

# Modifications to Advanced Cooperation Programme (3/48/18)

The Advanced Cooperation Programme (ACP) rules are to be modified from 1 January 2019 to provide for automatic evaluation and admission of taxpayers to Bronze, Silver or Gold. The aim is to simplify the application procedure and include small and medium entities that meet ACP criteria.

## Membership criteria

The information systems of the State Revenue Service (SRS) will automatically gather and aggregate information to select taxpayers meeting ACP criteria. The selection of potential members will take place annually from 1 September to 30 November. According to their trading volume, the selected taxpayers will be grouped into three levels: Bronze, Silver and Gold. ACP membership will begin from 1 January in the following year.

The draft rules lay down 17 general criteria against which the SRS will select taxpayers for ACP membership, such as trading for more than three years, a tax debt threshold, no offences in using cash registers, no breaches of tax and labour legislation. Also, an ACP member must not have operated at a loss in the previous financial year.

There are more criteria (such as headcount, sales, taxes paid, industry pay level) that will be used to determine a company's eligibility for Bronze, Silver or Gold.

To qualify for Gold, the taxpayer will have to set up a tax risk management (TRM) system. The new rules lay down mandatory and optional requirements for preparing TRM documentation, without requiring it to meet any internationally recognised practices and standards.

For example, the taxpayer will have to detail their TRM processes to an extent that allows a competent tax officer to trace it to the level where operations cause a tax risk. The TRM documentation should give at least the following details: the step of the process that creates a risk, a description of the risk, the name of the person in charge of completing the step, defined tax risk controls, prescribed actions, and the name of the person in charge of controls. The taxpayer may draw up other risk management documents, such as policy, strategy and process maps if necessary for eliminating their tax risks.

If a taxpayer qualifies for Gold through automatic selection, the SRS will notify them, and the taxpayer will have one month to submit a copy of their TRM documentation. If the taxpayer fails to submit it, they will be relegated to Silver.

The SRS will conduct TRM supervision for at least 5% of Gold members. The rules lay down criteria for deregistration and a taxpayer's right to deregister voluntarily.

The rules provide for a period of transition during which taxpayers that are ACP members by the effective date of the rules will become Gold automatically. Any taxpayers who fit Gold by 1 January 2019 but have not set up a TRM system will receive a notice from the SRS of the need to set it up and of the opportunity to qualify for Gold through submitting electronically a copy of the TRM documentation by 1 March 2019.

## Benefits

Silver and Gold members are eligible for benefits and privileges from the SRS, the Central Finance and Contracting Agency, the Ministry of Economics (the Latvian Investment and Development Agency), the Ministry for Education and Science, with details posted on their websites. Advantages available from the SRS might be shorter response times, e.g. seven days for Silver and five days for Gold via the Electronic Declaration System, VAT refunds within ten days to Silver and within seven days to Gold, individual SRS advice, and Gold members could ask the SRS to hold a seminar at the taxpayer's office. Also, Gold members' employees will have the time limit for reviewing their annual income tax returns shortened to one month, with more financial and non-financial advantages in the pipeline.