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THE BUDGET CODE OF UKRAINE

This Code establishes the foundations of the budget system of Ukraine, its structure and principles, legal authorities, as well as the basis for the budget process and intergovernmental fiscal relations, and legal liability for violations of budget-related legislation.

GENERAL PART

Section I. General Provisions

Chapter 1. General Provisions

Article 1. Legal Relationships Regulated by the Budget Code of Ukraine

1. The Budget Code of Ukraine regulates relationships that arise in the process of preparation, consideration, approval, and execution of budgets and reviewing reports on budget execution, as well as controlling the execution of the State Budget of Ukraine and local budgets.

Article 2. Definitions of Basic Terms

1. The terms used in this Code shall be understood as follows:

1) Budget – a plan of raising and using financial resources to ensure achievement of tasks and execution of functions by bodies of State power, bodies of power of the Autonomous Republic of Crimea and local self-governmental bodies during a budget period;

2) Budgets of Local Self-government – budgets of the territorial communities of villages settlements, and towns and their associations;

3) Budget Classification – a consolidated, systematized grouping of budget revenues and expenditures (including borrowing net of redemption), as well as of sources of budget financing based on such features as economic essence, functional activity, organizational structure, and other features established in compliance with the laws of Ukraine and international standards;

4) Budget Program – a systematized list of activities aimed at achieving a general goal and tasks, implementation of which is proposed and fulfilled by a spending unit in accordance with its responsibilities;

5) Budget System of Ukraine – the aggregate of the State budget and local budgets based on economic relationships, State structure and administrative-territorial structure, and regulated by provisions of the law;

6) Budget Entity – a body, entity, or organization defined in the Constitution of Ukraine or an establishment or organization formed in compliance with the established order by a body of State power, body of power of the Autonomous Republic of Crimea, or a local self-governmental body that is financed entirely at the expense of the State budget or a local budget, respectively. Budget entities are not-profit;
7) **Budget Allocation** – authority granted to a key spending unit to enter into budget commitments and spend budget funds on a specific objective in the process of budget execution consistent with the established appropriations;

8) **Budget Commitment** – any placement within a budget allocation of an order, entering to a contract, purchase of a good or a service, or implementation of other similar transactions during certain budget period that require payments during the same period or in the future;

9) **Budget Appropriation** – authority granted to a key spending unit by this Code, the State Budget Law of Ukraine or by the local budget decision, with quantitative and time limits, that allows budget allocations;

10) **Budget Request** – a document prepared by a key spending unit that contains proposals concerning budget resources needed for its activity for the next budget period and the necessary substantiation of the request;

11) **Budget Process** – the activity regulated by laws related to the formulation, consideration, approval of budgets, execution thereof and control over their execution, as well as consideration of reports on execution of budgets that comprise the budget system of Ukraine;

12) **Budget Apportionment** [Rozpys] – a document distributing revenues, budget funding and allocations across key spending units for particular periods of the year in accordance with budget classification;

13) **Budget Expenditures** – funds allocated for financing of programs and measures under respective budgets, except for funds allocated for repayment of the debt principal and refunding of sums paid to the budget excessively;

14) **Budget Payments** – budget expenditures and funds allocated to repay the debt principal;

15) **Key Spending Units** – budget entities in person of their managers which receive assignments by way of establishing budget appropriations as provided for under Article 22 of this Code;

16) **State Debt**, the **Debt of the Autonomous Republic of Crimea**, and the **Debt of Self-government** – the overall amount of the central government debt, the debt of the government of the Autonomous Republic of Crimea or a local self-government consisting of all issued governmental debt, debt of the government of the Autonomous Republic of Crimea or a local self-government liabilities and outstanding liabilities of the central government debt, the debt of the government of the Autonomous Republic of Crimea or a local self-government arising as a result of loan guarantees or liabilities defined by legislation or contracts;

17) **Budget Deficit** – excess of budget expenditures over budget revenues;

18) **Equalization Grant** – inter-governmental transfer to equalize the recipient budget’s revenue capacity;

19) **Budget Revenues** – all tax, non-tax, and other receipts collected on a non-repayment basis in accordance with Ukrainian tax legislation (including transfers, donations, and grants);

20) **State Budget Law of Ukraine** – law that approves executive bodies’ authorities to execute the State Budget of Ukraine during a budget period;
21) Borrowing – transactions related to securing resources by a budget at the terms of redemption, payback and time limits that result in entering by the State, the Autonomous Republic of Crimea, and local governments into liabilities with payments due to creditors;

22) Crediting Net of Redemption – transactions dealing with providing budget resources on the terms of redemption, payback, and time limits which result in liabilities due to the budget as well as transactions related to repayment of these funds to the budget;

23) Revenue Basket of Local Self-government – taxes, fees, and mandatory payments assigned by this Code to the budgets of local self-government on a long-term basis and taken into account when defining the amounts of inter-governmental transfers;

24) Coefficient of Equalization – a coefficient which is used for determining the amount of an equalization grant and transfers to the State budget of Ukraine from local budgets in order to increase the revenue capacity of respective budgets;

25) Inter-governmental Transfers – resources transferred free of redemption and repayment from one budget to another one;

26) Local Budgets – budgets of the Autonomous Republic of Crimea, oblasts, rayons, and municipal districts and local self-government budgets;

27) Local Financial Authority – an agency that executes functions consistent with Ukrainian legislation dealing with formulating and executing local budgets, supervising fund spending by spending units, as well as other functions related to the management of local budget funds. For purposes of this Code, the Ministry of Finance of the Autonomous Republic of Crimea is considered as a local financial authority;

28) Budget Receipts – budget revenues and funds raised by way of issuing debt by the State government, the government of the Autonomous Republic of Crimea, or a local self-governmental body;

29) Financial Standard of Budget Sufficiency – the guaranteed by the State within the limits of available budget resources level of financial provision of authorities of the Council of Ministers of the Autonomous Republic of Crimea, local State administrations, and executive bodies of local radas that is used for defining the amount of inter-governmental transfers;

30) Revenue Collection Units – tax-collecting, customs, and other governmental agencies authorized by law to collect taxes, fees, mandatory payments and other receipts;

31) Payment – redemption of a commitment that arose either in the current or in the previous budget periods;

32) Authority to Make Future Commitments – authority to undertake budget commitments for payment during a budget period that follows the current budget period;

33) Draft Budget – draft plan of formation and use of fiscal resources for purposes of implementation of tasks and functions that are fulfilled by bodies of the State power, bodies of power of the Autonomous Republic of Crimea, or local self-governmental bodies; the draft budget is an integral part of the State Budget Law of Ukraine or the draft decision of the respective rada on the local budget;

34) Budget Surplus – excess of budget revenues over budget expenditures;

35) Decision on the Local Budget – a legislative act adopted by the Verkhovna Rada of the Autonomous Republic of Crimea or relevant local rada in accordance with the procedure established by laws of Ukraine that contains approved assignments of the Council of...
Ministers of the Autonomous Republic of Crimea, local state administration, or executive body of a local rada to execute the local budget during the budget period;

36) Spending Units – budget entities and organizations empowered in the person of their leadership to receive allocations, undertake commitments, and execute expenditures from the budget;

37) Subventions – inter-governmental transfers of funds to be used for set purposes through procedures defined by the authority that decides to provide the subvention;

38) Budget Financing – receipts and expenses related to changes in the amount of the debt as well as changes in the balance of cash resources used to cover the gap between budget revenues and budget expenditures.

Article 3. Budget Period

(1) The budget period for all budgets that comprise the budget system shall be one calendar year that begins on the 1st of January of a relevant year and ends on the 31st of December of the same year. Failure of the Verkhovna Rada of Ukraine to approve the State Budget Law of Ukraine by January 1 shall not be a reason to set a different budget period.

(2) Under the Constitution of Ukraine, the budget period for the State Budget of Ukraine, on extraordinary occasions, may differ from that provided for in Section 1 of this Article.

(3) Extraordinary occasions under which the State Budget of Ukraine may be passed for a budget period different from that provided for in Section 1 of this Article include:

1) a declared state of war;

2) an emergency situation declared throughout the territory of Ukraine or in any part thereof;

3) any territory declared as a zone of extraordinary environmental situation; need to eliminate natural or technological disasters.

(4) If the State Budget of Ukraine is passed for a budget period other than that provided for under Section 1 of this Article, local budgets may be passed for the same budget period.

Article 4. Components of Budget Legislation

(1) Regulations and legal directives of Ukraine that regulate budgetary relations in Ukraine include:

1) the Constitution of Ukraine;

2) this Code;

3) the State Budget Law of Ukraine;

4) other laws that regulate budgetary legal relationships as specified in Article 1 of this Code;

5) regulations and legal directives of the Cabinet of Ministers of Ukraine passed in accordance with this Code and other laws of Ukraine provided for in Items 3 and 4 of Section 1 of this Article;

6) regulations and legal directives of central bodies of executive power passed in accordance with and in pursuance of this Code, other laws of Ukraine, and regulations and legal directives provided for in Items 3, 4, and 5 of Section 1 of this Article; and
7) decisions of bodies of the Autonomous Republic of Crimea, local state administrations, bodies of local self-government passed in accordance with this Code and regulations and legal directives, as provided for in Items 3, 4, 5, and 6 of Section 1 of this Article.

(2) In the budget process in Ukraine, provisions of regulations and legal directives shall be applied to the extent that they do not contradict provisions of the Constitution of Ukraine, this Code and the State Budget Law of Ukraine.

