

THE BUDGET CODE OF UKRAINE**N 2456-VI, dated 08.07.2010**

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THE BUDGET CODE OF UKRAINE

N 2456-VI, dated 08.07.2010

The Budget Code of Ukraine defines legal foundations for operation of the Ukrainian budget system including its principles, fundamentals of budget process and inter-budgetary relations, and responsibility for violation of budget legislation.

Section I. UKRAINIAN BUDGET SYSTEM AND FUNDAMENTALS OF BUDGET PROCESS

Chapter 1. GENERAL PROVISIONS

Article 1. Relations Regulated by the Budget Code of Ukraine

1. The Budget Code of Ukraine regulates relations established in the process of drafting, deliberating, approving, and executing budgets, as well as reporting on budget execution and exercising control over the compliance with the budget legislation, including responsibility for violation of budget legislation.

Article 2. Definition of Basic Terms

1. In this Code, the following terms shall have the following meanings:

- 1) budget is a plan to form and use financial resources in order to fulfill the tasks and functions performed, correspondingly, by the government bodies, government bodies of the Autonomous Republic of Crimea, and local self-governments during the budget period;
- 2) local self-government budgets are budgets of territorial communities of villages and their associations, rural settlements, and cities (including districts in cities);
- 3) budget classification is a single systematized aggregation of revenues, expenditures, loans, budget financing and debt according to the Ukrainian legislation and international standards;
- 4) budget program is a range of measures aimed at achieving a common objective, tasks, and the expected result, identified and implemented by a spending unit according to its respective functions;
- 5) budget system of Ukraine is a system of state budget and local budgets based on economic relations, state system and administrative and territorial system and governed by the rule of law;
- 6) budget appropriation gives permission to a spending unit to make a budgetary commitment and to make payments, which is granted under a budget allocation. Budget appropriation is limited in quantity, time, and purpose;
- 7) budgetary commitment means any placement of order, entering into an agreement, purchase of goods or services, or performing any other similar activities performed during a budget period according to which the payments shall be made within the same budget period or in the future;

- 8) budget allocation is a permission of a key spending unit granted under this Code and the Law on the State Budget of Ukraine (decision on the local budget), which is limited in quantity, time, and purpose and allows for making budget appropriations;
- 9) budget request is a document developed by a key spending unit containing duly substantiated proposals on amounts of budget funds required to conduct its activities in the future budget periods;
- 10) budget process is a process of drafting, deliberation, approval and execution of budgets, reporting on budget execution, and exercising control over compliance with budget legislation regulated by the budget legislation;
- 11) budget funds (funds of the budget) means statutory budget revenues and expenses;
- 12) government-funded institutions means government bodies, local self-governments and duly established organizations of local governments fully financed from the corresponding state or local budget. Government-funded institutions are non-profitable;
- 13) budget expenditures means funds allocated for carrying out programs and taking measures stipulated by the corresponding budget. Budget expenditures do not include: debt settlement; issuing loans from the budget; depositing budget funds; purchase of securities; recovery of taxes and duties (mandatory payments) overpaid to the budget and other budget revenues, conducting their recovery out of budget;
- 14) budget expenses means budget expenditures, issuing loans from the budget, debt settlement and depositing budget funds, purchase of securities;
- 15) revenues of government-funded institutions means funds duly received by government-funded institutions as a payment for services, work, grants, gifts, and donations, including funds from proper selling of goods or property, and from other activities;
- 16) debt guaranteed by the Autonomous Republic of Crimea, or by the territorial community of a city means the total amount of debt obligations of Ukrainian resident business entities on loans (borrowings) received and not repaid at the reporting date supported by local guarantees;
- 17) state-guaranteed debt means the total amount of debt obligations of Ukrainian resident business entities on loans (borrowings) received and not repaid at the reporting date supported by state guarantees;
- 18) key spending units are government-funded institutions represented by their directors, who become authorized by establishing budget allocations in line with the Article 22 hereof;
- 19) public borrowing means transactions related to redeemable, payable, and maturity-based loans (borrowings) received by the state in order to finance the state budget;
- 20) public debt is a total amount of debt obligations of the state on redeeming loans (borrowings) received and not repaid as of a reporting date resulting from public borrowing;
- 21) budget deficit means budget expenditures exceeding budget revenues (including the difference between loans issued from the budget and loans repaid to the budget);
- 22) equalization grant is an interbudget transfer to equalize the revenue-generating capacity of the budget receiving such a transfer;

- 23) budget revenues are irrevocable tax, non-tax, and other receipts collected according to the Ukrainian legislation (including transfers, payments for administrative services, and revenues of government-funded institutions);
- 24) the Law on the State Budget of Ukraine is a law adopting the State Budget of Ukraine and containing regulations on executing the budget during the budget period;
- 25) balance of budget funds is the amount of funds of a corresponding budget, spending units and budget funds recipients at the end of a reporting period;
- 26) investment program (project) is a range of measures identified on the basis of the national system of values and objectives of innovative economic development, and aimed at development of certain industries and sectors, production potential, and regional development, performed with the use of state and/or local budget funds, or by issuing government and/or local guarantees;
- 27) equalization factor is an indicator used to calculate amounts of funds transferred from local budgets to state budget in order to stimulate an increase in revenues of local budgets in the process of budget planning;
- 28) state budget revenue basket to conduct interbudget transfers means revenues of the general fund of the state budget against which equalization grant is transferred to local budgets;
- 29) local budget revenue basket means general fund revenues as assigned hereby to local budgets on a permanent basis accounted for when defining the volumes of interbudget transfers;
- 30) breakdown of costs (cost estimate) is the major regular financial document of a government-funded institution prescribing authorities to receive revenues and distribute budget appropriations to take on budgetary commitments and make payments for a government-funded institution to perform its functions and achieve results in line with budget allocations;
- 31) budget lending means transactions related to provision of redeemable, payable, and maturity-based funds from budget resulting in liabilities arising to the budget (issuing loans from budget), and transactions related to repayment of such amounts to the budget (repaying loans to the budget). For the purposes of this Code, budget lending also includes budget loans and repayable financial assistance from the state budget;
- 32) inter-budget transfers are funds transferred from one budget to another on a free and irrevocable basis;
- 33) local borrowing means transactions related to receipt of redeemable, payable, and maturity-based loans (borrowings) by the budget of the Autonomous Republic of Crimea or by a city budget for the purpose of financing the budget of the Autonomous Republic of Crimea or the city budget;
- 34) local budgets are the budget of the Autonomous Republic of Crimea, oblast and rayon budgets, and local self-government budgets;
- 35) local debt means the total amount of debt obligations of the Autonomous Republic of Crimea or a territorial community of a city to repay loans (borrowings) received but not repaid as of the reporting date resulting from local borrowing;
- 36) local financial institution means an institution engaged, under the Ukrainian legislation, in developing and executing local budgets, exercising control over the spending units'

expenditures, and performing other functions related to managing local budget funds. For the purposes of this Code, the Ministry of Finance of the Autonomous Republic of Crimea is identified as a local financial authority. A Chairman of village council is responsible for performing the functions of a local financial authority unless such an authority was established according to the law;

37) budget proceeds are budget revenues, loans repaid to the budget, funds from government (local) borrowings, proceeds from privatization of state property (as regards the state budget), budget funds withdrawn from deposits, and proceeds from selling/presenting securities;

38) budget funds recipient is a business entity, NGO or other organization that does not have a status of a government-funded institution, is authorized by a spending unit to take measures under the budget program, and receives the budget funds to take those measures;

39) agencies controlling revenue collection means government bodies, including local self-governments, authorized to exercise control over the appropriate and timely payment of taxes and duties (mandatory payments) and other budget proceeds;

40) budget program passport means a document that defines the objective, tasks, and areas of use of budget funds, persons in charge, effective indicators, and other characteristics of budget program under the budget allocation established by the Law on the State Budget of Ukraine (decision on a local budget);

41) payment means settlement of budget, debt, or tax liabilities that arose in the current or previous budget periods;

42) program-based budgeting in the budget process is a method of managing budget funds to achieve specific results against budget funds by assessing the efficiency of use of budget funds across all the stages of budget process;

43) draft budget means a draft plan to generate and use financial resources to perform tasks and functions performed by government bodies (government bodies in the Autonomous Republic of Crimea and local self-governments) during the budget period being an integral part of the Draft Law on the State Budget of Ukraine (draft decision on local budget);

44) budget surplus means budget revenues exceeding budget expenditures (including the difference between loans repaid to the budget and loans issued from the budget);

45) decision on a local budget is a regulation duly issued by the Verkhovna Rada of the Autonomous Republic of Crimea or the corresponding local council that approves the local budget and authorizes the Council of Ministers of the Autonomous Republic of Crimea, local state administration, or local self-government, respectively, to execute the corresponding local budget during the budget period;

46) breakdown of the budget means a document establishing distribution of revenues, budget financing, repayment of loans to the budget, budget appropriations to the key spending units by certain periods of the year according to the budget classification;

47) spending unit means a government-funded institution represented by its director authorized to receive budget appropriations, take on budgetary commitments, and effect budget expenses;

48) subventions are interbudget transfers intended to meet a certain purpose according to the procedure established by the authority that made a decision to provide the subvention;

49) managing budget funds means a range of activities of a budget process participant according to their authority related to generating and using budget funds, exercising control over compliance with budget legislation, which are aimed at meeting objectives, tasks, and specific results of their respective activities and ensuring efficient and effective use of budget funds for the intended purpose;

50) financial ratio of budget adequacy means the level of financial provision guaranteed by the state within the available budgetary funds to perform tasks and functions by the Council of Ministers of the Autonomous Republic of Crimea, local state administrations, and local self-governments that is used to identify the volume of interbudget transfers;

51) budget financing means revenues and expenditures of the budget, related to changes in the volumes of debt, deposits and securities, proceeds from privatization of state property (as regards the state budget), changes in balances of budget funds used to cover the budget deficit or define the budget surplus.

Article 3. Budget Period

1. Budget period for all the budgets included into the budgetary system of Ukraine is one calendar year starting on January 1 each year and ending on December 31 of the same year. Failure to adopt the Law On the State Budget of Ukraine by Verkhovna Rada before January 1 of the respective year does not constitute the grounds for setting a different budget period.

2. According to the Constitution of Ukraine, the budget period for the State Budget of Ukraine under the unforeseeable circumstances may be different from the one stipulated by Part 1 of this Article.

Unforeseeable circumstances under which the State Budget of Ukraine may be adopted for a budget period that is different from the one stipulated in Part 1 of this Article, include:

- 1) imposing the martial law;
- 2) declaration of a state of emergency in Ukraine.

3. In case when the State Budget of Ukraine is adopted for a different budget period from the one stipulated in Part 1 of this Article, local budgets shall be adopted for the same budget period.

Article 4. Composition of Budget Legislation

1. Budget legislation includes:

- 1) Constitution of Ukraine;
- 2) this Code;
- 3) the Law on the State Budget of Ukraine;
- 4) other laws regulating budget relations, as stipulated by Article 1 hereof;
- 5) regulations of the Cabinet of Ministers of Ukraine adopted based on and in pursuance of this Code and other laws of Ukraine stipulated by para. 3 and 4 of Part 1 of this Article;

- 6) regulations by the executive authorities adopted based on and in pursuance of this Code and other laws of Ukraine and regulations by the Cabinet of Ministers of Ukraine stipulated by para. 3, 4, and 5 of Part 1 of this Article;
- 7) decisions on local budgets;
- 8) decisions of the authorities of the Autonomous Republic of Crimea, local state administrations, and local self-governments adopted based on and in pursuance of this Code and regulations stipulated by para. 3, 4, 5, 6, and 7 of Part 1 of this Article.

2. Ukrainian budget system and the State Budget of Ukraine are established exclusively by this Code and by the Law on the State Budget of Ukraine.

If another regulation defines budget relations differently from those defined herein, the respective provisions of this Code shall apply.

Revenues and expenditures of the State Budget of Ukraine are defined solely by the Law on the State Budget of Ukraine.

3. When an international treaty of Ukraine requiring the adoption of new or amendment of the effective legislation of Ukraine regulating budget relations is submitted for ratification, such draft treaties are submitted for consideration of the Verkhovna Rada of Ukraine accompanied by the draft law on ratification and are approved simultaneously.

4. The draft laws are examined for their impact on budget indicators and their compliance with the laws regulating budget relations in accordance with a special procedure defined by Article 27 hereof.

Chapter 2. BUDGET SYSTEM OF UKRAINE AND ITS PRINCIPLES

Article 5. Structure of Ukrainian Budget System

1. The budget system of Ukraine consists of the state budget and local budgets.
2. Local budgets include the budget of the Autonomous Republic of Crimea, oblast and rayon budgets, and local self-government budgets.
3. Local self-government budgets are budgets of territorial communities of villages, their associations, rural settlements, and cities (including districts in cities);

Article 6. Consolidated Budget

1. Consolidated budget is a range of budget indicators used for the analysis and forecasts of economic and social development of a country.
2. Consolidated budget of Ukraine includes indicators of the State Budget of Ukraine, consolidated budget of the Autonomous Republic of Crimea, and consolidated budgets of oblasts and cities of Kyiv and Sevastopol.
3. Consolidated budget of the Autonomous Republic of Crimea includes indicators of the budget of the Autonomous Republic of Crimea, and consolidated budgets of rayons and cities of republican subordination of the Autonomous Republic of Crimea.

4. Consolidated budget of an oblast includes indicators of the oblast budget and consolidated budgets of rayons and cities of oblast subordination in this oblast.
5. Consolidated budget of a rayon includes indicators of the rayon budget, and budgets of cities of rayon subordination, as well as budgets of rural settlements and villages of this rayon.
6. Consolidated budget of a city divided into districts includes indicators of the city budget and budgets of the respective districts. When other cities, rural settlements, or villages are administratively subordinated to a city or a city district, then the consolidated budget of such a city or a city district includes budget indicators of such cities, rural settlements, and villages.
7. Budget indicators of associations of territorial communities created under the law are included to the corresponding consolidated budgets.

Article 7. Principles of the Ukrainian Budget System

1. Budgetary system of Ukraine is based on the following principles:

- 1) the principle of unity of the budget system of Ukraine – the unity of the budget system of Ukraine is established by the unified legal framework, single monetary system, uniform regulation of budget relations, single budget classification, integrity of budget execution procedure and accounting and reporting;
- 2) principle of equilibrium - the authority to effect budget expenses shall be in compliance with the volume of budget revenues for the corresponding budget period;
- 3) principle of autonomy - the State Budget of Ukraine and local budgets are autonomous. The state bears no responsibility against the state budget funds for budgetary commitments of government authorities of the Autonomous Republic of Crimea and local self-governments. Government authorities of the Autonomous Republic of Crimea and local self-governments bear no responsibility against their corresponding budget funds for budgetary commitments of each other and budgetary commitments of the state. The autonomy of the budgets is supported by assigning to them the corresponding sources of budget revenues, by the right of corresponding government authorities and authorities of the Autonomous Republic of Crimea and local self-governments to identify areas of use of budget funds according to the Ukrainian legislation, by the right of the Verkhovna Rada of the Autonomous Republic of Crimea and corresponding local councils to independently deliberate and approve their respective local budgets;
- 4) principle of completeness - the budgets shall include all budget revenues and expenses effected according to regulations of government authorities, authorities of the Autonomous Republic of Crimea, and local self-governments;
- 5) principle of reasonableness - the budget is formed on the basis of realistic macro-indicators of economic and social development of Ukraine and on the basis of projected revenues and expenditures of the budget in line with the approved methodologies and rules;
- 6) principle of efficiency and effectiveness - when drafting and executing budgets, all participants of the budget process shall aim at achieving objectives set in line with the national system of values and objectives of innovative development of economy by providing high-quality services guaranteed by the state, the Autonomous Republic of Crimea, and local self-governments (hereinafter, the “guaranteed services”) while attracting the minimum volume of budget funds and achieving the maximum results when using the volume of funds defined by the budget;

- 7) principle of subsidiarity - distribution of types of expenditures between the state budget and local budgets, as well as among the local budgets is based on the necessity to bring the provision of guaranteed services as close as possible to their direct consumer;
- 8) principle of specification - budgetary funds shall be used solely for specific purposes identified by budget allocations and budget appropriations;
- 9) principle of fairness and impartiality - the budget system of Ukraine is based on the principles of fair and unbiased distribution of public wealth among citizens and territorial communities;
- 10) principle of transparency and publicity - informing general public on preparing, deliberating, approving, and executing the state budget and local budgets, as well as exercising control over the execution of the state budget and local budgets.

Article 8. Budget Classification

1. Budget classification is used to prepare and execute the state and local budgets, report on their execution, exercise control over the financial activities of government authorities, authorities of the Autonomous Republic of Crimea, local self-governments, and other spending units, as well as to conduct financial analysis by revenues, organizational, functional, and economic categories of expenditures, loans, financing and debt, and to ensure the nationwide and international comparability of budget indicators. Budget classification is binding upon all the participants of budget process within the scope of budget permissions.
2. The Ministry of Finance approves the budget classification, changes to it, and duly advises the Verkhovna Rada of Ukraine to that effect.
3. Budget classification has the following components:
 - 1) classification of budget revenues;
 - 2) classification of expenditures and loans of the budget;
 - 3) classification of budget financing;
 - 4) debt classification.

Article 9. Classification of Budget Revenues

1. Budget revenues are classified as follows:
 - 1) tax receipts;
 - 2) non-tax receipts;
 - 3) revenues from capital transactions;
 - 4) transfers.
2. Tax receipts include national taxes and duties (mandatory payments) and local taxes and duties (mandatory payments) established by Ukrainian laws on taxation.

3. The following are recognized as non-tax receipts:

- 1) revenues from property and entrepreneurship activities;
- 2) administrative duties and payments, revenues from non-commercial economic activity;
- 3) other non-tax receipts.

4. Transfers are funds received from other government authorities, the authorities of the Autonomous Republic of Crimea, local self-governments, other states or international organizations on a free and irrevocable basis.

Article 10. Classification of Expenditures and Loans of the Budget

1. Expenditures and loans of the budget are classified as follows:

- 1) in line with budget programs (program-based classification of budget expenditures and loans);
- 2) according to the key spending unit characteristic (institutional classification of budget expenditures and loans);
- 3) according to the functions related to expenditures and loans of the budget (functional classification of budget expenditures and loans).

2. Program-based classification of budget expenditures and loans is used when the program-based budgeting in the budget process is applied. Program classification of expenditures and loans of the state budget (local budget) is formulated by the Ministry of Finance of Ukraine (local financial authority) according to the proposals submitted by key spending units when drafting the Law on the State Budget of Ukraine (decision on local budgets) in the budget requests.

Program-based classification of expenditures and loans of local budgets is formulated according to the standard program classification of expenditures and loans of a local budget approved by the Ministry of Finance of Ukraine.

Prior to employing the program-based budgeting in the budget process at the local budgets level, a provisional classification of local budgets expenditures and loans is used as adopted by the Ministry of Finance of Ukraine. For the purposes of this Code, the components of this part of classification that specify programs and measures related to exercising powers of government authorities of the Autonomous Republic of Crimea, local state administrations and self-local governments are used within the context of the term “budget program”.

3. Institutional classification of budget expenditures and loans includes the list of key spending units to systematize the budget expenditures and loans according to the key spending unit characteristic.

Based on institutional classification of budget expenditures and loans, the State Treasury of Ukraine develops and keeps a single register of spending units and recipients of budget funds.

Key spending units define a network of spending units of lower level and recipients of budget funds according to the requirements for formulating the single register spending units and recipients of budget funds and data contained therein.

4. Functional classification of budget expenditures and loans is broken down by:

1) sections systematizing the budget expenditures and loans relating to performing functions pertaining to the state, the Autonomous Republic of Crimea, or a local self-government;

2) subsections and groups specifying the budget expenditures and loans relating to performing functions pertaining to the state, the Autonomous Republic of Crimea, or A local self-government;

5. Expenditures of the budget are classified by economic nature of the related transactions (economic classification of budget expenditures).

According to the economic classification, the budget expenditures fall into current and capital expenditures.

6. Classification of budget lending systematizes budget lending by type of a borrower and breaks down lending transactions by issuing loans from budget and repayment of loans to the budget.

7. The budget expenses (expenditures) include consumption expenses (expenditures) and development expenses (expenditures) under the budget classification.

Article 11. Classification of Budget Financing

1. Classification of budget financing includes sources for obtaining financial resources required to cover budget deficit, and areas of spending financial resources resulting from budget surplus. Debt settlement expenses are included into budget financing.

2. Budget financing is classified as follows:

1) by the type of creditor (by categories of creditors or owners of debt liabilities);

2) by the type of debt liability (by means used for budget financing).

Article 12. Debt Classification

1. Debt classification systematizes information about all debt liabilities of the state, the Autonomous Republic of Crimea, and territorial communities of cities.

2. Debts are classified by the type of creditor and the type of debt liability.

Article 13. Budget Components

1. Budget may be composed of general and special funds.

2. The components of the general fund of the budget include:

1) all budget revenues except those to be added to the special fund of the budget;

2) all budget expenditures made against the revenues of the general fund of the budget;

3) loans of the budget (repayment of loans to the budget without specifying their purpose, and issuing loans from the budget against the revenues of the general fund of the budget);

4) financing of the general fund of the budget.

3. The components of the special fund of the budget include:

1) budget revenues (including revenues of government-funded institutions) intended for a specific purpose;

2) budget expenditures made against the specifically defined revenues of the special fund of the budget (including revenues of government-funded institutions);

3) loans of the budget (repayment of loans to the budget specifying their purpose, and issuing loans from the budget made against the specifically defined revenues of the special fund of the budget);

4) financing of the special fund of the budget.

4. The revenues of government-funded institutions are received in addition to the funds of the general fund of the budget and included in the special fund of the budget.

The revenues of government-funded institutions fall into the following groups:

group one - proceeds from payments for services provided by government-funded institutions according to the legislation;

group two - other sources of revenues of government-funded institutions.

Group one has the following sub-groups:

sub-group 1 - payments for services provided by government-funded institutions in line with their core business;

sub-group 2 - revenues of government-funded institutions from their side (economic) activities;

sub-group 3 - rental payments for government-funded institutions' property;

sub-group 4 - revenues of government-funded institutions from selling property (other than real estate) according to the established procedure.

Group two consists of the following sub-groups:

sub-group 1 - donations, grants, and gifts;

sub-group 2 - funds received by government-funded institutions from enterprises, organizations, individuals, and other government-funded institutions to conduct targeted activities;

sub-group 3 - funds received by higher learning and vocational institutions from depositing temporary available budget funds received for rendering paid services providing such institutions are duly entitled to do so.

Revenues of government-funded institutions are used (with reference to Part 9 of Article 51 hereof) for the following purposes:

to cover expenditures related to arranging and rendering services by government-funded institutions according to their core businesses (against the proceeds of the sub-group 1 of the group one);

- to arrange the side (economic) activities of government-funded institutions (against the proceeds of the sub-group 2 of the group one);
- to maintain, equip, repair, and purchase the property of government-funded institutions (against the proceeds of the sub-group 3 of the group one);
- to repair, upgrade or purchase new non-current assets and material values, to cover expenditures related to collection and transportation of waste and scrap to collection facilities (against the proceeds of the sub-group 4 of the group one);
- business needs of government-funded institutions, including payment for utility services and energy sources (against the proceeds of the sub-groups 2 & 4 of the group one);
- to arrange the core business of government-funded institutions (against the proceeds of the sub-groups 1 and 3 of the group two);
- to conduct the respective targeted activities (against the proceeds of the sub-group 2 of the group two).
5. Break-down of budget into general and special funds with their components defined solely by this Code and the Law on the State Budget of Ukraine.
 6. It is only this Code and the Law on the State Budget of Ukraine that may provide grounds for a decision by the Verkhovna Rada of the Autonomous Republic of Crimea or by the corresponding local council on creating a special fund a part of a local budget.
 7. Transfer of funds between general and special funds of the budget is allowed only within budget allocations by introducing changes to the Law on the State Budget of Ukraine, taking a decision on the local budget, or introducing changes to the latter (except for the case stipulated by Part 2 of Article 57 of this Code).
 8. Payments against the special fund of the budget are limited to the amounts of effective proceeds to this fund intended for the special purpose (in compliance with the requirements of Part 2 of Article 57 of this Code), unless otherwise stated by this Code and/or the Law on the State Budget of Ukraine (decision on the local budget).
 9. Establishing the off-budget funds by government authorities, authorities of the Autonomous Republic of Crimea, local self-governments, and other government-funded institutions is not allowed. Opening the off-budget accounts to deposit budget funds (including revenues of government-funded institutions) by government authorities, authorities of the Autonomous Republic of Crimea, local self-governments and other government-funded institutions is prohibited save for the case stipulated by Part 8 of Article 16 hereof and except for depositing budget funds on the current accounts with the foreign banks by Ukrainian foreign diplomatic institutions in accordance with the procedure established by the Cabinet of Ministers of Ukraine, and depositing temporary available budget funds received by higher learning and vocational institutions for rendering paid services providing such institutions are duly entitled to do so.
 10. Targets and reporting figures regarding value added tax recovered from the state budget, repayment of loans to the budget, debt settlement, depositing budget funds, purchase of securities, maintaining the established current balance of budget funds, and other corresponding indicators as defined by the Ministry of Finance of Ukraine shall be stated as a negative value.

Chapter 3. BUDGET FINANCING (DEFICIT, SURPLUS) AND (LOCAL) DEBT

Article 14. Budget Deficit and Surplus, Balance of Budget Funds

1. Approval of budget running a deficit is allowed when there are reasonable sources of financing of the state budget available with reference to the specific conditions stipulated by Article 72 hereof.
2. Budget surplus is approved in order to settle debt, maintain the established current balance of budget funds, and purchase the securities with reference to the specific conditions stipulated by Article 72 hereof.
3. Current balance of budget funds is a portion of balance of general fund of the corresponding budget generated to cover temporary cash gaps.

Current balance of budget funds shall not exceed 2 percent of the target expenditures of the general fund of the budget, and is approved in the Law on the State Budget of Ukraine (decision on local budget).

At the end of the budget period, the current balance of budget funds shall be maintained within the established amount.

4. The excess of the balance of the general fund of the budget over the current balance of budget funds at the end of the budget period constitutes the available balance of budget funds used to effect the budget expenses in accordance with the Law on the State Budget of Ukraine and/or changes hereto (changes to the decision on local budget).

Article 15. Sources of Budget Financing

1. Sources of budget financing are:
 - 1) proceeds from government (local) domestic and external borrowings;
 - 2) proceeds from privatization of state property (including other revenues directly related to privatization process) - as regards the state budget;
 - 3) withdrawal of budget funds from deposits, and proceeds from selling/presenting securities;
 - 4) available balance of budget funds subject to conditions stipulated hereby.
2. Money issued by the National Bank of Ukraine cannot constitute a source of budget financing.

Article 16. Making Government (Local) Borrowings and Managing Debt Obligations

1. Domestic and foreign government borrowings are made within the established limit of public debt.

The right to make domestic and foreign government borrowings within the limits established by the Law on the State Budget of Ukraine belongs to the state represented by the Minister of Finance of Ukraine or the acting Minister of Finance of Ukraine (hereinafter, the “Minister of Finance of Ukraine”), following the commission of the Cabinet of Ministers of Ukraine.

The Cabinet of Ministers of Ukraine defines conditions to make government borrowings, including their type, currency, term, and interest rate of a government borrowing.

In the event the volume of proceeds from domestic (foreign) government borrowings decreases as compared to the volume established by the Law on the State Budget of Ukraine, and as a result of deterioration of conditions of such borrowings and/or financial market conditions, the volume of proceeds from foreign (domestic) government borrowings shall be increased subject to the established limit of public debt.

In the event the volume of public debt settlement payments decreases (increases), as a result of improvement (deterioration) of financial market conditions, as compared to the volume established by the Law on the State Budget of Ukraine, the volume of government borrowings shall be decreased (increased) subject to the volume of financing of the state budget on debt transactions established by the Law on the State Budget of Ukraine.

2. Loans (borrowings) attracted by the state from foreign countries, banks, and international financial organizations to implement investment programs (projects) belong to the foreign government borrowings. According to the loan agreements entered into, funds for implementing such investment programs (projects), including costs to service and repay the corresponding loans (borrowings) are stipulated by the Law on the State Budget of Ukraine for the whole term of the said loan agreements. Such loan agreements do not require ratification, unless otherwise stated by the law.

3. The Verkhovna Rada of the Autonomous Republic of Crimea and city councils enjoy the right to make local domestic borrowings (except for cases stipulated by Article 73 of this Code).

Local external borrowings may be made solely by municipal councils of cities with population number of over five hundred thousand inhabitants according to the official government statistic data at the time when a corresponding decision on local borrowings is approved. At the same time, local external borrowings by obtaining loans (borrowings) from international financial organizations may be made by all municipal councils.

The right to make local borrowings within the limits defined by the decision on local budget, with reference to Article 74 hereof, belongs to the Autonomous Republic of Crimea, territorial community of a city as represented by the director of the local financial body following the commission of the Verkhovna Rada in the Autonomous Republic of Crimea, or a city council.

4. A government-funded institution shall not make any type of borrowing (except for cases stipulated by this Article) or issue any loans from the budget to legal entities or individuals (unless the respective budget allocations to issue loans from the budget are established).

5. In making government borrowings and issuing government guarantees, the Minister of Finance of Ukraine following the commission of the Cabinet of Ministers of Ukraine is entitled to take on commitments, on behalf of Ukraine, related to making such borrowings, including waiver of sovereign immunity in potential legal proceedings related to repayment of loans (borrowings), throughout the term of obligation to repay the borrowed funds.

6. Costs to service and repay the government (local) debt are incurred by the Ministry of Finance of Ukraine (local financial body) according to the loan agreements and regulations under which the public debt obligations arise (debt obligations of the Autonomous Republic of Crimea or a territorial community) irrespective of the volume of funds intended for this purpose by the Law on the State Budget of Ukraine (decision on the local budget).

In the event expected volume of costs to service and repay the public debt exceeds the volume of resources intended for this purpose by the Law on the State Budget of Ukraine, the Ministry of Finance of Ukraine shall immediately advise the Cabinet of Ministers of Ukraine to that effect. The Cabinet of Ministers of Ukraine shall immediately advise the Verkhovna Rada of Ukraine on the expected excess

of such costs, and within two weeks submits their proposed amendments to the Law on the State Budget of Ukraine.

In the event the expected volume of costs to service and repay the local debt exceeds the volume of funds intended for this purpose by the decision on local budget, the Verkhovna Rada of the Autonomous Republic of Crimea and a city council introduce corresponding changes to the decision on local budget.

7. To economize budget funds, the Ministry of Finance of Ukraine (the Verkhovna Rada of the Autonomous Republic of Crimea, a city council, or according to their decision - a local financial body) is entitled to trade public (local) debt, including exchange, issuance, purchase, repurchase, and selling of public debt obligations (debt obligations of the Autonomous Republic of Crimea or territorial community of a city) subject to the limit of public (local) debt amounts at the end of the budget period.

8. The Minister of Finance of Ukraine is entitled, subject to the approval of the National Bank of Ukraine and within the current budget period, deposit temporarily available funds of the Treasury Single Account and funds of the state budget accounts denominated in foreign currencies on a competitive basis and/or by holding auctions, or by purchasing government securities with subsequent repayment of such funds before the end of the current budget period.

The director of a local financial body, following the decision of the Verkhovna Rada of the Autonomous Republic of Crimea or the corresponding local council, and within the current budget period, is entitled to deposit the temporarily available funds of local budgets on a competitive basis or by purchasing government securities, or securities issued by the Autonomous Republic of Crimea or the corresponding city council with subsequent repayment of such funds before the end of the current budget period.

