

Tax authority set to make penalties automatic

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This article explores how the State Revenue Service (SRS) proposes¹ to charge penalties for late tax filings.

Statistics

According to SRS statistics for 2021, late tax filings represented:

- 7.6% of all VAT returns
- 27.2% of all annual corporate income tax returns
- 10.4% of all employer statements

However, only 1.74% of all offenders were held administratively liable for late filings (3,128 decisions made) in 2021. So the SRS finds the existing penal policy favours offenders because taxpayers do not feel incentivised to comply with their obligations and deadlines, which may put correct calculation and timely payment of taxes at risk.

The proposed automatic penalty process

The SRS will implement this process in several steps. For example, on the 12th day of a month the taxpayer will receive an automatic reminder that a filing is due on the 17th day of that month.² If the deadline is missed, the SRS will open a separate case for each late filing, generate a penalty decision automatically and notify the taxpayer through the Electronic Declaration System on the date the late filing arrives. If the filing is still outstanding by the 17th day of the next month, the SRS will book a filing offence and charge a penalty.

The amount of the penalty will depend on how late the filing is:

- 5-14 penalty units (EUR 50-70) if it is 3-10 days late
- 15-30 penalty units (EUR 75-150) for 11-20 days late
- 31-56 penalty units (EUR 155-280) for 21-30 days late
- 57-140 penalty units (EUR 285-700) for more than 30 days late

A delay of up to two days will escape a penalty.

An automatic penalty for late employer statements is expected to begin in May 2022. From August 2022 this procedure would also cover corporate income tax returns, VAT returns, statements of VAT payment, statements of amounts paid to individuals, and excise returns.

¹ https://www.vid.gov.lv/sites/default/files/autom_atg_sod_2021dec_bsr.pdf

² The Taxes and Duties Act, section 18(1)(33) effective from 1 January 2022 states that when the SRS information system makes it possible to identify a filing that is due soon, the SRS is required to notify the taxpayer of that filing no later than five days before the deadline and let him know that an administrative penalty may be charged for late filing.