in audits for improved security have been implemented.

We launched several strategic IT infrastructure improvement and management initiatives and are introducing and pilot-testing the latest technologies:

| Digital identification technologies | Data analytics solutions | Artificial intelligence | Application programming interface (API) | Virtual assistants |

The added value of digitalisation is confirmed by the fact that in recent years the share of ICT costs per euro collected has increased, but the total cost per euro collected has decreased. On a positive note, Latvia is one of the 10 EU member states in which investments made by the tax administration for implementation and maintenance of IS have helped to achieve significant improvements in compliance with VAT obligations and revenue provision.[12]

About 70% of total annual IS costs are core operating systems, supporting core operating processes, and the digital tools we maintain help us improve collaboration and communication with clients. EDS is a full-fledged self-service website that ensures security and accuracy of client data and saves time.

During the Strategy implementation period, the most significant ICT related challenges will be:

- outdated technologies (average age of IS is 19.2 years), while at the same time having very tight-knit IS interdependencies, which must be considered when replacing technologies,
- security risks associated with insufficient system integration, operation of the entire infrastructure from a single data centre, and the threat of external cyber-attacks,
- inflation affecting the IS development price and the lack of base funding for system maintenance, project advancement, implementation of system functionality changes required over a short term because of changes in regulations, hiring IT specialists and service providers, and training in-house employees,
- increase in volume of unstructured data, thus increasing database capacity load,

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[12]Ninth report from the European Commission under Article 12 of Regulation (EEC, Euratom) n° 1553/89 on VAT registration, collection, and control procedures. Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52022DC0137&from=EN

- need to expand data analytics and operating process support using the latest technologies.

Infrastructure and Material and Technical Support

We work across the entire territory of Latvia: **client service centres are in 11 cities,** and basic services are provided in **12 national and municipal unified client service centres.** Moreover, we provide 24-hour operation at **18 customs control points** (in the majority also on holidays). Although customs control points and the customs laboratory are equipped with modern equipment that meets global standards, the continuous improvement and modernisation of customs technical equipment and the further development of sniffer dogs is essential to effectively combat illegal entrepreneurship, incl. smuggling and sanctions violations.

We have drafted the Working Environment and Premises Development Concept for 2020-2025, and implementation of this concept will help us utilise the premises more efficiently. We currently use an area of 74.5K sq.m in which the majority (68%) is office space. Even now, the area of office space per employee (14.5 sq.m) is less than regulations recommend[13] and less than the average in public administration offices in Riga. We expect the average space per employee to be reduced to 8 sq.m in the future.

We own the third largest car fleet among public administration institutions (239 vehicles in 2021), 44% are equipped with the most environmentally friendly EURO 6 standard engines. However, 40% of vehicles are over 10 years old, and 23% of vehicles do not exceed 8,500 km per year, thus opening up for more efficient use of our fleet.

During the Strategy implementation period, the most significant challenges in material and technical inventory will be to attract additional investments for completion of ongoing projects and implementation of new initiatives to improve infrastructure and technical equipment and implement an entirely activity-based office concept. Overcoming the energy crisis will require energy saving measures and the promotion of smart management of energy resources to achieve the goals set by the EU Green Deal in terms of increased energy efficiency.

Risk Assessment

The implementation of the SRS Strategy may be subject to various risks, such as process management and information technology risks, personnel risks, financial management risks, etc. The risk of IS unavailability or inefficient operation and the risk of untimely application or delivery of IS changes can have a major negative impact.

To reduce the possibility of these risks, SRS will develop and implement a Business Continuity Assurance Plan and ensure a constant dialogue with policy makers on the complex improvement of the tax and customs system, as well as engage in the process of drafting legislation to be able to predict and influence changes in a timely manner. The probability of the risk of inadequate management of ICT and non-compliance with ICT security measures will be reduced by the high security requirements introduced to make SRS systems invulnerable.

Projects play an important role in the implementation of SRS's new strategic initiatives, so the risk of inadequate project implementation or management can also have a very

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[13] Recommendations of the Cabinet of Ministers No. 2 (July 12, 2016) "Uniform Requirements for Office Buildings and Groups of Office Premises of Public Administration". Available at: https://likumi.lv/ta/id/283484-vienotas-prasibas-valsts-parvaldes-iestazu-biroju-ekam-un-biroja-telpu-grupam

high impact. SRS needs to provide both the human resources required for project implementation and the accuracy of project cost estimates and the selection of the most appropriate procurement methods in a timely manner at the early stages of project planning.

SRS has very limited options to mitigate the risk of insufficient funding for operation without lowering the level of service provision.

The risk of the lack of qualified personnel has a major impact on the operation of the SRS. To reduce this possibility, SRS must develop a change management plan, including special qualification improvement training and measures to ensure strategically required competencies.

The risk of insufficiently motivated personnel because of uncompetitive pay has a high impact as well. To mitigate this risk, SRS can rely only on non-financial incentives, but without an increase in funding for salaries, prevention of this risk may not succeed. The risk of increased staff turnover is also associated with this risk. To reduce this probability, SRS management should inform and explain the need to introduce strategic priorities to both existing and new employees.

The occurrence of risk of insufficient assessment and analysis of the possibilities of reducing the administrative burden and streamlining the essential processes of SRS is assessed as medium and having a medium impact. A strong commitment by senior management to implement new strategic initiatives, combined with professional leadership coordinating cooperation and ensuring priority in the implementation of strategic initiatives, is the most effective way to mitigate the impact of this risk.

The successful operation and strategic development of SRS is significantly limited by the SRS reputation risks, and the SRS will make every effort to mitigate this risk by eradicating any violations within the organisation and conduct in-depth research of the attitude and mood among the population.

SRS reckons that the implementation of the Strategy can be threatened by unexpected external challenges, including the increased intensity of cyber-attacks in Latvia, requiring organisational flexibility and the team's ability to find the most suitable solutions to these issues.