(3) If an international agreement of Ukraine submitted for ratification establishes other provisions than that provided for under Ukrainian budget legislation, such provisions shall be adopted by separate laws by introducing amendments to the relevant laws that shall be considered by the Verkhovna Rada of Ukraine at the time of ratification of the international agreement of Ukraine envisaging such provisions.

(4) Consideration of draft laws affecting budget revenues or expenditures shall be implemented using a special procedure, which is determined by Article 27 of this Code.

Chapter II. The Budget System of Ukraine and Its Principles

Article 5. The Structure of the Budget System of Ukraine

(1) The budget system of Ukraine includes the State Budget of Ukraine and local budgets.

(2) Local self-government budgets include the budgets of territorial communities of villages, settlements, towns and associations thereof.

(3) Local budgets include the budget of the Autonomous Republic of Crimea and the budgets of oblasts, rayons, municipal districts, and local self-governments.

Article 6. The Consolidated Budget

(1) The consolidated budget is an aggregate of all budgets and is used for analyzing and forecasting the economic and social development of the nation.

(2) The consolidated budget of Ukraine includes the State Budget of Ukraine, the consolidated budget of the Autonomous Republic of Crimea, and the consolidated budgets of oblasts and the cities of Kyiv and Sevastopol.

(3) The consolidated budget of the Autonomous Republic of Crimea includes the budget of the Autonomous Republic of Crimea, the consolidated budgets of the rayons and the budgets of cities of Republican significance.

(4) The consolidated budget of an oblast includes the oblast budget and the consolidated budgets of rayons and cities of oblast significance that are constituents of this oblast.

(5) The consolidated budget of a rayon includes the rayon budget and the budgets of towns of rayon significance, villages, and settlements that are constituents of this rayon.

(6) The consolidated budget of a city with municipal districts includes the budget of the city and the budgets of the municipal districts that are constituents thereof. If a city or a municipal district has under its administrative authority any towns, settlements, or villages, the consolidated budget of this city or municipal district shall include the budgets of these towns, settlements, and villages.
Article 7. Principles of the Budget System of Ukraine

(1) The budget system of Ukraine is based on the following principles:

1) The principle of integrity of the budget system of Ukraine – the integrity of the budget system of Ukraine is based on the unified legislative framework, unified monetary system, unified regulation of intergovernmental relations, unified budget classification, and unified procedures for the execution of all budgets and maintenance of accounting records and reporting;

2) The principle of balanced budgets – assignments for implementation of expenditures from the budget shall be in agreement with the amount of budget receipts to be collected in the respective budget period;

3) The principle of independence – the State Budget of Ukraine and local budgets are independent. The State with funds of the State budget is not liable for budget commitments of bodies of power of the Autonomous Republic of Crimea and local self-governmental bodies. The bodies of power of the Autonomous Republic of Crimea and local self-governmental bodies with funds of respective budgets are not liable for budget commitments of each other and for commitments of the State. The budgets’ independence is provided by the assignment of specific revenue sources thereto, the authority of respective executive bodies of the State power, bodies of power of the Autonomous Republic of Crimea and local self-governmental bodies to decide how to use funds in accordance with Ukrainian legislation, the authority of the Verkhovna Rada of the Autonomous Republic of Crimea and local radas to independently consider and pass respective budgets;

4) The principle of complete inclusion – budgets shall include all receipts paid to the budgets and budget expenditures implemented on the basis of regulations and legal directives of bodies of State power, bodies of power of the Autonomous Republic of Crimea, and local self-governmental bodies;

5) The principle of rationality – budget amounts shall be based on realistic macro indicators of economic and social development of the State and calculations of budget revenues and expenditures in keeping with established methods and rules;

6) The principle of effectiveness – when formulating and executing budgets, all participants of the budget process shall wish to achieve the goals set with a minimum spending of budget resources and to achieve a maximum effect with the use of the amount of budget resources allotted.

7) The principle of subsidiarity – expenditure responsibilities must be divided between the State budget and local budgets, as well as across local budgets so that social services shall be provided from a level which is as close as possible to the place of direct consumption thereof;

8) The principle of appropriate and targeted use of budget funds – budget funds can be used only for the particular purposes defined by budget appropriations;

9) The principle of equity and impartiality – the budget system of Ukraine shall be based on the principles of equitable and impartial allocation of public wealth among citizens and territorial communities;

10) The principle of publicity and transparency – the State budget of Ukraine and local budgets shall be approved and budget decisions and budget execution reports shall be
approved, respectively, by the Verkhovna Rada of Ukraine, the Verkhovna Rada of the Autonomous Republic of Crimea, and local radas.

11) The principle of accountability of participants of the budget process – each participant of the budget process shall be accountable for his/her actions or inaction at each stage of the budget process.

Article 8. Budget classification

(1) The budget classification of Ukraine is established with the objective of controlling financial activities of bodies of State power, bodies of power of the Autonomous Republic of Crimea, local self-governmental bodies, and other spending units, implementing necessary analysis by revenue item, as well as by agency and by functional and economic category of expenditures, and ensuring national and international comparability of budget indices.

(2) In order to assure the integrity of budget categories of revenues and expenditures and interdependence between functional objectives and economic character of budget expenditures, the Minister of Finance of Ukraine shall approve budget classification as well as amendments thereto and inform the Verkhovna Rada about such changes on a mandatory basis.

(3) The components of budget classification are:
   1) budget revenue classification;
   2) budget expenditure (including crediting net of redemption) classification;
   3) budget financing classification; and
   4) debt classification.

Article 9. Budget Revenue Classification

(1) Budget revenues shall be classified as per the following sections:
   1) tax receipts;
   2) non-tax receipts;
   3) receipts from capital operations; and
   4) transfers.

(2) Tax receipts shall include national and local taxes, duties, and other mandatory payments provided for under Ukrainian tax legislation.

(3) Non-tax receipts shall include:
   1) proceeds from property and business activities;
   2) administrative fees and duties, receipts from non-commercial and incidental sales;
   3) receipts from penalties and financial sanctions; and
   4) other non-tax receipts.

(4) Transfers shall be understood as non-redeemable and non-repayable proceeds received from other bodies of State power, bodies of power of the Autonomous Republic of Crimea, local self-governmental bodies, other states or international organizations.
**Article 10. Budget Expenditure Classification**

(1) Budget expenditures shall be classified by:

1) functions whose implementation is connected with expenditures (functional expenditure classification);

2) economic characteristics of transactions involving these expenditures (economic expenditure classification);

3) key spending unit (agent-by-agent expenditure classification); and

4) budget program (program-based expenditure classification).

(2) The functional classification shall have the following levels of itemization:

1) sections in which budget expenditures for execution of general functions of bodies of State power, bodies of power of the Autonomous Republic of Crimea, or local self-governmental bodies are determined; and

2) subsections and groups that specify the directions of allocation of budget resources for executing functions of bodies of State power, bodies of power of the Autonomous Republic of Crimea, or local self-governmental bodies;

(3) In economic classification, budgets’ expenditures shall be divided into current and capital expenditures, and crediting net of redemption, the composition of which shall be determined by the Minister of Finance of Ukraine.

(4) Agent-by-agent expenditure classification shall contain the list of key spending units. On the basis of this classification, the State Treasury of Ukraine and local financial bodies shall draw up the register of all spending units.

(5) When formulating budgets on the basis of a program budgeting approach, program-based expenditure classifications shall be applied.

**Article 11. Budget Financing Classification**

(1) Budget financing classification shall define the sources from which financial resources are received to cover the budget deficits as well as the use of resources which arose as a result of an excess of budget revenues over budget expenditures (the repayment of the principal of the State debt is included into this category).

(2) Budget financing classification shall be implemented based on the following features:

1) financing by creditor type, i.e., by category of creditors or bond holders; and

2) financing by type of debt instruments, i.e., methods used for deficit or surplus financing.

**Article 12. Debt Classification**

(1) Debt classification shall include systematized information on all debt liabilities of the State, the Autonomous Republic of Crimea and local self-government.

(2) Unsettled debt is classified by type of creditor and by type of debt instrument.

**Article 13. Structure of the Budget**

(1) The budget consists of the general and special funds.

(2) The general budget fund includes:
GENERAL PART Chapter 3. Borrowing

1) all budget revenues, except for those that are allocated to a special fund;
2) all budget expenditures funded from general fund receipts; and
3) financing of the general budget fund.

(3) Special budget fund includes:

1) all budget appropriations for expenditures funded at the costs of specifically earmarked revenue sources;
2) grants or donations (in value) received by spending units for a specific purpose; and
3) difference between the revenues and expenditures of the special budget fund.

(4) The budget shall be separated into the general and special funds by the State Budget Law of Ukraine. The sources of the special budget fund shall be defined by Ukrainian laws exclusively.

(5) The decision of a concerned rada to create a special fund in its respective local budget shall be based exclusively on the State Budget Law of Ukraine.

(6) Transferring resources from the general fund to a special budget fund shall be permitted only within the amounts of budget appropriations by way of amending the State Budget Law of Ukraine or decision made by the concerned rada.

(7) Expenses of the special fund shall be made only at the cost of resources which the relevant special fund received for the respective purpose.

(8) Creation of off-budget funds by bodies of State power, bodies of power of the Autonomous Republic of Crimea, and local self-governmental bodies is disallowed.

Chapter 3. Borrowing

Article 14. Budget Deficit and Budget Surplus

(1) The approval of the State Budget of Ukraine, the budget of the Autonomous Republic of Crimea, or a city budget for the respective budget period with a deficit shall be allowed if reasonable sources of budget deficit financing are available, with the limitations set out in Article 72 of this Code.