The procedure for conducting transactions stipulated by this part of the Article is defined by the Cabinet of Ministers of Ukraine subject to the following requirements:

establishing the minimum yield rate on purchasing securities, concluding contracts on purchasing securities - when purchasing securities;

concluding banking deposit contract with the bank office - when depositing funds.

A contract on purchase of government securities, or securities issued by the Autonomous Republic of Crimea, or a corresponding city council, according to this part of this Article, shall contain a provision requiring that the parties to the said contract shall make reverse purchase/sale of the said securities before the end of the current budget period.

Article 17. Guarantees for Meeting Debt Obligations by Business Entities

1. Government guarantees to ensure full or partial fulfillment of debt obligations by Ukrainian resident business entities may be issued by the Cabinet of Ministers of Ukraine solely within the limits defined by the Law on the State Budget of Ukraine. Upon decision by the Cabinet of Ministers of Ukraine, the Minister of Finance of Ukraine conducts corresponding trades.

2. Local guarantees may be issued under the decision of the Verkhovna Rada of the Autonomous Republic of Crimea or a corresponding municipal council to ensure full or partial fulfillment of debt obligations by Ukrainian resident business entities conducting their business in housing and utilities sector of the economy, located on the corresponding territories, and implementing, within such territories, the investment programs (projects) aimed at development of municipal infrastructure or introduction of resource-saving technologies.

3. Guarantees shall only be issued on conditions of repayment, maturity, and collateral security and be conditioned upon the availability of counter-guarantees from other entities.

4. Guarantees shall not be issued to cover debt obligations of business entities in cases when they are planned to be repaid against the state (local) budget funds.

5. Business entities subject to decision on issuance of loans (borrowings) attracted by the state (the Autonomous Republic of Crimea or territorial community of a city), or on government (local) guarantees, shall submit irrevocable and unconditional counter-guarantees of the banks that have met the mandatory economic ratios established by the National Bank of Ukraine for the last three years, or submit any other relevant provision and pay to the State Budget of Ukraine (or a corresponding local budget) fees for receiving such resources in the amount established by the Cabinet of Ministers of Ukraine (the Verkhovna Rada of the Autonomous Republic of Crimea or by a city council), unless otherwise stated by the Law on the State Budget of Ukraine.

6. In the event a decision is made on issuing loans (borrowings) attracted by the government or under the government guarantees to the business entities responsible for government or municipal property, the amount and type of collateral security shall be defined by the Cabinet of Ministers of Ukraine (as regards municipal property - subject to agreement with the Verkhovna Rada of the Autonomous Republic of Crimea, a corresponding local council).

7. Payments related to meeting the guarantee obligations of government (the Autonomous Republic of Crimea or territorial community of a city) shall be effected in accordance with the corresponding contracts irrespective of the volume of funds intended for this purpose by the Law on the State Budget of Ukraine (decision on the local budget), and in line with the same procedure as stipulated by part 6 of Article 16 of this Code with the payments in question being stated as loans issued from the budget to business entities whose liabilities are guaranteed.

8. In case the government (the Autonomous Republic of Crimea or territorial community of a city) meet their guarantee obligations to creditors by effecting payments against funds of the state (local) budget or by concluding the respective contracts with such creditors to restructure the amounts which are guaranteed to be repaid, from the moment the government met such obligations the business entities whose obligations are guaranteed face an overdue debt to the government (the Autonomous Republic of Crimea or territorial community of a city) on loans (borrowings) attracted against the government (local) guarantees in the amount of actual expenses of the state (local) budget and/or such restructured amounts, while the government (the Autonomous Republic of Crimea or territorial community of a city) receives the rights of creditor and the right to demand repayment of debts from business entities according to the procedure established by the law, unless such rights were stipulated by the relevant contracts.

In the event the contract between the Cabinet of Ministers of Ukraine (the Council of Ministers of the Autonomous Republic of Crimea or executive authority of a city council based on the decision of the Verkhovna Rada of the Autonomous Republic of Crimea or a city council) and a business entity stipulates obligations of such a business entity to repay and service loans (borrowings) attracted by the government (the Autonomous Republic of Crimea or territorial community of a city), non-fulfillment or improper fulfillment of such contractual obligations results in the right to collect the amounts overdue in full being transferred to the government (the Autonomous Republic of Crimea or territorial community of a city) irrespective of the status of fulfillment of obligations by the government (the Autonomous Republic of Crimea or territorial community of a city) on such loans (borrowings).

9. The amounts overdue payable by the business entity to the government (the Autonomous Republic of Crimea or territorial community of a city) on a loan (borrowing) attracted by the government (the Autonomous Republic of Crimea or territorial community of a city) or under a government (local) guarantee, as well as on a loan issued from the budget (including loan (borrowing) origination fees and

penalties) is collected from the business entity by state tax authorities being collection agencies for such debts according to the procedure stipulated by the Law of Ukraine “On Procedure of Settlement of Taxpayers’ Liabilities to the Budgets and Specialized Government Funds” or other law, including settlement of such debt against this business entity’s property.

The statute of limitations shall not apply to the claims for repayment of such debt of a business entity to the government (the Autonomous Republic of Crimea or a territorial community of a city).

10. In case, based on the court ruling, the government (the Autonomous Republic of Crimea or territorial community of a city) was denied collecting the debt to the government (the Autonomous Republic of Crimea or territorial community of a city) on loans (borrowings) attracted by the government (the Autonomous Republic of Crimea or territorial community of a city) or under a government (local) guarantee, as well as on a loan issued from the budget, the state tax authorities appeal against the ruling according to the procedure established by the law until the ruling is made by higher specialized courts and the Supreme Court of Ukraine.

11. The Ministry of Finance of Ukraine is entitled to engage business entities to represent government authorities in court hearings on collecting debts to the government on loans (borrowings) attracted by the government or under the government guarantees, as well as on loans issued from the budget, including in bankruptcy proceedings, collecting of which the tax authorities were refused.

The Ministry of Finance of Ukraine makes payments for such services of business entities from the state budget funds within the limits of corresponding budget allocations.

12. The Ministry of Finance of Ukraine is entitled to sell, at the open auctions, the right to claim the repayment of debt to the government past due for over three years on loans (borrowings) attracted by the government or under the government guarantees, including loans from the budget, according to the procedure established by the Cabinet of Ministers of Ukraine.

The Verkhovna Rada of the Autonomous Republic of Crimea and the corresponding local councils may establish the procedure for selling the right to claim the repayment of debt past due for over three years on loans (borrowings) attracted under local guarantees, as well as on loans from the corresponding local budgets subject to the requirements established by the Cabinet of Ministers of Ukraine.

13. Restructuring of business entities' debts to the government (the Autonomous Republic of Crimea or territorial community of a city) on loans (borrowings) attracted by the government (the Autonomous Republic of Crimea or territorial community of a city) or under the government (local) guarantees or on loans from the budget is prohibited, unless in the course of reorganization of such a business entity it was arranged to be repaid by installments with participation of the investor assuming a joint obligation to repay such debts within three years based on the contract concluded between the business entity, the investor, and the state tax authority. In this regard, the amount of penalty accrued as a result of borrower's failure to meet such obligations for the restructured amount of debt is written off.

14. Writing off the business entities' debts to the government (the Autonomous Republic of Crimea or territorial community of a city) on loans (borrowings) attracted by the government (the Autonomous Republic of Crimea or territorial community of a city) or under the government (local) guarantees against loans from the budget other than debts of business entities duly declared bankrupt whose demands for debt settlement were not satisfied in view of insufficiency of their assets and which were subject to the state deregistration as legal entities in view of being declared bankrupt, and other than debts for collection of which the court issued and enacted a ruling under which the debts were not payable to the government and/or collection of which is not enforceable in court of law or impracticable. The procedure for writing off such debts is defined by the Cabinet of Ministers of Ukraine.

15. For the term of agreement on local guarantee, the Verkhovna Rada of the Autonomous Republic of Crimea and city councils stipulate in their decision on local budget the funds to meet guarantee obligations on payments maturing in the respective budget period. Herewith, such funds are provided for:

contracts secured by guarantee subject to guarantee payments in the amount equal to the amount of payments under those contracts;

other contracts secured by guarantee - not less than 50 percent of amounts of payments under those contracts.

Article 18. Limits of Debt and Guarantees

1. The limit of public (local) debt and the limit of government (local) guarantees to be issued are defined for each budget period by the Law on the State Budget of Ukraine (decision on local budget).

2. The total amount of public debt and state-guaranteed debt at the end of budget period shall not exceed 60 percent of annual nominal volume of Ukrainian gross domestic product.

Should this threshold be exceeded, the Cabinet of Ministers of Ukraine shall take measures to bring the said total amount of debts in compliance with the provisions of this Code.

3. The total amount of local debt and debt guaranteed by the Autonomous Republic of Crimea or territorial community of a city as of the end of budget period shall not exceed 100 percent (400 percent for the city of Kyiv) of average annual indicative projected volume of revenues in development budget (net of the amounts of local domestic and foreign borrowings) defined under the forecast of the corresponding local budget for the next two budget periods following the planned one in accordance with Part 4 of Article 21 of this Code.

Should this threshold be exceeded, the Verkhovna Rada of the Autonomous Republic of Crimea and the corresponding municipal council shall take measures to bring the said total amount of debts in compliance with the provisions of this Code.

Chapter 4. BUDGET PROCESS AND ITS PARTICIPANTS

Article 19. Stages and Participants of Budget Process

1. The following are recognized as stages of the budget process:

1) drawing up draft budgets;

2) deliberating the draft and adopting the Law on the State Budget of Ukraine (decision on the local budget);

3) executing the budget, including introducing changes to the Law on the State Budget of Ukraine (decision on the local budget);

4) drawing up and deliberating a report on budget execution and making the corresponding decision.

2. All stages of budget process include control over the compliance with the budget legislation, audit and assessment of efficiency of managing budget funds according to the legislation.

3. The participants of the budget process are bodies, institutions, and officials possessing budget permissions (rights and obligations related to managing budget funds).

Article 20. Applying Program-based Budgeting in the Budget Process

1. Program-based budgeting in the budget process is applied at the level of the State Budget and at the level of local budgets (according to the decision of the Verkhovna Rada of the Autonomous Republic of Crimea or a corresponding local council).

2. Specific components of the program-based budgeting in the budget process include budget programs, persons in charge of such budget programs, budget program passports, and effective indicators of such budget programs.

3. Budget programs are defined by the key spending units with reference to provisions of Part 2 of Article 21, and para. 2 of Part 5 of Article 22 hereof.

4. A person in charge of budget programs is defined by a key spending unit by agreement with the Ministry of Finance of Ukraine (local financial body). A person in charge of budget programs may be represented by the key spending unit under the budget programs implemented by their respective management team, and/or by the spending unit of a lower level implementing budget programs within the system of the key spending unit.

In the course of implementing budget programs, the person in charge of budget programs ensures that the budget funds are used in an efficient manner and for the intended purpose throughout the entire term of implementation of the corresponding budget programs within the established budget allocations.

5. The effective indicators of a budget program are used to assess the efficiency of the budgetary program and include quantitative and qualitative parameters defining the outcome of the budget program, its progress, the degree of achieving its objective and performing its tasks. Such indicators shall be supported by the official state statistic, financial and other reporting, accounting information, and statistical and internal (managerial) reports.

The list of effective indicators for each budget program is developed by key spending units according to the regulation by the Ministry of Finance of Ukraine.

6. The participants of budget process, within their authority, assess the budget programs performance throughout all the stages of budget process, which implies monitoring, analyzing, and exercising control over the use of budget funds in an efficient manner and for the intended purpose. The budget programs performance is assessed based on the analysis of budget program effective indicators, as well as other information contained in budget requests, breakdowns of costs, budget program passports, and reports on meeting breakdowns of costs and meeting the requirements of budget program passports. Organizational and methodological foundations of assessment of budget programs performance are defined by the Ministry of Finance of Ukraine.

The results of assessment of budget programs performance, including opinions of executive power agencies authorized to exercise financial control over the compliance with budget legislation give the grounds to make decisions on duly introducing changes to budget allocations of the current budget period, and corresponding proposals to the draft budget for the planned budget period and to the budget projections for the two budget periods following the planned one, including suspension of the respective budget programs.

7. For budget programs requiring legal and regulatory definition of the procedure for using budget funds, the key spending units develop draft procedures for using the state budget funds and make sure

they are approved within the deadlines established by the Cabinet of Ministers of Ukraine. Following the decision by the Cabinet of Ministers of Ukraine, the procedures for using the state budget funds are approved by the Cabinet of Ministers of Ukraine or by a key spending unit by agreement with the Ministry of Finance of Ukraine. The approval of such procedures shall be communicated to the Budget Committee of the Verkhovna Rada of Ukraine.

The procedures for using the state budget funds under the budget programs formulated by the Law on the State Budget of Ukraine for the first time are approved within 30 days after the latter comes into effect.

In the event implementation of a budget program continues in the future budget periods, the procedure for using budget funds under such a budget program (considering any changes to that procedure introduced if necessary) is extended accordingly until the budget program is completed.

The procedure for using budget funds shall include:

objectives and areas of use of budget funds;

person in charge of the budget program, grounds and/or criteria for engaging the budget funds recipients in the budget program implementation;

tasks of a key spending unit, lower level spending units (budget funds recipients) promoting implementation of a budget program with a definition of the procedure for reporting on the program successful completion (including effective indicators) and remedies for non-performance;

if necessary, the procedure, timing, and reasons, as well as criteria for distribution (redistribution) of expenditures among the administrative and territorial units by spending unit of lower level and budget funds recipient according to the respective regulations;

bidding requirements to investment programs (projects), including the procedure and criteria for their selection, as well as criteria and conditions to identify the officers in charge of such programs (projects);

criteria for selection of business entities receiving financial assistance from the state budget, and identification of amount of such assistance;

conditions and criteria for competitive selection of borrowers and projects (programs) funded from the state budget; conditions for issuing loans from the budget and their repayment, including provisions regarding exercising control over their repayment;

provisions regarding the requirement to transfer funds under the budget programs providing for granting subventions to local budgets from the state budget;

ways to settle debt to the budget, if any;

requirements stating that government-funded institutions and budget funds recipients shall reflect their current and non-current assets received (constructed), including the ones received (constructed) as the result of centralized activities, in their primary and financial accounting;

if applicable, provisions on conducting procurement of goods, work, and services, and defining the terms and conditions for shipment and settlements;

other provisions regarding specific features of a budget program.

8. The key spending unit together with the Ministry of Finance of Ukraine (local financial body) shall develop and approve the budget program passport within 45 days following the date when the Law on the State Budget of Ukraine (decision on local budget) comes into effect.

The rules for developing budget program passports and drafting reports on meeting budget program passports are established by the Ministry of Finance of Ukraine.

9. Program-based budgeting in the budget process envisages projecting the budget for two budget periods following the planned one according to the Article 21 hereof.

Article 21. Projecting Budget for Two Budget Periods Following the Planned One

1. The Ministry of Finance of Ukraine jointly with the Ministry of Economy of Ukraine, the National Bank of Ukraine, and key spending units develop a forecast of the State Budget of Ukraine for the two budget periods following the planned one. The forecast is based on the Program of actions of the Cabinet of Ministers of Ukraine, projected and program-based documents on economic and social development, and the special-purpose government programs.

The projected State Budget of Ukraine for the two budget periods following the planned one includes the following indicative projected indicators:

- 1) major macro-indicators of economic and social development of Ukraine (identifying indicators of nominal and real amount of GDP, consumer price indices and producer price indices, annual average official exchange rate of hryvnia and the official year-end exchange rate, enterprises' profits, payroll, unemployment level, exports and imports of goods and services, as well as other indicators used in the development of draft budget);
- 2) consolidated budget of Ukraine by major types of revenues, financing, expenditures, and lending;
- 3) state budget by major types of revenues, financing, expenditures, and lending;
- 4) according to budget programs ensuring implementation of investment programs (projects) for several years, including those implemented against loans (borrowings) attracted by the government from foreign countries, banks, and international financial institutions. Such budget programs, providing the respective investment programs (projects) are duly approved, are included into the projected State Budget of Ukraine for the two budget periods following the planned one for the entire term of their implementation in line with the requirements of this Code;
- 5) relations between the state budget and local budgets.

The projected State Budget of Ukraine for the two budget periods following the planned one is submitted to the Verkhovna Rada of Ukraine accompanied by the Law on the State Budget of Ukraine, adjusted on the basis of the adopted Law on the State Budget of Ukraine and approved by the Cabinet of Ministers of Ukraine within one month after the Law of Ukraine on the State Budget is published.

2. Key spending units, on the basis of indicative projected indicators of amounts of expenditures and loans issued from the budget, for the two budget periods following the planned one, as communicated by the Ministry of Finance of Ukraine alongside with the instruction on preparing budget requests, develop their respective activity plans for the planned budget period and for two budget periods following the planned one (including activities related to implementing investment programs (projects)) in accordance with the documents on economic and social development and the special-purpose government programs defining the expected deliverables. Such activity plans are annually

aligned with the state budget indicators for the planned budget period and with the projected State Budget of Ukraine for two budget periods following the planned one.

With the purpose of achieving the objectives set, the key spending units formulate budget programs (stating the timing for their implementation) for the planned budget period and for two budget periods following the planned one.

3. The indicators of the Draft State Budget of Ukraine for the budget period following the planned one, are based on indicative projected indicators of the State Budget of Ukraine for two budget periods following the planned one (including indicative projected indicators for budget programs ensuring implementation of investment programs (projects) for several years, including those implemented against loans (borrowings) attracted by the government from foreign countries, banks, and international financial institutions).

4. The Council of Ministers of the Autonomous Republic of Crimea, local state administrations, executive agencies of corresponding local councils develop and approve projected local budgets for two budget periods following the planned one according to the projected and program-based documents on economic and social development of the country and the corresponding territory, the special-purpose government programs, based on the projected State Budget of Ukraine for two budget periods following the planned one.

The projected local budget for two budget periods following the planned one includes indicative projected indicators of local budget by major types of revenues, financing, expenditures, and lending, as well as indicative projected indicators under budget programs ensuring implementation of investment programs (projects) for several years.

The projected local budget for two budget periods following the planned one is submitted to the Verkhovna Rada of the Autonomous Republic of Crimea and corresponding local councils accompanied by the draft decision on local budget, adjusted on the basis of the projected State Budget of Ukraine approved by the Cabinet of Ministers of Ukraine for two budget periods following the planned one and on the basis of the decision on local budget that was made, and is approved by the Council of Ministers of the Autonomous Republic of Crimea, local state administrations, and executive agencies of corresponding local councils.

The indicators of the projected local budget for the budget period following the planned one are based on indicative projected indicators of local budget for two budget periods following the planned one.

5. As regards the budget programs ensuring implementation of investment programs (projects) for several years, including those implemented against loans (borrowings) attracted by the government from foreign countries, banks, and international financial institutions, and defined by the Law on the State Budget of Ukraine (decision on local budget), the Cabinet of Ministers of Ukraine (the Council of Ministers of Autonomous Republic of Crimea, local state administration, executive agency of the respective local council) takes measures to identify priorities for appropriation of budget funds in the Draft Law on the State Budget of Ukraine (draft decision on local budget) for the next budget period to continue such investment programs (projects) considering the need to ensure their stage-by-stage completion and putting the respective items into operation.

Article 22. Spending Units

1. To perform programs and activities financed from the state budget, budget appropriations are allocated to spending units. In terms of rights granted to them, spending units fall into key spending units and spending units of lower level.

2. Key spending units can only be represented by the following:

- 1) in terms of budget allocations defined by the Law on the State Budget of Ukraine, - institutions authorized to ensure activities of the Verkhovna Rada of Ukraine, the President of Ukraine, the Cabinet of Ministers of Ukraine represented by their directors; ministries, the Constitutional Court of Ukraine, the Supreme Court of Ukraine, higher specialized courts, and other authorities directly defined by the Constitution of Ukraine represented by their directors, as well as the National Academy of Sciences of Ukraine, National Academy of Agrarian Sciences of Ukraine, National Academy of Medical Sciences of Ukraine, National Academy of Pedagogical Sciences of Ukraine, National Academy of Legal Sciences of Ukraine, National Academy of Arts of Ukraine, and other institutions authorized by the Law or by the Cabinet of Ministers of Ukraine to implement the government policy in their respective areas represented by their directors;
 - 2) in terms of budget allocations defined by the decision on the budget of the Autonomous Republic of Crimea, - authorized legal entities (government-funded institutions) ensuring activities of the Verkhovna Rada of the Autonomous Republic of Crimea and of the Council of Ministers of the Autonomous Republic of Crimea, as well as ministries and other government authorities of the Autonomous Republic of Crimea represented by their directors;
 - 3) in terms of budget allocations defined by other decisions on local budgets, - local state administrations, executive agencies and personnel of local councils (secretariat of the Kyiv municipal council), main departments, departments, and other independent structural units of local state administrations, executive agencies of local councils represented by their directors.
3. Key spending units of the State Budget of Ukraine are defined in line with para. 1 of Part 2 of this Article and are approved by the Law on the State Budget of Ukraine by assigning budget allocations to them.
4. Key spending units of local budgets are defined by the decision on local budget according to para. 2 and 3 of Part 2 of this Article.
5. A key spending unit:
- 1) develops plans of activities for the planned budget period and for two budget periods following the planned one (including activities related to implementation of investment programs (projects));
 - 2) arranges and ensures, based on the plan of activities and indicative projected budget indicators for two budget periods following the planned one, the development of draft breakdown of costs and budget request and submits them to the Ministry of Finance of Ukraine (local financial body);
 - 3) receives budget allocations by approving them in the Law on the State Budget of Ukraine (decision on local budget); makes decisions regarding delegating authority to implement a budget program by spending units of lower level and/or recipients of budget funds, distributes and duly communicates to them the amount of budget appropriations;
 - 4) approves breakdowns of costs of spending units of lower level (plans for using the budget funds of recipients of budget funds), unless otherwise stated by legislation;
 - 5) develops draft procedures for using the funds of the state budget under the budget programs stipulated by Part 7 of Article 20 of this Code;

- 6) develops and approves budget programs passports, drafts reports on meeting budget programs passports, analyzes budget programs performance (in case the program-based budgeting in the budget process is applied);
- 7) manages budget funds within its established budget authority and assesses the budget programs efficiency ensuring the effective and efficient use of budget funds for the intended purpose, arranges and coordinates work of spending units of lower level and of budget funds recipients in the budget process;
- 8) exercises control over the timely and full repayment of funds provided under budget lending transactions to the budget, including loans (borrowings) received by the government (the Autonomous Republic of Crimea or the territorial community of a city) and funds provided under government (local) guarantees;
- 9) exercises internal control over the completeness of revenues, budgetary commitments taken on by spending units of lower level and recipients of budget funds, and over their spending of budget funds;
- 10) is responsible for arranging and performing financial accounting, developing and submitting financial and budgetary reports under the statutory procedure;
- 11) ensures availability of information on the budget in line with the legislation and this Code.

6. A spending unit may authorize a recipient of budget funds to perform activities stipulated by the budget program and provide the recipient with budget funds (either irrevocably or revocably) within the corresponding budget appropriations. The recipient of budget funds uses such funds in line with the plan of use of budget funds which includes distribution of budget appropriations approved in the breakdown of costs of this spending unit.

The criteria for identification of a budget funds recipient are established by the Cabinet of Ministers of Ukraine with reference to areas, experience and results of operations, financial and economic substantiation of performing the budget program activities and application of contractual terms and conditions.

Article 23. Budget Allocations and Appropriations

1. Any budgetary commitments and payments from the budget are only made providing the corresponding budget allocation is available.
2. Budget allocations are established by the Law on the State Budget of Ukraine (decision on local budget) under the procedure defined hereby.
3. Should any circumstances change in the course of budget execution, which requires lesser budget appropriations to key spending units, then the Ministry of Finance of Ukraine (a local financial body) drafts proposals to decrease the respective budget allocation of the State Budget of Ukraine (local budget). The Cabinet of Ministers of Ukraine (the Council of Ministers of the Autonomous Republic of Crimea, local state administration, executive agency of the corresponding local council), within two weeks duly submits to the Verkhovna Rada of Ukraine (Verkhovna Rada of the Autonomous Republic of Crimea, corresponding local council) proposals to decrease the respective budget allocations of the State Budget of Ukraine (local budget).
4. Expenditures of the special fund of the budget have constant budget allocation which entitles making those expenditures solely within the limits and against the actual proceeds of the special fund of the

budget (in compliance with the requirements of Part 2 of Article 57 of this Code) unless otherwise stated by this Code and/or the Law on the State Budget of Ukraine (decision on local budget).

5. Proposals to introduce changes to budget allocations are submitted and considered according to the procedure established for developing the draft budget. Expenditures in line with the changes introduced to the budget allocations are made only after the corresponding law (decision of the Verkhovna Rada of the Autonomous Republic of Crimea or the corresponding local council) which introduced such changes becomes effective, except for the cases stipulated hereby.

6. If subsequent to the adoption of the Law on the State Budget of Ukraine (decision on local budget) the authority to perform functions or render services, for which purpose the budget allocation was made, is transferred under the law from one key spending unit to another key spending unit, the budget allocation does not cease and it is used to perform the same functions or render services by the other key spending unit commissioned to do so. Transfer of budget allocations in case stipulated by this part of the Article is made following the decision of the Cabinet of Ministers of Ukraine (Council of Ministers of the Autonomous Republic of Crimea, local state administration, executive body of the corresponding local council) agreed with the Budget Committee of the Verkhovna Rada of Ukraine (corresponding Committee of the Verkhovna Rada of the Autonomous Republic of Crimea or local council) under the procedure established by the Cabinet of Ministers of Ukraine.

7. Within the total amount of budget allocations under the budget program and individually for the general and the special funds of the budget, the Ministry of Finance of Ukraine (local financial body), under the substantiated submission of the key spending unit, redistributes budget appropriations approved in the breakdown of the budget and the breakdown of costs by economic classification of budget expenditures.

8. Within the total amount of budget allocations of the key spending unit, redistribution of expenditures under the budget programs, as well as increase in development expenditures against decrease in other expenditures (individually for the general and the special funds of the budget), are carried out following the decision of the Cabinet of Ministers of Ukraine (Council of Ministers of the Autonomous Republic of Crimea, local state administration, executive body of the relevant local council) agreed with the Budget Committee of the Verkhovna Rada of Ukraine (corresponding Committee of the Verkhovna Rada of the Autonomous Republic of Crimea or local council).

9. Redistribution of the state budget expenditures to centralized activities among administrative and territorial units is made based on the decision by the Cabinet of Ministers of Ukraine as agreed with the Budget Committee of the Verkhovna Rada of Ukraine (corresponding Committee of the Verkhovna Rada of the Autonomous Republic of Crimea or local council).

10. The amount, objective, and time limitation of budget allocations, except for the cases stipulated by this Code, can only be changed providing the Law on the State Budget of Ukraine (decision on local budget) includes the relevant provision.

11. Budget allocations under the general and the special funds of the budget (local budget) for the purposes listed below cannot be increased without the corresponding changes to the Law on the State Budget of Ukraine (decision on local budget):

remuneration to the employees of government-funded institutions by decreasing other expenditures;

expenditures under budget programs related to operation of government authorities (government authorities of the Autonomous Republic of Crimea and local self-governments) by decreasing other expenditures under other budget programs.

12. All budget allocations expire upon expiration of the budget period, except for the cases stipulated hereby.

13. The Cabinet of Ministers of Ukraine establishes limits of spending of government-funded institutions on purchase of motor vehicles, furniture, other equipment and facilities for administrative purposes.

Article 24. Reserve Fund of the Budget

1. Reserve fund of the budget is formed for the purpose of non-recurring extraordinary expenditures that could not be envisaged when preparing the draft budget. The procedure for spending resources of the reserve fund is established by the Cabinet of Ministers of Ukraine.

2. Decisions on allocating funds from the reserve fund of the budget are made, correspondingly, by the Cabinet of Ministers of Ukraine, Council of Ministers of the Autonomous Republic of Crimea, local state administrations, or executive bodies of the local self-government.

3. Reserve fund of the budget cannot exceed one percent of the expenditures of the corresponding budget general fund.

4. The Cabinet of Ministers of Ukraine (Council of Ministers of the Autonomous Republic of Crimea, local state administration, executive bodies of the corresponding local councils) on a monthly basis reports to the Verkhovna Rada of Ukraine (Verkhovna Rada of the Autonomous Republic of Crimea and to corresponding local council) on spending resources of the reserve fund of the corresponding budget.

5. Reserve fund of the budget shall be included in the State Budget of Ukraine. Decision requiring creation of the reserve fund of local budget is made by the Verkhovna Rada of the Autonomous Republic of Crimea or the relevant local council.

Article 25. Indisputable Writing off Budget Funds and Recovery of Losses to the Budget

1. The State Treasury of Ukraine indisputably writes off funds of the state budget and local budgets based on court rulings.

2. Recovery of damages caused to an individual or a legal entity as the result of decisions that were made illegally, acts or omissions of the government authorities (government authorities of the Autonomous Republic of Crimea or local self-governments), as well as their officials in performing their respective functions, is conducted by the government (the Autonomous Republic of Crimea or local self-governments) according to the procedure established by the law.

Article 26. Control and Audit in the Budget Process

1. Control over the compliance with budget legislation is aimed at ensuring effective and efficient management of budget funds and is exercised across all stages of budget process by its participants according to this Code and other legislation. In addition, control ensures:

- 1) assessment of budget funds management (including performing statutory financial audit);
- 2) appropriate accounting and fair financial and budget reporting;

- 3) achieving the purpose of saving budget funds, their use for intended purpose, efficiency and effectiveness of spending units operation by making reasonable managerial decisions;
- 4) analyzing and assessing financial and economic activities of spending units;
- 5) preventing violations of budget legislation and securing interests of the state in the process of managing the state-owned property;
- 6) relevance of planning budget revenues and spending.

2. Control over the proceeds to the State Budget of Ukraine on behalf of the Verkhovna Rada of Ukraine is exercised by the Accounting Chamber. Activities of central executive bodies responsible for implementation of the government policy in exercising control over the compliance with budget legislation (within their authority established by this Code and other regulations) are directed, coordinated, and controlled by the Cabinet of Ministers of Ukraine.

3. Spending units represented by their directors arrange internal control and audit and are responsible for control and audit in their respective institutions and subordinate government-funded institutions.

Internal control means a range of measures used by the director to ensure compliance with legislation and efficiency of spending budget funds, and achieve results in line with the established objective, tasks, plans, and requirements to the activities of a government-funded institution and its subordinate institutions.

Internal audit means the activities of an internal audit unit in a government-funded institution aimed at improving management system, preventing illegal, inefficient and ineffective use of budget funds, errors or other drawbacks arising in government-funded institution operation and its subordinate institutions, and improving the internal control.

The main foundations for exercising internal control and conducting internal audit and the procedure for setting up internal audit units are established by the Cabinet of Ministers of Ukraine.

Article 27. Submission and Deliberation on Draft Laws Affecting the Budget Indicators and Enacting such Laws

1. The holder of the right of legislative initiative shall attach a financial feasibility study (including the respective calculations) to the draft law which will lead to change in budget indicators in the current budget period if adopted. If such changes in budget indicators provide for the decrease in budget revenues and/or increase in budget expenses, legislative proposals to reduce budget expenses and/or sources of additional budget revenues shall be attached to the draft law to achieve equilibrium of the budget.

2. Each draft law submitted to the Verkhovna Rada of Ukraine shall be sent to the Cabinet of Ministers of Ukraine and the Budget Committee of the Verkhovna Rada of Ukraine within five days for expert analysis regarding its impact on the budget indicators and compliance with the legislation regulating budget relations.

