

In-Depth Cooperation Programme

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As from 1 July 2012, 'In-Depth Cooperation Programme' (hereinafter – the Programme) has been launched in compliance with Cabinet Regulations No 459 of 26 June 2012 'Regulations on the Operation of the In-Depth Cooperation Programme'. The purpose of the Programme is to facilitate closer and more efficient cooperation between a taxpayer and tax administration, reducing the administrative burden.

A tax payer willing to participate in the Programme shall submit an electronic application for participation in the Programme, using the State Revenue Service electronic declaration system.

Granting a Status

For admission into the Programme and for the obtainment of the Programme participant status (hereinafter – participant), a tax payer shall comply with the following basic criteria:

a taxpayer does not have tax debts (arrears) administered by the State Revenue Service (SRS) the total amount of which exceeds 150 euro;

a tax payer has not been punished during the last three years for the violation of tax labour law or labour legislation (amount payable into the state budget exceeds 6 % of tax payer's turnover for a corresponding year);

its member of the board or council has not been administratively punished due to tax payer's activity, except if a punishment is a warning or does not exceed 360 euro for an individual violation and the total amount of penalties in a year does not exceed 1100 euro;

transactions exceeding 1500 euro have not been conducted with a tax payer whose economic activity was suspended by the SRS, except if the SRS has allowed to complete a transaction;

average monthly labour earnings of employees in the first three quarters during the period of the last four quarters before submitting an application exceed 100 per cent of the average monthly labour earnings of employees in a corresponding economic sector according to two-digit level of NACE 2. Rev. classification in the state during the aforementioned period and are not less than the average labour earnings of employees in the state according to the data of the Central Statistical Bureau (this criterion can be ignored if its non-fulfilment occurs due to objective circumstances, for example regional differences as regards remuneration or due to part-time employment of personnel). In this case, a tax payer provides evidence about the existence of objective circumstances;

a tax payer has introduced the internal system of tax risk management and control (this criterion is not taken into account until 1 January, 2015).

At the same time, a tax payer shall comply with the following criteria:

economic activity is being carried out longer than for three full reporting years;

proportion of liabilities in a balance does not exceed the average indicator in the industry;

the total liquidity indicator is at least equal to 1;

indicator of net profit ratio is at least equal to the average indicator in the sector.

The aforementioned indicators can be ignored if economic activity has been carried out at least for a year, an annual report for the previous reporting period was submitted timely as well as if the non-fulfilment of the aforementioned requirements occurs

due to objective reasons (for example during the last three years there have been investments into fixed assets or non-material investments made which are used for the provision of basic activity) and is not indicative of the financial instability of a tax payer:

average net turnover of the last three years is at least equal to 4 200 000 euro;

the total average amount of taxes annually paid in the last three reporting years exceeds 710 000 euro (this criterion can be ignored if its non-fulfilment occurs due to objective circumstances, for example specifics of the sector, export orientation);

average number of employees in the last 6 months is at least 25.

If a tax payer complies with all criteria, the Ministry of Finance makes a decision about the inclusion of a tax payer into the Programme what is announced via e-mail indicated in a tax payer's application.

Deprivation of a Status

The participant is excluded from the Programme without a notification if after inclusion into the Programme:

it is declared bankrupted by the judgement of the court or there are proceedings of legal defence or out-of-court proceedings of legal defence initiated;

a tax payer has conducted a transaction or transactions the total amount of which exceeds 1500euro with other tax payer whose economic activity was suspended by the State Revenue Service according to the law 'On Taxes and Fees' and a corresponding record was made about that in a register maintained by the Enterprise Register or there is information published on the home page of the State Revenue Service, except the case when the State Revenue Service has allowed to complete a transaction and also to meet payment liabilities;

due to tax payer's activity, a tax payer or its member of the board or council is found guilty of a criminal offence of fraud, contraband, non-permitted actions related to goods or other values subject to customs clearance, of business activity without registration and without a permit (licence), of tax evasion and evasion of payments equalised to them;

a tax payer is punished for violation of tax legislation due to which the amount payable into the state budget (penalties, tax surcharge, etc.) exceeds six per cent of the tax payer's turnover for the previous reporting year;

during a year before the submission of application, a tax payer or its member of the board or council is punished for violation related to tax payer's tax liabilities or for violation of labour relations or of legislation regulating labour protection, except if for an individual violation there has been a warning or pecuniary penalty applied not exceeding 360 euro and during a year the total amount of penalties does not exceed 1100 euro.

A warning is given to the Programme participant if it does not comply with the following criteria:

has tax debts (arrears) administered by the State Revenue Service the total amount of which exceeds 150euro;

average monthly labour earnings of employees in the first three quarters during the period of the last four quarters before submitting the application exceed 100 per cent of the average monthly labour earnings of employees in a corresponding economic sector according to two-digit level of NACE 2. Rev. classification in the state during the aforementioned period and are not less than the average labour earnings of employees in the state according to the data of the Central Statistical Bureau;

proportion of liabilities in a balance exceeds the average indicator in the sector;

the total liquidity indicator is lower than 1;

indicator of net profit ratio is lower than the average indicator in the sector.

If the Programme participant has not prevented non-compliances with the Programme within 30 days from the expression of warning, the Ministry of Finance makes a decision to deprive of the Programme participant status.

Advantages

A tax payer included in the Programme (Programme participant) has the following advantages:

refund of value added tax in a short term;

individual consultant of the State Revenue Service;

once-a-month sending of information about non-compliance of data indicated in tax or informative declarations with the information at the disposal of the State Revenue Service;

answering applications (except for references) in a short term.

Advantages are also provided by Cabinet Regulations No 1135 of 21 December 2010 'Procedures for Application of the Customs Procedure – Transit', Cabinet Regulations No 691 of 6 September 2011 'Regulations on the Guarantee for the Tax Debt for the Customs Clearance of Goods' and Cabinet Regulations No 302 of 20 March 2010 'Regulations Regarding Securities of the Excise Duty', namely,

preferential access to transit procedure – to relieve from the requirement to perform at least 48 international carriages before submitting an application for the rights to use TIR procedure on condition that a tax payer at least for 3 years has a licence for performing international commercial carriages.

relief from the submission of security for:

- tax debt that may occur;
- VAT debt, if applying a customs procedure 'transit', a comprehensive security is being used;
- excise debt, except if a customs procedure 'transit' is applied;

applying a customs procedure 'transit', a relief from a comprehensive security is valid for a longer term;

possibility to apply 100 % reduction of an excise comprehensive security to the holder of excise warehouse.

<https://www.fm.gov.lv/en/depth-cooperation-programme>