(2) A budget surplus shall be approved only to repay the principal debt.

Article 15. Sources for Financing a Budget Deficit

(1) Sources for financing budget deficits shall be internal and external government borrowing, internal borrowing of bodies of power of the Autonomous Republic of Crimea, and internal and external borrowing of local self-governmental bodies, in compliance with conditions determined by this Code.

(2) The Cabinet of Ministers of Ukraine may borrow funds within the limits allowed by the State Budget Law of Ukraine. Borrowing should not be used to provide financial resources for the government’s current expenditures, except for cases when this is needed to maintain the general economic balance.

(3) In order to save funds and use them effectively, the Minister of Finance of Ukraine shall have the right to choose a creditor, the type of borrowing, and a currency in which to borrow with account of requirements of Section 2 of this Article.
(4) Expenditures meant for repayment of debt-related liabilities shall be carried out according to contracts and other regulations and legal directives which lead to entering into debt liabilities of the State, of the Autonomous Republic of Crimea or of local self-government, regardless of the amount of resources allocated for such a goal in the State Budget Law of Ukraine or the local budget decision.

(5) If expenditures on State debt servicing and redemption of the principal exceed the amounts stipulated in the State Budget Law of Ukraine for this purpose, the Minister of Finance of Ukraine shall promptly inform the Cabinet of Ministers of Ukraine about this situation. The Cabinet of Ministers of Ukraine shall promptly inform about the anticipated excess of these expenditures the Verkhovna Rada and prepare within a two-week time limit proposals to amend the State Budget Law of Ukraine.

(6) Money issued by the National Bank of Ukraine cannot serve as a source for financing the State budget deficit.

Article 16. Authority to Borrow

(1) Authority to make public borrowing from domestic and foreign sources within the limits and on the terms provided for under the State Budget Law of Ukraine shall be vested in the State in the person of the Minister of Finance of Ukraine on an errand of the Cabinet of Ministers of Ukraine.

(2) Only the Verkhovna Rada of the Autonomous Republic of Crimea and municipal local radas are allowed to borrow from domestic sources (except for cases provided under Article 73 of this Code). From foreign sources, only municipal radas of the cities with a population exceeding eight hundred thousand (as per official statistical data available at the time of decision-making) may borrow.

Article 17. Guarantees on Meeting Debt Liabilities

(1) The Cabinet of Ministers of Ukraine in the person of the Minister of Finance of Ukraine, the Council of Ministers of the Autonomous Republic of Crimea in the person of the Minister of Finance of the Autonomous Republic of Crimea, and city radas in the person of the heads of their executive authorities, shall be allowed to provide guarantees with respect to credits to persons only within authorities provided for in the State Budget Law of Ukraine or a budget decision adopted by the local rada.

(2) Guarantees shall be provided on the terms of repayment, maturity, and collateral security and be conditioned by the availability of counter guarantees from other entities.

(3) Payments related to the execution of guarantee commitments shall be reckoned as debt-related payments.

(4) In case if legal entities fail to fulfil their liabilities dealing with repayment or servicing of credits provided on a repayment basis raised or backed by the State, other liabilities backed by the State, and collection of debts owed to the State Budget of Ukraine related to loans provided to enterprises and organizations from the State budget, loans provided at the expense of funds raised or backed by the State, and fees for use of these loans, revenue collection units shall apply the mechanism for collecting these debts based on the procedures provided in the law for collecting outstanding taxes and non-tax payments, including repayment of such arrears at the expense of debtors’ property.
Article 18. Limitations on Domestic and Foreign Debts

(1) The maximum amount of domestic and foreign State debts, debt of the Autonomous Republic of Crimea, and debts of local self-government, and the maximum amounts of guarantees shall be established for each budget period, respectively, by the State Budget Law or budget decisions of local radas.

(2) The principal amount of the State debt cannot exceed 60 percent of the annual Gross Domestic Product of Ukraine.

(3) If the State debt exceeds the maximum debt amount stipulated under Section 2 of this Article, the Cabinet of Ministers of Ukraine shall undertake measures to reconcile the maximum amount with provisions of this Code.

Chapter 4. Budget Process and Participants

Article 19. Stages of the Budget Process

(1) The stages of the budget process include:

1) Formulating draft budgets;

2) Considering and passing the State Budget Law of Ukraine and decisions on local budgets;

3) Executing the budget, including making amendments, as necessary, to the State Budget Law of Ukraine and decisions on local budgets; and

4) Preparing and considering reports on budget execution and making decisions on these reports.

(2) Financial control, audit, and assessment of the effectiveness of the use of budget resources shall be executed at every stage of the budget process.

Article 20. Participants in the Budget Process and Authorities thereof

(1) Participants in the budget process are bodies and officials provided with budget authorities.

(2) Budget authorities are the rights and duties of participants of budgetary legal relationships.

Article 21. Spending Units

(1) Spending units shall receive budget allocations for implementing programs and activities under the budget. Based upon the extent of their authorities, spending units are divided into key spending units and lower-level spending units.

(2) Physical persons and legal entities (recipients of budget resources) that do not have the status of budget entities can receive budget resources only through spending units.

(3) A budget entity is not entitled to make borrowing in any form or provide loans at the expense of budget funds to physical persons and legal entities, except for cases provided by the State Budget Law of Ukraine.

Article 22. Key Spending Units and Main Functions Thereof

(1) Only the following entities may be considered as key spending units:
1) for budget appropriations envisaged in the State Budget Law of Ukraine – bodies that foster the activity of the Verkhovna Rada of Ukraine, the President of Ukraine, the Cabinet of Ministers of Ukraine in the persons of heads thereof; ministries, other central executive authorities, institutions and organizations that are referred to in the Constitution of Ukraine or are members of the Cabinet of Ministers of Ukraine in the person of managers thereof and are authorized to this activity by respective bodies;

2) for budget appropriations envisaged by the budget of the Autonomous Republic of Crimea – bodies that foster the activity of the Verkhovna Rada of the Autonomous Republic of Crimea and the Council of Ministers of the Autonomous Republic of Crimea; ministries and other bodies of power of the Autonomous Republic of Crimea in the person of heads thereof and are authorized to this activity by respective bodies; and

3) for budget appropriations envisaged by other local budgets – heads of local state administrations, executive bodies of radas and secretariats thereof, heads of main departments, departments, sections, and other independent divisions of local state administrations, executive bodies of radas.

(2) The list of key spending units of the State budget shall be established in compliance with Item 1 of Section 1 of this Article and approved by the State Budget Law by way of establishment of budget appropriations.

(3) The list of key spending units of a local budget shall be established by a budget decision of a local rada in compliance with terms set under Items 2 and 3 of Section 1 of this Article.

(4) A key spending unit shall:

1) develop a plan of activities in accordance with the tasks and functions determined by regulations and legal directives taking into account the necessity to achieve specific results through the use of budget resources;

2) develop draft estimates and budget requests on the basis of planned activities and submit them to the Ministry of Finance of Ukraine or a local financial authority;

3) receive budget appropriations through approval thereof in the State Budget Law of Ukraine or the budget decision of a local rada, inform the lower-level spending units (recipients of budget funds) about amounts of allocations, and provide management of budget allocations;

4) approve estimates of incomes and expenses of lower-level spending units unless otherwise is provided for in legislation;

5) exercise internal control over the fullness of the amounts of budget resources received by lower-level spending units and recipients of budget funds and use of budget funds thereby; and

6) receive reports on the use of funds from lower-level spending units and recipients of budget funds and analyze the efficiency of the use of budget funds thereby.

Article 23. Budget Appropriations

(1) Any commitments and payments from the budget shall be made only if appropriate budget appropriations are available.
(2) Budget appropriations shall be established in the State Budget Law of Ukraine or the budget decision of a local rada in compliance with procedure established by this Code.

(3) If, in the process of budget execution, a change of circumstances requires cutting allocations to key spending unit, the Minister of Finance of Ukraine (or the head of a local financial body) shall adopt a decision on normalizing the use of the budget appropriation of the State Budget of Ukraine (or a local budget). The Cabinet of Ministers of Ukraine (or the Verkhovna Rada of the Autonomous Republic of Crimea, a local state administration, or the executive body of a local rada) within a period of two weeks shall submit to the Verkhovna Rada of Ukraine (or the Verkhovna Rada of the Autonomous Republic of Crimea or a local rada) proposals aimed at the normalization of budget appropriations of the State Budget of Ukraine (or the relevant local budget).

(4) Special fund expenditures of the budget have a permanent budget appropriation that authorizes expenditures only within available revenues and at the expense of the respective special fund in accordance with legislation, unless this State Budget Law of Ukraine for the relevant period (or a budget decision of a local Rada) establishes otherwise.

(5) Proposed changes in budget appropriations shall be submitted and considered under the procedures established for submission of proposals to the draft budget. With respect to changes proposed in budget appropriations, expenditures may be made only after the enactment of the relevant law (or the local rada’s decision) that introduces such changes. Other changes in amounts and purposes as well as time limits for budget appropriations may be made only if the State Budget Law of Ukraine (or the budget decision of a local rada) contains the relevant provision.

(6) If, after adoption of the State Budget Law of Ukraine (or the budget decision of a local rada), responsibility for performing functions or rendering services, for which the budget appropriation was approved, is transferred from one key spending unit to another one, the budget appropriation is not terminated and may be applied in accordance with the procedures established by the State Budget Law of Ukraine (or the budget decision of a local rada) for implementation of the same functions or provision of the same services by the newly assigned key spending unit. In this case, the Ministry of Finance of Ukraine (or a local financial body) shall inform the Cabinet of Ministers of Ukraine (or the Council of Ministers of the Autonomous Republic of Crimea or the executive body of a local rada) and the Verkhovna Rada of Ukraine (or the Verkhovna Rada of the Autonomous Republic of Crimea or a local rada) on this within two weeks.