The Cabinet of Ministers of Ukraine, within two weeks from the day when the draft law was received, shall submit to the Budget Committee of the Verkhovna Rada of Ukraine an expert opinion drafted by the Ministry of Finance of Ukraine in collaboration with the other interested central executive bodies. Expert opinion on the draft law shall contain information on the completeness and reliability of data presented in the financial feasibility study, impact of the draft law on the budget indicators (with mandatory definition of the cost value of such an impact), possibilities for financial support in the

relevant budget period, conformity to the laws regulating budget relations and proposals for its consideration.

3. The Laws of Ukraine or their separate provisions affecting the budget indicators (reducing budget revenues and/or increasing budget expenses) approved after July 15 of the year preceding the planned one, shall be enacted not earlier than the beginning of the budget period following the planned one.

4. Draft Law on the State Budget of Ukraine and draft laws on amending the Law on the State Budget of Ukraine shall be deliberated according to the special procedure determined by the Verkhovna Rada of Ukraine.

Article 28. Accessibility of Information on Budget

1. Information on Budget shall be promulgated according to the requirements determined hereby.

The Ministry of Finance of Ukraine shall ensure the promulgation of the following:

- 1) the Draft Law on the State Budget of Ukraine;
- 2) the Law on the State Budget of Ukraine with annexes forming an integral part thereof;
- 3) information on execution of the State Budget of Ukraine based on results for a month, a quarter, and a year;
- 4) information on execution of the consolidated Budget of Ukraine;
- 5) other information on execution of the State Budget of Ukraine.

Reports on execution of the State Budget of Ukraine shall be submitted according to the procedure determined by Articles 59 to 61 hereof. At that, quarterly and annual reports on execution of the State Budget of Ukraine are published on the State Treasury of Ukraine's official website.

2. The Draft Law on the State Budget of Ukraine shall be published in the "Uryadoviy Kuryer" ("Government Courier") newspaper within seven days after it was submitted to the Verkhovna Rada of Ukraine.

3. Information on execution of the State Budget of Ukraine and local budgets shall contain the respective budget's indicators under the general and special funds regarding revenues (detailed by type of revenues accounting for at least 3 per cent of the total volume of revenues of the corresponding budget) and regarding expenditures and lending (detailed by group of functional classification of budget expenditures and lending). Such indicators are provided in comparison with similar indicators for the respective period of the previous budget period stating dynamics of their change.

4. The Verkhovna Rada of the Autonomous Republic of Crimea, Council of Ministers of the Autonomous Republic of Crimea, local state administrations, and local self-government bodies shall ensure the publication of the information on local budgets, including decisions on the local budget and quarterly reports on their execution. Decision on the local budget shall be promulgated not later than ten days after the day of its approval in the newspapers determined by the Verkhovna Rada of the Autonomous Republic of Crimea or relevant local councils.

5. Information on execution of the State Budget of Ukraine and local budgets (except for the budgets of villages and rural settlements) shall be published not later than on March 1 of the year following the year of the report: The State Budget of Ukraine - in the newspapers "Holos Ukrainy" ("Voice of

Ukraine”) and “Uryadoviy Kuryer” (“Government Courier”); local budgets - in the newspapers determined by the Verkhovna Rada of the Autonomous Republic of Crimea or relevant local councils.

The Ministry of Finance of Ukraine with the participation of the Budget Committee of the Verkhovna Rada of Ukraine and the Accounting Chamber, by March 20 of the year following the reporting one, shall present publicly the report on execution of the State Budget of Ukraine for the previous budget period. Information on the time and place of the public presentation shall be published together with the report on execution of the State Budget of Ukraine.

By March 15 of the year following the reporting one, the key spending units shall publicly present and publish the information on the Budget according to the budget programs and indicators, with relevant budget allocations determined for them by the Law on the State Budget of Ukraine under the requirements and according to the form established by the Ministry of Finance of Ukraine.

The presented information regarding each budget program shall contain data on its effective indicators (if the budget program passport has been compiled in line with the established requirements).

Key spending units shall publish, along with the information on the Budget, the announcement on the time and place of public presentation of such information.

Public presentation of the information on execution of the local budgets (except for the budgets of villages and rural settlements) according to the indicators, budget appropriations for which were approved by the decision on local budget, shall be made before March 20 of the year following the reporting one. The information on the time and place of public presentation of such information shall be published along with the information on execution of the respective budgets.

Public presentation of information on execution of the village and rural settlement budgets shall be carried out according to the procedure determined by the respective local council.

Section II. STATE BUDGET OF UKRAINE

Chapter 5. REVENUES, EXPENDITURES AND LOANS OF THE STATE BUDGET OF UKRAINE

Article 29. Composition of Revenues of State Budget of Ukraine

1. The State Budget of Ukraine revenues shall include budget revenues except for those, which, according to Articles 64, 66, 69 and 71 of this Code, are assigned to local budgets.
2. The revenues of general fund of the State Budget of Ukraine include:
 - 1) corporate profit tax (except for the tax determined by para. 1 of Part one of Article 69 and para. 1 of Part one of Article 71 hereof);
 - 2) 50 per cent of the duty on special use of forest resources of national-significance;
 - 3) 50 per cent of the duty on special use of water (other than the duty on special use of water of local significance);
 - 4) 50 per cent of fees for the use of mineral resources of national significance;

- 5) duty for exploration work performed against the state budget (except for the part of the duty credited to the special fund of the state budget in accordance with the law on the State Budget of Ukraine);
- 6) value added tax (other than tax credited to the special fund of the state budget in accordance with the law on the State Budget of Ukraine);
- 7) excise duty on commodities manufactured in Ukraine (other than duty defined in Part one of Article 66 hereof, and the duty credited to the special fund of the state budget in accordance with the Law on the State Budget of Ukraine);
- 8) excise duty on commodities imported to the territory of Ukraine (except for the duty credited to the special fund of the state budget in accordance with the Law on the State Budget of Ukraine);
- 9) fees for licensees for certain types of business (other than fees for licensees defined in Part one of Article 64 hereof and in Parts one and two of Article 66 hereof);
- 10) import duty (other than duty credited to the special fund of the state budget in accordance with the Law on the State Budget of Ukraine);
- 11) export duty;
- 12) funds received for consular actions on the territory of Ukraine, as well as funds received for consular actions outside Ukraine (other than part of the funds credited to the special fund of the state budget in accordance with the Law on the State Budget of Ukraine);
- 13) the part of the net profit (income) of unitary government enterprises and associations thereof withdrawn to the state budget (in accordance with the procedure defined by the Cabinet of Ministers of Ukraine) and the dividends (yield) accrued on shares (units, interests) in corporations whose authorized capitals contain state-owned property;
- 14) funds transferred by the National Bank of Ukraine in accordance with the Law of Ukraine “On the National Bank of Ukraine”;
- 15) deduction of funds received from government money lotteries;
- 16) fee for depositing temporarily available funds of the state budget (other than funds received by higher learning and vocational institutions from depositing temporarily available budget funds received for rendering paid services providing such institutions are duly entitled to do so);
- 17) funds received by foreign diplomatic institutions of Ukraine as a payment for depositing budget funds belonging to them to the current accounts with foreign banks;
- 18) rental fees for oil, natural gas, condensed gas extracted in Ukraine;
- 19) rental fees for natural gas transit (unless otherwise stipulated by the Law On the State Budget of Ukraine);
- 20) rental fees for transport of oil and petroleum products via oil-trunk pipelines and oil-products pipelines;
- 21) rental fees for ammonia transit;

- 22) sanctions (fines, penalties, etc.) applied under the law (other than fines defined by para. 11, 12 and 13 of Part one of Article 69 hereof, and fines credited to the special fund of the state budget in accordance with the Law on the State Budget of Ukraine);
- 23) executive duty collected by the state executive service (except for the part of duty credited to the special fund according to the Law on the State Budget of Ukraine);
- 24) proceeds from rentals paid for the use of integral property complex and other government property (except for the part of rentals paid for the use of property belonging to government-funded institutions maintained against the State Budget, which is credited to the special fund according to the Law on the State Budget of Ukraine);
- 25) state duty in the part which, according to the legislation, is credited to the State Budget;
- 26) single duty charged in the checkpoints on the State border of Ukraine;
- 27) fee for the customs clearance of goods and vehicles outside the location of customs bodies, or off the working hours stipulated for the customs bodies;
- 28) concession payments regarding the items of the state ownership (except for the payments credited to the special fund according to the Law on the State Budget of Ukraine);
- 29) funds from the sale of property confiscated based on the court ruling; treasures belonging to the historical or cultural heritage; property received by the state as an inheritance or gift;
- 30) deductions from the amount of funds spent on advertising tobacco products and/or alcoholic beverages in Ukraine;
- 31) duty for the issuance of special permits for the use of mineral resources and funds from the sale of such permits;
- 32) fees for the allocation of numbering resource;
- 33) fees for the state registration of sources of ionizing radiation (registration duty);
- 34) duty for the use of radio frequency resources of Ukraine;
- 35) proceeds to the Specialized Government Fund to Finance National Expenditures for Aeronautical Activity and Participation of Ukraine in International Aeronautical Organizations (except for the part of proceeds credited to the special fund according to the Law on the State Budget of Ukraine);
- 36) funds obtained from the bidders participating in a procurement procedure providing their bids security with those funds not being subject to the refund to the said bidders in cases stipulated by the Law of Ukraine "On Public Procurement" to the extent of the procurement against the State Budget;
- 37) funds obtained from the successful bidder in the course of the entry into a procurement contract as the contract enforcement with those funds not being subject to the refund to the successful bidder to the extent of the procurement against the State Budget;
- 38) port (administrative) duty (except for the part of the duty credited to the special fund according to the Law on the State Budget of Ukraine);

- 39) fees for providing government guarantees and use of loans (borrowings) attracted by the government;
 - 40) fees for the use of loans from the State Budget (except for the fee credited to the special fund according to the Law on the State Budget of Ukraine);
 - 41) funds from the sale of precious metals and stones received by a government-funded institution authorized to perform transactions with precious metals and stones;
 - 42) 80 per cent of funds obtained by enterprises, institutions and organizations maintained against the State Budget for the gold, platinum and platinum-group metals, precious stones handed over as scrap and waste, and 50 per cent of funds obtained by such enterprises, institutions and organizations for the silver handed over as scrap and waste;
 - 43) 10 percent of proceeds from the sale of land plots for non-agricultural purposes or rights to them, which are owned by the state prior to the demarcation of the land owned by the state and by the community (except for the land plots for non-agricultural purposes owned by the state, on which objects subject to privatization are located); 100 percent of funds from the sale of land plots for non-agricultural purposes or rights to them, which will be owned by the state after the demarcation of land owned by the state and by the community (unless otherwise stipulated by the Law on the State Budget of Ukraine);
 - 44) funds received from the Secretariat of the UNO, OESC or other regional organization for the participation of the contingent of the Ukrainian Armed Forces in peace-keeping operations;
 - 45) funds remitted to the State Budget from local budgets;
 - 46) other revenues credited to the general fund of the State Budget according to the established procedure.
3. If the law establishes a new kind of revenue of the State Budget, its crediting to the general fund shall be stipulated by the Law on the State Budget of Ukraine for the period until the corresponding changes are introduced into this Code.
 4. Composition of revenues of the special fund of the State Budget of Ukraine shall be determined by the Law on the State Budget of Ukraine.
 5. The Law on the State Budget of Ukraine, in exceptional cases, may credit certain kinds of revenues of the general fund of the State Budget of Ukraine (or their part) determined by Part two of this Article to the special fund of the State Budget of Ukraine for the relevant budget period.

Article 30. Composition of Expenditures and Loans of the State Budget of Ukraine

1. Expenditures and loans of the State Budget of Ukraine include budget allocations established by the Law on the State Budget of Ukraine for specific purposes related to the implementation of programs and measures according to Article 87 hereof.
2. The sources for generating the general fund of the State Budget of Ukraine in terms of lending shall be:
 - 1) revenues resulting from the recovery of amounts overdue to the government on loans (borrowings) attracted by the government or under government guarantees, loans from the State Budget, unless otherwise stated by the Law on the State Budget of Ukraine;

- 2) repayment of loans issued from the State Budget which do not have an intended purpose;
 - 3) repayment of loans to the State Budget provided for the implementation of investment programs (projects) against loans (borrowings) attracted by the government from foreign countries, banks and international financial organizations.
3. The sources for generating the special fund of the State Budget of Ukraine in terms of lending shall be determined by the Law on the State Budget of Ukraine.

Article 31. Classified Expenditures

1. The State Budget of Ukraine shall contain explanations of all kinds of expenditures, except for the expenditures related to the state secret (classified expenditures).
2. Classified expenditures envisaged for the activity of government authorities in the interests of national security, shall be included into the State Budget of Ukraine without any breakdown.
3. Control over classified expenditures shall be exercised by the Accounting Chamber and the Ministry of Finance of Ukraine.
4. Reports on classified expenditures made shall be preliminarily considered by the Budget Committee of the Verkhovna Rada of Ukraine, Committee of the Verkhovna Rada of Ukraine for Legislative Support of the Law Enforcement Activity, Committee of the Verkhovna Rada of Ukraine for Combating Organized Crime and Corruption, Committee of the Verkhovna Rada of Ukraine for National Security and Defense.
5. Reports on classified expenditures made shall be considered by the Verkhovna Rada of Ukraine at the closed plenary session.

Chapter 6. PREPARING DRAFT STATE BUDGET OF UKRAINE

Article 32. Organizational Foundations of Preparation of the Draft State Budget of Ukraine

1. The Cabinet of Ministers of Ukraine shall develop the Draft Law on the State Budget of Ukraine.
2. The Ministry of Finance of Ukraine is responsible for preparing the Draft Law on the State Budget of Ukraine, determines the main organizational and methodological foundations of budget planning that shall be used for preparation of budget requests and development of the Draft State Budget of Ukraine and the Projected State Budget of Ukraine for two budget periods following the planned one.
3. The Ministry of Finance of Ukraine, on the basis of major projected macro indicators of economic and social development of Ukraine for the planned period and for two budget periods following the planned one, and the analysis of the execution of the budget of the previous and current budget periods, shall determine the overall level of revenues, expenditures and lending of the budget and assess the volume of budget financing to prepare the Draft State Budget of Ukraine and indicative projected indicators of the State Budget of Ukraine for two budget periods following the planned one.

Article 33. Definition of Budget Policy for the Forthcoming Budget Period

1. The Ministry of Finance of Ukraine, together with other central executive bodies, shall develop the Draft Main Goals and Objectives of Budget Policy for the Forthcoming Budget Period and shall submit

it for the consideration of the Cabinet of Ministers of Ukraine before March 20 of the year preceding the planned one.

2. The National Bank of Ukraine, by March 15 of the year preceding the planned one, shall submit to the Verkhovna Rada of Ukraine and the Cabinet of Ministers of Ukraine the projected monetary indicators for the forthcoming year, and, by April 1 of the year preceding the planned one, - the draft estimate of revenues and expenditures of the National Bank of Ukraine for the forthcoming year to be used for Preparation of Draft Law on the State Budget of Ukraine.

3. The Cabinet of Ministers of Ukraine, not later than April 1 of the year preceding the planned one, shall consider and approve the Draft Main Goals and Objectives of Budget Policy for the Forthcoming Budget Period and, within a three-day term shall submit it to the Verkhovna Rada of Ukraine which will consider it under a special procedure defined by Regulation of the Verkhovna Rada of Ukraine.

4. The Draft Main Goals and Objectives of Budget Policy for the Forthcoming Budget Period shall be based on the projected and program documents of economic and social development and shall contain provisions on:

1) basic projections of macro indicators of economic and social development of Ukraine (stating indicators of nominal and real volume of the gross domestic product, consumer price indexes and producer price indexes, official exchange rate of Hryvnia on the average for the year, and by the end of the year, unemployment rate);

2) major objectives of the budget policy, in particular the ceiling for the deficit (surplus) of the State Budget, share of the projected annual volume of the gross domestic product, distributed via the consolidated Budget of Ukraine, ceiling of the public debt, definition of minimum wages, subsistence level and degree of its provision;

3) tax policy priorities;

4) implementation of top-priority government (targeted) programs;

5) relations between the state budget and the local budgets, including the justification of the share of local budgets in the consolidated Budget of Ukraine;

6) other matters required to prepare the Draft Law on the State Budget of Ukraine.

Article 34. Instructions for Preparation of Budget Requests

1. In order to prepare the Draft State Budget of Ukraine, the Ministry of Finance of Ukraine shall elaborate and communicate to the key spending units instructions for preparation of budget requests within the deadlines determined by the Ministry of Finance of Ukraine.

2. Instructions for preparation of budget requests may introduce organizational, financial, and other restrictions which are to be observed by all spending units in the course of preparation of budget requests.

Article 35. Preparing a Budget Request

1. Key spending units shall ensure the preparation of budget requests to be submitted to the Ministry of Finance of Ukraine in compliance with the provisions of the instruction for preparation of budget requests, taking into account reports on implementation of the passports of budget programs, as well as the conclusions on the outcome of control measures carried out by the bodies authorized to exercise

control over the compliance with the budget legislation, within the terms and according to the procedure stipulated by the Ministry of Finance of Ukraine.

2. Key spending units shall make sure that the budget requests contain budget program indicators which ensure implementation of investment programs (projects) for several years in the event they are duly approved under the law and based on the calculations of volumes of spending and benefits of implementation of such investment programs (projects).

3. Key spending units shall ensure the timeliness, the reliability and the content of budget requests submitted to the Ministry of Finance of Ukraine containing all the relevant information required for the analysis of indicators of the Draft State Budget of Ukraine and indicative projected indicators of the State Budget of Ukraine for two budget periods following the planned one in accordance with requirements of the Ministry of Finance of Ukraine.

Article 36. Analysis of Budget Requests and Developing the Draft State Budget of Ukraine

1. The Ministry of Finance of Ukraine, at any stage of the development and review of the Draft State Budget of Ukraine, shall analyze the budget request submitted by the key spending unit for its conformity with the objective, priorities, and efficiency of use of budget funds. Based on the findings of the analysis, including on the basis of the reports on implementation of passports of budget programs, opinions on the results of the control measures carried out by the bodies authorized to exercise control over the compliance with the Budget legislation, the Minister of Finance of Ukraine shall make a decision on the inclusion of the budget request into the Draft State Budget of Ukraine before its submission for the consideration by the Cabinet of Ministers of Ukraine.

2. On the basis of the analysis of budget requests submitted according to Article 35 of this Code, the Ministry of Finance of Ukraine shall prepare the Draft Law on the State Budget of Ukraine.

3. The Ministry of Finance of Ukraine, in the course of preparing the Draft State Budget of Ukraine shall consider and implement measures for elimination of discrepancies with the key spending units. In the event the agreement was not reached, the Ministry of Finance of Ukraine shall attach its opinion on the matters to be agreed to the mentioned Draft Law submitted to the Cabinet of Ministers of Ukraine.

Article 37. Approval of the Draft Law on the State Budget of Ukraine by the Cabinet of Ministers of Ukraine

1. The Ministry of Finance of Ukraine shall submit to the Cabinet of Ministers of Ukraine for their consideration the Draft Law on the State Budget of Ukraine, and make proposals regarding the terms and procedure for the consideration of this draft in the Cabinet of Ministers of Ukraine.

2. Prior to approval of the Draft Law on the State Budget of Ukraine, the Cabinet of Ministers of Ukraine shall submit the Draft Law to the National Security and Defense Council of Ukraine regarding the articles related to provision of the national security and defense of Ukraine.

3. The Cabinet of Ministers of Ukraine shall approve the resolution on the approval of the Draft Law on the State Budget of Ukraine and submit it along with the relevant materials to the Verkhovna Rada of Ukraine and the President of Ukraine not later than September 15 of the year preceding the planned one.

Article 38. Materials Attached to the Draft Law on the State Budget of Ukraine

1. The following shall be submitted together with the Draft Law on the State Budget of Ukraine approved by the Cabinet of Ministers of Ukraine:

1) an explanatory note to the Draft Law on the State Budget of Ukraine, which shall contain:

a) the information on economic condition of the state and the basic projections of macro indicators of economic and social development of Ukraine for the next budget period that underlie the Draft State Budget of Ukraine;

b) the estimate of budget proceeds proposed to be provided by the financial resources of budget spending;

c) explanations to the main provisions of the Draft State Budget of Ukraine and the Draft Law on the State Budget of Ukraine, including the analysis of projected volumes of expenditures and lending under the budget classification (functional, institutional, and program-based classification of budget expenditures and lending, and the economic classification of budget expenditures). The explanations shall include budget indicators for the previous, current and forthcoming budget periods in terms of classification of budget expenditures and loans;

d) information on consideration of the Main Goals and Objectives of Budget Policy for the Forthcoming Budget Period;

e) analytical data, estimates with the justification of peculiarities of budget relations, particularly:

detailed calculations of the projected total volume of revenues and expenditures taken into account when defining inter-budget transfers between the State Budget and local budgets by kinds of revenues and functions;

basic indicators and results of the computation of indexes of relative taxation potential broken down by local budgets;

detailed calculation of the amount of financial ratio of budget adequacy by function and type of local budgets;

detailed calculation of adjustment factors and equalization factor;

estimates of the volumes of subventions to local budgets from the State Budget by kinds of benefits and assistance with detailed financial and quantitative indicators;

f) information on the volumes of the public debt, including by type of debt liability, schedule of its repayment, volumes and terms of government borrowings;

g) information on the objective, tasks and expected outcome which each key spending unit plans to achieve in the course of implementation of the budget programs, in the form determined by the Ministry of Finance of Ukraine;

h) rationale for the computation of the cost value of the subsistence level for the respective budget period per month per capita and separately for major social and demographic groups of population;

i) estimated volumes of compensation to be paid against the state budget funds for losses by business entities resulting from decisions on regulation of prices and tariffs for certain types of

- products, goods and services made by the Cabinet of Ministers of Ukraine and other central executive bodies;
- 2) projected indicators of the consolidated Budget of Ukraine (including the assessment of the State Budget of Ukraine and local budgets) according to the budget classification, as well as consolidated balance of the financial resources of Ukraine;
 - 3) list of allowances on taxes and duties (mandatory payments) with the estimate of loss in budget revenues as a result of these allowances;
 - 4) lists and volumes of funds under the targeted government programs included by the key spending units to the budget programs envisaged by the Draft Law on the State Budget of Ukraine;
 - 5) consolidation and structure of public debt and guarantee obligations for the current and forthcoming budget periods until the complete repayment of such liabilities, including the amount of expenditures for the public debt servicing;
 - 6) program of government borrowings for the forthcoming budget period and the list of investment programs (projects), for which government borrowings may be provided in the forthcoming budget period. The program of government borrowings for the forthcoming budget period shall include the list of loans (borrowings) identifying creditors, types, purpose, currency name, term and interest rate of the government borrowings, as well as the progress in entering loan agreements;
 - 7) forecast of the State Budget of Ukraine for the two budget periods following the planned one prepared in accordance with Article 21 hereof;
 - 8) report on the progress of execution of the State Budget of Ukraine in the current budget period;
 - 9) explanation of the key spending units to the Draft State Budget of Ukraine on the basis of budget requests in the form determined by the Ministry of Finance of Ukraine (shall be submitted to the Budget Committee of the Verkhovna Rada of Ukraine);
 - 10) minutes of the consultations of the Cabinet of Ministers of Ukraine with all-Ukrainian associations of the local self-governments;
 - 11) information regarding taking account of the proposals of the National Security and Defense Council of Ukraine on the Draft Law on the State Budget of Ukraine regarding the articles related to provision of the national security and defense of Ukraine (reasonably substantiated);
 - 12) information on long-term (more than a year) loans (borrowings) received, guarantees issued, guarantor rights obtained with regard to such commitments by state-run enterprises, including entities with government's share in their statutory fund of 50 % and more shares (stakes, interest);
 - 13) other materials, the volume and form of which shall be determined by the Cabinet of Ministers of Ukraine.

Should the Cabinet of Ministers of Ukraine change the indicators of the volumes of interbudget transfers in the course of the deliberation and finalization of the Draft Law on the State Budget of Ukraine, the Cabinet of Ministers of Ukraine shall submit the calculations according to the requirements of sub-para. "e" of para. 1 of this Part of the Article.

Chapter 7. DELIBERATION AND APPROVAL OF THE STATE BUDGET OF UKRAINE

Article 39. Deliberation and Approval of the State Budget of Ukraine

1. Deliberation and Approval of the State Budget of Ukraine is performed in the Verkhovna Rada of Ukraine in accordance with a special procedure determined by the Regulation of the Verkhovna Rada of Ukraine.
2. The Cabinet of Ministers of Ukraine, within three days after adoption of the Law on the State Budget of Ukraine by the Verkhovna Rada of Ukraine, shall submit to the President of Ukraine the substantiation and calculations of budget indicators for such law that were changed as compared to the Draft Law on the State Budget of Ukraine submitted by the Cabinet of Ministers of Ukraine to the Verkhovna Rada of Ukraine for consideration in the first reading.
3. If the President of Ukraine returns the Law on the State Budget of Ukraine to the Verkhovna Rada of Ukraine for reconsideration accompanied by the substantiated and formulated proposals for changes in budget indicators, the Cabinet of Ministers of Ukraine shall submit, in a week term, to the Verkhovna Rada of Ukraine changes to indicators set forth in the text items of such a law and updated annexes thereto in accordance with the proposals of the President of Ukraine.

Article 40. Subject of Regulation of the Law on the State Budget of Ukraine

1. The Law on the State Budget of Ukraine determines:
 - 1) the total volume of revenues, expenditures and loans of the state budget (divided into the general fund and the special fund);
 - 2) the ceiling of the state budget deficit (surplus) in the relevant budget period and the public debt as at the end of the respective budget period; the ceiling of provision of government guarantees, as well as the authority in respect of these guarantees in accordance with the Article 17 hereof;
 - 3) the revenues of the state budget in accordance with the budget classification (as an annex to the law);
 - 4) financing of the state budget in accordance with the budget classification (as an annex to the law);
 - 5) budget allocations to the key spending units in accordance with the budget classification and the obligatory assignment of consumption expenditures (including remuneration expenditures, payment for utilities and energy resources) and development expenditures (as annexes to the law);
 - 6) budget allocations of interbudget transfers (as annexes to the law);
 - 7) the amount of current balance of funds of the state budget;
 - 8) the minimum wages for the respective budget period;
 - 9) the subsistence level for respective budget period per month per capita and separately for major social and demographic groups of population as well as the degree of ensuring the subsistence level for the respective budget period;

10) a list of loans (borrowings) attracted by the government from foreign states, banks and international financial organizations to implement the investment programs (projects) stating creditors, total volumes of loans (borrowings) and volumes of those received in the respective budget period by budget program (as an annex to the law);

11) additional provisions regulating the process of execution of the state budget.

2. The expenditures and lending by key spending units shall be detailed in the Law on the State Budget of Ukraine on the basis of program-based classification of expenditures and lending of the state budget by group of functional classification of expenditures and budget lending and by separate categories of economic classification of budget expenditures and classification of budget lending.

Article 41. Specific Features of Generation of Budget Revenues and Making Budget Spending in Case of Delayed Adoption of the Law on the State Budget of Ukraine

1. If, by the beginning of the new budget period, the Law on the State Budget of Ukraine does not come into effect, the Cabinet of Ministers of Ukraine shall be entitled to make expenditures of the State Budget of Ukraine according to the following requirements:

1) the State Budget of Ukraine shall only be spent for the budget programs, the budget allocations for which have been stipulated by the Law on the State Budget of Ukraine for the previous budget period and at the same time stipulated in the Draft Law on the State Budget of Ukraine for the forthcoming budget period submitted by the Cabinet of Ministers of Ukraine to the Verkhovna Rada of Ukraine, with related targeted restrictions remaining applicable;

2) total amount of monthly budget appropriations of the general fund of the State Budget of Ukraine shall not exceed 1/12 of the amount of budget allocations determined by the Law on the State Budget of Ukraine for the previous budget period (except for cases envisaged by Part six of Article 16 and Part four of Article 23 hereof, as well as para. 4 and 5, Part two of this Article).

2. Before the Law on the State Budget of Ukraine for the current budget period comes into effect:

1) it is prohibited to spend the funds of the general fund of the budget as a part of capital expenditures to issue loans, except for capital expenditures related to the liquidation of accidents in the institutions of social and culture sectors, housing, heating, energy, gas, and water supply and sewage systems, as well as expenditures related to the imposing martial law and state of emergency, proclaiming some areas of emergency environmental catastrophes and allocating funds from the reserve fund of the state budget;

2) government borrowings may be made in the amounts not exceeding the volume of expenditures to repay the public debt in the respective period, and the government guarantees shall not be provided;

3) provisions of the Law on the State Budget of Ukraine for the previous budget period are valid, except for the provisions determining general indicators of the State Budget, budget allocations to the key spending units and volumes of transfers between the state budget and local budgets;

4) social standards and social guarantees, including the subsistence level, degree of its provision, minimum wages, provision of allowances, compensations and guarantees to the population in the current budget period shall be applied in the amounts and under the conditions that were effective in December of the previous budget period;

5) equalization subsidies from the state budget to local budgets and funds transferred to the state budget from local budgets shall be remitted according to the volumes determined in the Draft Law on the State Budget of Ukraine submitted by the Cabinet of Ministers of Ukraine to the Verkhovna Rada of Ukraine.

Chapter 8. EXECUTION OF THE STATE BUDGET OF UKRAINE

Article 42. Arranging Execution of the State Budget

1. The Cabinet of Ministers of Ukraine shall ensure execution of the State Budget of Ukraine. The Ministry of Finance of Ukraine shall provide overall arrangement and management of the process of execution of the State Budget of Ukraine, coordinate the activities of the budget process participants in terms of budget execution.

Article 43. Treasury Servicing of Budget Funds

1. In the course of execution of the state and local budgets, Treasury servicing of budget funds applies. The State Treasury of Ukraine operating as a part of the Ministry of Finance of Ukraine, shall ensure treasury servicing of budget funds on the basis of the Single Treasury Account opened with the National Bank of Ukraine.

The Treasury servicing of budget funds envisages:

- 1) cash and settlement servicing of spending units and recipients of budget funds, as well as other clients in line with the legislation;
- 2) control over exercising budget permissions in crediting budget revenues and taking on budget liabilities by the spending units and making payments under these liabilities;
- 3) accounting and reporting on execution of budgets in compliance with the national accounting standards;
- 4) performing other transactions with budget funds.

Government-funded institutions shall open their accounts with the bodies of the State Treasury of Ukraine according to the procedure established by the law.

2. Ukrainian institutions operating abroad shall be serviced by the State Treasury of Ukraine according to the procedure approved by the Cabinet of Ministers of Ukraine.

3. The State Treasury of Ukraine shall not make any payments for services related to processing electronic settlement documents and notifications in the system of electronic money transfers of the National Bank of Ukraine and related to transfers of funds via the foreign exchange accounts opened with the National Bank of Ukraine.

4. The State Treasury of Ukraine subject to approval of the Ministry of Finance of Ukraine shall be entitled to attract, on a revocable basis, the funds of the single treasury account to cover temporary cash gaps of local budgets and the Pension Fund of Ukraine, and to issue medium-term loans to local budgets.

5. Volumes of temporary cash gaps of local budgets related to providing for protected expenditures of general fund, by all means, shall be covered by the State Treasury of Ukraine within the current budget period, while temporary cash gaps of the Pension Fund of Ukraine, related to the payment of pensions,

- within the limits of actual deficit of funds for this purpose, against the funds of the single treasury account on a contractual basis without charging interest for the use of these funds subject to their mandatory repayment by the end of the current budget period.

The procedure for such transactions shall be approved by the Cabinet of Ministers of Ukraine.