(7) All budget appropriations lapse at the end of a budget period, except for those cases in which many-year budget appropriations are explicitly authorized by law.

**Article 24. Budget Reserve Fund**

(1) A budget reserve fund shall be created to finance contingency expenditures of an interim nature that cannot be foreseen when formulating the budget. Authority to use resources from the reserve fund shall be determined by the Cabinet of Ministers of Ukraine.

(2) A decision on spending resources from the budget reserve fund shall be approved, respectively, by the Cabinet of Ministers of Ukraine, Council of Ministers of the Autonomous Republic of Crimea, local state administrations and executive bodies of the respective radas.

(3) The reserve fund of a budget shall not exceed 1 percent of the amount of the general fund of the relevant budget.
(4) The Cabinet of Ministers of Ukraine, the Council of Ministers of the Autonomous Republic of Crimea and executive bodies of local radas shall report to the appropriate rada monthly on spending the resources from the budget reserve fund.

(5) In the State Budget of Ukraine, the reserve fund shall be stipulated. Decisions on the appropriateness of creation of a reserve fund shall be made by relevant radas.

**Article 25. Incontestable Write-offs of Budget Funds**

(1) The State Treasury of Ukraine is allowed to write funds off in an incontestable manner (on the basis of decisions made by State authorities legally entitled to apply incontestable writing-off) from accounts where resources of the State Budget of Ukraine and local budgets are accounted.

(2) In case of a write-off of funds from registration accounts of budget entities who are guilty of arising of relevant commitments, spending units shall, within one month after the day when such transaction was implemented, normalize their commitments with account for the incontestable writing-off and reconcile them with budget appropriations for the relevant period. In so doing, funds from accounts where resources of the State Budget of Ukraine and local budgets are accounted cannot be written off in an incontestable manner for purposes of redemption of commitments of such budget entities.

**Article 26. Audit and Financial Control**

(1) Internal financial audits that must be performed at every stage of the budget process shall ensure:

1) on-going evaluation of the sufficiency and conformity of the activities of a budget entity with requirements of internal financial control;

2) on-going evaluation of activities for conformity of results with the established tasks and plans; and

3) informing the head of a budget entity directly about results of any inspection, evaluation, investigation, research, or audit conducted by an internal audit unit.

(2) The heads of all budget entities are responsible for the arrangement of an efficient system of internal control of financial and business activities of the budget entity taking into account:

1) provisions of this Code and other regulations and legal directives;

2) requirements of task-oriented, efficient, and economical management of functions of each structural department and proper division of functional duties;

3) conformity with accounting requirements and the procedures for accounting control with respect to the assets, liabilities, revenues, and expenditures of the budget entity; and

4) the need to assure the compliance of the budget entity’s activities with the requirements of internal financial control.

(3) Spending units shall be responsible for organization of financial (internal) control and audit and the state thereof both in their agencies and in subordinate budget entities.

(4) The external control and audit over financial and business activities of budget entities shall be exercised by the Accounting Chamber (in terms of supervising over the use of
Article 27. Procedures for Submission and Consideration of Draft Laws Influencing the Revenue or Expenditure Sides of the Budgets

(1) Each draft law submitted to the Verkhovna Rada of Ukraine shall be submitted, within a seven-day period, to the Verkhovna Rada Budget Committee for purposes of expert evaluation of its effects on the revenue and/or expenditure sides of budgets and execution of the State Budget Law of Ukraine for the current budget period.

(2) Within a two-week period, unless the Verkhovna Rada establishes another time limit, the Budget Committee shall assure issuing an expert decision on the effects of the draft law in question on budget revenues and/or expenditures. When submitting any draft laws whose enactment in the current or next budget periods may lead to increased expenditures or reduced revenues, the subject of legislative initiative who submits the draft law in question to the Verkhovna Rada for consideration shall also submit proposals on expenditures to be cut and/or proposed sources of additional revenues to cover the increased expenditures. All proposals shall be designed so that no increase occurs in the State debt or guarantees set by State Budget Law. Therewith,

1) those draft laws which, according to the expert conclusion made by the Verkhovna Rada Budget Committee, do not affect budget revenue and/or expenditure sides shall be included into the agenda of the plenary meetings of the Verkhovna Rada of Ukraine for consideration thereof under the General Rules of the Verkhovna Rada of Ukraine;

2) those draft laws which, according to the expert conclusion made by the Verkhovna Rada Budget Committee, affect budget revenues and/or expenditures shall, within three days, be sent to the Ministry of Finance of Ukraine for expert conclusion regarding the extent of the effects of the draft laws in question on the budget revenue or expenditure side and for making proposals on the appropriateness of the adoption and enactment of these draft laws and the suitable timing for their enactment. The Ministry of Finance of Ukraine shall, within a two-week period, prepare an expert conclusion and proposals regarding the draft law in question and submit them to the Verkhovna Rada Budget Committee of Ukraine for purposes of determining the appropriateness of adopting such draft laws by the Verkhovna Rada of Ukraine and terms of enactment thereof.

(3) Laws of Ukraine that affect budget revenues or expenditures shall be officially publicized before August 15 of the year that precedes the planned year. Otherwise, the provisions that affect budget revenues and/or expenditures cannot be applied earlier than from the beginning of the year following the planned one.

Article 28. Availability of Budget Information

(1) Information on the budget shall be made public. Ministry of Finance shall make available for publication the following documents:

1) the draft State Budget Law of Ukraine;

2) the State Budget Law of Ukraine for the appropriate period with annexes as its integral parts;
3) information on the execution of the State Budget of Ukraine based on quarterly and annual statements;
4) information on indicators of the execution of the consolidated budget of Ukraine.
5) other information on the execution of the State Budget of Ukraine.

(2) The draft State Budget Law of Ukraine shall be published in the government newspaper Uryadovy Courier within 7 days after its submission to the Verkhovna Rada of Ukraine;

(3) The Verkhovna Rada of the Autonomous Republic of Crimea and the Council of Ministers of the Autonomous Republic of Crimea, local state administrations and local self-governmental bodies shall assure publication of information on local budgets, including decisions on local budgets and regular reports on the execution thereof. Decisions on local budgets are to be made public through the mass media of the local bodies within ten days from the day of adoption thereof.

PARTICULAR PART

Section II. State Budget of Ukraine

Chapter 5. Revenues and Expenditures of the State Budget of Ukraine

Article 29. Composition of Revenues of the State Budget of Ukraine

(1) Revenues of the State Budget of Ukraine include:

1) Receipts (except for those receipts assigned to local budgets in accordance with Articles 64, 66, and 69 of this Code) as provided for in legislation on taxes, duties and mandatory payments and the Law of Ukraine On the Guidelines of Social Protection to Invalids, as well as fees for services rendered by budget entities maintained at the expense of the State budget of Ukraine and other revenue sources identified in legislation, including receipts from the sale of assets owned by the State or enterprises, establishments and organizations, as well as interest and dividends on State-owned shares in property;

2) Grants and donations (in value); and

3) Inter-governmental transfers from local budgets.

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

(1) Expenditures of the State Budget of Ukraine include budget appropriations established by the State Budget Law of Ukraine for concrete purposes connected with the implementation of national programs listed in Article 87 of this Code.

Article 31. Secret Expenditures

(1) The State Budget of Ukraine shall contain explanations for all expenditures, except for the expenditures involving State secrets (secret expenditures).

(2) Secret expenditures planned for activities of bodies of State power for the purposes of national security shall be included in the State Budget of Ukraine without details.
(3) The Accounting Chamber and the Ministry of Finance of Ukraine shall supervise secret expenditures in keeping with procedures established by the Verkhovna Rada of Ukraine.

(4) Reports on secret expenditures shall be reviewed by the Verkhovna Rada Budget Committee, the Verkhovna Rada Committee for Legislative Provision of Law-enforcement Activity, the Verkhovna Rada Committee for Struggle against Organized Crime and Corruption, and the Verkhovna Rada Committee for National Security and Defense.

(5) Some reports on use of funds for secret expenditures shall be reviewed by the Verkhovna Rada of Ukraine at a secret sitting.

Chapter 6. Formulation of the State Budget of Ukraine

Article 32. Organizational Principles on Formulation of the State Budget of Ukraine

(1) The Cabinet of Ministers of Ukraine shall develop the draft State Budget Law of Ukraine.

(2) The Minister of Finance of Ukraine shall be responsible for preparation of the draft State Budget of Ukraine, determination of the major organizational and methodological principles of budget planning to be used for preparation of budget requests and the development of proposals regarding the draft State Budget of Ukraine.

(3) On the basis of the main macro-indicators of economic and social development of Ukraine and analysis of budget execution in the current budget period, the Minister of Finance of Ukraine shall determine the general level of budget revenues and expenditures and evaluate the amounts of financing for the budget in preparing the proposals to the draft State Budget of Ukraine.

Article 33. Definition of the Guidelines of Budget Policy for the Next Budget Period

(1) No later than June 1 or the first day of a plenary session of the Verkhovna Rada of Ukraine after this date, hearings on budget policy for the next budget period shall take place in the Verkhovna Rada of Ukraine. A report on the Guidelines of Budget Policy for the Next Budget Period shall be presented by the Prime Minister of Ukraine or by the Minister of Finance on his/her errand.

(2) The Cabinet of Ministers of Ukraine shall submit to the Verkhovna Rada a draft of the Guidelines of the Budget Policy for the Next Budget Period no later than three days before the parliamentary hearings on the budget policy for the next budget period.

(3) The draft Guidelines of the Budget Policy for the Next Budget Period must contain proposals by the Cabinet of Ministers with respect to:

1) Limiting the amount of the deficit (or surplus) of the State Budget of Ukraine as a share of the estimated yearly amount of Gross Domestic Product of Ukraine;

2) share of the estimated amount of the yearly Gross Domestic Product to be redistributed through the consolidated budget of Ukraine;

3) limiting amount of the State debt and the structure thereof;

4) amount of inter-governmental transfers as a share of State budget expenditures and coefficient of equalization for local budgets;

5) capital expenditures as a share of State budget expenditures and high-priority purposes for the use of capital expenditures;
6) relationships between the State budget of Ukraine and local budgets in the next budget period;
7) amendments to be introduced into legislation for purposes of implementation of the State’s budget policy;
8) a list of key spending units of the State budget of Ukraine;
9) a list of protected expenditure items; and
10) reasoning for the separation of the budget into the general and special funds.

The draft Guidelines of the Budget Policy for the Next Budget Period must be based on macroeconomic assumptions regarding economic and social development of Ukraine for the next budget period, including assumptions about gross domestic product, consumer price index and wholesale price index, projected official exchange rate (average yearly rate and the rate as of the end of the year), and projected unemployment level.

The National Bank of Ukraine shall submit, before April 1 of the year which precedes the planned year, to the Verkhovna Rada of Ukraine and to the Cabinet of Ministers of Ukraine the following documents:
1) proposed main monetary policy guidelines for the next budget period; and
2) income and expense estimates of the National Bank of Ukraine for the next budget period.

Based on the results of the parliamentary hearings, the Verkhovna Rada shall adopt a resolution on approving or taking into consideration the Guidelines of the Budget Policy for the next budget period. The above-mentioned resolution may embrace proposals by the Verkhovna Rada of Ukraine on the draft Guidelines of the Budget Policy for the Next Budget Period only with respect to the issues specified in Section 3 of this Article, including relevant directives to the Cabinet of Ministers of Ukraine.

Article 34. Instructions for Preparation of Budget Requests

(1) In order to prepare proposals to the draft State Budget of Ukraine, the Ministry of Finance of Ukraine shall develop instructions for preparation of budget requests and bring them to notice of key spending units.

(2) Instructions for preparation of budget requests may introduce organizational, financial, and other limitations which all spending units shall comply with in the process of preparing budget requests.

Article 35. Development of Budget Requests

(1) Key spending units shall organize preparation of budget requests to be submitted to the Ministry of Finance of Ukraine within the time limits and in accordance with procedures established by the Ministry of Finance.

(2) Key spending units shall be responsible for the quality, timeliness, and contents of budget requests submitted to the Ministry of Finance of Ukraine. Budget requests shall contain all the information necessary for analysis of indices of the State budget of Ukraine in accordance with requirements of the Ministry of Finance of Ukraine.
Article 36. Analysis of Budget Requests and Development of Proposals to the draft State Budget of Ukraine

(1) At each phase of drafting and reviewing the draft State Budget of Ukraine, the Ministry of Finance of Ukraine shall analyze budget requests submitted by key spending units from the viewpoint of its conformity with the goal, priority, and efficiency of use of the budget resources. Based on results of this analysis, the Minister of Finance shall make a decision on the inclusion of the budget request in the proposed draft State Budget of Ukraine before its submission for consideration to the Cabinet of Ministers of Ukraine.

(2) Based on the analysis of budget requests submitted in accordance with Article 35 of this Code, the Ministry of Finance of Ukraine shall prepare proposals to the draft State Budget Law of Ukraine.

(3) During the period of preparation of proposals to the draft State Budget of Ukraine, the Ministry of Finance of Ukraine shall review and take measures to eliminate disagreements with the key spending units. If agreement is not achieved, the Ministry of Finance of Ukraine shall make its conclusions on unsettled issues with respect to the said proposals and submit them to the Cabinet of Ministers of Ukraine.

Article 37. Approval of the draft State Budget of Ukraine by the Cabinet of Ministers of Ukraine

(1) The Ministry of Finance of Ukraine shall submit proposals to the draft State Budget Law of Ukraine to the Cabinet of Ministers of Ukraine for consideration and make suggestions with respect to time limits and procedures for consideration of the draft State Budget of Ukraine by the Cabinet of Ministers of Ukraine.

(2) The Cabinet of Ministers of Ukraine shall adopt the resolution on approval of the draft State Budget Law of Ukraine and submit it with supporting materials to the Verkhovna Rada of Ukraine no later that September 15 of the year which precedes the planned year.

Article 38. Content of the Draft State Budget and Supporting Materials

(1) The draft State Budget Law of Ukraine approved by the Cabinet of Ministers shall be supported by the following materials:

1) Explanatory notes to the draft State Budget Law of Ukraine which shall include:

   a) information on the State’s economic situation and major projected macroeconomic indicators of economic and social growth of Ukraine for the next budget period that are to serve as the basis for the draft State Budget of Ukraine;

   b) estimates of revenues and other funds (loans) that are proposed to cover budget expenditures;

   c) explanations of the main provisions of the draft State Budget of Ukraine and the draft State Budget Law of Ukraine, including analysis of proposed amounts of outlays for functions and programs. Justifications shall include budget data for the previous, current, and next budget periods, by budget expenditure classification;

   d) information on the extent to which account is taken for proposals made by the Verkhovna Rada of Ukraine with respect to Guidelines of the Budget Policy for the Next Budget Period, if any proposals have been approved by the Verkhovna as provided for under Section 6 of Article 33 of this Code;

   e) justifications of peculiarities of intergovernmental fiscal relations; and
f) information on State debt repayments, including by type of debt liability, timetable of repayment thereof, and amounts and terms of borrowing;

g) forecast of macroeconomic indicators and the estimated amount of the consolidated budget of Ukraine, by major revenue and expenditure item and financing for next three budget periods;

2) The consolidated budget of Ukraine (including the estimates of the State budget and local budgets) according to budget classification, as well as the consolidated balance of Ukraine’s financial resources;

3) A list of tax exemptions, including an estimate of lost revenues to State Budget attributed to these exemptions;

4) Expenditures of the State Budget of Ukraine necessary for future budget periods to complete projects (that are included in the State Budget), if their completion takes more than one budget period;

5) Summarization and structure of State debt liabilities and guarantees for the current and future budget periods until their full retirement, including the servicing of the State debt;

6) A list of investment programs for the next budget period that are proposed to be guaranteed by the Cabinet of Ministries;

7) A report on the State budget execution for the current budget period;

8) Draft estimates of all State earmarked funds that are created at the expense of taxes and fees (mandatory payments) in compliance with law;

9) Key spending units’ explanations to the draft State Budget of Ukraine (to be submitted to the Verkhovna Rada Budget Committee); and

10) Other materials, the extent and form of which shall be determined by the Cabinet of Ministries.

(2) The State Budget Law of Ukraine shall define:

1) Total amount of revenues and total amount of expenditures (broken down into special and general funds as well as into current and capital expenditures);

2) The limiting amount of the deficit (or surplus) of the State Budget of Ukraine for the next budget period and the State debt as of the end of the next budget period; authorities for entering into the State guarantee commitments, as well as the amount of those guarantees in accordance with Article 17 of this Code;

3) Budget appropriations for key spending units of the State Budget of Ukraine, by budget classification;

4) Budget revenues, by budget classification;

5) Budget appropriations for inter-governmental transfers; and

6) Additional provisions that govern the process of budget execution.

(3) Expenditures of the draft State Budget of Ukraine, broken down by key spending unit, shall be itemized according to functional classification (or by program classification in case if the draft budget is formulated on a program basis).
Chapter 7. Consideration and Passage of the State Budget Law of Ukraine

Article 39. Presentation of the draft State Budget Law of Ukraine to the Verkhovna Rada of Ukraine

(1) Within 5 days after the Cabinet of Minister of Ukraine submits the draft State Budget Law to the Verkhovna Rada, the Minister of Finance of Ukraine shall present it to a plenary meeting of the Verkhovna Rada. The Head of the Verkhovna Rada Budget Committee shall present to a sitting of the Verkhovna Rada a report on the compliance of the draft State Budget Law with requirements of this Code, the Guidelines of Budget Policy for the Next Budget Period and proposals of the Verkhovna Rada of Ukraine with respect to the Guidelines of Budget Policy for the Next Budget Period approved as provided for under Section 6 of Article 33 of this Code.

(2) Based on the results of the debate on the draft State Budget of Ukraine, the Verkhovna Rada may make a substantiated decision to reject it if the draft State Budget Law of Ukraine does not comply with this Code or the Guidelines of Budget Policy for the Next Budget Period.

(3) If the draft State Budget Law is rejected, the Cabinet of Ministers shall, within one week from the day of coming into effect of the decision on rejection, submit for second presentation a revised draft State Budget with necessary justifications of the amendments related to the relevant decision by the Verkhovna Rada. The Minister of Finance shall present the revised draft State Budget Law of Ukraine within three days after its resubmission to the Verkhovna Rada.