Article 44. Breakdown of the State Budget of Ukraine

1. The State Budget of Ukraine shall be executed in accordance with the breakdown approved by the Minister of Finance of Ukraine in line with the budget allocations within a month term after the adoption of the Law on the State Budget of Ukraine. Before the breakdown of the State Budget of Ukraine is approved by the Minister of Finance of Ukraine, a provisional breakdown of the State Budget of Ukraine shall be approved for the respective period.

A copy of the approved breakdown of the State Budget of Ukraine shall be handed over to the Accounting Chamber and the Budget Committee of the Verkhovna Rada of Ukraine with subsequent communication of amendments made to it caused by amendments to the Law on the State Budget of Ukraine.

2. The Ministry of Finance of Ukraine, during the budget period, shall ensure the compliance of the breakdown of the State Budget of Ukraine with the established budget allocations, as well as the compliance of the distribution of budget appropriations to the key spending units under the general fund of the state budget according to the periods of the year determined by this breakdown to the respective projections of revenues of the general fund of the state budget during the budget period.

Article 45. Execution of the State Budget of Ukraine in Terms of Revenues

1. The Ministry of Finance of Ukraine makes projections of and analyses the budget revenues, and agrees the decisions of the central tax authority on the installment plan or deferral of tax liabilities for the term exceeding one budget period regarding the national taxes and duties (mandatory payments).

2. The State Treasury of Ukraine shall account for all revenues of the State Budget of Ukraine and, upon the request of agencies controlling revenue collection, return the funds credited to the budget by mistake or in excess.

3. The agencies controlling revenue collection shall ensure the timely and full receipt of taxes and duties (mandatory payments) to the state budget and other state budget revenues in accordance with the legislation. The Council of Ministers of the Autonomous Republic of Crimea, local state administrations and executive bodies of city (cities of republican subordination of the Autonomous Republic of Crimea and cities of oblast subordination) councils shall coordinate the activities of the respective collection bodies regarding performance of the budget revenue indicators assigned for the territories.

4. Taxes and duties (mandatory payments) and other state budget revenues shall be credited directly to the Single Treasury Account and cannot be accumulated on the accounts of agencies controlling revenue collection (except for the Ukrainian institutions functioning abroad).

The procedure for crediting funds received by the Ukrainian institutions functioning abroad to the state budget is established by the Cabinet of Ministers of Ukraine.

5. Taxes and duties (mandatory payments) and other state budget revenues shall be considered credited to the state budget starting from the day of crediting to the Treasury Single Account.

6. Non-monetary settlements with the budget, including offsetting, use of promissory notes, barter transactions and offsetting of claims in the financial institutions shall be prohibited, except for the transactions related to public debt, and cases stipulated by the Law on the State Budget of Ukraine.
7. List of taxes and duties (mandatory payments) and other budget revenues according to the budget classification broken down by agencies controlling revenue collection, as well as general requirements for budget revenue accounting, shall be determined by the Cabinet of Ministers of Ukraine.
8. In the event tax payer business entities change their location, taxes and duties (mandatory payments) determined by the legislation after the registration shall be paid at the previous location until the current budget period expires.

Article 46. Stages of Budget Execution in Terms of Expenditures and Lending

1. The stages of execution of budget in terms of expenditures and lending are:

- 1) establishing budget appropriations to spending units on the basis and within the limits of the approved budget breakdown;
- 2) approval of breakdowns of costs, passports of budget programs (if program-based budgeting in the budget process is applied), and procedures for using budget funds;
- 3) taking on budget liabilities;
- 4) receiving goods, work, and services;
- 5) making payments according to the budget liabilities taken;
- 6) use of goods, work, and services for implementation of budget programs;
- 7) repayment of loans to the budget (in terms of budget lending).

Article 47. Establishing Budget Appropriations for Spending Units

1. According to the approved budget breakdown the spending units shall receive budget appropriations, which constitutes the grounds for the approval of breakdowns of costs. Procedure for making, considering, approving and setting major requirements to execution of breakdowns of costs of government-funded institutions shall be established by the Cabinet of Ministers of Ukraine.
2. The State Treasury of Ukraine exercises control over the compliance of the spending units' breakdowns of costs with the budget breakdown.
3. Spending units are responsible for managing budget appropriations and exercising control over the compliance with the procedures and requirements stipulated hereby.

Article 48. Taking On Budget Liabilities

1. Spending units take on budget liabilities and make payments only within the limits of budget appropriations established by the breakdowns of costs taking into account the need to meet liabilities of the previous years registered by bodies of the State Treasury of Ukraine; as regards the objectives (projects) of the National IT Program - after their approval with the General State Customer of the National IT Program - central executive body defined by the Cabinet of Ministers of Ukraine.

2. Spending units take over budget liabilities under the special fund exclusively within the actual revenues of the special fund of the state budget (subject to the requirements of Part 2, Article 57 hereof).

In the context of budget programs implemented against loans (borrowings) attracted by the government from foreign countries, banks, international financial organizations for implementation of investment programs (projects) expiring in the current budget period, the spending units are entitled to take on the relevant budget liabilities in the fourth quarter of the current budget period in excess of the actual proceeds of such loans (borrowings) providing there is a written consent of the creditor to pay for these liabilities during the first quarter of the forthcoming budget period.

3. Placing order, concluding contract, purchasing a commodity, service or performing other similar transactions during the budget period, regarding which a spending unit has assumed liabilities in the absence of relevant budget appropriations or in excess of authority established by this Code and the Law on the State Budget of Ukraine (decision on local budget), shall be null and void. No budget liabilities shall arise regarding such transactions and no debt to the budget shall arise.

4. Any liabilities assumed by a participant of the budget process in the absence of relevant budget appropriations or in excess of authority established by this Code and the Law on the State Budget of Ukraine (decision on local budget) shall not be considered budget liabilities (except for the expenses made according to Part six of this Article) and are not subject to repayment against the budget funds. Assuming such liabilities is a violation of the budget legislation. Such liabilities shall not be covered against the budget spending.

Claims of individuals and legal entities regarding compensation for losses and/or damages under liabilities assumed by spending units in the absence of relevant budget appropriations or in excess of authority established by this Code and the Law on the State Budget of Ukraine (decision on local budget) shall be charged against the persons guilty of assuming such liabilities in an action at law.

5. The State Treasury of Ukraine shall register and account for budget liabilities of spending units and reflect them in the budget execution reports. When registering and accounting for budget liabilities, the compliance of the areas of use of budget funds with the budget appropriation and budget program passport (in case program-based budgeting in the budget process is used) shall be verified.

6. Budget liabilities regarding the payment of grants, allowances, benefits in payment for the utility and communication services consumed (in terms of subscriber fees for the use of fixed-line telephone), and reimbursements to people from the budget, to which, according to the Ukrainian laws, are eligible relevant categories of people, shall be accounted for by the State Treasury of Ukraine irrespective of budget allocations assigned for this purpose.

7. The procedure for registering and accounting for the spending units' budget liabilities shall be determined by the State Treasury of Ukraine subject to agreement with the Ministry of Finance of Ukraine.

Article 49. Making Payments under Budget Liabilities Assumed

1. Having received goods, work and services under the terms of a budget liability assumed, the spending unit shall make a decision to pay for them and instruct a body of the State Treasury of Ukraine to make such a payment, unless otherwise stipulated by the budget legislation as determined by para. 5 of Part one of Article 4 hereof.

2. The State Treasury of Ukraine shall make payments on instructions of spending units in the event:

1) there is a relevant budget liability for the payment in the budget execution accounting;

- 2) there is a duly approved passport of budget program (in case program-based budgeting in the budget process is used);
- 3) spending units have proper budget appropriations.

Article 50. Repaying Loans to Budget

1. In the event the loans are issued from the state budget, the borrowers face a liability to the budget. Starting from the moment the loans are issued from the budget for the amount of funds received from the budget, substantially all creditor's rights and the right to claim the repayment of such loans to the budget shall be transferred to the government (Autonomous Republic of Crimea or territorial community).

Limitation period shall not apply to the claims for repayment of such debt.

2. The bodies of the State Tax Service of Ukraine shall be determined as the bodies for collecting the debt of business entities overdue to the government (Autonomous Republic of Crimea or territorial community) under the loans from the budget.

Article 51. Peculiarities of Making Certain Budget Expenditures

1. Directors of government-funded institutions shall maintain the number of employees, military personnel, rank-and-file and command staff officers, and shall make actual payroll expenditures (remuneration) including bonuses and other kinds of incentives or rewards, public assistance only within payroll (remuneration) limits approved in the cost estimates for government-funded institutions.

2. Costs related to free financial and everyday support or other benefits, to which are entitled, according to the Ukrainian legislation, certain categories of employees of government-funded institutions, military personnel, rank-and-file and command staff officers (except for the categories benefits for whom are stipulated by para. "I" of Part one, Article 77 of the Fundamentals of the Legislation of Ukraine on Health Protection, Part four of Article 29 of the Fundamentals of the Legislation of Ukraine on Culture, and Paragraph one of Part four of the Article 57 of the Law of Ukraine "On Education"), as well as in terms of medical aid and sanatorium and spa treatment and preventive recreation - members of families of military personnel, rank-and-file and command staff officers, military pensioners, rank-and-file and command staff pensioners and members of their families, shall be paid against the budget appropriations intended for operation of these government-funded institutions.

Such costs shall include: provision with military uniform, clothing property, office outfit; free medical aid; sanatorium and spa treatment and preventive recreation; provision of lodging or payment of cash compensation for the sub-lease (lease) of living space; reduction of payment for lodging (apartment rent), fuel, telephone and payment for utilities (water supply, gas, electricity, and heating); free travelling and baggage transportation; free installation and use of burglar alarm system; free mailing and receipt of letters for military personnel in compulsory military service.

3. Spending units shall ensure comprehensive payments for electricity and heating, water supply and sewerage, natural gas and communication services consumed by the government-funded institutions, and conclude contracts for each type of utility within reasonable consumption limits established by the respective key spending unit.

4. In the event of payables overdue for salary (remuneration), scholarship, as well as for utility services and energy consumed, the spending units, within the general fund budget appropriations, shall not assume any budget liabilities and make any payments for any other activities related to operation of the

government-funded institutions (save for the protected budget expenditures defined by the Article 55 hereof) until such payables are settled.

5. When granting preferences and making expenditures from the budget to pay these preferences, the members of the privileged person's family shall include: wife (husband), their underage children (under 18 years old); single children who have come of age and who are identified as being disabled since childhood of I and II groups or disabled of I group; person residing together with the disabled in the war I group person and taking care of this person under the condition that the person disabled in the war is not married; parents incapable of work; person under the guardianship or care of the person entitled to privileges and living together with the former.

6. Accession to international organizations and accession to international agreements, terms of membership in which stipulate payment of membership fees or making any other payments from the State Budget funds shall be performed based on the relevant volumes established for this purpose in the Law on the State Budget of Ukraine, and according to the procedure stipulated by the Law of Ukraine "On International agreements of Ukraine".

7. Expenditures related to operation of Ukrainian foreign diplomatic missions, including the expenditures to maintain their employees (except for military attaches), shall be made exclusively via the Ministry of Foreign Affairs of Ukraine.

8. In case the actual volume of revenues by the special fund of estimate of costs of a government-funded institution is lower than the planned indicators accounted for in the special fund of its estimate of costs, the spending unit shall, prior to expiry of the budget period, make changes to the special fund of estimate of costs regarding decreased revenues and expenditures with reference to the expected implementation of the special fund of estimate of costs in the relevant budget period. Spending units settle budget liabilities with reference to changes made to the special fund of estimate of costs.

9. If the volumes of own revenues of government-funded institutions exceed the relevant costs approved by the Law on the State Budget of Ukraine (decision on local budget), a spending unit shall primarily assign such exceeding volumes of revenues to repay the salary liabilities, payroll charges, scholarships, utilities, and energy.

If there is no such liability, the spending unit shall allocate 50 percent of funds for the measures implemented against the relevant revenues, and another 50 percent of funds for the measures required to perform their major functions, but not supported with the resources of the general fund of the budget under the relevant budget program.

In such a case, the spending unit shall redistribute the volumes of budget liabilities assumed under the general fund of the budget to make expenditures under these liabilities from the special fund of the budget.

Chapter 9. AMENDING THE LAW ON THE STATE BUDGET OF UKRAINE

Article 52. Procedure for Amending the Law on the State Budget of Ukraine

1. Amendments to the Law on the State Budget of Ukraine can be made in cases where the estimates of the main projected macro indicators of the economic and social development of Ukraine and the budget revenues deviate from the forecast referred to when approving the State Budget of Ukraine for the respective budget period, and when the structure of the state budget expenses changes, and in other cases stipulated hereby. The Ministry of Finance of Ukraine shall assess the correspondence of the state budget revenues to the targets set by the State Budget of Ukraine on a monthly basis. The Cabinet of Ministers of Ukraine shall assess the correspondence of the main projected macro indicators of the

economic and social development of Ukraine to the targets referred to when approving the State Budget of Ukraine for the respective budget period on a quarterly basis.

2. The Draft Law on Amending the Law on the State Budget of Ukraine shall be deliberated in the Verkhovna Rada of Ukraine under the special procedure determined by the Regulation of the Verkhovna Rada of Ukraine.

Article 53. Exceeding the Targeted Revenues of the State Budget of Ukraine

1. The fact of exceeding the targeted state budget revenues is recognized based on the formal opinions of the Accounting Chamber and the Ministry of Finance of Ukraine regarding execution of the State Budget of Ukraine based on the results for three quarters in the event the indicators of the state budget revenues referred to in the breakdown of the state budget for the respective period exceed the target by more than 15 percent. These opinions shall be submitted to the Budget Committee of the Verkhovna Rada by October 15 of the current year.

2. The Cabinet of Ministers of Ukraine shall submit the respective draft law on amendments to the Law on the State Budget of Ukraine to the Verkhovna Rada of Ukraine within two weeks following the announcement of the said formal opinions. At that, the revenues of the State Budget exceeding the indicators of the state budget revenues taken into account in the Law on the State Budget of Ukraine shall be allocated to finance top-priority investment programs (projects) approved under the procedure established by the law and perform actions related to social reforms.

Article 54. Reducing Expenditures and Lending of the General Fund of the State Budget of Ukraine

1. If a monthly report on the execution of the general fund of the State Budget of Ukraine reveals that the state budget revenues obtained are not sufficient to finance budget appropriations in accordance with budget allocations with reference to the ceiling of deficit (surplus) fixed by the Law on the State Budget of Ukraine, the Minister of Finance of Ukraine can change the breakdown of the State Budget of Ukraine by the general fund in order to ensure equilibrium between the revenues and expenses of the state budget subject to compliance with the ceiling of annual deficit (surplus) of the state budget.

2. If a quarterly report on execution of the State Budget of Ukraine reveals that the revenues of the general fund of the State Budget of Ukraine are more than 15% below the target provided in the breakdown of budget for the respective period, the Ministry of Finance of Ukraine shall prepare proposals to make amendments to the State Budget of Ukraine. Having considered these proposals, the Cabinet of Ministers of Ukraine shall submit a draft law on amendments to the State Budget of Ukraine developed on the basis of the proposals no later than two weeks after the proposals are submitted by the Ministry of Finance of Ukraine.

Article 55. Protected Budget Expenditures

1. The expenditures of the general fund of the State Budget whose amount cannot be changed in cutting the approved budget allocations shall be recognized as protected budget expenditures.

2. The following expenditures of the general fund of the budget shall be defined as the protected expenditures of the State Budget of Ukraine:

remuneration of the government-funded institutions' employees;

payroll charges;

acquisition of medicines and medical dressing;

food provision;

payment for utilities and electricity;

servicing of public debt;

ongoing transfers to the population;

ongoing transfers to the local budgets;

education provided by the higher education establishments of I-IV levels of accreditation;

providing technical and other means of rehabilitation, including medical products for personal use, to the disabled persons;

fundamental scientific research, applied scientific and technological developments.

Chapter 10. ACCOUNTING AND REPORTING ON EXECUTION OF THE STATE BUDGET OF UKRAINE

Article 56. Accounting for Execution of the State Budget of Ukraine

1. The accounting methodology and reporting on the performance of the budgets shall be regulated by the Ministry of Finance of Ukraine which coordinates the activities of the State Treasury of Ukraine and agrees regulations on these issues with it.

2. Accounting for all the transactions related to the execution of the State Budget of Ukraine shall be carried out by the bodies of the State Treasury of Ukraine in accordance with the procedure established by the State Treasury of Ukraine. This accounting shall reflect all the assets and liabilities of the government.

The government-funded institutions shall perform accounting in accordance with the national accounting standards approved by the Ministry of Finance of Ukraine as well as other regulations on accounting.

The accounting procedure in the government-funded institutions shall be established by the State Treasury of Ukraine in accordance with the national accounting standards approved by the Ministry of Finance of Ukraine.

3. Tasks and functional responsibilities of the accounting services, the authority of a head of the accounting services in the government-funded institutions, i.e. a chief accountant, as well as the respective qualification requirements shall be established by the Cabinet of Ministers of Ukraine.

Chief accountant in a government-funded institution is appointed and dismissed in accordance with the labor legislation taking account of the standard professional and qualification characteristics of the chief accountant of a government-funded institution as approved by the Cabinet of Ministers of Ukraine.

4. All the budget revenues and expenses shall be accounted for in gross indicators irrespective of the fact whether or not the offset of these indicators is provided in the budget allocations.

5. All the budget revenues and expenses shall be recorded in a chronological order in accordance with the procedure established by the law. All the accounting entries shall be supported by documents.

Article 57. Procedure for Closing Accounts after Budget Period Expiry

1. The State Treasury of Ukraine shall close all the accounts opened in the current budget period in order to execute the budget not later than on December 31 of the current budget period or the last day of another budget period. The procedure for closing the accounts of the current budget period and opening the accounts of the next budget period shall be established by the State Treasury of Ukraine subject to agreement with the Ministry of Finance of Ukraine. Under exceptional circumstances, the Minister of Finance of Ukraine can fix a different term to close the accounts which is to be not later than five working days after the expiry of the budget period.

The balances of the state budget funds of the Ukrainian institutions operating abroad at the end of the budget period shall remain on the accounts opened with the banking institutions of the countries where the said Ukrainian institutions operating abroad are located in order to make expenditures in the next budget period in accordance with their cost estimates.

2. At the end of a budget period, the State Treasury of Ukraine shall keep cash balances on the accounts of the special fund of the State Budget to cover the respective expenses in the next budget period with reference to their intended purpose. In the event of absence of relevant budget allocations for the next budget period, the cash balances of the special fund shall be transferred to the general fund of the budget.

Key spending units must meet budgetary commitments under the budget programs of the special fund of the state budget not stipulated by the Draft Law on the State Budget of Ukraine for the forthcoming budget period submitted for deliberation to the Verkhovna Rada of Ukraine before the end of the current budget period within and against the corresponding actual proceeds to the special fund of the budget preventing any amounts payable under such commitments at the beginning of the next budget period.

3. All the revenues and expenses shall be recorded in the budget period when they were made.

Article 58. Reporting on Execution of the State Budget of Ukraine

1. Reporting on the execution of the State Budget of Ukraine (the budgets of the government-funded institutions) includes financial and budget reports.

Financial reporting of the government-funded institutions shall be prepared in accordance with the national accounting standards and in forms approved by the Ministry of Finance of Ukraine.

The procedure for filling out the financial reporting forms of the government-funded institutions shall be established by the State Treasury of Ukraine in agreement with the Ministry of Finance of Ukraine.

Budget reporting reflects the progress in budget execution and contains information in terms of budget classification.

The forms of budget reporting of the government-funded institutions and the agencies of the State Treasury of Ukraine as well as the procedure for filling them out shall be established by the State Treasury of Ukraine in agreement with the Ministry of Finance of Ukraine.

2. Reporting on the execution of the State Budget of Ukraine shall be consolidated, prepared, and submitted by the State Treasury of Ukraine.

The State Treasury of Ukraine shall make sure that the information on the execution of the State Budget of Ukraine is accurate.

3. The Chief Accountant of a government-funded institution shall make sure that financial and budget reports are prepared and submitted in accordance with the established requirements.
4. Reporting on the performance of the State Budget of Ukraine shall be operational, monthly, quarterly, and annual.

Article 59. Monthly Report on Execution of the State Budget of Ukraine

1. A monthly report on execution of the State Budget of Ukraine shall be submitted by the State Treasury of Ukraine to the Verkhovna Rada of Ukraine, the President of Ukraine, the Cabinet of Ministers of Ukraine, the Accounting Chamber and the Ministry of Finance of Ukraine not later than on the 15th day of the month following the reporting one.
2. Consolidated indicators of the reports on execution of the budgets, information on making protected expenditures of the State Budget of Ukraine, information on use of the Reserve Fund of the State Budget, information on the list of transactions conducted with the public debt, information on government guarantees issued shall be submitted by the State Treasury of Ukraine to the Verkhovna Rada of Ukraine, the President of Ukraine, the Cabinet of Ministers of Ukraine, the Accounting Chamber and the Ministry of Finance of Ukraine not later than on the 25th day of the month following the reporting one. A report on debt to the budget shall be submitted not later than on the 1st day of the second month following the reporting one.
3. A monthly report on the actual proceeds of taxes and duties (mandatory payments) and other budget revenues, a monthly report on tax liabilities including amounts underpaid and overpaid (by sector and territory and in terms of sources of income and forms of ownership) shall be submitted by the agencies controlling revenue collection to the Verkhovna Rada of Ukraine, the President of Ukraine, the Cabinet of Ministers of Ukraine, the Accounting Chamber and the Ministry of Finance of Ukraine not later than on the 15th day of the month following the reporting one.

Article 60. Quarterly Report on Execution of the State Budget of Ukraine

1. A quarterly report on execution of the State Budget of Ukraine shall be submitted by the State Treasury of Ukraine to the Verkhovna Rada of Ukraine, the President of Ukraine, the Cabinet of Ministers of Ukraine, the Accounting Chamber and the Ministry of Finance of Ukraine within 35 days after the reporting quarter expires.
2. A quarterly report on execution of the State Budget of Ukraine shall include the following:
 - 1) report on financial state (balance sheet) of the State Budget of Ukraine;
 - 2) statement of operations for execution of the State Budget of Ukraine;
 - 3) cash flow statement;
 - 4) report on execution of the State Budget of Ukraine (including reports on meeting the targets in accordance with the form of appendices to the Law on the State Budget of Ukraine);
 - 5) report on the public debt status;
 - 6) consolidated indicators of execution of budgets;

- 7) report on transactions with the government guarantees;
- 8) information on transactions performed with the public debt;
- 9) information on government guarantees issued;
- 10) explanation of progress in meeting the targets of the State Budget of Ukraine and local budgets for the reporting period.

3. Agencies controlling revenue collection shall submit to the Verkhovna Rada of Ukraine, the President of Ukraine, the Cabinet of Ministers of Ukraine, the Accounting Chamber and the Ministry of Finance of Ukraine the information on losses of budget revenues resulting from tax benefits within 50 days after the end of a quarter (within 70 days after the end of the year), and information on the amounts of restructured and written off tax liabilities (by sector and territory and in terms of sources of income and forms of ownership) and information on the amounts of deferred and installment-based payments within 35 days after the end of the quarter.

4. The Ministry of Finance of Ukraine shall submit the information on execution of textual articles of the Law on the State Budget of Ukraine to the Budget Committee of the Verkhovna Rada of Ukraine within two weeks after receiving the quarterly report on execution of the State Budget of Ukraine in the current budget period.

Article 61. Annual Report on Implementation of the Law on the State Budget of Ukraine

1. An annual report on implementation of the Law on the State Budget of Ukraine shall be submitted by the Cabinet of Ministers of Ukraine to the Verkhovna Rada of Ukraine, the President of Ukraine and the Accounting Chamber not later than on May 1 of the year following the reporting one.

2. The annual report on implementation of the Law on the State Budget of Ukraine includes the following:

- 1) report on financial state (balance sheet) of the State Budget of Ukraine;
- 2) report on execution of the State Budget of Ukraine (including reports on meeting the targets in accordance with the form of appendices to the Law on the State Budget of Ukraine);
- 3) statement of operations for execution of the State Budget of Ukraine;
- 4) cash flow statement;
- 5) equity statement;
- 6) information on making protected expenditures of the State Budget of Ukraine;
- 7) report on debt to the budget;
- 8) report on use of cash from the Reserve Fund of the State Budget;
- 9) report on the public debt status;
- 10) report on transactions with the government guarantees;

- 11) consolidated indicators of execution of budgets;
- 12) information on execution of local budgets including information on the local debt status;
- 13) information on transactions performed with the public debt;
- 14) information on government guarantees issued;
- 15) information on meeting the target, performing tasks, and achieving effective indicators by the key spending units within the budget programs;
- 16) information on execution of textual articles of the Law on the State Budget of Ukraine;
- 17) other information recognized by Cabinet of Ministers of Ukraine to be necessary to clarify the report.

Article 62. Deliberation of Annual Report on Implementation of the Law on the State Budget of Ukraine

1. The Accounting Chamber shall prepare and submit to the Verkhovna Rada of Ukraine conclusions on implementation of the Law on the State Budget of Ukraine with the assessment of efficiency of management of the State Budget funds and proposals to remove the violations revealed in the reporting budget period and to improve the overall budget process within two weeks after the Cabinet of Ministers of Ukraine formally submits the annual report on implementation of the Law on the State Budget of Ukraine.
2. The annual report on implementation of the Law on the State Budget of Ukraine shall be deliberated in the Verkhovna Rada of Ukraine according to the special procedure determined by the Regulation of the Verkhovna Rada of Ukraine.

Section III. LOCAL BUDGETS

Chapter 11. REVENUES AND EXPENSES OF LOCAL BUDGETS

Article 63. Structure of Local Budgets

1. In accordance with this Code, a local budget shall contain revenues and expenses to exercise powers by the Government of the Autonomous Republic of Crimea, by local state administrations and by local self-government bodies. These revenues and expenses represent the single balance of the relevant budget.

Article 64. Composition of Revenues Assigned to Local Self-government Budgets and Taken into Consideration While Determining the Volumes of Interbudget Transfers

1. The revenues assigned to local self-government budgets and taken into consideration while determining the volumes of interbudget transfers shall include:
 - 1) individual income tax to the extent determined by Article 65 hereof;
 - 2) 50 per cent of the duty on special use of national-significance forest resources credited to city budgets of cities of Kyiv and Sevastopol;

- 3) 50 per cent of the duty on special use of water (other than the duty on special use of local-significance water) credited to city budgets of cities of Kyiv and Sevastopol by water users at the place of the water intake;
 - 4) 50 per cent of fees for the use of national-significance subsurface resources credited to city budgets of cities of Kyiv and Sevastopol;
 - 5) fees for the use of other natural resources credited to city budgets of cities of Kyiv and Sevastopol;
 - 6) fees for licenses for certain types of business and certificates issued by executive agencies of the relevant local councils;
 - 7) fees for licenses and certificates credited to city budgets of cities of Kyiv and Sevastopol by licensees operating on the territory of cities of Kyiv and Sevastopol;
 - 8) fees for licenses for the manufacture of ethyl alcohol, cognac and fruit alcohol, the rectified grape ethyl alcohol, the rectified fruit ethyl alcohol, the crude grape alcohol, the crude fruit alcohol, alcoholic beverages and tobacco products credited to city budgets of cities of Kyiv and Sevastopol by licensees operating on the territory of cities of Kyiv and Sevastopol;
 - 9) fees for licenses for export and import of, and the wholesale trade in the ethyl alcohol, cognac and fruit alcohol, the rectified grape ethyl alcohol, the rectified fruit ethyl alcohol, the crude grape alcohol, the crude fruit alcohol credited to city budgets of cities of Kyiv and Sevastopol by licensees operating on the territory of cities of Kyiv and Sevastopol;
 - 10) fees for licenses for export and import of alcoholic beverages and tobacco products credited to city budgets of cities of Kyiv and Sevastopol by licensees operating on the territory of cities of Kyiv and Sevastopol;
 - 11) fees for the state registration (other than the registration duty for the state registration of legal entities and sole traders) credited to city budgets of cities of Kyiv and Sevastopol;
 - 12) registration duty for the state registration of legal entities and sole traders charged by executive agencies of the relevant local councils;
 - 13) fees for licenses for the wholesale trade in alcoholic beverages and tobacco products credited to city budgets of cities of Kyiv and Sevastopol by licensees operating on the territory of cities of Kyiv and Sevastopol;
 - 14) fees for licenses for the retail trade in alcoholic beverages and tobacco products credited to city budgets of cities of Kyiv and Sevastopol by licensees operating on the territory of cities of Kyiv and Sevastopol;
 - 15) state duty to the extent owed to the relevant budgets.
2. The individual income tax, which is charged (transferred).

by a tax agent being a legal entity (a branch, outlet or other separated unit thereof) or a representative office of a non-resident legal entity, shall be credited to the appropriate local budget in their location within the scope of tax charged to their employees;

by a tax agent being an individual shall be credited to the appropriate local budget in the place of registration of such an individual with tax authorities.

Article 65. Standard Ratios of Amounts Deducted from the Individual Income Tax to Local Self-government Budgets

1. The revenues of budgets of cities of Kyiv and Sevastopol shall be credited with 100 per cent of the total amount of individual income tax paid (transferred) in accordance with the Law of Ukraine "On Individual Income Tax" on the territory of the said cities.
2. The revenues of budgets of cities of republican subordination of the Autonomous Republic of Crimea and cities of oblast subordination shall be credited with 75 per cent of the total amount of individual income tax paid (transferred) in accordance with the Law of Ukraine "On Individual Income Tax" on the territory of the said cities.
3. The revenues of budgets of cities of rayon subordination, villages, towns or associations thereof set up in accordance with the law shall be credited with 25 per cent of the total amount of individual income tax paid (transferred) in accordance with the Law of Ukraine "On Individual Income Tax" on the said territory.

Article 66. Composition of Revenues of the Budget of the Autonomous Republic of Crimea, and Oblast and Rayon Budgets Taken into Consideration While Determining the Volumes of Interbudget Transfers

1. The following shall be the revenues of the budget of the Autonomous Republic of Crimea and oblast budgets taken into consideration while determining the volumes of interbudget transfers to promote implementation of joint socio-economic and cultural programs of the Autonomous Republic of Crimea and territorial communities:
 - 1) 25 per cent of individual income tax paid (transferred) in accordance with the Law of Ukraine "On Individual Income Tax" on the relevant territory;
 - 2) 50 per cent of the duty on special use of forest resources of national-significance;
 - 3) 50 per cent of the duty on special use of water (other than the duty on special use of local-significance water) credited to the budget of the Autonomous Republic of Crimea and oblast budgets by water users at the place of the water intake;
 - 4) 50 per cent of fees for the use of mineral resources of national significance;
 - 5) fees for the use of other natural resources;
 - 6) excise duty on commodities manufactured in Ukraine (other than the duty credited to the special fund of the state budget in accordance with the Law on the State Budget of Ukraine) paid by taxable persons registered in the Autonomous Republic of Crimea - to the revenues of the budget of the Autonomous Republic of Crimea;
 - 7) fees for licenses for certain types of business and certificates issued by the Council of Ministers of the Autonomous Republic of Crimea and oblast state administrations;
 - 8) fees for licenses and certificates credited to the budget of the Autonomous Republic of Crimea and oblast budgets by licensees at the location of their business;
 - 9) fees for licenses for the manufacture of ethyl alcohol, cognac and fruit alcohol, the rectified grape ethyl alcohol, the rectified fruit ethyl alcohol, the crude grape alcohol, the crude fruit

alcohol, alcoholic beverages and tobacco products credited to the budget of the Autonomous Republic of Crimea and oblast budgets by licensees at the location of their business;

10) fees for licenses for export and import of, and the wholesale trade in ethyl alcohol, cognac and fruit alcohol, the rectified grape ethyl alcohol, the rectified fruit ethyl alcohol, the crude grape alcohol, the crude fruit alcohol credited to the budget of the Autonomous Republic of Crimea and oblast budgets by licensees at the location of their business;

11) fees for licenses for export and import of alcoholic beverages and tobacco products credited to the budget of the Autonomous Republic of Crimea and oblast budgets by licensees at the location of their business;

12) fees for the state registration (other than the registration duty for the state registration of legal entities and sole traders);

13) fees for licenses for the wholesale trade in alcoholic beverages and tobacco products credited to the budget of the Autonomous Republic of Crimea and oblast budgets by licensees at the location of their business;

14) fees for licenses for the retail trade in alcoholic beverages and tobacco products credited to the budget of the Autonomous Republic of Crimea and oblast budgets by licensees at the location of their business;

15) the fee for the leased-out ponds located in river basins of rivers of national significance.