Article 40. Preparation of the draft State Budget Law of Ukraine by the Verkhovna Rada for the First Reading

(1) After the accepting of the draft State Budget Law of Ukraine submitted for consideration but no later than October 1 of the year that precedes the planned one (or before October 6, if the draft was accepted for consideration after its second submission by the Cabinet of Ministers of Ukraine), the draft State Budget Law of Ukraine shall be reviewed by members of the Verkhovna Rada as well as by Verkhovna Rada’s committees, groups of members, and factions of the Verkhovna Rada of Ukraine. The Verkhovna Rada’s committees formulate their proposals regarding the draft State Budget of Ukraine, submit them to the Budget Committee, and appoint representatives to take part in the Budget Committee’s work. The deadline for submission of proposals by Verkhovna Rada members is October 1 (or October 6 if the draft was accepted for consideration after its second submission by the Cabinet of Ministers of Ukraine) of the year that precedes the planned one.

(2) Proposals to increase State budget expenditures shall identify the sources to fund additional expenditures; proposals to reduce State Budget revenues must identify the sources to cover the losses of revenues of the State budget of Ukraine or the expenditures that are to be cut. No one such proposal may lead to increases in the State debt and or guarantees in comparison to the amounts included in the proposed draft State Budget Law of Ukraine. If at least one of these requirements is not met, the relevant proposal shall not be accepted for consideration by the Verkhovna Rada Budget Committee. Proposals to amend the forecast of tax receipts are not permitted. It is not allowed to make proposals regarding changes in the forecasted tax receipts, except for those cases where the Verkhovna Rada Budget Committee, the Cabinet of Ministers of Ukraine or the Accounting Chamber discovers calculation errors.
By October 15 (or October 20 if the Draft was accepted for consideration after its second submission by the Cabinet of Ministers of Ukraine) of the year that precedes the planned one, the Verkhovna Rada Budget Committee, together with authorized representatives from the Cabinet of Ministers, shall review proposed amendments to the draft State Budget Law and prepare Conclusions and Proposals to the State Budget Law, as well as tables of proposals made by subjects of legislative initiative that are recommended for acceptance or rejection and makes relevant decision. Revenues and expenditures must be balanced in the draft Conclusions and Proposals to the State Budget Law.

No later than two days before consideration of the draft State Budget Law of Ukraine by the Verkhovna Rada of Ukraine on first reading at a plenary meeting of the Verkhovna Rada of Ukraine, the Conclusions and Proposals to the Draft State Budget Law and the tables of proposals shall be distributed by the Verkhovna Rada Secretariat among Verkhovna Rada members.

Article 41. Consideration of the draft State Budget of Ukraine on First Reading

(1) The first reading of the State Budget of Ukraine shall begin with a report by the Head of the Verkhovna Rada Budget Committee on the Conclusions and Proposals to the Draft State Budget Law. Representatives of the Verkhovna Rada committees, groups of members and factions, as well as Verkhovna Rada members and representatives of the Cabinet of Ministers of Ukraine and the Accounting Chamber participate in the debates.

(2) Conclusions and Proposals to the Draft State Budget Law shall be voted in general. If a positive decision is not made, the document shall be voted on an article-by-article basis. In the course of article-by-article voting, proposals shall be debated that are recommended for rejection by the Budget Committee and on which authors thereof insist. The decision on the Conclusions and Proposals to the Draft State Budget Law shall be considered as the adoption of the State Budget Law for the next year on first reading. The parameters of revenues and expenditures specified in the Conclusions and Proposals to the Draft State Budget Law must be balanced out. Conclusions and Proposals of the Budget Committee adopted by the Verkhovna Rada of Ukraine shall be treated as Budget Conclusions of the Verkhovna Rada of Ukraine.

(3) The Verkhovna Rada shall adopt the draft State Budget Law in Ukraine on first reading no later than October 20 (or October 25, if the Draft was accepted for consideration after its second submission by the Cabinet of Ministers of Ukraine) in the year preceding the planned year.

Article 42. Preparation of the draft State Budget Law for the Second Reading

(1) After the adoption of the draft State Budget Law on first reading but no later than November 3 (or November 8, if the Draft was accepted for consideration after its second submission by the Cabinet of Ministers of Ukraine), of the year that precedes the planned one, the Cabinet of Ministers shall develop and submit to the Verkhovna Rada a draft State Budget of Ukraine revised with account for the Budget Conclusions of the Verkhovna Rada of Ukraine and a comparative table that shows the extent to which the revised draft takes into account these Conclusions as well as substantiated explanations regarding those proposals which were not taken into account.

(2) The revised draft State Budget Law of Ukraine prepared for the second reading shall include those articles and amounts that were proposed by the Cabinet of Ministers on first
reading or approved *Budget Conclusions of the Verkhovna Rada of Ukraine*. If the Cabinet of Ministers of Ukraine submits new articles, the need for their incorporation into the Budget Law shall be explained in detail. These requirements with respect to amounts may be not met only if the main macroeconomic indicators of economic and social growth of Ukraine for the next budget period on which the draft Budget Law of Ukraine is based have changed between September 15 of the year that precedes the planned one and the time of consideration on second reading by more than two percent.

(3) If the draft submitted by the Cabinet of Ministers does not meet the requirements specified in Section 2 of this Article, it shall be returned to the Cabinet of Ministers for reworking and submitted thereby for a repeated second reading within one week after the relevant decision made by the Verkhovna Rada.

(4) Within three days after the Cabinet of Ministers’ submission of the draft State Budget for the second reading, the Verkhovna Rada Budget Committee shall prepare conclusions on considering the draft State Budget Law on second reading.

**Article 43. Consideration of the draft State Budget Law on Second Reading**

(1) When the draft State Budget Law of Ukraine is considered on second reading, no proposals from Verkhovna Rada members, committees, groups of members and factions of the Verkhovna Rada that pertain to changes to the draft State Budget Law shall be considered, in addition to conclusions made by the Verkhovna Rada Budget Committee with respect to consideration of the draft State Budget Law on second reading, including the conclusions on the extent to which the Cabinet of Ministers of Ukraine has taken the *Budget Conclusions of the Verkhovna Rada of Ukraine* into account when preparing the draft State Budget Law of Ukraine for the second reading.

(2) The second reading shall begin with a presentation by the Minister of Finance on the revised draft State Budget Law of Ukraine with account taken for the *Budget Conclusions of the Verkhovna Rada of Ukraine*. The Head of the Verkhovna Rada Budget Committee shall report on the Budget Committee’s conclusions on the extent to which the Cabinet of Ministers has taken into account the *Budget Conclusions of the Verkhovna Rada of Ukraine* in preparing the draft State Budget Law of Ukraine for the second reading. The second reading of the draft State Budget Law of Ukraine, first of all, provides for approval of the general amount of the deficit (or surplus), revenues and expenditures of the State budget of Ukraine followed by article-by-article voting on the version of the draft State Budget Law submitted by the Cabinet of Ministers for the second reading.

(3) The second reading of the draft State Budget Law of Ukraine shall be completed before November 20 of the year that precedes the planned one. Therewith, the total amounts of deficit (or surplus), revenues and expenditures of the State budget of Ukraine for the next budget period, the amount of inter-governmental transfers and other provisions necessary for local budget formulation shall be approved during the second reading and are not subject to review during the third reading.

(4) Those articles of the draft State Budget Law which are not adopted during the second reading shall be postponed to the third reading.

**Article 44. Consideration of the draft State Budget Law on Third Reading**

(1) The Verkhovna Rada Budget Committee shall finalize the draft State Budget Law of Ukraine and submit it for consideration to the Verkhovna Rada of Ukraine on third reading no later than November 25 of the year that precedes the planned one.
(2) The third reading of the draft State Budget Law of Ukraine for the next year shall begin with the report of the Head of the Verkhovna Rada Budget Committee as well as a co-report by the Minister of Finance of Ukraine.

(3) After the report by the Head of the Verkhovna Rada Budget Committee and the co-report by the Minister of Finance of Ukraine, the Verkhovna Rada of Ukraine shall vote the proposals by the Verkhovna Rada Budget Committee of Ukraine regarding those articles of the draft State Budget Law of Ukraine that were not approved on second reading and vote the Law in general.

(4) If the State Budget Law of Ukraine, which includes the suggested proposals of the Verkhovna Rada Budget Committee, is not adopted, the Verkhovna Rada shall vote for each of the Budget Committee’s proposals individually.

(5) The Verkhovna Rada of Ukraine shall adopt the State Budget Law for the next year by December 1 of the year preceding the planned one.

Article 45. Particulars of Considering the Draft State Budget Law of Ukraine

(1) The review period for the draft State Budget Law of Ukraine by the Verkhovna Rada shall begin with the formal submission of the draft by the Cabinet of Ministers of Ukraine to the Verkhovna Rada of Ukraine and shall end when it is adopted by the Verkhovna Rada of Ukraine. It does not include the time during which the Cabinet of Ministers of Ukraine revises the draft according to the procedures defined in this Code.

(2) If the Verkhovna Rada rejects the draft State Budget Law of Ukraine, the review period of the draft shall begin again following its resubmission by the Cabinet of Ministers of Ukraine.

(3) The time used by the President of Ukraine to review the State Budget Law of Ukraine, as well as the time spent considering the Law by the Verkhovna Rada of Ukraine (if the President of Ukraine vetoes it and returns it to the Verkhovna Rada of Ukraine for repeated consideration), shall not be included in the total period of the State Budget Law consideration by the Verkhovna Rada of Ukraine.

Article 46. Budget Appropriations if the State Budget Law of Ukraine is not Adopted in Time

(1) If the new State Budget Law of Ukraine is not enacted by the beginning of a new budget period, the Cabinet of Ministers of Ukraine is authorized to spend budget funds consistent with this Article of the Code with the following restrictions:

1) State Budget spending shall be made only for purposes that are identified by the State Budget Law of Ukraine for the previous budget period, which are also included in the State Budget Law of Ukraine for relevant budget period submitted by the Cabinet of Ministers of Ukraine to the Verkhovna Rada of Ukraine.

2) Monthly State budget expenditures shall not exceed 1/12 of the amount defined by the State Budget Law of Ukraine for the previous budget period, except for cases identified in Section 4 of Article 15 and Section 4 of Article 23 of this Code.

3) Capital expenditures are prohibited until the State Budget of Ukraine for the current year is adopted, except for cases related to proclamation of martial law or national emergency, or proclamation of some localities as zones of extraordinary environmental situation.
(2) Within 2 months after the date that the State Budget Law of Ukraine is enacted, the Minister of Finance of Ukraine shall inform the Verkhovna Rada of Ukraine of any budget commitments entered into and any payments made consistent with Section 1 of this Article that were not provided for in the approved State Budget of Ukraine.

(3) Until the State Budget Law of Ukraine for the current budget period is adopted, funds can be borrowed only to cover the existing principal amount of the State debt.

(4) Until the adoption of the State Budget Law of Ukraine for the current budget period, taxes, duties, mandatory payments, and other receipts shall be collected in line with the State Budget of Ukraine for the previous budget period and other regulations and legal directives.

Chapter 8. Execution of the State Budget of Ukraine

Article 47. Organization of the State Budget Execution

(1) The Cabinet of Ministers of Ukraine shall assure the execution of the State budget of Ukraine. The Ministry of Finance shall generally organize and administer the State budget execution process, and coordinate activities of all participants of budget process concerning budget execution.

Article 48. Treasury Servicing of the State Budget of Ukraine

(1) In Ukraine, the State Budget shall be serviced by the State Treasury of Ukraine; this means that the State Treasury of Ukraine shall fulfil:
   1) transactions involving State Budget funds;
   2) cash servicing of spending units;
   3) overseeing execution of budget authorities related to recording receipts, undertaking commitments, and making payments; and
   4) accounting for budget operations and developing budget execution accounting statements.

Article 49. Budget Apportionment [Rospys]

(1) The State Budget of Ukraine shall be executed according to the Apportionment of Budget Appropriations [Rozpys] approved by the Ministry of Finance of Ukraine within one month after the enactment of the State Budget Law of Ukraine. Before the Apportionment is approved, the Minister of Finance of Ukraine shall approve a temporary apportionment for the relevant period. A copy of the approved Apportionment shall be submitted to the Verkhovna Rada Budget Committee of Ukraine, which shall be notified on any further amendments made thereto.

(2) The Minister of Finance shall assure that the Apportionment of the State Budget of Ukraine Appropriations during a budget period is in compliance with authorized budget appropriations.

Article 50. The State Budget of Ukraine Revenue Execution

(1) The Ministry of Finance of Ukraine shall make forecasts and analysis of budget receipts; it holds an exclusive right to authorize delays in the payment of taxes, duties, and other
mandatory payments (on tax credit basis) at the requests of revenue collection units for a period up to three months within the current budget period.

(2) The State Treasury of Ukraine shall maintain accounting records of all State budget revenues, and it shall also provide, at the request of revenue collection units, reimbursements of revenues that were included in the budget in excessive amounts or by mistake.

(3) Revenue collection units shall collect budget receipts of taxes, duties, mandatory payments, and other revenues in full and in a timely manner as provided for in Ukrainian legislation.

(4) Taxes, duties, and mandatory payments paid to the State budget shall be recorded directly in a single Treasury account of the State Budget of Ukraine and shall not be accumulated on the accounts of the revenue collection units.

(5) Taxes, duties, and mandatory payments paid to the State budget are considered to be accounted as State budget revenues at the moment they reach the single Treasury account of the State budget.

Article 51. The State Budget of Ukraine Expenditure Execution

(1) The stages of the execution of the expenditure side of the State budget include:

1) Establishment of budget appropriations for key spending units on the basis of the approved Budget Apportionment;
2) Approving key spending units’ estimates;
3) Entering into budget commitments;
4) Obtaining goods, works, and services;
5) Making payments; and
6) Utilizing goods and services for budget program implementation.

(2) In accordance with the approved Budget Apportionment, key spending units of the State Budget of Ukraine receive budget appropriations that serve as a basis for estimate approvals. The estimate is the main planning document of a budget entity that authorizes the receipt of revenues and the spending of funds and identifies the amount of funds and their use in order to execute its responsibilities and achieve the objectives that are defined for the budget period, as specified in budget appropriations.

(3) The State Treasury of Ukraine shall supervise the conformity of the key spending units’ estimates to the State Budget Apportionment.

(4) Key spending units shall be responsible for managing budget appropriations, for assuring the implementation of procedures, and control over the compliance with the requirements defined under this Code.

(5) Key spending units shall enter into commitments and spend budget funds only within the budget allocations approved in the estimates.

(6) Any commitments entered into by a physical or legal person without authorized appropriations or in excess of the authorizations specified by this Code and the State Budget Law of Ukraine shall not be considered as budget commitments. State budget payments to cover such commitments are disallowed.
(7) Upon delivery of goods and services specified in the conditions of commitments entered into, a spending unit shall make a decision as to paying for these and instruct the State Treasury of Ukraine to make the payment unless otherwise is provided for under regulations or legislative directives of Ukraine.

(8) The State Treasury of Ukraine shall make payments in keeping with instructions of spending units if:

1) a respective financial commitment exists in accounting records of the State budget of Ukraine;

2) use of the funds conforms to budget allocations; and

3) the spending unit has unused balance of allocations carried over from the previous period.

Chapter 9. Making Amendments to the State Budget of Ukraine

Article 52. Procedures to Amend the State Budget Law of Ukraine

(1) The State Budget Law may be amended in the event of a deviation of the forecast of budget revenues from budget assumptions approved in the State Budget of Ukraine for the respective budget period as well as changes in the structure of State Budget expenditures and other cases stipulated by this Code. The Ministry of Finance of Ukraine shall verify monthly the conformity of the revenue forecast with the assumptions approved in the State Budget of Ukraine.

(2) Amendments to be made in the State Budget Law of Ukraine shall be submitted in the form of a Law on Amendments to the State Budget Law of Ukraine.

Article 53. A Surplus in the Budget Revenues

(1) If receipts exceed the amount of the general fund of the State Budget of Ukraine approved in the State Budget Law of Ukraine, this surplus amount shall be allocated under the Law on Amendments to the State Budget of Ukraine.

(2) The existence of a revenue surplus in the general fund of the State Budget of Ukraine shall be recognized on the basis of the formal conclusions of the Verkhovna Rada Budget Committee, the Accounting Chamber of Ukraine, and the Ministry of Finance if, for the three quarters, revenues exceed by more than 15% the general fund revenue target set in the State Budget Apportionment for the respective period. The Verkhovna Rada Budget Committee shall submit the above-mentioned conclusions no later than October 15 of the current year.

(3) The Cabinet of Ministers shall submit a relevant draft State Law on Amendments to the State Budget of Ukraine within two weeks after the formally declaring of the above-mentioned official conclusions.

Article 54. Sequestration of Spending of the General Fund of the State Budget of Ukraine

(1) If a monthly report on State budget execution shows that actual receipts of the general fund of the State budget of Ukraine are not enough to execute allocations in keeping with budget appropriations, taking into account the budget deficit (or surplus) limit, as approved by the State Budget Law of Ukraine, the Ministry of Finance of Ukraine shall impose a temporary restriction of State budget spending.
(2) If a quarterly report on State budget execution shows a revenue shortfall in the general fund of the State Budget of Ukraine of more than 15% of the amount approved by State Budget Apportionment for the relevant period, the Ministry of Finance shall develop proposed amendments to the State Budget of Ukraine. The Cabinet of Ministers of Ukraine shall consider the proposals and submit to the Verkhovna Rada of Ukraine a draft Law on Amendments to the State Budget of Ukraine based on these proposals within two weeks after the Minister of Finance’s receiving the submission.

(3) The Verkhovna Rada of Ukraine shall made a decision with respect to the above-mentioned draft Law of Ukraine to sequester the spending of the State budget of Ukraine within two weeks after the appropriate Cabinet of Ministers submission. For the period until the appropriate decision is approved by the Verkhovna Rada of Ukraine, spending shall be made consistent with the interim restrictions of budget allocations established by the Ministry of Finance of Ukraine.

Article 55. Protected Items of Budget Spending

(1) Protected items are those items of State budget spending and local budget spending, whose amounts shall not be changed when sequestering the approved budget appropriations.

(2) The list of the protected State budget items shall be defined by the State Budget Law of Ukraine.

Chapter 10. Accounting and Accountability for Executing the State Budget of Ukraine

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

(1) Unified accounting rules for all the financial operations and the recording of the State assets and liabilities shall be determined by the State Treasury of Ukraine with the approval of the Ministry of Finance.

(2) The State Treasury of Ukraine shall record all accounting operations of State budget execution. This accounting shall reflect all State assets and liabilities.

(3) Key spending units shall comply with the rules issued by the State Treasury of Ukraine.

(4) All budget receipts and expenses shall be accounted in their gross totals regardless of whether budget appropriations may envisage netting out of these sums.

(5) All budget receipts and budget expenses shall be recorded in a chronological order according to legislatively adopted procedures. All accounting records shall be documented.