2. The following shall be the revenues of rayon budgets taken into consideration while determining the volumes of interbudget transfers to promote implementation of joint socio-economic and cultural programs of territorial communities:

1) 50 per cent of individual income tax paid (transferred) in accordance with the Law of Ukraine "On Individual Income Tax" on the territory of villages, and their associations, rural settlements, and cities of rayon subordination;

2) fees for licenses for certain types of business and certificates issued by rayon state administrations;

3) registration duty for the state registration of legal entities and sole traders charged by the respective rayon state administrations.

Article 67. Specific Features of Generation of Local Budgets

1. Revenues and expenses of the budget of the Autonomous Republic of Crimea and budgets of cities of Kyiv and Sevastopol shall be generated in accordance with the procedure prescribed by this Code with reference to the Law of Ukraine "On Approval of the Constitution of the Autonomous Republic of Crimea", the Law of Ukraine "On the Capital of Ukraine, Kyiv Hero City", and the law that defines the special status of the city of Sevastopol. At that:

1) composition of expenditures of, and loans to, the budgets of cities of Kyiv and Sevastopol shall be determined in accordance with Articles 88 - 91 hereof;

2) financial ratio of budget adequacy used to determine the amount of interbudget transfers for the budgets of cities of Kyiv and Sevastopol shall be defined on the basis of the corresponding financial ratios of budget adequacy for oblast budgets and budgets of cities of republican

subordination of the Autonomous Republic of Crimea and cities of oblast subordination taking account of specific features of their status.

2. If a law establishes a new type of revenue of local budgets, crediting thereof shall be determined by the Law on the State Budget of Ukraine for the period until this Code is respectively amended.

3. Taxes and duties (mandatory payments) paid by the enterprises which operate in the alienation zone and the unconditional (obligatory) re-settlement zone (unless local self-government bodies were formed in such territories) specified in Articles 64 and 69 hereof, shall be credited to the rayon budget to the extent established by this Code and other regulatory legal acts applicable to rayon budgets and local self-government budgets.

4. Budgets of associations of territorial communities established in accordance with the law, shall be generated in accordance with this Code taking account of the following specific features:

1) revenues of these budgets shall be determined in accordance with Article 64, part two of Article 65 and Article 69 of this Code;

2) expenditures and loans of these budgets shall be determined in accordance with Articles 88, 89, and 91 hereof;

3) relations between the said budgets and the state budget shall be governed by Articles 97, 98, 100, and 108 hereof;

4) local borrowings shall be made in accordance with Articles 16 and 74 hereof.

Provisions of this part of the Article apply with reference to para. 6 of Section VI "Closing and Transitional Provisions" hereof.

Article 68. Composition of City District Budget Revenues and Expenditures

1. Composition of revenues and expenditures of city district budgets (if established) shall be defined by a city council in accordance with the powers delegated to city district councils.

2. The distribution of the amount of interbudget transfers between the city budget and city district budgets (if established) shall be performed according to the procedure approved by the city council.

3. If there are other cities, rural settlements or villages subordinate to the city district in terms of administrative hierarchy, the composition of revenues and expenditures of budgets of such cities, rural settlements or villages and the volumes of interbudget transfers are defined in accordance with the procedure approved by the city council taking account of authority of the respective local councils.

Article 69. Revenues of Local Budgets Disregarded While Determining the Volume of Interbudget Transfers

1. The revenues of local budgets disregarded while determining the volume of interbudget transfers shall include:

1) fixed tax on revenues from entrepreneurial activities credited to the local budgets in accordance with the procedure determined by Articles 65 and 66 hereof for the individual income tax;

2) tax on profit of community-owned enterprises and financial institutions.

Tax on profit of community-owned enterprises and financial institutions founded by the Verkhovna Rada of the Autonomous Republic of Crimea, oblast, rayon, city, rural settlement and village councils shall be credited to the budget of the Autonomous Republic of Crimea, oblast, rayon, city, rural-settlement and village budgets, respectively;

- 3) fees for the special use of natural resources of local significance;
- 4) land fee credited to the local self-government budgets;
- 5) trade tax credited to local self-government budgets;
- 6) fee for a trade patent to perform certain entrepreneurial activities (other than the fee for the acquisition of trade patents by petroleum product sales outlets (gas stations, gas points));
- 7) local taxes and duties credited to local self-government budgets, including tax on real estate (realty) other than the land plot;
- 8) fixed agricultural tax to the extent credited to local self-government budgets;
- 9) part of the net profit (income) of unitary community-owned enterprises and associations thereof withdrawn to the budget in accordance with the procedure defined by the Verkhovna Rada of the Autonomous Republic of Crimea and the respective local councils;
- 10) fee for depositing temporarily available funds of local budgets (other than funds received by higher learning and vocational educational institutions from depositing temporarily available budget funds received for rendering paid services providing such institutions are duly entitled to do so);
- 11) penalties for violation of the patenting legislation;
- 12) administrative fines imposed by local executive agencies and executive agencies of local councils, or by administrative commissions set up thereby in accordance with the established procedure;
- 13) penalties resulting from the failure of a spending unit to perform contracts with business entities for the acquisition of goods, work, and services against local budgets;
- 14) rental income for the use of a property complex and other community-owned property;
- 15) fee for the leased-out water objects of local significance;
- 16) concession payments in respect of community-owned property items (other than payments defined in para. 5 of part two of this article);
- 17) funds obtained from the bid security provided by the bidders participating in a procurement procedure with those funds not being subject to the refund to the said bidders in cases stipulated by the Law of Ukraine "On Public Procurement" in terms of procurement performed against funds of local budgets;
- 18) funds obtained from the successful bidder in the course of conclusion of a procurement contract as the contract enforcement with those funds not being subject to the refund to the successful bidder in terms of procurement performed against funds of local budgets;

19) 80 per cent of funds obtained by enterprises, institutions, and organizations maintained by local budgets for the gold, platinum and platinum-group metals, precious stones handed over as scrap and waste, and 50 per cent of funds obtained by such enterprises, institutions, and organizations for the silver handed over as scrap and waste;

20) funds from the sale of ownerless property (including the property abandoned by the owner or the recipient), treasure troves, inheritable property (in case of absence of heirs and legatees, their divestment of the inheritance eligibility, their failure to accept the inheritance and their refusal to accept the same), the property obtained by the territorial community by way of inheritance or donation, as well as foreign currency valuables and cash, whose owners are unknown;

21) other revenues of the general fund of local budgets specified in the Law on the State Budget of Ukraine;

2. Revenues of the special fund of local budgets shall include:

1) revenues of the development budget of local budgets (defined in part one of Article 71 hereof);

2) tax on owners of vehicles and other self-propelled machines and mechanisms credited at the following rates: 30 per cent - to the budget of the Autonomous Republic of Crimea and oblast budgets and 70 per cent - to the budget of the city of Simferopol and budgets of oblast centers in case the vehicles are registered on the territory of the said cities; 50 per cent - to the budget of the Autonomous Republic of Crimea and oblast budgets and 50 per cent - to the city, rural-settlement, and village budgets in case the vehicles are registered on the relevant territory; 60 per cent - to the budget of the city of Kyiv and 40 per cent - to the oblast budget of Kyiv Oblast in case the vehicles are registered in the city of Kyiv; 100 per cent - to the budget of the city of Sevastopol in case the vehicles are registered in the city of Sevastopol;

3) fee for the acquisition of trade patents by petroleum product sales outlets (gas stations, gas points);

4) funds from compensation for losses of the agricultural and forestry production that shall be credited at the following rates: 100 per cent - to budgets of cities of Kyiv and Sevastopol, 25 per cent - to the budget of the Autonomous Republic of Crimea and oblast budgets, 75 per cent - to the budgets of cities of republican subordination of the Autonomous Republic of Crimea and cities of oblast subordination, 15 per cent - to rayon budgets and 60 per cent - to budgets of cities of rayon subordination, rural settlements, and villages;

5) concession payments for the community-owned objects (intended for a specific purpose under the law);

6) 30 per cent of the concert-tour event duty;

7) 70 per cent of the monetary penalties for the damage caused by violation of environmental protection legislation as a result of business and other activities, including: 50 per cent - to village, rural-settlement, and city budgets; 20 per cent - to oblast budgets and the budget of the Autonomous Republic of Crimea; 70 per cent - to budgets of cities of Kyiv and Sevastopol;

8) deduction of 10 per cent of the cost of potable water by business entities engaged in entrepreneurial activities selling potable water via centralized water supply systems with the departure from the relevant standards credited to budgets of cities, rural settlements, and villages;

- 9) revenues of government-funded institutions maintained by the relevant local budget;
- 10) 70 per cent of pollution tax (other than the duty charged for the generation of radioactive waste (including the waste that has already been accumulated) and the provisional storage of the radioactive waste by the generating parties), including: 50 per cent - to village, rural-settlement, and city budgets; 20 per cent - to oblast budgets and the budget of the Autonomous Republic of Crimea; 70 per cent - to budgets of cities of Kyiv and Sevastopol;
- 11) targeted and voluntary contributions of enterprises, institutions, organizations and individuals to the republican environmental protection fund of the Autonomous Republic of Crimea and local environmental protection funds;
- 12) revenues of special-purpose funds set up by the Verkhovna Rada of the Autonomous Republic of Crimea and local councils;
- 13) repayment of loans issued from local budgets to individual rural developers;
- 14) repayment of loans issued from local budgets to young families and unmarried young people for the construction (reconstruction) and acquisition of accommodation, as well as fines and interest charged for use thereof;
- 15) other revenues specified in the Law on the State Budget of Ukraine.

Article 70. Local Budgets' Expenditures and Loans

1. Local budgets' expenditures and loans shall include budget allocations established according to the decision on the local budget for specific purposes associated with the implementation of programs and measures under Articles 88 to 91 hereof.
2. The funds from the special fund of local budgets shall be spent on the activities stipulated by the decision on the local budget in accordance with the legislation.

Article 71. Development Budget of Local Budgets

1. Revenues of the development budget of local budgets shall include:
 - 1) corporate profit tax (other than the tax on profit of community-owned enterprises and financial institutions) in accordance with additional rates of such a tax in the amounts defined by the tax law.

At that, the revenues from corporate profit tax (other than corporate profit tax of enterprises and community-owned financial institutions) under the additional rates of the said tax established by rayon councils shall be allocated as follows: 30 per cent - to the development budgets of villages, rural settlements, and cities of rayon subordination; 70 per cent - to the development budgets of rayon budgets;
 - 2) single tax for small business entities credited to the budgets of local self-government;
 - 3) the dividends (yield) accrued on shares (units, interests) in corporations whose authorized capitals contain property owned by the Autonomous Republic of Crimea or community-owned property;
 - 4) fee for issuing local guarantees (under Article 17 hereof);

- 5) funds from alienation of property owned by the Autonomous Republic of Crimea or community-owned property; funds from the sale of non-agricultural land plots or rights thereto;
- 6) 90 per cent of funds from the sale of non-agricultural land plots or the rights thereto that are owned by the state before the delimitation of the state-owned and community-owned land (other than state-owned non-agricultural land plots that accommodate facilities subject to the privatization); at that, the proceeds from the sale of land plots located on the territory of the Autonomous Republic of Crimea shall be allocated as follows: 35 per cent - to the budget of the Autonomous Republic of Crimea, 55 per cent - to the budgets of villages, rural settlements, and cities of the Autonomous Republic of Crimea;
- 7) subventions from other budgets for the implementation of investment programs (projects);
- 8) funds from the repayment of loans that have been issued from the relevant budget before the effective date of this Code, and the interest paid for the enjoyment thereof;
- 9) local borrowings made in accordance with the procedure defined by this Code and other laws of Ukraine;
- 10) funds handed over from another part of the local budget by the decision of the Verkhovna Rada of the Autonomous Republic of Crimea or an appropriate local council.

2. The expenses of the development budget of local budgets shall include:

- 1) repayment of local debt;
- 2) capital expenditures including capital transfers to other budgets (other than capital expenditures made against revenues of the special fund of local budgets defined in para. 2 to 15 of part two of Article 69 hereof);
- 3) contributions by authorities of the Autonomous Republic of Crimea and local self-government bodies to the authorized capital of a business entity;
- 4) performance of expert monetary valuation of a land plot to be sold in accordance with Article 128 of the Land Code of Ukraine against the advance payment made by the buyer of the said land plot.

3. Capital expenditures of the development budget shall be spent on: socio-economic development of regions; implementation of investment programs (projects); construction, major repair and rehabilitation of socio-cultural and housing-and-utilities facilities; construction of gas pipelines and provision of gas supply to the populated areas; construction and purchase of accommodation for specific categories of individuals in accordance with the legislation; preservation and development of historical cultural locations and reserves of Ukraine; construction and development of the underground urban railway networks; procurement of cars for the community-owned electrified transportation facilities; development of road facilities; procurement of school buses and ambulance vehicles; computerization of general education establishments and implementation of information technologies therein; other measures associated with the expanded reproduction.

4. The development budget of local budgets shall be an integral part of the special fund of local budgets.

5. The development budget funds shall be distributed among objects by the decision of the Verkhovna Rada of the Autonomous Republic of Crimea, the relevant local council when approving and amending the local budgets. The indicative forecast indicators of the development budget being a part of the local

budget forecast for two budget periods following the planned budget period shall be determined for the facilities, whose implementation period is longer than the budget period; they shall be taken into consideration when approving local budgets during the entire period of implementation of such facilities.

Article 72. Specific Features of Approval of a Local Budget with the Deficit or the Surplus

1. A local budget may be approved with a general fund deficit in the event that the available balance of budget funds is used (by amending the decision on the local budget based on the results of the annual report on execution of local budget for the preceding budget period).

A local budget may be approved with the general fund surplus in case the funds from the general fund of such a local budget are allocated to the development budget, the liabilities on outstanding loans are settled, and in order to maintain the established amount of current balance of budget funds (by amending the decision on the local budget based on the results of the annual report on execution of local budget for the preceding budget period).

2. A local budget may be approved with the special fund deficit in case the local borrowings, funds from the general fund of such a local budget, proceeds from selling/presenting securities are allocated to the development budget, as well as in case the balances of cash from the special fund of local budget, other than revenues of government-funded institutions, are used (by amending the decision on the local budget based on the results of the annual report on execution of local budget for the preceding budget period).

A local budget may be approved with the special fund surplus in case of the repayment of local debt and acquisition of securities.

Article 73. Loans to Local Budgets

1. The Council of Ministers of the Autonomous Republic of Crimea, local state administrations, and executive agencies of relevant local councils may obtain the following by decision of the Verkhovna Rada of the Autonomous Republic of Crimea or the respective local council:

1) loans to bridge temporary cash gaps arising in the general fund and the development budget of local budgets in the financial institutions for the term of up to three months within the current budget period or, in exceptional cases, on the basis of a decision of the Cabinet of Ministers of Ukraine on the budget of the Autonomous Republic of Crimea and local budgets, within the current budget period. The procedure for obtaining and repaying such loans shall be specified by the Ministry of Finance of Ukraine.

2) loans to bridge temporary cash gaps of local budgets under part five of Article 43 hereof;

3) medium-term loans for the amounts of failure to reach the target volumes of the local budget revenue basket specified in the Law on the State Budget of Ukraine during the relevant reporting period against the funds of the treasury single account with no interest to be charged for the enjoyment of the said funds. The procedure and conditions for obtaining and repaying such loans shall be specified by the Cabinet of Ministers of Ukraine.

2. Issuing loans from one budget to another budget is prohibited.

Article 74. Specific Features of Local Borrowing

1. Local borrowings shall be effected in order to finance the development budget of the budget of the Autonomous Republic of Crimea, city budgets, and shall be used to create, expand or upgrade strategically important objects of long-term use or objects that secure the performance of tasks of the Verkhovna Rada of the Autonomous Republic of Crimea and city councils aimed at meeting the interests of the population of the Autonomous Republic of Crimea or territorial communities of the cities.
2. The volumes and conditions of local borrowings shall be agreed with the Ministry of Finance of Ukraine.
3. The Ministry of Finance of Ukraine shall register local borrowings and local guarantees. All contracts on local borrowings, contracts, whose enforcement is secured by local guarantees, and contracts on repayment of local budget expenses, as well as changes in significant terms and conditions thereof shall be entered into the Local Borrowings and Local Guarantees Register.
4. The government shall not be liable under debt liabilities of the Autonomous Republic of Crimea and territorial communities.
5. Local debt servicing expenditures shall be paid from the general fund of the local budget.
6. Local debt servicing expenditures of a local budget may not exceed 10 per cent of expenditures of the general fund of the local budget during any budget period, when the servicing of the local debt is planned.
7. If the repayment schedule is violated through the borrower's fault in the course of repayment of local debt amount and the payments related to servicing thereof as stipulated by the contract between the lender and the borrower, then the Verkhovna Rada of the Autonomous Republic of Crimea or the relevant city council shall not have the right to make any new local borrowings for the next five years.
8. The procedure of the local borrowing shall be established by the Cabinet of Ministers of Ukraine in accordance with the conditions specified herein.

Chapter 12. PREPARATION, DELIBERATION, APPROVAL, EXECUTION OF LOCAL BUDGETS AND REPORTING ON LOCAL BUDGETS

Article 75. Procedure for Preparation of Draft Local Budgets

1. The Ministry of Finance of Ukraine shall communicate the specific features of preparation of calculations for the draft budgets for the next budget period to the Council of Ministers of the Autonomous Republic of Crimea, local state administrations and executive agencies of the relevant local councils.
2. The Council of Ministers of the Autonomous Republic of Crimea, local state administrations and executive agencies of the relevant local councils shall provide the required information: To the Ministry of Finance of Ukraine for the calculation of volumes of interbudget transfers and other indicators; to the Budget Committee of the Verkhovna Rada of Ukraine for the review of the said calculations.
3. In compliance with the standard form of budget request defined by the Ministry of Finance of Ukraine according to Article 34 of this Code and taking account of specific features of drafting local budgets, the local financial authorities shall develop the instructions on preparation of budget requests and communicate them to the key spending units.

4. Key spending units shall organize the development of budget requests to be submitted to the local financial authorities within the time frames and according to the procedure specified by the said authorities. Key spending units shall ensure the timeliness, reliability and content of the budget requests submitted to the local financial authorities; the requests must contain all the information required to analyze indicators of the draft local budget in accordance with the requirements of local financial authorities.

5. At any stage of the development and review of draft local budgets, local financial authorities shall analyze the budget request submitted by a key spending unit for its conformity with the objective, priorities, as well as the effectiveness and efficiency of use of budget funds. Based on the results of the analysis, the head of the local financial authority shall make a decision as to inclusion of the budget request to the proposed draft local budget before the submission thereof for review to the Council of Ministers of the Autonomous Republic of Crimea, local state administrations, or executive agencies of the relevant local councils, respectively.

6. Executive agencies of village, rural-settlement, city (in cities of rayon subordination) councils (other than executive agencies of councils in respect of budgets of territorial communities, for which interbudget transfers are specified in the state budget), rayon state administrations in cities of Kyiv and Sevastopol shall submit their proposals on indicators of the relevant draft budgets determined with reference to the requirements of parts three to five of this article to the city or rayon financial authorities, respectively.

7. Territorial communities of villages, rural settlements and cities may merge budget funds on a contractual basis in order to implement joint projects or for the purpose of joint funding (upkeep) of community-owned enterprises, organizations and institutions taking account of Articles 92 and 93 hereof.

8. The Ministry of Finance of Ukraine shall communicate the calculations of the forecasted volumes of interbudget transfers, the methodologies of calculation thereof, the organizational and methodological requirements and other indicators required for drafting local budgets, as well as proposals on the form of the draft decision on the local budget (the standard decision form) to the Council of Ministers of the Autonomous Republic of Crimea, local state administrations, and executive agencies of the relevant local councils within one week after the approval of the Draft Law on the State Budget of Ukraine by the Cabinet of Ministers of Ukraine.

9. The Cabinet of Ministers of Ukraine shall communicate the indicators of interbudget relations determined by the Draft Law on the State Budget of Ukraine (including the volumes of interbudget transfers for the relevant budgets) and text items, as well as organizational and methodological requirements to drafting local budgets to the Council of Ministers of the Autonomous Republic of Crimea, local state administrations, and executive agencies of the relevant local councils within one week after the adoption of the Draft Law on the State Budget of Ukraine in the second reading. The Council of Ministers of the Autonomous Republic of Crimea, oblast state administrations shall communicate the relevant volumes of subventions for implementation of government social protection programs to the executive agencies of city councils (of cities of the republican subordination of the Autonomous Republic of Crimea and cities of the oblast subordination), and rayon state administrations within three days after the receipt of the above documents.

10. The information obtained under the parts five, six, eight, and nine of this Article respectively shall provide the grounds for drafting local budgets and decisions on the respective local budgets by the Council of Ministers of the Autonomous Republic of Crimea, local state administrations, and executive agencies of the relevant local councils.

Article 76. Draft Decision on Local Budget and Materials Attached thereto

1. The draft decision on a local budget shall be endorsed by the Council of Ministers of the Autonomous Republic of Crimea, local state administration, or the executive agency of the relevant local council before the review thereof at a session of the Verkhovna Rada of the Autonomous Republic of Crimea or the relevant local council. The following shall be submitted together with the said draft decision:

- 1) an explanatory note to the draft decision, which shall contain:
 - a) information on social and economic status of the relevant administrative and territorial unit and the forecast of its development for the next budget period underlying the draft local budget;
 - b) assessment of local budget revenues taking account of the losses of local budget revenues resulting from tax benefits granted by the Verkhovna Rada of the Autonomous Republic of Crimea or the relevant local council;
 - c) explanations to the main provisions of the draft decision on the local budget including the analysis of the proposed volumes of expenditures and loans under the budget classification. The explanations shall include budget indicators for the previous, current and forthcoming budget periods in terms of classification of budget expenditures and loans;
 - d) substantiations for the specific features of interbudget relations and provision of subventions for the implementation of investment programs (projects);
 - e) information on repayment of the local debt, and the volumes and conditions of local borrowings;
- 2) forecast of the local budget for the two budget periods following the planned one prepared in accordance with Article 21 hereof;
- 3) draft indicators of the consolidated budget of a rayon, a city divided into districts or a city combining the budgets of a village, a rural settlement or a city of rayon subordination;
- 4) indicators of local budget expenses required during the forthcoming budget periods for the completion of investment programs (projects) included in the budget, provided that the implementation of such programs (projects) lasts for more than one budget period;
- 5) a list of investment programs (projects) for the planned budget period and the two budget periods following the planned one;
- 6) information on the progress of execution of the relevant budget in the current budget period;
- 7) explanations of the key spending units on the relevant draft budget (to be submitted to the Budget Commission of the Verkhovna Rada of the Autonomous Republic of Crimea or the appropriate local council);
- 8) other materials, whose scope and format are to be specified by the Council of Ministers of the Autonomous Republic of Crimea, a local state administration, or an executive agency of the relevant local council.

2. The following shall be specified in the decision on local budget:

- 1) the total volume of revenues, expenditures and loans of the local budget (divided into the general fund and the special fund);

- 2) the limit amount of annual deficit (surplus) of the local budget in the forthcoming budget period and the local debt as at the end of the forthcoming budget period; the limit amount of the provision of local guarantees, as well as the powers in respect of provision of such guarantees with reference to the provisions of Article 17 hereof;
 - 3) revenues of the local budget in accordance with the budget classification (as an annex to the decision);
 - 4) funding of the local budget according to the budget classification (as an annex to the decision);
 - 5) budget allocations to the key local budget spending units in accordance with the budget classification and the obligatory assignment of consumption expenditures (including labor remuneration expenditures, payment for utilities and energy resources) and development expenditures (as annexes to the decision);
 - 6) budget allocations of interbudget transfers (as annexes to the decision);
 - 7) the amount of current balance of funds of the local budget;
 - 8) additional provisions governing the process of execution of local budget.
3. The list of protected expenditures of a local budget shall be determined on the basis of Article 55 of this Code.

Article 77. Approval of Local Budgets

1. When approving local budgets, the Verkhovna Rada of Autonomous Republic of Crimea, the relevant local councils must take account of volumes of interbudget transfers and other provisions (as required for generating the local budgets) approved by the Verkhovna Rada of Ukraine during the adoption of the Draft Law on the State Budget of Ukraine in the second reading in accordance with parts nine and ten of Article 75 hereof.
2. The budget of the Autonomous Republic of Crimea, oblast and rayon budgets, city (of cities of Kyiv and Sevastopol, cities of the republican subordination of the Autonomous Republic of Crimea and cities of the oblast subordination) budgets, other budgets of local self-government bodies, for which interbudget transfers are determined in the state budget, shall be approved for the next budget period by the decision of the Verkhovna Rada of the Autonomous Republic of Crimea, or the relevant local council within two weeks after the official publication of the Law on the State Budget of Ukraine.
3. The city (cities of rayon subordination) budgets, the city district (if established), rural-settlement, and village budgets (other than local self-government budgets, for which interbudget transfers are determined in the state budget) shall be approved for the next budget period by the decisions of a city, city district, rural-settlement, or village council, respectively, within two weeks after the approval of the rayon or city (cities of Kyiv and Sevastopol, cities of the republican subordination of the Autonomous Republic of Crimea and cities of the oblast subordination) budget. When approving the respective local budgets, the city (cities of rayon subordination), the city district (if established), rural-settlement, and village councils shall take account of volumes of interbudget transfers and other provisions (as required for generating such local budgets) approved when making a decision on rayon or city (cities of Kyiv and Sevastopol, cities of the republican subordination of the Autonomous Republic of Crimea and cities of the oblast subordination) budget.
4. When approving the relevant budgets, the Verkhovna Rada of the Autonomous Republic of Crimea, oblast, rayon, rural-settlement and village councils shall primarily take account of the demand for funds

for remuneration of employees of government-funded institutions in accordance with conditions for remuneration and minimum salary amount established by the Ukrainian legislation; for payments for the electrical and thermal energy, water supply, waste water disposal, natural gas supply and communication services consumed by government-funded institutions. Limits on energy consumption in physical indicators for each government-funded institution shall be set on the basis of volumes of the relevant budget appropriations.

5. When approving the relevant local budgets, the Verkhovna Rada of the Autonomous Republic of Crimea and local councils shall take account of the entire amount of targeted funds provided as a part of expenditures when defining the interbudget transfers between the state budget and local budgets. Volumes of such funds shall not be reduced.

Article 78. Execution of Local Budgets

1. The Council of Ministers of the Autonomous Republic of Crimea, local state administrations, executive agencies of the relevant local councils or village chairpersons (unless the relevant executive bodies have been established in accordance with the law) shall ensure execution of the relevant local budgets. Local financial authorities shall perform general organization and manage the execution of the relevant local budget, co-ordinate activities of the budget process participants in terms of the budget execution.

2. The treasury service for local budgets shall be provided by territorial agencies of the State Treasury of Ukraine in accordance with Article 43 hereof.

The State Treasury of Ukraine shall account for all revenues belonging to local budgets and refund the funds that have been credited to the budget in error or in excess upon request of agencies controlling revenue collection agreed with the relevant local financial authorities.

3. A local budget shall be executed on the basis of the budget breakdown approved by the head of the local financial authority. Until the local budget breakdown is approved by the head of the local financial authority, a provisional local budget breakdown shall be approved for the relevant period. During the budget period, the head of the local financial authority shall make sure that the local budget breakdown corresponds to the established budget allocations.

4. In the course of local budget execution, the local financial authority shall forecast and analyze revenues of the corresponding budget with the participation of agencies controlling revenue collection.

5. Taxes and duties (mandatory payments) and other revenues of a local budget shall be deemed credited to the local budget starting from the date of crediting such funds to the treasury single account, and may not be accumulated on accounts of agencies controlling revenue collection.

The agencies controlling revenue collection shall ensure the timely and full receipt of taxes and duties (mandatory payments) and other local budget revenues by local budgets in accordance with the legislation.

6. Execution Local budgets in terms of expenditures and loans shall be performed in accordance with Articles 46 through 51 hereof.

7. A decision to amend the decision on local budget shall be approved by the Verkhovna Rada of the Autonomous Republic of Crimea or the appropriate local council on the basis of an official opinion of the local financial authority on exceeding or failing to reach the targets in terms of general fund revenues, on the balance of cash in the general and special funds (other than revenues of government-funded institutions) of the respective budget. The fact of exceeding the targets in terms of revenues of the general fund of a local budget shall be recognized based on results of the first half of the year and

the subsequent reporting periods starting from the current budget period on the basis of official opinions of a local financial authority providing the revenues of the general fund of the local budget (net of interbudget transfers) taken into consideration in the local budget breakdown for the relevant period are exceeded by at least 5 per cent. The fact of failure to reach the target revenues of the general fund of the local budget shall be recognized on the basis of an official opinion of the local financial authority on the basis of quarterly report in case the revenues of the general fund of the local budget taken into consideration in the local budget breakdown for the relevant period were more than 15 per cent lower.

8. Decisions on amending the decisions on a local budget may be approved by the Verkhovna Rada of the Autonomous Republic of Crimea or the relevant local council with reference to the provisions of Article 52 hereof when there is a need to redistribute budget allocations among the key spending units (subject to availability of the appropriate substantiation) and in other cases stipulated in this Code.

9. Accounting for local budgets execution and the procedure for closure of accounts of local budgets subsequent to the end of the budget period shall be in conformity with provisions of Articles 56 and 57 of this Code.

10. After the Law on the State Budget of Ukraine comes into effect, government authorities and officials thereof shall be prohibited from making decisions that result in the new additional expenses of local budgets, unless the relevant sources of funds allocated by the government to cover the expenses in question are specified.

Article 79. Specific Features of Generating Revenues and Making Expenses of a Local Budget in Case of a Delayed Decision on Local Budget

1. If no decision on the local budget is made before the commencement of a new budget period, the Council of Ministers of the Autonomous Republic of Crimea, a local state administration or an executive agency of the respective local council shall be entitled to make expenses of the local budget only for the purposes defined in the decision on the local budget for the preceding budget period and, simultaneously, stipulated in the draft decision on the local budget for the forthcoming budget period approved by the Council of Ministers of the Autonomous Republic of Crimea, local state administration, or executive agency of the respective local council and submitted for review to the Verkhovna Rada of the Autonomous Republic of Crimea or the relevant local council. In this case, the aggregate of monthly budget appropriations of the local budget may not exceed 1/12 of the volume of budget allocations established by the decision on the local budget for the preceding budget period (except for the cases covered by part six of Article 16 and part four of Article 23 hereof, and para. 4 and 5 of part two of Article 41 hereof).

2. It is prohibited to make capital expenditures and issue loans from budget (except for the cases related to allocation of funds from the reserve fund of the relevant budget), as well as make local borrowings and issue local guarantees until a decision on local budget for the current budget period is made.

3. In the event a decision on local budget is made with delay, provisions of this article and para. 3 to 5 of part two of Article 41 hereof shall apply when generating revenues and making expenses of the local budget.

Article 80. Reports on Execution of Local Budgets

1. Reporting on execution of local budget shall be determined in accordance with the requirements established for reporting on execution of the State Budget of Ukraine in Articles 58 through 61 hereof.

2. The State Treasury of Ukraine shall prepare reports on execution of local budgets in the established format and submit them to the relevant local financial authorities. The consolidated indicators of budget execution reports shall be submitted simultaneously by territorial agencies of the State Treasury of Ukraine to the Ministry of Finance of the Autonomous Republic of Crimea, financial authorities of local state administrations and executive agencies of the relevant local councils, respectively, on conditions specified in part one of this Article.

3. The agencies controlling revenue collection shall submit the relevant reports to the local financial authorities in accordance with part three of Article 59 and part three of Article 60 of this Code.

4. The quarterly and annual reports on local budget execution shall be submitted to the Verkhovna Rada of the Autonomous Republic of Crimea or the relevant local council by the Council of Ministers of the Autonomous Republic of Crimea, local state administration, executive agency of the relevant local council, or village chairperson (unless the relevant executive agency has been established in accordance with the law) within two months after the expiry of the relevant budget period. The annual report shall be verified by the Accounting Chamber of the Autonomous Republic of Crimea (with respect to the use of funds of the budget of the Autonomous Republic of Crimea by executive agencies) or the Budget Commission of the Verkhovna Rada of the Autonomous Republic of Crimea or the relevant local council; subsequently, the Verkhovna Rada of the Autonomous Republic of Crimea or the relevant local council shall approve the annual report on budget execution or make a different decision on this issue.

Section IV. INTERBUDGET RELATIONS

Chapter 13. GENERAL PROVISIONS

Article 81. Notion and Objective of Regulation of Interbudget Relations

1. “Interbudget relations” means relations between the state, the Autonomous Republic of Crimea, and the territorial communities aimed at providing the relevant budgets with financial resources required to perform functions stipulated by the Constitution of Ukraine and Ukrainian laws.

2. The aim of regulating interbudget relations is to ensure the conformity between spending powers vested in budgets by legislative acts and financial resources that shall ensure exercise of the said powers.

Article 82. Types of Budget Expenditures

1. Budget expenditures are divided into the following:

1) expenditures to secure the constitutional system, state integrity and sovereignty, independent judicial system, as well as other expenditures stipulated by this Code that cannot be delegated to the Autonomous Republic of Crimea and local self-government;

2) expenditures determined by the functions of government that can be delegated to the Autonomous Republic of Crimea and local self-government in order to ensure they are made in the most efficient manner based on subsidiarity principle;

3) expenditures to exercise rights and duties of the Autonomous Republic of Crimea and local self-government bodies being of local nature and determined by the laws of Ukraine.

Article 83. Sources of Budget Expenditures

1. The expenditures defined by para. 1 of part one of Article 82 of this Code shall be made against the State Budget of Ukraine.
2. The expenditures defined by para. 2 and 3 of part one of Article 82 of this Code shall be made against the local budgets, including transfers from the State Budget of Ukraine.

Article 84. Ensuring Expenditures

1. The relevant government authorities shall ensure the expenditures are made as defined by para. 1 of part one of Article 82 hereof.
2. The Council of Ministers of the Autonomous Republic of Crimea, local state administrations, executive agencies of the relevant local councils, or village chairpersons (unless the relevant executive bodies have been established in accordance with the law) shall ensure the expenditures defined by para. 2 and 3 of part one of Article 82 hereof are made.

Article 85. Delegating the Right to Make Expenditures by the Government

1. The government may delegate the right to make expenditures to the Council of Ministers of the Autonomous Republic of Crimea or local self-government bodies solely on condition of the appropriate delegation of financial resources in the form of the national taxes and duties (mandatory payments) or a part thereof assigned to the relevant budgets, as well as transfers from the State Budget of Ukraine.
2. The Council of Ministers of the Autonomous Republic of Crimea, local state administrations, executive agencies of the relevant local councils, or village chairpersons (unless the relevant executive bodies have been established in accordance with the law) shall ensure the expenditures defined by para. 2 and 3 part one of Article 82 hereof are made from the relevant local budgets in conformity with the allocation of the said expenditures among the budgets as determined in Articles 88 to 91 hereof and the Law on the State Budget of Ukraine. It shall be prohibited to plan and make expenditures not attributed to local budgets hereunder and to make expenditures during the budget period for the operation of government-funded institutions from different budgets simultaneously, unless such expenditures are made by the decision of the relevant local council against the available balance of budget funds or exceeding the targets in terms of revenues of the general fund of the local budget providing such budget does not have a liability on the protected expenditure items at any date during the year.
3. The goods (work, services) purchased by the key spending unit of the state budget (local budgets) against the expenditures on centralized measures in accordance with the economic and social development program documents and national targeted programs may be handed over to the government-funded institutions maintained by other local budgets.

These centralized measures shall be taken in conformity with the following requirements:

key spending unit of the state budget (local budgets) established the criteria to define justification of the need for the respective goods (work, services);

government-funded institutions defined the need for goods (work, services) in accordance with the established criteria;

transactions on acquisition and transfer of such goods (work, services) are accounted for and reported by the government-funded institutions.

Article 86. Criteria of Delimitation of Types of Expenditures between Local Budgets

1. The expenditure types defined by para. 2 and 3 of part one of Article 82 hereof between local budgets shall be delimited based on subsidiarity principle with reference to the criteria of completeness of provision of guaranteed services and their approximation to the end consumer. According to these criteria, the types of expenditures fall into the following groups:

1) first group includes expenditures on operation of government-funded institutions and implementation of measures ensuring the priority provision of the guaranteed services located as close to consumers as possible;

2) second group includes expenditures on operation of government-funded institutions and implementation of measures ensuring the provision of the main guaranteed services for all citizens of Ukraine;

3) third group includes expenditures on operation of government-funded institutions and implementation of measures ensuring guaranteed services for the specific categories of individuals or implementation of programs being in demand across all regions of Ukraine.

2. The first-group expenditures shall be made from budgets of villages, their associations, rural settlements, and cities.

3. The second-group expenditures shall be made from the budgets of cities of republican subordination of the Autonomous Republic of Crimea and cities of oblast subordination, as well as from rayon budgets.

4. The third-group expenditures shall be made from the budget of the Autonomous Republic of Crimea and oblast budgets.

5. Expenditures of all the three groups shall be made from budgets of the cities of Kyiv and Sevastopol.

Chapter 14. DELIMITATION OF EXPENDITURES BETWEEN BUDGETS

Article 87. Expenditures Made from the State Budget of Ukraine

1. The expenditures made from the State Budget of Ukraine shall include the expenditures for:

1) public administration:

à) legislative branch;

b) executive branch;

c) President of Ukraine;

2) judicial branch;

3) international activities;

4) fundamental and applied research and promotion of the scientific and technological progress of national significance, international scientific and information relations of national significance;

5) national defense (except for measures and work related to the mobilization training of local significance);

6) law enforcement activities, provision of state security and civil protection of the population and territories (other than measures defined by para. 16 of part one of Article 91 hereof);

7) education:

a) general secondary education:

state-owned specialized schools (including boarding schools);

general education social rehabilitation schools;

b) vocational education (payment for services related to training of the qualified workers on the basis of state contracts in state-owned vocational education establishments);

c) higher education (payment for services related to training of specialists, scientific research and scientific/pedagogical human resources on the basis of state contracts in state-owned higher education establishments);

d) post-graduate education (payment for services related to advanced training and re-training of personnel on the basis of state contracts in state-owned education establishments);

e) extracurricular education establishments and extracurricular events for children in accordance with the list approved by the Cabinet of Ministers of Ukraine;

f) other establishments and measures in the field of education ensuring the performance of the national-level functions in accordance with the list approved by the Cabinet of Ministers of Ukraine;

8) health care:

a) primary medical/sanitary, outpatient and inpatient care (multi-profile hospitals and outpatient clinics performing specific national-level functions in accordance with the list approved by the Cabinet of Ministers of Ukraine);

b) specialized and highly specialized outpatient and inpatient care (clinics attached to the scientific research institutes, specialized hospitals, centers, leprosaria, hospitals for disabled veterans of the Great Patriotic War, specialized medical and sanitary departments, specialized polyclinics, specialized dental polyclinics in accordance with the list approved by the Cabinet of Ministers of Ukraine);

c) sanatorium and rehabilitation care (national sanatoria for tuberculosis patients, national specialized sanatoria for children and adolescents, specialized sanatoria for war veterans and individuals covered by the laws of Ukraine “On War Veteran Status and Guarantees of their Social Protection” and “On Victims of Nazi Persecutions”, and disabled people, national rehabilitation facilities and complexes for the disabled people in accordance with the list approved by the Cabinet of Ministers of Ukraine);

e) sanitary and epidemiological supervision (sanitary epidemiological stations, disinfection stations, epidemics countermeasures);

f) other programs in the field of health care ensuring the performance of the national-level functions in accordance with the list approved by the Cabinet of Ministers of Ukraine;

9) social protection and social support:

- a) disbursement of pensions to the military servicemen including private, sergeant and non-commissioned officer staff on obligatory service and members of their families, pensions to military servicemen, and officers and privates of internal affairs agencies, other individuals specified by law; the payment of insurance premiums to the Pension Fund of Ukraine for the specific categories of individuals envisaged by law; disbursement of pension supplements, surcharges, mark-ups, and pensions for meritorious service to Ukraine as envisaged by law;
 - b) state social assistance programs (pecuniary assistance to refugees; compensations for medicines; prosthetic provision programs; programs and measures related to the social protection of the disabled people, including programs and measures of the Disabled People Social Protection Fund; the reimbursement for losses inflicted on individuals; the measures related to the return into Ukraine of the Crimean Tartar people and people of other ethnic groups illegally deported from Ukraine, and the accommodation of foreigners and stateless individuals illegally staying on the territory of Ukraine; the annual once-off pecuniary aid to war veterans and victims of the Nazi persecution; the life state stipends; funds handed over to the Unemployment Social Insurance Fund; the health rehabilitation of victims of the Chernobyl Disaster, the state social assistance to individuals not eligible for pension, and the disabled people, other types of special-purpose pecuniary aid as established by law);
 - c) state support to non-governmental organizations of disabled people and veterans that have the national status;
 - d) government programs and measures for children, young people, women, and families;
 - e) government support to youth and children non-governmental organizations in pursuance of national programs and measures intended for children, young people, women and families in accordance with the list approved by the Cabinet of Ministers of Ukraine;
 - f) government programs of support to the housing construction (rehabilitation) for certain categories of individuals;
 - g) ensuring operation of national, public, interregional centers for vocational rehabilitation for the disabled and public centers for social rehabilitation for the disabled children in accordance with the procedure defined by the Cabinet of Ministers of Ukraine;
 - h) other social protection and social security measures ensuring performance of national functions in accordance with the list approved by the Cabinet of Ministers of Ukraine;
- 10) culture and arts:
- a) government cultural and education programs (national and state libraries, museums and exhibitions of national significance, sanctuaries of national significance, international cultural relations, state cultural and education events);
 - b) state theatrical and show programs (national theaters, national philharmonic societies, national and state music teams and ensembles, and other art establishments and events in accordance with the list approved by the Cabinet of Ministers of Ukraine);
 - c) government support to public organizations in the field of culture and arts that enjoy the national status;
 - d) government cinematography development programs;
 - e) state archives;

- 11) government programs of support to the television, radio broadcasting, press, book publishing, news agencies;
- 12) physical culture and sports:
 - a) government programs of training of the reserve and main staff of national teams, and the assurance of their participation in competitions of the state and international importance (the upkeep of the central highest sports mastery schools in accordance with the list approved by the Cabinet of Ministers of Ukraine, the formation of national teams, the holding of the educational and training camps and competitions of the state significance in recognized sports; the training and the participation of national teams in international competitions on Olympic and Non-Olympic sports (including the Olympic Games and International Non-Olympic Games), the financial support to the Olympic training bases in accordance with the list approved by the Cabinet of Ministers of Ukraine);
 - b) government programs of development of the physical culture and sports, the physical culture/sports rehabilitation of disabled people (disabled people physical culture and sports centers of state significance, the holding of educational and training camps, national competitions in sports for disabled people, events related to the physical culture/sports rehabilitation of disabled people, the upkeep of national teams in sports for disabled people, the assurance of their training and participation in international competitions (including Paralympic and Deaflympic games), the financial support to the Paralympic movement and bases of the Paralympic and Deaflympic training in accordance with the list approved by the Cabinet of Ministers of Ukraine);
 - c) government programs focused on physical culture and sports;
- 13) government programs of support to the regional development and priority sectors of economy;
- 14) programs of the restoration of monuments of architecture, construction (creation) of monuments of national significance;
- 15) government programs of the development of transport facilities, road facilities, communication, telecommunications and information technologies;
- 16) government investment programs (projects);
- 17) government programs for the elimination of the aftermath of the Chernobyl accident, the environmental protection and nuclear safety, the prevention of occurrence and liquidation of the consequences of emergencies and the aftermath of natural disasters;
- 18) creation and renewal of state supplies and reserves;
- 19) servicing of public debt;
- 20) holding the elections in cases envisaged by the legislation and Ukrainian national-level referenda;
- 21) other programs of solely national importance.

Article 88. Expenditures Made from Budgets of Villages, Rural Settlements, Cities of Rayon Subordination and Associations thereof and Taken into Consideration While Determining the Volume of Interbudget Transfers

1. The expenditures made from budgets of villages, rural settlements, cities of rayon subordination and associations thereof and taken into consideration while determining the volume of interbudget transfers shall include the expenditures on:

- 1) local self-government bodies of villages, rural settlements and cities of rayon subordination;
- 2) education:
 - a) pre-school education;
 - b) general secondary education (education and upbringing facilities with the structure of “pre-school establishment + general education establishment”, “general education establishment + pre-school education establishment”, provided that the general education establishment is of Level 1);
- 3) village, rural-settlement and city palaces and houses of culture, clubs, entertainment centers, other clubs and libraries.

Article 89. Expenditures Made from Rayon Budgets and Budgets of Cities of Republican Subordination of the Autonomous Republic of Crimea and Cities of Oblast Subordination Taken into Consideration While Determining the Volumes of Interbudget Transfers

1. The expenditures made from rayon budgets and budgets of cities of republican subordination of the Autonomous Republic of Crimea and cities of oblast subordination taken into consideration while determining the volumes of interbudget transfers shall include the expenditures on:

- 1) public administration:
 - a) local self-government bodies of cities of republican subordination of the Autonomous Republic of Crimea and cities of oblast subordination;
 - b) local self-government bodies of rayon subordination;
- 2) education:
 - a) pre-school education (in cities of republican subordination of the Autonomous Republic of Crimea and cities of oblast subordination);
 - b) general secondary education: general education establishments (including: general education establishments of all levels, specialized schools (other than schools defined in subpara. "a" of para.7 of part one Article 87 hereof), lyceums, gymnasiums, collegiums, evening (shift-based) schools); education and upbringing facilities with the structure of "pre-school establishment + general education establishment", "general education establishment + pre-school education establishment" (other than the education and upbringing facilities referred to in subpara. "b" of para. 2 of part one of Article 88 hereof);
 - c) the educational establishments for individuals requiring social assistance and rehabilitation: general education boarding schools, general education establishments for orphan children and

children deprived of parental care, orphanages, training and rehabilitation centers (if at least 70 per cent of the total number of pupils in general education boarding schools, general education establishments for orphan children and children deprived of parental care, orphanages, training and rehabilitation centers reside within the relevant city or rayon), family-type orphanages and foster families;

d) other state educational programs;

f) higher education (the payment for services of the training of specialists, scientific and scientific/pedagogical human resources in state-owned and community-owned higher education establishments of accreditation levels I to IV in accordance with programs of the socio-economic development of regions);

g) extracurricular education (extracurricular events of rayon significance for children);

3) health care:

a) primary medical/sanitary, outpatient and inpatient care (broad profile hospitals, maternity hospitals, ambulance and emergency medical assistance stations, outpatient clinics, general dental polyclinics, precinct hospitals, medical outpatient clinics, paramedical/obstetrician and paramedical stations);

b) medical and sanitary education programs (city and rayon health centers and sanitary education measures);

4) social protection and social support:

a) government social support programs: shelters for children, the centers of the socio-psychological rehabilitation of children and social dormitories for orphan children and children deprived of parental care (if at least 70 per cent of the children accommodated in such establishments reside in the relevant city or rayon); territorial social service (social service provision) centers; disabled children social rehabilitation centers; disabled people professional rehabilitation centers, compensations to individuals rendering social services to senior citizens, the disabled, disabled children, outpatients unable to take care of themselves and requiring outside assistance;

b) state social protection programs:

assistance to families with children, poor families, people disabled since the childhood, disabled children, temporary state assistance to children;

additional payments to the population for the coverage of the utilities expenses (housing subsidies for the population), preferences to special categories of individuals, such as: veterans of war; individuals subject to the Law of Ukraine "On War Veteran Status and Guarantees of Their Social Protection"; individuals with the special merit to the Motherland; widows (widowers) and parents of the deceased individuals with the special merit to the Motherland; individuals with the special labor merit to the Motherland; widows (widowers) and parents of deceased individuals with the special labor merit to the Motherland; victims of the Nazi persecution; veterans of military service; veterans of internal affairs agencies; veterans of the tax militia; veterans of the state fire brigade; veterans of the State Criminal Penitentiary Service; veterans of the civil protection service; veterans of the State Special Communication and Information Protection Service of Ukraine; widows (widowers) of the deceased veterans of military service, veterans of internal affairs agencies, veterans of the tax militia, veterans of the state fire brigade, veterans of the State Criminal Penitentiary Service, veterans of the civil

protection service, veterans of the State Special Communication and Information Protection Service of Ukraine; military servicemen dismissed from service due to the old age, illness or long-service from the Security Service of Ukraine, militia, officers of the tax militia, privates and officers of the criminal penitentiary system, the state fire brigade; pensioners from among investigators of the public prosecution service; children (until the attainment of the age of majority) of employees of the militia, officers of the tax militia, rank and officer staff of the criminal penitentiary system, the state fire brigade deceased in connection with the performance of the duties of service, and unemployable members of their families who have been maintained by them; individuals who became disabled during the military service and have been dismissed from the military service; parents and family members of military servicemen who have deceased or gone missing while on the military service; parents and family members of members of the rank and officer staff of agencies and units of the civil protection, the State Special Communication and Information Protection Service of Ukraine who have deceased or gone missing, or become disabled while on the service; the rehabilitated individuals who have become disabled as a result of repressions or are pensioners; individuals being victims of the Chernobyl Disaster; spouses and guardians (for the time of the guardianship) of children of the deceased individuals whose death is related to the Chernobyl Disaster; retired judges; pensioners from among plant protection specialists in accordance with part four of Article 20 of the Law of Ukraine "On Plant Protection"; individuals under item "I" of part one of Article 77 of the Fundamental Principles of the Health Care Legislation of Ukraine, part four of Article 29 of the Fundamental Principles of the Culture Legislation of Ukraine, part two of Article 30 of the Law of Ukraine "On Libraries and the Operation of Libraries", paragraph one of part four of Article 57 of the Law of Ukraine "On Education"; the eligible individuals under Article 48 of the Mining Law of Ukraine; veterans of labor; children of war; families with many children, disabled people, disabled children and individuals who escort Group I individuals or disabled children (not more than one person per escort);

compensations to individuals who are eligible to receive coal for household needs free of charge under Articles 43 and 48 of the Mining Law of Ukraine, but reside in houses equipped with central heating facilities;

compensations for the preferential fare of certain categories of individuals;

disbursement of the state social aid for orphan children and children deprived of parental care, in family-type orphanages and foster families, the pecuniary support to caregiver parents and foster parents for the provision of social services in family-type orphanages and foster families according to the "Money follows the child" principle;

c) government programs of support to the housing construction (rehabilitation) for certain categories of individuals;

d) rayon and city programs and events aimed at the implementation of the state policy in respect of children, young people, women and families, including the upkeep and programs of rayon and city centers of social services for families, children and young people;

5) government cultural/education and theatrical/show programs (theatres, rayon (city) libraries or centralized libraries of the centralized rayon (city) library system, museums, exhibitions, culture palaces and houses, aesthetic education schools for children, including community-owned establishments and institutions vested with the national status, state-owned zoos of national significance);

6) government programs of the physical culture and sports development: upkeep, training and educational work of the sports schools for children and youth of all types (other than schools of republican subordination of the Autonomous Republic of Crimea and schools of oblast

subordination), physical culture and sports events, and the financial support to physical culture and sports-focused organizations and sports structures of local significance.

Article 90. Expenditures Made from the Budget of the Autonomous Republic of Crimea and Oblast Budgets Taken into Consideration While Determining the Volumes of Interbudget Transfers

1. The expenditures made from the budget of the Autonomous Republic of Crimea and oblast budgets taken into consideration while determining the volumes of interbudget transfers shall include the expenditures on:

1) public administration:

à) representative and executive branch of the Autonomous Republic of Crimea;

b) oblast councils;

2) education:

a) general education for individuals being in need of the social assistance and rehabilitation: special general education establishments for children being in need of the correction of physical and/or mental development, general education sanatorium-based boarding schools; general education boarding schools, general education establishments for orphan children and children deprived of parental care, orphanages, training and rehabilitation centers (other than general education boarding schools, general education establishments for orphan children and children deprived of parental care, orphanages, education and rehabilitation centers listed in sub-item "c" of para. 2 of Article 89 hereof, and family-type orphanages and foster families);

b) vocational education (payment for services related to training of the qualified workers on the basis of state contracts in state-owned and community-owned vocational education establishments, for which the expenditures are to be taken into consideration while determining the interbudget transfers in the state budget);

c) higher education (payment for services of the training of specialists, scientific research and scientific/pedagogical human resources on the basis of regional contracts in community-owned higher education establishments, as well as on the basis of state contracts in state-owned higher education establishments according to a list specified by the Cabinet of Ministers of Ukraine);

d) post-graduate education (payment for services of advanced training and re-training of personnel on the basis of regional contracts in community-owned higher education establishments);

e) extracurricular education (extracurricular activities of republican significance of the Autonomous Republic of Crimea and oblast significance for children);

f) other government educational programs;

3) health care:

a) consultancy, outpatient and inpatient assistance (in hospitals of republican subordination of the Autonomous Republic of Crimea and hospitals of oblast subordination);

b) specialized inpatient and outpatient treatment (specialized hospitals, outpatient clinics, including dental clinics, centers, dispensaries, hospitals for disabled veterans of the Great Patriotic War, children homes, blood transfusion centers);

c) sanatorium-and-resort treatment (sanatoria for tuberculosis patients, sanatoria for children and adolescents, medical rehabilitation sanatoria);

d) other state medical and sanitary assistance programs (medical and social expert commissions, forensic medical expert appraisal offices, medical statistics centers, special medical supplies centers, health centers and sanitary education measures, regional activities within the scope of the implementation of state programs, other programs and measures);

4) social protection and social support:

a) government programs of social protection social support: allowance for the care for Group I or II people disabled as a result of a mental disorder; compensation payments to the rehabilitated people; children boarding houses; training and employment of disabled people; boarding houses for elderly and disabled people; boarding houses for disabled children; social benefit calculation and disbursement centers; shelters for children, centers of socio-psychological rehabilitation of children and social dormitories for orphan children and children deprived of parental care (other than the relevant shelters, centers and dormitories referred to in sub-item "a" of para. 4 of Article 89 of this Code); the preferential medical services and the disbursement of the monthly pecuniary aid in connection with the limitation of the consumption of local foods and the compensation for the preferential provision of foods to individuals being victims of the Chernobyl Disaster; compensation payments to disabled people for petrol, repairs, the technical maintenance of cars and the transportation services, as well as the installation of telephone sets for Group II and III disabled people; the reimbursement for expenses on the funerals of participants of combat activities and people disabled during the war; social rehabilitation centers for disabled children, professional rehabilitation centers for disabled people;

b) republican programs and measures in the Autonomous Republic of Crimea and oblast programs and measures aimed at implementation of the government policy regarding children, young people, women and family, including the upkeep and the programs of the republican center of social services for families, children and young people in the Autonomous Republic of Crimea, and the relevant oblast centers;

c) other state social programs;

5) culture and arts:

a) state cultural and education programs (republican libraries in the Autonomous Republic of Crimea and oblast libraries, museums and exhibitions, including community-owned establishments and institutions vested with the national status);

b) state theatrical and show programs (philharmonic societies, musical ensembles, theatres, culture palaces and houses of republican subordination of the Autonomous Republic of Crimea and oblast subordination, other establishments and events in the field of arts, including community-owned establishments and institutions vested with the national status);

c) other cultural and art programs;

6) physical culture and sports:

- a) government physical culture and sports development programs (the upkeep and the educational and training work of the sports schools for children and young people of all types and of republican subordination of the Autonomous Republic of Crimea and oblast significance (other than schools referred to in sub-para. "b" of this paragraph), physical culture and sports events of republican significance of the Autonomous Republic of Crimea and oblast significance);
- b) government programs for physical culture and sports development, physical culture and sports-based rehabilitation of the disabled people (disabled people physical culture and sports centers of republican subordination of the Autonomous Republic of Crimea and oblast subordination, sports schools for the disabled children and young people of all types; the events of the physical culture and sports rehabilitation of disabled people, training and coaching camps and competitions in the field of the physical culture and sports for the disabled people being of republican significance of the Autonomous Republic of Crimea and oblast significance).

Article 91. Expenditures of Local Budgets Disregarded While Determining the Volume of Interbudget Transfers

1. The expenditures of local budgets disregarded while determining the volume of interbudget transfers shall include the expenditures on:

- 1) local fire brigade;
- 2) extracurricular education;
- 3) social protection and social support:
 - a) local-significance programs for children, young people, women and family;
 - b) local social protection programs for specific population categories;
 - c) programs of social protection for poor students of vocational education establishments;
 - d) social protection establishments for homeless individuals, centers of the social adaptation of individuals released from penitentiary institutions;
 - e) compensation payments for the preferential fares granted to certain categories of individuals;
 - f) compensations to individuals rendering social services to senior citizens, the disabled, disabled children, outpatients unable to take care of themselves and requiring outside assistance;
 - g) providing financial support and loans to veteran organizations;
- 4) compensation for the difference between the price (rate) for housing and utilities services that have been approved or endorsed by a decision of an executive agency or a local self-government body, and the value of the economically justified cost of the production (provision) thereof;
- 5) local housing and utilities development, and populated area improvement programs;
- 6) culture-and-arts programs of local significance, including community-owned zoos of national significance;

- 7) programs of support to the cinematography and mass media of local significance;
- 8) local programs of physical culture and sports development;
- 9) model designs, restoration and protection of monuments of architecture of local significance;
- 10) transportation and road facilities:
 - a) regulation of passenger transportation fares by decisions of local executive body and local self-government body in accordance with their respective authorities;
 - b) operation of local-significance road system (including the work performed by the specialized construction units);
 - c) construction, reconstruction, repair and maintenance of local-significance roads;
- 11) sea and river rescue measures;
- 12) local debt servicing;
- 13) programs of environmental protection events of local significance;
- 14) management of the community-owned property;
- 15) regulation of land relations;
- 16) measures in the field of the protection of the population and territories against the technology and nature-induced extraordinary situations within the scope of powers established by law;
- 17) measures and work related to mobilization training of local significance;
- 18) holding local elections in events envisaged by the legislation, as well as republican referenda of the Autonomous Republic of Crimea and local referenda;
- 19) membership fees to associations of local self-government bodies and voluntary associations thereof;
- 20) advanced training for deputies of local councils;
- 21) other programs related to the exercise of own powers approved by the Verkhovna Rada of the Autonomous Republic of Crimea or the relevant local council in accordance with the law.

Article 92. Transfer of Funds between Local Budgets to Make Local Budget Expenditures Disregarded While Determining the Volume of Interbudget Transfers

1. A city (in a city of republican subordination of the Autonomous Republic of Crimea or a city of oblast subordination) or rayon council may hand over the funds to make local budget expenditures disregarded while determining the volume of interbudget transfers under Article 91 hereof to the Verkhovna Rada of the Autonomous Republic of Crimea or the oblast council in the form of an interbudget transfer according to the budget of the Autonomous Republic of Crimea or the oblast budget.

2. A village, rural-settlement, or city (in a city of rayon subordination) council may hand over the funds to make local budget expenditures disregarded while determining the volume of interbudget transfers under Article 91 hereof to the rayon, city (in a city of rayon subordination), rural-settlement or village council in the form of an interbudget transfer envisaged by the rayon, city (in a city of rayon subordination), rural-settlement, or village budget.
3. Transfer of funds between local budgets shall be carried out on the basis of decisions of the Verkhovna Rada of the Autonomous Republic of Crimea and respective local councils made by each party, and a concluded contract. All contracts on transfer of funds between local budgets on the basis of such decisions shall be concluded before 1 October of the year preceding the planning year.

Article 93. Transfer of Funds between Local Budgets to Make Local Budget Expenditures Taken into Consideration While Determining the Volume of Interbudget Transfers

1. A city (in a city of republican subordination of the Autonomous Republic of Crimea and a city of oblast subordination) or rayon council may hand over the funds to make local budget expenditures taken into consideration while determining the volume of interbudget transfers under Article 89 hereof to a village, rural-settlement, or city (in a city of rayon subordination) council in the form of an interbudget transfer envisaged by the village, rural-settlement, or city (in a city of rayon subordination) budget. A village, rural-settlement or city (in a city of rayon subordination) council may hand over the funds to make local budget expenditures taken into consideration while determining the volume of interbudget transfers under Article 88 hereof to the rayon, city (in a city of republican subordination of the Autonomous Republic of Crimea, oblast or rayon subordination), rural-settlement, or village council in the form of an interbudget transfer envisaged by the rayon, city (in a city of republican subordination of the Autonomous Republic of Crimea, oblast or rayon subordination), rural-settlement, or village budget.
2. A city (in a city of republican subordination of the Autonomous Republic of Crimea or a city of oblast subordination) council may hand over the funds to make local budget expenditures taken into consideration while determining the volume of interbudget transfers under Article 89 hereof to a rayon council in the form of an interbudget transfer to the rayon budget. A rayon council may hand over the funds to make local budget expenditures taken into consideration while determining the volume of interbudget transfers under Article 89 hereof to a city (in a city of republican subordination of the Autonomous Republic of Crimea or a city of oblast subordination) council in the form of an interbudget transfer to the city (in a city of republican subordination of the Autonomous Republic of Crimea or a city of oblast subordination) budget.
3. Transfer of funds between local budgets shall be carried out on the basis of decisions of the respective local councils made by each party, and a concluded contract. All contracts on the transfer of funds between local budgets on the basis of such decisions shall be concluded before 1 August of the year preceding the planning year.
4. Unless otherwise stipulated by the contract, the amount of funds transferred to make local budget expenditures taken into consideration while determining the volume of interbudget transfers must be proportionate to the portion of users of the guaranteed services in the full value of such services calculated according to the financial ratios of budget adequacy for the authority of the Autonomous Republic of Crimea or a local self-government body transferring the funds in question.
5. In case of insufficient number of government-funded institutions, other community-owned business entities that support the provision of guaranteed services defined by para. 2 of part one of Article 86 hereof in the amount established by the financial ratios of budget adequacy on the territory of a city (a city of republican subordination of the Autonomous Republic of Crimea or a city of oblast

subordination) or a rayon, then the calculated amount of expenditures for provision of the services in question shall be taken into consideration while determining the interbudget transfer of the budget by which the government-funded institutions providing the guaranteed services are maintained.

Chapter 15. CALCULATION OF EXPENDITURES TAKEN INTO CONSIDERATION WHILE DETERMINING THE VOLUME OF INTERBUDGET TRANSFERS

Article 94. Financial Ratios of Budget Adequacy

1. The financial ratio of budget adequacy shall be used to allocate interbudget transfers.
2. The financial ratio of budget adequacy shall be determined by dividing the total volume of financial resources to be spent on implementation of budget programs by the population level or the number of consumers of guaranteed services, etc.
3. The total volume of financial resources for each type of expenditures taken into consideration while determining the volume of interbudget transfers shall be calculated on the basis of state the government standards and ratios established by the law and other regulations.
4. The volume of non-allocated expenditures combining the types of expenditures to exercise the powers for which setting the target ratios is inappropriate, may be envisaged in calculation of the financial ratio of budget adequacy.

Article 95. Adjusting Factors of Financial Ratios of Budget Adequacy

1. The financial ratios of budget adequacy for local budgets shall be adjusted using the factors taking account of differences in the cost of provision of guaranteed services depending on the following:
 - 1) population level and the number of consumers of guaranteed services;
 - 2) socio-economic, demographic, climatic, environmental, and other specific features (effective from the time of identification thereof) of the administrative territorial units.
2. The adjustment factors shall be approved by the Cabinet of Ministers of Ukraine.

Chapter 16. INTERBUDGET TRANSFERS

Article 96. Types of Interbudget Transfers

1. Interbudget transfers fall into:
 - 1) equalization grants;
 - 2) subventions;
 - 3) funds transferred to the state budget and local budgets from other local budgets;
 - 4) additional grants.

Article 97. Transfers Made from the State Budget of Ukraine to Local Budgets

1. The following interbudget transfers to local budgets may be provided for in the State Budget of Ukraine:

- 1) equalization grant to the budget of the Autonomous Republic of Crimea, oblast budget, budgets of cities of Kyiv and Sevastopol, rayon budgets and budgets of cities of republican subordination of the Autonomous Republic of Crimea and cities of oblast subordination, other local self-government budgets, for which interbudget transfers are allocated in the state budget;
- 2) additional grant for the equalization of the financial adequacy of local budgets;
- 3) subventions for implementation of government social protection programs;
- 4) additional grant to compensate for losses of local budgets disregarded while determining the volume of interbudget transfers as a result of provision of preferences established by the government;
- 5) subvention for implementation of investment programs (projects);
- 6) other additional grants and subventions.

2. The procedure and conditions of provision of subventions from the state budget to local budgets shall be defined by the Cabinet of Ministers of Ukraine.

The procedure and the conditions of provision of the subvention from the state budget to local budgets that has been determined by the law on the State Budget of Ukraine for the first time shall be approved by the Cabinet of Ministers of Ukraine within 30 days after the said law comes into effect.

3. The amount of equalization grant, subventions and the funds transferred to the state budget from local budgets shall be approved in the State Budget of Ukraine separately for each of the respective local budgets provided that the grounds exist to provide and receive the respective interbudget transfers.

4. Allocation of the additional grant for equalization of the financial adequacy of local budgets between the budget of the Autonomous Republic of Crimea and oblast budgets shall be carried out on the basis of the criteria specified by the Cabinet of Ministers of Ukraine and approved by the Law on the State Budget of Ukraine.

The additional grant for equalization of the financial adequacy of local budgets shall be allocated on a pro rata basis among the budget of the Autonomous Republic of Crimea, the oblast budget, the budgets of cities of republican subordination of the Autonomous Republic of Crimea and cities of oblast subordination, and rayon budgets, respectively, as follows: not more than 25 per cent for the budget of the Autonomous Republic of Crimea or the oblast budget, and at least 75 per cent for budgets of cities of the republican subordination of the Autonomous Republic of Crimea and oblast subordination, and rayon budgets.

The Council of Ministers of the Autonomous Republic of Crimea, oblast state administrations shall allocate the additional grant for the equalization of the financial adequacy of local budgets taking account of specific features of depressive and mountain areas, and areas with low population level and a widespread network of government-funded institutions.

Article 98. Equalization Grant to Budgets of Cities of Kyiv and Sevastopol, Cities of Republican Subordination of the Autonomous Republic of Crimea and Cities of Oblast Subordination, and Rayon Budgets, and Other Local Self-government Budgets, for Which Interbudget Transfers are Allocated in the State Budget

1. The equalization grant to the budgets of cities of Kyiv and Sevastopol, cities of republican subordination of the Autonomous Republic of Crimea and cities of oblast subordination, rayon budgets and other local self-government budgets, for which interbudget transfers are allocated in the state budget, shall be determined as the excess of the estimated volume of expenditures listed in Articles 88 and 89 hereof (or Articles 88 through 90 hereof for the budgets of cities of Kyiv and Sevastopol) calculated using the financial ratios of budget adequacy and the adjustment factors:

over the estimated volume of the local budget revenue basket for the budgets of cities of Kyiv and Sevastopol, rayon budgets and budgets of cities of republican subordination of the Autonomous Republic of Crimea and cities of oblast subordination, other local self-government budgets, for which interbudget transfers are allocated in the state budget;

over the estimated volume of revenues specified in part two of Article 66 hereof - for rayon budgets.

2. The allocation of the amount of interbudget transfers specified in para. 1 and 3 of part one of Article 96 of this Code and approved by the Law on the State Budget of Ukraine between the city budgets of Kyiv and Sevastopol, budgets of cities of the republican subordination of the Autonomous Republic of Crimea and cities of oblast subordination, rayon budgets and other local self-government budgets, for which interbudget transfers are allocated in the state budget shall be determined on the basis of a formula.

3. The formula for allocation of the interbudget transfers referred to in para. 1 and 3 of part one of Article 96 of this Code shall be approved by the Cabinet of Ministers of Ukraine and shall incorporate the following parameters:

- 1) financial ratios of budget adequacy and their adjustment factors;
- 2) population level and the number of consumers of guaranteed services;
- 3) relative taxation potential index of the relevant budget;
- 4) estimated volume of the revenue basket of local budgets;
- 5) equalization factor;
- 6) target ratio of the number of employees of local self-government bodies in relation to the population level.

In case the interbudget transfer allocation formula for the planned budget period is modified, the draft changes, analytical calculations, and comparative tables describing the impact of the suggested changes shall be submitted together with the Draft Law on the State Budget of Ukraine approved by the Cabinet of Ministers of Ukraine.

4. The estimated volume of revenue basket of the relevant budget shall be determined by applying the relative taxation potential index of such a budget, which is calculated by using economic and mathematical methods and adjustment factors on the basis of data on actual execution of the relevant budget for the three previous budget periods.

5. The relative taxation potential index is a factor that determines the level of taxation potential of the relevant budget in comparison with the similar national average indicator on a per-capita basis.

6. The local budget revenue basket determined in accordance with Article 64 hereof (except for revenues referred to in para. 2 to 5, 7 to 11 and 13 of part one of Article 64 hereof) and Article 66 hereof (except for revenues referred to in para. 2 to 6, 8 to 13 and 15 of part one of Article 66 hereof), and other revenues established by the Law on the State Budget of Ukraine shall be used for calculation of the relative taxation potential index of the respective budgets.

The volume of revenues referred to in para. 2 to 5, 7 to 11, and 13 of part one of Article 64 hereof and para. 2 to 6, 8 to 13, and 15 of part one of Article 66 hereof shall be determined separately for each type of revenues.

7. In determining the relative taxation potential index, the estimated volume of local budget revenue basket shall be increased by the amount of loss of revenues resulting from provision of preferences to taxable persons according to the decisions of the Verkhovna Rada of the Autonomous Republic of Crimea and the relevant local councils.

8. The relative taxation potential indices of the respective budgets shall not be changed and reviewed more than once in a year without a proper substantiation, except for the cases set forth below:

creation of new administrative and territorial units or changes in the status of those existing;

changes in the location of business entities being taxable persons;

changes in tax legislation.

Changes in the amount of revenues for the relevant budget periods taken into account when determining the estimated volume of local budget revenue basket shall be confirmed by the collection agencies.

Article 99. Equalization Grant to the Budget of the Autonomous Republic of Crimea and Oblast Budgets

1. The equalization grant to the budget of the Autonomous Republic of Crimea and oblast budgets shall be determined as the excess of the estimated amount of expenditures of the said budgets listed in Article 90 hereof calculated by applying the financial ratios of budget adequacy and adjustment factors over the estimated amount of revenues of the budget of the Autonomous Republic of Crimea and the oblast budgets credited thereto under part one of Article 66 hereof.

2. The estimated amount of revenues of the budget of the Autonomous Republic of Crimea and the oblast budgets shall be calculated on the basis of the forecasted indicators of revenues credited to the said budgets under part one of Article 66 hereof applying the relative taxation potential index in conformity with the conditions of calculation thereof specified in parts five, seven, and eight of Article 98 hereof.

Article 100. Funds Transferred to the State Budget from the Budget of the Autonomous Republic of Crimea, Oblast and Rayon Budgets, City Budgets (Cities of Kyiv and Sevastopol, Cities of Republican Subordination of the Autonomous Republic of Crimea and Cities of Oblast Subordination), and Other Local Self-government Budgets, for Which Interbudget Transfers are Allocated in the State Budget

1. If the estimated amount of revenues of the budget of the Autonomous Republic of Crimea, oblast and rayon budgets, city budgets (cities of Kyiv and Sevastopol, cities of republican subordination of the Autonomous Republic of Crimea and cities of oblast subordination), and other local self-government budgets, for which interbudget transfers are allocated in the state budget, determined under Articles 64 and 66 hereof, exceeds the estimated amount of expenditures of the relevant budget calculated using the financial ratios of budget adequacy and the adjustment factors, then the amount of funds to be transferred to the state budget shall be specified for the budget in question.

2. The equalization factor shall be applied to the volume of funds to be transferred to the state budget determined according to the formula; it shall range from 0.6 to 1 for the purposes of encouragement of the increase in revenues taken into consideration while determining the volume of interbudget transfers and differentiated depending on the level of meeting such revenues.

Article 101. Interbudget Transfers between Local Budgets

1. City (of the cities of Kyiv and Sevastopol, cities of republican subordination of the Autonomous Republic of Crimea and of oblast subordination) and rayon councils may provide in the relevant budgets for equalization grants to city district budgets, budgets of villages, rural settlements, cities of rayon subordination (except for the local self-government budgets, for which interbudget transfers are allocated in the state budget), as well as the funds transferred from such budgets to the city (of the cities of Kyiv and Sevastopol, cities of republican subordination of the Autonomous Republic of Crimea and of the oblast subordination) and rayon budgets.

2. The Verkhovna Rada of the Autonomous Republic of Crimea and local councils may provide for the following types of interbudget transfers in the relevant budgets:

- 1) subventions for the maintenance of shared facilities or the elimination of negative consequences of operation of the shared facilities;
- 2) subventions to make expenditures of local budgets taken into account while determining the volumes of interbudget transfers;
- 3) subventions to make expenditures expenditures of local self-government budgets disregarded while determining the volumes of interbudget transfers;
- 4) subventions for implementation of investment programs (projects), including for construction or rehabilitation of shared facilities.
- 5) additional grants and other subventions.

Conditions for granting subventions referred to in this part of the Article are defined on the basis of the respective contract between the parties, unless otherwise established by this Code.

3. Interbudget transfers between rayon budget and local self-government budgets are defined in accordance with this Code taking into consideration the following requirements:

- 1) equalization grant from rayon budget to local self-government budget is defined as an excess of the estimated volume of expenditures listed in the Article 88 hereof over the estimated volume of revenues listed in the Article 64 hereof. If the estimated volume of revenues of the local self-government budget defined in the Article 64 hereof exceeds the estimated volume of expenditures of the corresponding budget, then the amount to be transferred to the rayon budget from such budget is established;

2) volume of equalization grant from rayon budget to the corresponding local self-government budget or the volume of funds to be transferred from the corresponding local self-government budget to the rayon budget is defined based on the formula of distribution of volume of interbudget transfers between the rayon budget and the corresponding local self-government budgets approved by the Cabinet of Ministers of Ukraine with reference to parameters defined by part three of Article 98 hereof, and additional parameters (factor-based influence ratios approved by the resolution of the rayon state administration to the extent identified by such formula and defining the share of each factor in the total volume of expenditures of the corresponding local self-government budgets; however, their sum cannot exceed 1).

The index of relative taxation potential of the corresponding local self-government budget is a factor determining the level of taxation potential of such budget as compared to the average index for consolidated budget of rayon per capita (based on information about actual execution of the respective local self-government budget for the last three budget periods with reference to provisions of part seven of Article 98 hereof) and reviewed according to the procedure defined by part eight of Article 98 hereof.

The minimum level of financial ratio of budget adequacy of local self-government budgets is set in the Formula of distribution of volume of interbudget transfers between the rayon budget and the corresponding local self-government budgets.

The equalization factor shall be applied to the volume of interbudget transfers between the rayon budget and the respective local self-government budgets transferred to the rayon budget determined according to the formula of distribution of volume of interbudget transfers; the factor shall range from 0.6 to 1.

The projected indicator of volume of revenues taken into account when defining the volume of interbudget transfers for the consolidated budget of a rayon for the planned budget period cannot exceed such an indicator taken into account when defining the volume of interbudget transfers between the state budget and the consolidated budget of the rayon;

3) rayon state administration within five days after the term defined by part eight of Article 75 hereof shall estimate interbudget transfers and submit them to the Council of Ministers of the Autonomous Republic of Crimea, oblast state administration to verify and provide an opinion on compliance with the Formula of distribution of volume of interbudget transfers between the rayon budget and the respective local self-government budgets, as well as communicates such calculations to the respective local self-governments.

The Council of Ministers of the Autonomous Republic of Crimea and oblast state administration, within five days from the day when the estimates of interbudget transfers are received, shall provide the respective opinion to the rayon state administration submitted to the draft rayon budget accompanied by materials defined by part one of Article 76 hereof.

Volumes of interbudget transfers between the rayon budget and the corresponding local self-government budgets shall be communicated to the corresponding local self-governments within two days from the day when the rayon budget is approved;

4) if the decision on the rayon budget is not approved within the term defined by part two of Article 77 hereof, the decision on establishing the volumes of interbudget transfers between the rayon budget and the corresponding local self-government budgets is made by the Verkhovna Rada of the Autonomous Republic of Crimea, or the oblast council under the submission of the Council of Ministers of the Autonomous Republic of Crimea and oblast state administration with reference to the requirements of this Code and the Formula of distribution of volume of

interbudget transfers between the rayon budget and the respective local self-government budgets.

At that, the indicators of interbudget transfers as defined by the Verkhovna Rada of the Autonomous Republic of Crimea and oblast council cannot be deteriorated (the volumes of equalization grant from rayon budget to the respective local self-government budget cannot be decreased, while the volumes of funds transferred to the rayon budget from the respective local self-government budget cannot be increased);

5) if the number of government-funded institutions providing guaranteed services defined by para. 1 of part one of Article 86 hereof in the scope established by the financial ratios of budget adequacy on the territory of village, rural settlement, or city of rayon subordination is insufficient, the volume of interbudget transfer for the respective local self-government budget is defined with reference to re-calculation of the number of consumers of guaranteed services made based on the decisions of the relevant local councils made by each party, and a concluded contract.

Such contracts shall be concluded prior to September 1 of the year preceding the planned one. If the contracts are not concluded within the due term, the decision on re-calculation of the number of consumers of guaranteed services is made by rayon council.

4. Provisions of part three of this Article shall extend to interbudget relations between the city (of the city of Sevastopol, city of republican subordination of the Autonomous Republic of Crimea, and city of oblast subordination) budget and budgets of its administratively subordinate cities, villages, and rural settlements.

Article 102. Subventions from the State Budget to Local Budgets for Implementation of State Social Protection Programs

1. The expenditures of local budgets envisaged in subpara. "b" of para. 4 of part one of Article 89 hereof shall be made against subventions from the state budget to local budgets for implementation of the state social protection programs in accordance with the procedure specified by the Cabinet of Ministers of Ukraine.

2. The preferences shall be granted against subvention from the state budget to local budgets for provision of preferences and housing subsidies to the population for the procurement of solid and liquid household furnace fuel and liquefied gas on the basis of the calculated cost of one ton of solid fuel and one cylinder of liquefied gas per household per year, and for the individuals eligible under Article 48 of the Mining Law of Ukraine, - on the basis of the cost of 3.1 tons of coal for the household needs per household per year. The threshold indicators of the cost of solid and liquid household furnace fuel and liquefied gas for the Autonomous Republic of Crimea, oblasts, cities of Kyiv and Sevastopol shall be specified by the Cabinet of Ministers of Ukraine.

Local executive bodies and self-government bodies shall be entitled to:

establish the increased allowances for the procurement of solid and liquid household furnace fuel and liquefied gas for individuals eligible for preferences and housing subsidies in accordance with the legislation against and within the scope of funds of the relevant local budgets;

grant preferences for solid and liquid household furnace fuel and liquefied gas in cylinders in kind or in cash.

The in-kind allowances of the provision of solid and liquid household furnace fuel and liquefied gas to the population, based on which the preferences and housing subsidies will be provided to the population in cash to reimburse the cost of acquisition thereof, shall be approved by the Council of Ministers of the Autonomous Republic of Crimea, oblast, Kyiv and Sevastopol city state administrations within the scope of minimum allowances and threshold indicators of their cost established by the Cabinet of Ministers of Ukraine on the basis of the amount of funds allocated for the said purpose.

3. The subvention from the state budget to local budgets for the provision of preferences and housing subsidies to the population for the payment for the electrical energy, the natural gas, the thermal energy and water supply, and waste water disposal services, the apartment rent (the fee for the maintenance of buildings and structures, and adjacent areas), the removal of the household waste and the liquid sewage shall be used to provide housing subsidies to the population and preferences to the veterans of war; individuals subject to the Law of Ukraine "On War Veteran Status and Guarantees of Their Social Protection"; individuals with the special merit to the Motherland; widows (widowers) and parents of the deceased individuals with the special merit to the Motherland; individuals with the special labor merit to the Motherland; widows (widowers) and parents of deceased individuals with the special labor merit to the Motherland; victims of the Nazi persecution; veterans of military service; veterans of internal affairs agencies; veterans of the tax militia; veterans of the state fire brigade; veterans of the State Criminal Penitentiary Service; veterans of the civil protection service; veterans of the State Special Communication and Information Protection Service of Ukraine; widows (widowers) of the deceased veterans of military service, veterans of internal affairs agencies, veterans of the tax militia, veterans of the state fire brigade, veterans of the State Criminal Penitentiary Service, veterans of the civil protection service, veterans of the State Special Communication and Information Protection Service of Ukraine; military servicemen dismissed from service due to the old age, illness or long-service from the Security Service of Ukraine, militia, officers of the tax militia, rank and officer staff of the criminal penitentiary system, the state fire brigade; pensioners from among investigators of the public prosecution service; children (until the attainment of the age of majority) of employees of the militia, officers of the tax militia, rank and officer staff of the criminal penitentiary system, the state fire brigade deceased in connection with the performance of the duties of service, and unemployable members of their families who have been maintained by them; individuals who became disabled during the military service and have been dismissed from the military service; parents and family members of military servicemen who have deceased or gone missing while on the military service; parents and family members of members of the rank and officer staff of agencies and units of the civil protection, the State Special Communication and Information Protection Service of Ukraine who have deceased or gone missing, or become disabled while on the service; the rehabilitated individuals who have become disabled as a result of repressions or are pensioners; individuals being victims of the Chernobyl Disaster; spouses and guardians (for the time of the guardianship) of children of the deceased individuals whose death is related to the Chernobyl Disaster; retired judges; pensioners from among plant protection specialists in accordance with part four of Article 20 of the Law of Ukraine "On Plant Protection"; individuals under item "I" of part one of Article 77 of the Fundamental Principles of the Health Care Legislation of Ukraine, part four of Article 29 of the Fundamental Principles of the Culture Legislation of Ukraine, part two of Article 30 of the Law of Ukraine "On Libraries and the Operation of Libraries", paragraph one of part four of Article 57 of the Law of Ukraine "On Education"; children of war; and families with many children.

4. The subvention from the state budget to local budgets for the provision of preferences and housing subsidies to the population for the acquisition of the solid and liquid household furnace fuel and liquefied gas shall be used to provide housing subsidies to the population and preferences to the veterans of war; individuals subject to the Law of Ukraine "On War Veteran Status and Guarantees of Their Social Protection"; individuals with the special merit to the Motherland; widows (widowers) and parents of the deceased individuals with the special merit to the Motherland; individuals with the special labor merit to the Motherland; widows (widowers) and parents of deceased individuals with the special labor merit to the Motherland; victims of the Nazi persecution; veterans of military service;

veterans of internal affairs agencies; veterans of the tax militia; veterans of the state fire brigade; veterans of the State Criminal Penitentiary Service; veterans of the civil protection service; veterans of the State Special Communication and Information Protection Service of Ukraine; widows (widowers) of the deceased veterans of military service, veterans of internal affairs agencies, veterans of the tax militia, veterans of the state fire brigade, veterans of the State Criminal Penitentiary Service, veterans of the civil protection service, veterans of the State Special Communication and Information Protection Service of Ukraine; military servicemen dismissed from service due to the old age, illness or long-service from the Security Service of Ukraine, militia, officers of the tax militia, rank and officer staff of the criminal penitentiary system, the state fire brigade; pensioners from among investigators of the public prosecution service; children (until the attainment of the age of majority) of employees of the militia, officers of the tax militia, rank and officer staff of the criminal penitentiary system, the state fire brigade deceased in connection with the performance of the duties of service, and unemployable members of their families who have been maintained by them; individuals who became disabled during the military service and have been dismissed from the military service; parents and family members of military servicemen who have deceased or gone missing while on the military service; parents and family members of members of the rank and officer staff of agencies and units of the civil protection, the State Special Communication and Information Protection Service of Ukraine who have deceased or gone missing, or become disabled while on the service; the rehabilitated individuals who have become disabled as a result of repressions or are pensioners; individuals being victims of the Chernobyl Disaster; spouses and guardians (for the time of the guardianship) of children of the deceased individuals whose death is related to the Chernobyl Disaster; retired judges; pensioners from among plant protection specialists in accordance with part four of Article 20 of the Law of Ukraine "On Plant Protection"; individuals under item "I" of part one of Article 77 of the Fundamental Principles of the Health Care Legislation of Ukraine, part four of Article 29 of the Fundamental Principles of the Culture Legislation of Ukraine, part two of Article 30 of the Law of Ukraine "On Libraries and the Operation of Libraries", paragraph one of part four of Article 57 of the Law of Ukraine "On Education"; families with many children; eligible individuals under Article 48 of the Mining Law of Ukraine; and compensations for individuals eligible for the obtainment of the household coal free of charge under Articles 43 and 48 of the Mining Law, but reside in houses equipped with district heating facilities.

5. The subvention from the state budget to local budgets for the provision of communication services and other preferences envisaged by the legislation (other than preferences in terms of the obtainment of medicines, the provision of tooth prosthetics, the payment for the electrical energy, the household natural and liquefied gas, the solid and liquid household furnace fuel, the thermal energy and water supply and waste water disposal services, the apartment rent (the maintenance of buildings and structures, and adjacent areas), the removal of the household waste and the liquid sewage), and the compensation for the preferential fares granted to certain categories individuals shall be used to provide preferences to the veterans of war; individuals subject to the Law of Ukraine "On War Veteran Status and Guarantees of Their Social Protection"; individuals with the special merit to the Motherland; widows (widowers) and parents of the deceased individuals with the special merit to the Motherland; individuals with the special labor merit to the Motherland; widows (widowers) and parents of deceased individuals with the special labor merit to the Motherland; victims of the Nazi persecution; veterans of military service; veterans of internal affairs agencies; veterans of the tax militia; veterans of the state fire brigade; veterans of the State Criminal Penitentiary Service; veterans of the civil protection service; veterans of the State Special Communication and Information Protection Service of Ukraine; widows (widowers) of the deceased veterans of military service, veterans of internal affairs agencies, veterans of the tax militia, veterans of the state fire brigade, veterans of the State Criminal Penitentiary Service, veterans of the civil protection service, veterans of the State Special Communication and Information Protection Service of Ukraine; military servicemen who have become disabled during the military service; the disabled people, disabled children and individuals escorting Group I disabled people or disabled children (not more than one person in the escort); pensioners from among investigators of the public prosecution office; rehabilitated individuals who have become disabled as a result of repressions or are pensioners; individuals being victims of the Chernobyl Disaster; spouses and guardians (for the period of guardianship) of children of deceased individuals whose death is

related to the Chernobyl Disaster, the retired judges, the families with many children; in addition, the compensations shall be disbursed for the preferential fares of the specific categories of individuals.

6. The Cabinet of Ministers of Ukraine may reallocate volumes of subventions from the state budget to local budgets for implementation of the state social protection programs in terms of types of subventions and among local budgets on the basis of effectively accrued volumes of the relevant preferences, subsidies and allowances for the population within the scope of the total volume of such subventions.

Article 103. Additional Grant for Compensation of Loss of Revenues of Local Budgets Disregarded While Determining the Volume of Interbudget Transfers as a Result of Provision of Tax Preferences by the Government

1. The provision of tax preferences by the government decreasing the revenues of local budgets disregarded while determining the volume of interbudget transfers shall be accompanied by the provision of an additional grant from the state budget to local budgets to compensate for the respective losses of revenues by local budgets.

Article 104. Subventions for Maintenance of Shared Facilities or Elimination of Negative Consequences of Operation of Shared Facilities

1. A subvention for maintenance of shared facilities or elimination of negative consequences of operation of shared facilities shall be provided from one local budget to another one for compensation for the relevant expenditures.

2. The conditions of maintenance of shared facilities or the elimination of negative consequences of operation of shared facilities, and the conditions of provision of the subvention shall be determined on a contractual basis between the provider and the recipient of the subvention.

Article 105. Subventions for Implementation of Investment Programs (Projects)

1. Subventions for implementation of investment programs (projects) shall be provided from the State Budget of Ukraine to local budgets in line with the following key principles:

1) impartiality and openness principle - the recipient of the subvention is identified based on the transparent procedures;

2) principle of unity - funds distribution shall ensure implementation of the system of national values and innovative development objectives and promote minimization of discrepancies in the standards of life of population in the different regions of the country;

3) principle of equilibrated development - providing government support to territories with reference to their potential;

4) principle of specification - the subvention shall be used solely for the purpose determined by granting authority with reference to projected and program documents of economic and social development of the country and the respective territory, as well as state targeted programs, and budget forecast for two budget periods following the planned one.

2. Subventions for implementation of investment programs (projects) shall be provided from the state budget to local budgets with reference to the following:

- 1) economic efficiency of meeting the objectives of the investment program (project) with the utilization of the minimum amount of budget funds for implementation of investment programs (projects);
 - 2) spending of subvention solely on creation, growth, or upgrade of community-owned fixed assets;
 - 3) financial support of investment programs (projects) the implementation period of which exceeds the budget period with adequate financial resources from local budgets, loans (borrowings) attracted against government and/or local guarantees, and the subvention funds for their implementation throughout the entire period of implementation thereof;
 - 4) level of availability of socio-cultural establishments (institutions);
 - 5) level of development of road facilities and utilities;
 - 6) participation of the budget of the subvention recipient;
 - 7) substantiation of the ability of local budgets to maintain community-owned property items against funds of local budgets.
3. Subvention is allocated to implementation of investment programs (projects) on the grounds of formalized parameters based on the effective and projected indicators of economic and social development of the relevant territory (key indicators include industrial production volumes, gross output of agricultural produce, volume of equity investments, population density level, unemployment level, population earnings per capita, and average monthly salary of employees).

Article 106. Subventions to Make Expenditures of Local Self-government Budgets Disregarded While Determining the Volumes of Interbudget Transfers

1. Subventions to make expenditures of local self-government budgets disregarded while determining the volumes of interbudget transfers may be stipulated as a part of such budgets, if another government authority, an authority of the Autonomous Republic of Crimea, or a local self-government body is able to provide for the more efficient exercise of such powers.
2. The conditions and procedure for provision of the subvention to make expenditures of the local self-government budgets disregarded while determining the volumes of interbudget transfers shall be governed by the relevant contract between the parties.

Article 107. Subventions for Implementation of Investment Programs (Projects) from Local Budgets

1. Subventions for implementation of investment programs (projects) shall be provided from one local budget to another one on the basis of a contact between the subvention provider and the subvention recipient.

Article 108. Procedure for Making Interbudget Transfers

1. Interbudget transfers from the state budget to local budgets shall be transferred from the state budget accounts by the agencies of the State Treasury of Ukraine to the budget of the Autonomous Republic of Crimea, oblast budgets, budgets of cities of Kyiv and Sevastopol, budgets of cities of republican subordination of the Autonomous Republic of Crimea and cities of oblast subordination, rayon budgets, and other local self-government budgets, for which interbudget transfers are allocated in the state

budget. Transfer of funds transferred to the state budget from the budget of the Autonomous Republic of Crimea, budgets of cities of Kyiv and Sevastopol, budgets of cities of republican subordination of the Autonomous Republic of Crimea and cities of oblast subordination, rayon and oblast budgets, and other local self-government budgets, for which interbudget transfers are allocated in the state budget shall be carried out by the respective agencies of the State Treasury of Ukraine.

2. The procedure for transferring of interbudget transfers from the state budget to local budgets (including budgets of city districts), funds transferred to the state budget from local budgets, as well as the procedure for transferring of interbudget transfers between local budgets shall be specified by the Cabinet of Ministers of Ukraine and shall make sure the transfers are made on a timely basis, smoothly, backed by guarantees and completely.

The transfer of equalization grant from the state budget shall be carried out by agencies of the State Treasury of Ukraine on the basis of target ratios of daily allocations specified by the Law on the State Budget of Ukraine, based on the state budget revenue basket for the provision of interbudget transfers received on analytical state budget revenue accounts on the relevant territory, and funds transferred to the state budget from the budget of the Autonomous Republic of Crimea, budgets of cities of Kyiv and Sevastopol, budgets of cities of the republican subordination of the Autonomous Republic of Crimea and cities of oblast subordination, rayon and oblast budgets, and other budgets of local self-governments for which interbudget transfers are allocated in the state budget. If the target ratios of daily allocations do not ensure receipt of a monthly amount of the equalization grant in accordance with the breakdown of the State Budget of Ukraine, the State Treasury of Ukraine shall transfer the insufficiently received monthly amount of the equalization grant from the general fund of the state budget not later than on the 10th day of the month following the reporting month.

3. The transfer of funds to the state budget (local and rayon budgets) from the respective local budgets shall be made by agencies of the State Treasury of Ukraine against the effective proceeds in the revenue basket of the relevant local budgets in accordance with target ratios of daily allocations specified by the Law on the State Budget of Ukraine (decision of the city or rayon council on the local budget). The cumulative volume of transfers of the above-mentioned funds based on target ratios of daily allocations since the beginning of the year shall not exceed one twelfth of the annual sum specified by the Law on the State Budget of Ukraine (decision of the city or rayon council on the local budget) multiplied by the number of months in the reporting period.

4. The state budget revenue basket for the purposes of provision of interbudget transfers shall include the revenues of the general fund of the state budget defined in para. 1 through 4, 6 (net of value-added tax recovered from the budget in cash), 7 through 11, 18, 24 through 26 and 45 of part two of Article 29 hereof with reference to part five of Article 29 hereof.

5. In order to encourage local authorities to increase budget revenues, 50 per cent of proceeds from the corporate profit tax and the excise duty in excess of the annual target volumes specified in the Law of the State Budget of Ukraine for the general fund shall be transferred to the general fund of local budgets in accordance with the procedure established by the Cabinet of Ministers of Ukraine.

6. The Cabinet of Ministers of Ukraine, subject to agreement with the Budget Committee of the Verkhovna Rada of Ukraine, may reallocate subventions and additional grants from the state budget to local budgets (other than additional subvention for equalization of the financial adequacy of local budgets) among local budgets within the total amount of the relevant subventions and additional grants. At that, the volumes of subventions from the state budget to local budgets for implementation of state social protection programs may be redistributed in accordance with part six of Article 102 hereof.

Section V. CONTROL OVER THE COMPLIANCE WITH BUDGET LEGISLATION AND RESPONSIBILITY FOR VIOLATION OF BUDGET LEGISLATION

Chapter 17. CONTROL OVER THE COMPLIANCE WITH BUDGET LEGISLATION

Article 109. Authority of the Verkhovna Rada of Ukraine for Control over the Compliance with Budget Legislation

1. The Verkhovna Rada of Ukraine shall exercise control over the compliance with the budget legislation in the process of:

- 1) determining the budget policy for the following budget period;
- 2) considering the draft and adopting the Law on the State Budget of Ukraine;
- 3) amending the Law on the State Budget of Ukraine;
- 4) execution of the Law on the State Budget of Ukraine, including by hearing the reports on execution of the State Budget of Ukraine (including the reports of key spending units on their use of budget funds and the results of implementation of corresponding budget programs);
- 5) reviewing the annual report on execution of the State Budget of Ukraine;
- 6) using loans (borrowings) received by the government from foreign governments, banks, and international financial organizations.

The Verkhovna Rada of Ukraine exercises control over the activities of the Accounting Chamber as regards exercising their statutory authorities.

2. The powers of the Budget Committee of the Verkhovna Rada of Ukraine shall include:

- 1) preparing the question on the budget policy for the following budget period and preliminary review of the Draft Law on the State Budget of Ukraine;
- 2) expressing opinions on the draft laws submitted for consideration of the Verkhovna Rada of Ukraine regarding their effect on the budget indicators and compliance with the laws regulating budget relations;
- 3) preliminary review of the annual report on the execution of the Law on the State Budget of Ukraine and preparation of the draft decision on that report for the review by the Verkhovna Rada of Ukraine;
- 4) preliminary review of information from the Cabinet of Ministers of Ukraine, the Ministry of Finance of Ukraine, the State Treasury of Ukraine, and other central executive agencies on the status of execution of the Law on the State Budget of Ukraine during the relevant budget period;
- 5) interaction with the Accounting Chamber of Ukraine (including preliminary review of opinions and proposals of the Accounting Chamber on the results of control over the compliance with budget legislation).

According to the requests of the Budget Committee of the Verkhovna Rada of Ukraine, executive power authorities and local self-governments shall provide information on the state budget and local budgets required for the Committee to prepare and conduct the preliminary review of budget issues.

3. Committees of the Verkhovna Rada of Ukraine participate in consideration of issue regarding budget policy for the following budget period and the Draft Law on the State Budget of Ukraine, as well as conduct the preliminary review of issues regarding execution of the State Budget of Ukraine (including opinions and proposals of the Accounting Chamber on the results of control over the compliance with budget legislation) to the extent entrusted in the Committees' competence.

Article 110. Participation of Accounting Chamber in Exercising Control in the Budget Process

1. The powers of the Accounting Chamber shall include exercising control over:

- 1) receipts and uses of funds of the State Budget of Ukraine;
- 2) formation, servicing and repayment of the public debt;
- 3) efficiency of management of funds of the State Budget of Ukraine;
- 4) uses of funds of local budgets in terms of transfers provided from the state budget.

2. The Accounting Chamber shall submit to the Verkhovna Rada of Ukraine the opinions and proposals regarding the status of receipts of funds to the State Budget of Ukraine and the uses hereof based on the results of every quarter.

Article 111. Authority of the Ministry of Finance of Ukraine and Local Financial Authorities for Control over the Compliance with Budget Legislation

1. The Ministry of Finance of Ukraine shall exercise control over the compliance with budget legislation at each stage of the budget process in respect of both state and local budgets, unless otherwise provided by the legislation.

The Ministry of Finance of Ukraine shall ensure the implementation of a single government policy in the field of control over the compliance with budget legislation within the scope of its powers, coordinate and direct the activities of the executive agencies authorized to control the compliance with budget legislation, specify the key organizational and methodological principles, and evaluate the operation of internal control and internal audit systems, unless otherwise provided by the legislation.

2. Local financial authorities shall exercise control over the compliance with budget legislation at each stage of the budget process in respect of the local budgets.

3. The Ministry of Finance of Ukraine and local financial authorities shall, according to the procedure established by law, obtain explanations, materials and information on issues arising in the course of preparation, analysis, approval and execution of budgets and the reporting on execution thereof from central and local executive agencies, enterprises, institutions and organizations, banks and other financial institutions of all ownership forms.

Article 112. Authority of the State Treasury of Ukraine for Control over the Compliance with Budget Legislation

1. The powers of the State Treasury of Ukraine in terms of control over the compliance with budget legislation shall include exercising control over:

- 1) accounting for all revenues and expenses of the state budget and local budgets, preparation and submission of financial statements and budget reports;
- 2) budget permissions in crediting budget revenues;
- 3) conformity of cost estimates of spending units with the indicators of budget breakdown;
- 4) conformity of budgetary commitments of spending units with the relevant budget appropriations, passport of the budget program (in case the program-based budgeting in the budget process is applied);
- 5) conformity of payments to the budgetary commitments assumed and the relevant budget appropriations.

The State Treasury of Ukraine, within the scope of its powers, shall ensure organization and coordination of activities of chief accountants of government-funded institutions and control over exercising their powers.

Article 113. Authority of Agencies of the State Control and Revision Service for Control over the Compliance with Budget Legislation

1. The powers of agencies of the State Control and Revision Service in terms of the control over the compliance with budget legislation shall include exercising control over:

- 1) efficient use of funds of the state budget and local budgets for the intended purpose (including performing statutory financial audit);
- 2) use of loans (borrowings) received against government (local) guarantees for the intended purposes, and the timely repayment thereof;
- 3) reliability of identification of the demand for budget funds during the calculation of the planned budget indicators;
- 4) conformity of budgetary commitments of spending units with the relevant budget appropriations, passport of the budget program (in case the program-based budgeting in the budget process is applied);
- 5) keeping accounting, as well as preparation of financial statements and budget reports, passports of budget programs and reports on implementation thereof (in case the program-based budgeting in the budget process is applied), cost estimates and other documents used in the process of budget execution;
- 6) status of internal control and internal audit of spending units.

2. The Main Control and Revision Office of Ukraine shall submit monthly summary reports to the Verkhovna Rada of Ukraine, the Cabinet of Ministers of Ukraine and the Ministry of Finance of Ukraine on results of control over the compliance with budget legislation.

Article 114. Authority of the Verkhovna Rada of the Autonomous Republic of Crimea and the Relevant Local Councils for Control over the Compliance with Budget Legislation

1. The Verkhovna Rada of the Autonomous Republic of Crimea and the relevant local councils shall exercise the following powers in terms of control over the compliance with budget legislation:

- 1) control over implementation of the decision on local budget;
- 2) other powers stipulated by this Code, the Law on the State Budget of Ukraine, and the decision on local budget.

Article 115. Authority of the Council of Ministers of the Autonomous Republic of Crimea, Local State Administrations and Executive Agencies of the Relevant Local Councils for Control over the Compliance with Budget Legislation

1. Control over the compliance of indicators of the approved budgets, budget breakdown, cost estimates of government-funded institutions, and other documents used in the budget process with budget legislation shall be exercised as follows:

- 1) by the Council of Ministers of the Autonomous Republic of Crimea in respect of budgets of cities of republican subordination of the Autonomous Republic of Crimea and rayon budgets of the Autonomous Republic of Crimea;
- 2) by oblast state administrations in respect of rayon budgets and city (cities of oblast subordination) budgets;
- 3) city state administrations in cities of Kyiv and Sevastopol in respect of budgets of districts in these cities;
- 4) rayon state administrations in respect of city (cities of rayon subordination), rural-settlement, and village budgets, and budgets of associations thereof established in accordance with the law;
- 5) executive bodies of city councils in respect of budgets of city districts, villages, rural settlements or cities of rayon subordination being a part of these cities.

Chapter 18. RESPONSIBILITY AND SANCTIONS FOR VIOLATIONS OF BUDGET LEGISLATION

Article 116. Violations of Budget Legislation

1. Violation of regulations on preparation, review, approval, modification, execution of budget and reporting on its execution established by this Code or other budget legislation by a participant of budget process shall be deemed to be violation of budget legislation, particularly:

- 1) inclusion of unreliable data into budget requests;
- 2) violation of the established deadlines for submission of budget requests, or the failure to submit the same;
- 3) defining untrue volumes of budget funds in planning the budget indicators;

- 4) planning state budget (local budget) revenues or expenses that are not categorized as such by this Code or by the Law on the State Budget of Ukraine;
- 5) violation of the established procedure or the deadlines for submission of the Draft Law on the State Budget of Ukraine (draft decision on local budget) to the Verkhovna Rada of Ukraine (Verkhovna Rada of the Autonomous Republic of Crimea or local council) for review;
- 6) violation of the established procedure or deadlines for the review of the Draft and the adoption of the Law on the State Budget of Ukraine (decision on local budget);
- 7) making a decision on local budget in violation of requirements hereof or the Law on the State Budget of Ukraine (including, in respect of preparation of the budget in terms of interbudget transfers, revenues and expenditures of local budgets to be taken into consideration while determining the volume of interbudget transfers);
- 8) violation of requirements hereof to approval of the state budget (local budget) with a deficit or a surplus;
- 9) inclusion of proceeds from sources not categorized as such under this Code or the Law on the State Budget of Ukraine into the special fund of the budget;
- 10) crediting budget revenues to any accounts other than the single treasury account (except for funds received by Ukrainian institutions operating abroad), and accumulation thereof on accounts of agencies controlling revenue collection;
- 11) crediting budget revenues to a budget other than established by this Code or the Law on the State Budget of Ukraine, including, as a result of distribution of taxes and duties (mandatory payments) and other revenues among budgets in violation of the established amounts;
- 12) making government (local) borrowings, issuing government (local) guarantees in violation of requirements hereof;
- 13) making decisions that have resulted in the excess of the threshold volumes of public (local) debt or threshold volumes of issued government (local) guarantees;
- 14) depositing temporarily available budget funds in violation of requirements hereof;
- 15) establishing off-budget funds, violating requirements hereof for opening of off-budget accounts for depositing budget funds;
- 16) violation of the procedure or deadlines for submission, review, and the approval of cost estimates and other documents used in the process of budget execution, approval of amounts not confirmed by calculations and economic substantiations in the cost estimates;
- 17) violation of the procedure or deadlines for submission and approval of passports of budget programs (in case the program-based budgeting in the budget process is applied);
- 18) violation of the established deadlines for communicating documents on volumes of budget appropriations to spending units of lower level or to the recipients of budget funds;
- 19) violation of the procedure and deadlines for opening (closing) accounts with agencies of the State Treasury of Ukraine;

- 20) assuming liabilities in the absence of relevant budget appropriations or in excess of authority established by this Code or the Law on the State Budget of Ukraine;
- 21) violation of the procedure of registration and accounting for budgetary commitments, including ungrounded refusal of registration or delay in registration of budget liabilities;
- 22) violation of requirements of this Code when effecting the advance payment for goods, work, and services against budget funds, as well as violation of procedure and deadlines for such payment;
- 23) making payments against budget funds without registering budgetary commitments in the absence of supporting documents or when the payment documents contain inaccurate information, as well as unreasonable refusal of agencies of the State Treasury of Ukraine to make a payment;
- 24) use of budget funds not in line with the intended purposes;
- 25) violation of requirements hereof when making expenses of the state budget (local budget) if the Law on the State Budget of Ukraine comes into effect with a delay (if the decision on local budget is made with a delay);
- 26) issuing loans from the budget or repayment of loans to the budget in violation of the requirements hereof and/or the established terms and conditions of budget lending;
- 27) making borrowings by government-funded institutions in any form or issuing loans by government-funded institutions from the budget to legal entities or individuals contrary to this Code;
- 28) making expenditures and local budget lending, which shall be made from a different budget in accordance with this Code;
- 29) making budget expenditures or issuing loans from the budget without the established budget allocations or in excess thereof contrary to this Code or the Law on the State Budget of Ukraine;
- 30) violation of requirements hereof with regard to allocation of funds from the reserve fund of the budget;
- 31) violation of the established requirements to application of budget classification;
- 32) inclusion of unreliable data into reports on execution of the state budget (local budget), the annual report on execution of the Law on the State Budget of Ukraine (decision on local budget), as well as violation of the procedure and deadlines for submission thereof;
- 33) violation of the established accounting and budget execution reporting requirements;
- 34) violation of the established procedure or deadlines for submission of financial statements and budget reports of government-funded institutions, as well as incomplete submission of such reports;
- 35) inconsistency of data listed in the financial statements and budget reports of government-funded institutions with the accounting data;

- 36) inclusion of unreliable data into reports on implementation of passports of budget programs (in case the program-based budgeting in the budget process is applied) as well as violation of the procedure and deadlines for submission thereof;
- 37) issue of regulatory acts that reduce budget revenues or increase budget expenses contrary to the law;
- 38) making expenditures for the upkeep of a government-funded institution from different budgets simultaneously contrary to this Code or the Law on the State Budget of Ukraine;
- 39) violation of requirements of Article 28 hereof to publication and availability of information on the budget;
- 40) other cases of violation of budget legislation by a participant of budget process.

Article 117. Enforcement Instruments for Violation of Budget Legislation

1. The following enforcement instruments may be used against budget process participants for violation of budget legislation:

- 1) warning about improper execution of budget legislation with a demand to rectify violations of budget legislation - shall apply in all cases of budget legislation violation. The discovered violations of budget legislation shall be rectified within 30 calendar days;
- 2) termination of operations with budget funds - shall apply to violations of budget legislation defined in para. 1-3, 10, 11, 14-29, 32-36, 38 and 40 of the first part of the Article 116 of this Code in accordance with the procedure established by the Article 120 hereof;
- 3) suspension of budget appropriations - shall apply to violations of budget legislation defined in para. 20, 22-29, 38 and 40 of the first part of the Article 116 hereof.

Suspension of budget appropriations shall envisage termination of authorities for assuming budgetary commitments for the corresponding amount for the term of one to three months within the current budget period by amending the budget breakdown (cost estimate) in accordance with the procedure established by the Ministry of Finances of Ukraine;

- 4) reduction of budget appropriations - shall apply to violations of budget legislation defined in para. 24 (regarding spending units), para. 29 and para. 38 of the first part of the Article 116 of this Code.

Reduction of budget appropriations shall envisage termination of authorities for assuming budgetary commitment for the corresponding amount until expiration of the current budget period by amending the budget breakdown (cost estimate) and, if necessary, further amending the Law on the State Budget of Ukraine (decision on local budget) in accordance with the procedure established by the Ministry of Finances of Ukraine;

- 5) repayment of budget funds to the corresponding budget - shall apply to violations of budget legislation defined by the para. 24 (regarding subventions and funds provided to recipients of budget funds) of the first part of the Article 116 of this Code in accordance with the procedure established by the Ministry of Finances of Ukraine;

- 6) suspension of a decision on local budget - shall apply to violations of budget legislation defined by the para. 7 of the first part of the Article 116 of this Code in accordance with the procedure established by the Article 122 of this Code;

7) unconditional withdrawal of funds from local budgets - shall apply to violations of budget legislation defined by the para. 28 of the first part of the Article 116 of this Code.

Unconditional withdrawal of funds from local budgets shall envisage collection of funds from local budgets to the state budget by authorities of the State Treasury of Ukraine, including against decrease in the volume of transfers (equalization grant) to local budgets for the corresponding amount, in accordance with the procedure established by the Cabinet of Ministers of Ukraine;

8) other enforcement instruments that may be defined by the law on the State Budget of Ukraine - shall apply to violations of budget legislation in accordance with that Law.

Article 118. Application of Enforcement Instruments for Violation of Budget Legislation

1. Warning about improper execution of budget legislation with the requirement to rectify violations of budget legislations may be applied by participants of the budget process authorized by this Code to exercise control over compliance with budget legislation.

2. A decision to apply enforcement instruments for violations of budget legislation defined by para. 2-5 and 7 of the first part of the Article 117 of this Code shall be made by the Ministry of Finances of Ukraine, authorities of the State Treasury of Ukraine, agencies of the State Control and Revision Service, local financial authorities, key spending units within the powers granted to them, on the basis of a protocol on violation of budget legislation or an audit act and materials attached to them. The decision shall take effect as of the day of its signing.

The form and procedure for drafting the protocol on violation of budget legislation shall be established by the Ministry of Finances of Ukraine.

3. It shall be prohibited to apply enforcement instruments for violations of budget legislation defined by the Article 117 of this Code in case of violations of budget legislation that were discovered and rectified earlier.

4. Information about results of exercising control over the compliance with budget legislation shall be promulgated by the bodies authorized to exercise control over the compliance with budget legislation unless otherwise stipulated by the law.

Article 119. Use of Budget Funds not in Line with the Intended Purposes

1. Use of budget funds not in line with the intended purposes means their use for the purposes that do not comply with the following:

budget allocations established by the Law on the State Budget of Ukraine (decision on local budget);

areas of use of budget funds specified in a budget program passport (in case the program-based budgeting in the budget process is applied) or under the procedure of budget funds use;

budget appropriations (budget breakdown, cost estimate, plan of budget funds use).

Article 120. Suspension of Transactions with Budget Funds

1. Suspension of transactions with budget funds shall consist in termination of any payment transactions from the account of a budget legislation violator. The mechanism of suspension of transactions with budget funds shall be established by the Cabinet of Ministers of Ukraine.
2. Transactions with budget funds may be suspended for a term of up to 30 days within the current budget period, unless otherwise established by law.

Article 121. Responsibility for Violation of Budget Legislation

1. Officials through whose fault budget legislation was violated shall bear civil, disciplinary, administrative, or criminal responsibility in accordance with the law.
2. Violation of budget legislation committed by a spending unit or recipient of budget funds may constitute the grounds for holding its head or other responsible officials responsible in accordance with the legislation of Ukraine, depending on the nature of acts committed by them.

Article 122. Control over Compliance with Budget Legislation with regard to Interbudget Transfers, Revenues and Expenditures of Local Budgets Taken into Account While Determining the Volume of Interbudget Transfers

1. In case of violation of requirements of this Code and the Law on the State Budget of Ukraine to the corresponding budget preparation with regard to interbudget transfers, revenues and expenditures of local budgets taken into account while determining the volume of interbudget transfers, the Cabinet of Ministers of Ukraine shall be entitled to take legal action simultaneously filing a petition about the immediate suspension of the decision on the respective local budget until the trial is over within one month starting from the date when the decision on local budget of the Autonomous Republic of Crimea, oblast budget, budgets of cities of Kyiv and Sevastopol comes into force. The Council of Ministers of the Autonomous Republic of Crimea, oblast, Kyiv and Sevastopol city state administrations on the following day after the decision on local budget is signed or amended by the Chairman of the Verkhovna Rada of the Autonomous Republic of Crimea or the head of the corresponding local council shall send the decision to the Ministry of Finance of Ukraine.
2. In case of violation of requirements to budget preparation under this Code and the Law on the State Budget of Ukraine with regard to interbudget transfers, revenues and expenditures of local budgets taken into account while determining the volume of interbudget transfers, the Head of the Council of Ministers of the Autonomous Republic of Crimea, Heads of oblast, Kyiv and Sevastopol city state administrations shall be entitled to take legal action simultaneously filing a petition about the immediate suspension of the decision on the respective local budget until the trial is over within one month starting from the date when the decision on the rayon budget, city budget (of a city of republican subordination of the Autonomous Republic of Crimea and oblast subordination), or district budget in the cities of Kyiv and Sevastopol comes into force. Rayon state administrations, executive bodies of city councils (cities of republican subordination of the Autonomous Republic of Crimea and oblast subordination) and district councils in cities, on the following day after the decision on local budget is signed or amended by the head of the corresponding local council, shall send the decision to the Council of Ministers of the Autonomous Republic of Crimea, oblast, Kyiv and Sevastopol city state administrations, and executive bodies of city councils.
3. In case of violation of requirements to budget preparation under this Code, the Law on the State Budget of Ukraine, or a decision on budget of a rayon or a city (of a city of republican subordination of the Autonomous Republic of Crimea and oblast subordination) council with regard to interbudget transfers, revenues and expenditures of local budgets taken into account while determining the volume

of interbudget transfers, the Head of rayon state administration, the Head of an executive authority of a city (of a city of republican subordination of the Autonomous Republic of Crimea and oblast subordination) council shall be entitled to take legal action simultaneously filing a petition about the immediate suspension of the decision on the respective local budget until the trial is over within one month starting from the date when the decision on a city (cities of rayon subordination), village, rural-settlement or city district budget comes into force. Executive bodies of councils of cities of rayon subordination, councils of villages, rural settlements and city districts, on the following day after the decision on the respective budget is signed or amended by the chairman, shall send the decision to the rayon state administration or the executive body of the city (cities of republican subordination of the Autonomous Republic of Crimea and oblast subordination) council.

4. In the event the decision on local budget is suspended, the expenditures of the local budget shall be made under the procedure established by the article 79 of this Code.

Article 123. Responsibility of the Authorities of the State Treasury of Ukraine

1. Authorities of the State Treasury of Ukraine shall be held responsible for:

- 1) failure to comply with the budget execution accounting and reporting requirements;
- 2) failure to submit budget execution reports on time;
- 3) making expenses in excess of indicators approved by the budget breakdown;
- 4) violations in the process of control over budget permissions in the process of crediting budget revenues and making payments under budgetary commitments of spending units in accordance with budget appropriations;
- 5) failure to comply with the procedure of treasury servicing of the state and local budgets.

2. Top officials of the authorities of the State Treasury of Ukraine shall bear personal responsibility in case of their violation of budget legislation and failure to comply with requirements to treasury servicing of state and local budgets established hereby.

Article 124. Appeal against a Ruling on Application of an Enforcement Instrument for Violation of Budget Legislation

1. A ruling on application of an enforcement instrument for violation of budget legislation may be appealed against in accordance with the procedure established by the law. The ruling may be appealed against in the body that made the ruling or in the court within 10 days from the date of ruling unless otherwise stipulated by the law.

2. An appeal against the ruling on application of an enforcement instrument for violation of budget legislation shall not suspend execution of the aforementioned ruling.

3. If the court recognizes the ruling on application of an enforcement instrument for violation of budget legislation fully or partially illegal, the person that is the subject of this ruling shall have its rights limited by this ruling restored.

4. The court ruling may be appealed against in accordance with the procedure established by the law.

Section VI. CLOSING AND TRANSITIONAL PROVISIONS

1. This Code shall come into effect from January 1, 2011, save for para. 2 of part two of Article 60 and para. 3 and 5 of part two of Article 61 that come into effect from January 1, 2013.

Para. 3 part two of Article 60 hereof remains in effect until January 1, 2013.

2. Declare the Budget Code of Ukraine (Bulletin of Verkhovna Rada of Ukraine, 2001, # 37 - 38, p. 189 with the following changes) null and void.

3. Resolve that provisions of part four of Article 17 hereof do not apply when issuing government guarantees on loans (borrowings) of the State Office for Motor Roads of Ukraine and business entities facilitating measures related to organizing and holding the Euro-2012 final part in Ukraine.

4. Resolve that in the event the limit defined by paragraph one of part three of Article 18 hereof is exceeded as of January 1, 2011, the Verkhovna Rada of the Autonomous Republic of Crimea and the city council shall take measures to bring the volume of the respective debt in conformity with the provisions hereof within three subsequent budget periods.

5. Resolve that the provisions of para. 1 of part one of Article 71 hereof shall apply starting from the day when the law entitles the Verkhovna Rada of the Autonomous Republic of Crimea, oblast, rayon, and city (of the cities of Kyiv and Sevastopol, cities of republican subordination of the Autonomous Republic of Crimea and oblast subordination) councils to establish the supplemental rate of corporate profit tax in the amounts defined by tax legislation..

6. Resolve that upon completion of administrative and territorial reform in terms of extension of administrative and territorial units and enacting the respective changes to the local self-government legislation, the Cabinet of Ministers of Ukraine establishes in the Draft Law on the State Budget of Ukraine the volumes of interbudget transfers for the budgets of newly created extended administrative and territorial units.

7. Resolve that the Cabinet of Ministers of Ukraine, the Council of Ministers of the Autonomous Republic of Crimea, local state administrations, executive bodies of the relevant local councils ensure provision of preferences to certain categories of citizens by implementing social cards and making expenditures under this Code solely with the use of the Single State Automated Registry of people eligible to preferences in accordance with the Ukrainian legislation.

8. The Cabinet of Ministers of Ukraine is entitled to establish the amounts of social payments that were not stipulated by law in absolute amounts within the budget allocations established according to the relevant budget programs until the issue is settled legislatively.

9. Resolve that prior to legislative settlement of unconditional writing off of budget funds and recovery of losses caused to the budget:

1) court ruling on collection (sequestration) of state budget (local budget) funds shall be executed solely by the State Treasury of Ukraine. Such ruling s shall be passed to the State Treasury of Ukraine for execution.

Unconditional writing off of state budget (local budget) funds shall be performed by the State Treasury of Ukraine in accordance with the procedure established by the Cabinet of Ministers of Ukraine in accordance with the priority of receipt of such decisions, as regards budgetary expenditures - within the limit of the respective budget appropriations and budget allocations provided.

Expenditures of government-funded institutions for which a ruling on their arrest is made shall be allowed to be made with regard to expenditures that are defined as protected by the article 55 of the Budget Code of Ukraine, if this is mentioned in the court ruling;

2) reimbursement in accordance with the law of damages inflicted to a natural or legal person as a result of illegal decisions, actions or inactions of government authorities (government authorities of the Autonomous Republic of Crimea, local self-government authorities) and their officials and employees in exercising their powers shall be made by the government (Autonomous Republic of Crimea, local self-government authorities) against the state budget (local budgets) funds within the limits of budget allocations in accordance with the court ruling in the amount that does not exceed the amount of actual damages in accordance with the procedure established by the Cabinet of Ministers of Ukraine.

If additional funds are necessary to reimburse such damages in excess of the amount of budget allocations, corresponding proposals on amending the Law on the State Budget of Ukraine (resolution on a local budget) and/or allocation of funds from the reserve fund of the state budget (local budget) shall be submitted in accordance with the procedure established by the legislation;

3) in case of unconditional write-off of state budget (local budget) funds the State Treasury of Ukraine shall account for the corresponding budgetary commitments of the spending unit through whose fault such liabilities were incurred. Repayment of such budgetary commitments shall be made exclusively against budget appropriations of this spending unit. Simultaneously, the spending unit shall bring other budgetary commitments assumed in conformity with budget appropriations;

4) write-off of funds in accordance with the appropriate court ruling in favor of employees, military personnel, rank and file and commanding officers of a government-funded institution entitled to free of charge or preferential material and welfare support, shall be performed by the State Treasury of Ukraine from accounts of spending units within the limits of budget appropriations of such a spending unit;

5) funds shall be written off from the budget upon court rulings on taxpayer's reimbursement for excessive and/or erroneous taxes and duties (mandatory payments) paid, and other revenues of the budget within the amount of money paid to the budget in excess of the requirements and/or by error;

6) reimbursement in accordance with the court ruling of the cost of assets confiscated or classified by court as the government income shall be effected within the amount of budget proceeds from disposal of those assets, net of any taxes and duties (mandatory payments) accrued according to the legislation but not paid at the moment of disposal.

Assets confiscated or classified by court as the government income shall be evaluated in accordance with the procedure established by the Cabinet of Ministers of Ukraine.

Assets confiscated or classified by court as the government income shall be sold in accordance with the procedure established by the Cabinet of Ministers of Ukraine.

Reimbursement of expenses related to transportation, storage, expert assessment, certification of assets confiscated or classified by court as the government income shall be made against budget allocations of authorized government authorities in accordance with the procedure established by the Ministry of Finances of Ukraine.

Top officials of institutions, responsible officials and employees who perform accounting, administration, storage, and disposal of assets that are confiscated or classified by court as the government income, shall bear responsibility for their actions or inactions in the process of performance of these powers in accordance with the legislation;

7) the State Treasury of Ukraine shall return confiscated national and foreign currency in accordance with the court ruling in the currency of payment to the state budget or, according to the recipient's request, its equivalent in hryvnias at the official exchange rate established by the National Bank of Ukraine in accordance with the legislation;

8) court rulings stipulating write-off of funds for expenditures in respect of which budget allocations are not established by the Law on the State Budget of Ukraine (decision on local budget) shall be appealed against by government authorities (government authorities of the Autonomous Republic of Crimea) in appellation or cassation proceedings.

Funds shall be written off from the state budget (local budgets) to comply with court rulings after budget allocations were established for those disbursements in the Law on the State Budget of Ukraine (decision on local budget) or in changes thereto;

9) Funds reimbursed by the government from the state budget (by the Autonomous Republic of Crimea and local self-government bodies from local budgets) according to this Article shall be treated as losses of the state budget (local budgets). The office of public prosecutor shall be the plaintiff in cases of losses indemnification to the state budget (local budgets), upon respective filing by the State Treasury of Ukraine;

10) Officials and employees of government authorities (authorities of the Autonomous Republic of Crimea or local self-government authorities), whose actions resulted in damages compensated from the budget, shall bear civil, administrative or criminal responsibility in accordance with the law.

If the court finds officials or employees of state power bodies (authorities of the Autonomous Republic of Crimea, local self-government bodies) guilty of any crimes enforced by the punitive court charges, any claims of natural and legal persons for compensation of lost profits and moral damages shall be addressed to those guilty officials or employees only.

If the court finds that the actions of an official or an employee of a government authority (authority of the Autonomous Republic of Crimea, a local self-government authorities) constitute a crime and the court sentence enters into force, the government authorities (authorities of the Autonomous Republic of Crimea, local self-governments) shall realize their right of recourse with respect to that official or employee to compensate for the losses caused to the state budget (local budgets) in the amount of indemnification paid, unless otherwise stipulated by the legislation.

Government authorities (authorities of the Autonomous Republic of Crimea, local self-government authorities) upon execution of court rulings on withdrawal of funds from accounts on which state budget (local budget) funds are accounted in cases defined by this clause, shall conduct official investigation regarding accessory officials and employees of these bodies, if the court ruling does not find elements of crime in actions of the officials or employees.

In accordance with the results of the official investigation, the government authorities (the authorities of the Autonomous Republic of Crimea or local self-government bodies) and the office of general prosecutor upon submission of the appropriate materials by the State Treasury of Ukraine shall necessarily within one month file lawsuits on compensation of losses inflicted to the state budget (local budgets) with a recourse in the amount of indemnification paid,

against officials or employees of these bodies who caused the losses (except for compensation of payments related to labor relations and compensation for moral injury).

Where losses caused to the State Budget of Ukraine or to a local budget result from joint actions or inactivity of several officials and employees that have resulted in damages to natural or legal persons, those officials and employees shall be jointly and severally liable in accordance with the Civil Code of Ukraine and other legislative documents of Ukraine.

10. The Cabinet of Ministers of Ukraine within one year shall ensure formation, establishment, and approval of state social standards and norms with reference to requirements established by the Law of Ukraine “On State Social Standards and State Social Guarantees”.

11. The Cabinet of Ministers of Ukraine within one year shall develop draft laws of Ukraine on health protection stipulating that the respective measures shall be taken regarding the following:

transfer of departmental institutions and health protection facilities to the sphere of management of the central executive authority in charge of implementation of government health protection policy;

transition in use of budget funds from maintenance of state and community-owned medical and preventive facilities to payment for the respective medical services (with respective changes in legal structures of such facilities);

implementation of a new mechanism of financial support for primary medical and sanitary care;

preparation conditions for transition to the insurance-based health protection model.

President of Ukraine
City of Kyiv
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V. YANUKOVYCH

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