Article 57. Procedures to Close Accounts after the End of the Budget Period

(1) On December 31 or on the last day of other budget period, the State Treasury shall close all the accounts opened during the current budget period. In extraordinary situations, the Ministry of Finance of Ukraine may define some other date for closing accounts which must be within 5 business days after the lapse of the budget period.

(2) At the end of the budget period, the State Treasury of Ukraine shall keep the balance of funds on special fund accounts of the State budget of Ukraine to cover the relevant expenditures in the following budget period taking into account their purposes. Accounts of the special fund of the State budget of Ukraine shall be opened in the following budget period.
period with records of all the funds that were received for specific programs but not spent during the previous budget period.

(3) All receipts and payments shall be recorded in the budget period in which they were made.

**Article 58. Reports on State Budget Execution**

(1) Summing up, drawing up, and filing reports on the State budget execution shall be a responsibility of the State Treasury of Ukraine.

(2) Spending units shall, in pursuance of the unified reporting requirements, draw up and file detailed reports that shall contain statements of balances, data on execution of estimates of incomes and expenses, performance data, and other information in the formats stipulated by legislation of Ukraine.

(3) The unified reporting formats to be used for reporting on State budget execution shall be established by the State Treasury of Ukraine in coordination with the Accounting Chamber of Ukraine and the Ministry of Finance of Ukraine.

(4) State budget execution reports shall be drawn up on a preliminary, monthly, quarterly, and yearly basis.

**Article 59. Monthly Report on the State Budget Execution**

(1) A monthly report on the execution of the State Budget of Ukraine shall be submitted by the State Treasury of Ukraine to the Verkhovna Rada of Ukraine, the Cabinet of Ministers of Ukraine, the Accounting Chamber of Ukraine, and the Ministry of Finance of Ukraine before or on the 15th day of the month following the reporting one.

(2) Consolidated indices of reports on budget execution, information about the execution of protected items of the State budget of Ukraine, information on the use of the Reserve Fund of the Cabinet of Ministers shall be submitted by the State Treasury of Ukraine to the Verkhovna Rada of Ukraine, the Cabinet of Ministers of Ukraine, the Accounting Chamber, and the Ministry of Finance of Ukraine before or on the 25th day of the month following the reporting one. Reports on budget arrears shall be submitted before or on the 15th day of the second month after the reporting one.

(3) A monthly report on actual budget receipts of taxes, fees, and mandatory payments and other budget receipts, a monthly report on tax arrears and overpayments (by sector, by territory, by source of revenue, and by form of ownership) shall be provided by revenue collection units to the Verkhovna Rada of Ukraine, the Accounting Chamber of Ukraine, and Ministry of Finance of Ukraine before or on the 12th day of the month following the reporting one.

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

(1) A quarterly report on the execution of the State Budget of Ukraine shall be prepared and submitted by the State Treasury of Ukraine to the Verkhovna Rada of Ukraine, the Cabinet of Ministers of Ukraine, the Accounting Chamber of Ukraine, and the Ministry of Finance of Ukraine within 35 days after the end of the reporting quarter.

(2) A quarterly report on the execution of the State budget of Ukraine shall include the following sections:

1) a balance sheet on the execution of the State Budget of Ukraine;
2) a report on cash flows;
3) a report on the execution of the State budget of Ukraine;
4) a report on the status of State debt;
5) consolidated indices of reports on the budget execution; and
6) a report on loans and other transactions that entail the liabilities guaranteed by the government.

(3) Revenue collection units shall file information on the losses of revenues resulting from tax exemptions to the Verkhovna Rada of Ukraine, the Cabinet of Ministers of Ukraine, the Accounting Chamber, and the Ministry of Finance of Ukraine as well as information on the amounts of restructured debts (by sector, by territory, by source of revenue, and by form of ownership) and amounts of deferred and spread-over payments within 35 days after the end of the quarter.

Article 61. Annual Report on the Execution of the State Budget of Ukraine
(1) An annual report on the execution of the State budget of Ukraine shall be submitted by the Cabinet of Ministers to the Verkhovna Rada of Ukraine before or on the 1st of June of the year following the reporting one.
(2) The annual report on the execution of the State budget of Ukraine shall include the following sections:
1) a balance sheet of the execution of the State budget of Ukraine;
2) a report on the execution of the State budget of Ukraine;
3) a report on cash flows;
4) information on the execution of protected expenditure items of the State budget of Ukraine;
5) a report on budget arrears;
6) a report on the use of resources from the Reserve Fund of the Cabinet of Ministers of Ukraine;
7) information on the status of the State debt;
8) a report on loans and other transactions that entail the liabilities guaranteed by the government;
9) consolidated indices of reports on budget execution;
10) information on the execution of local budgets; and
11) other explanatory information which, in the opinion of the Cabinet of Ministers of Ukraine, is appropriate.

Article 62. Review of the Report on the Execution of the State Budget of Ukraine
(1) The Accounting Chamber shall draw up conclusions on the execution of the State Budget of Ukraine within two weeks after the formal submission of the annual report on the State budget execution by the Cabinet of Ministers of Ukraine.
(2) The Verkhovna Rada of Ukraine shall review the report on State budget execution within two weeks after the receipt of the conclusion on the report on the use of State budget funds made by the Accounting Chamber.

(3) The Cabinet of Ministers’ report to the Verkhovna Rada on the State budget execution shall be presented by the Minister of Finance of Ukraine. The Verkhovna Rada may hear reports of other key spending units of the State budget of Ukraine with respect to use of budget funds by them.

(4) The Heads of the Verkhovna Rada Budget Committee and the Accounting Chamber shall present co-reports on the State budget execution.

(5) Based on results of the review, the Verkhovna Rada shall make a conclusion on the report on the State Budget execution.

Section III. Local Budgets

Chapter 11. Revenues and Expenditures of Local Budgets

Article 63. Structure of Local Budgets

(1) Local budgets under this Code shall include revenues and expenditures for implementation of assignments of bodies of power of the Autonomous Republic of Crimea, local state administrations, or local self-governmental bodies. These revenues and expenditures represent the single balance of the relevant budget.

Article 64. Composition of Revenues Assigned to Budgets of Local Self-government and Taken into Account in Defining the Amounts of Inter-governmental Transfers

(1) Revenues assigned to budgets of local self-government and taken into account in defining the amounts of inter-governmental transfers shall include the following taxes, fees, and mandatory payments:

1) portion of the personal income tax as defined under Article 65 of this Code;

2) portion of the stamp duty that belongs to relevant budgets;

3) fees for licenses authorizing certain categories of entrepreneurial activity and certificates issued by executive bodies of local radas;

4) fees for State registration of business entities collected by executive bodies of local radas;

5) fees for trade patents authorizing certain categories of entrepreneurial activity (except for fees for trade patents authorizing to sell petrochemicals (by filling stations and points) collected by executive bodies of local radas;

6) proceeds from administrative fines imposed by executive bodies of local radas or administrative commissions set up thereby in keeping with the established rules; and

7) portion of the single tax payable by small-sized businesses that belongs to relevant budgets.

(2) Taxes, duties, and mandatory payments referred to in this Article shall be considered as the basket of revenues assigned to budgets of local self-government and taken into account when defining inter-governmental transfers.
Article 65. Sharing Rates for the Personal Income Tax Payable to Budgets of Local Self-government

(1) One hundred percent of the personal income tax collected on the territories of the cities of Kyiv and Sevastopol shall be paid to the budgets of these cities.

(2) Seventy five percent of the overall amount of the personal income tax collected on the territories of cities of Republican (in the Autonomous Republic of Crimea) or oblast significance shall be paid to the budgets of the respective cities;

(3) Twenty five percent of the overall amount of the personal income tax shall collected on the territories of towns, villages, settlements, and associations be paid to the budgets of respective units.

Article 66. Revenues of the Budget of the Autonomous Republic of Crimea, Oblast and Rayon Budgets that Are Taken into Account in Defining the Amounts of Inter-governmental Transfers

(1) In order to implement joint social, economic and cultural projects of territorial communities, revenues of the budget of the Autonomous Republic of Crimea and oblast budgets that are taken into account in defining the amounts of inter-governmental transfers shall be formed from the following sources:

1) 25 percent of the personal income tax collected on the respective territory;
2) 25 percent of the land tax collected on the territory of the Autonomous Republic of Crimea or the respective oblast;
3) fees for licenses to certain categories of entrepreneurial activity and certificates issued by the Council of Ministers of the Autonomous Republic of Crimea and oblast state administrations.

(2) In order to implement joint social, economic and cultural projects of territorial communities, revenues of rayon budgets that are taken into account in defining the amounts of inter-governmental transfers shall be formed from the following sources:

1) 50 percent of the personal income tax collected on the territories of towns, villages, settlements, and associations;
2) 15 percent of the land tax collected on the territories of towns, villages, settlements, and associations;
3) fees for licenses to certain categories of entrepreneurial activity and certificates issued by rayon state administrations;
4) fees for State registration of business entities collected by rayon state administrations; and
5) proceeds from administrative fines imposed by rayon state administrations or administrative commissions set up thereby in keeping with the established rules.

Article 67. Specific Features of the Formulation of the Budget of the Autonomous Republic of Crimea and the Budgets of Kyiv and Sevastopol

(1) Revenues and expenditures of the budget of the Autonomous Republic of Crimea and the budgets of Kyiv and Sevastopol shall be developed under procedures established by this Code taking into account the Law of Ukraine On Approval of the Constitution of the Autonomous Republic of Crimea, the Law of Ukraine On the Capital of Ukraine – City
Hero of Kyiv, and the Law of Ukraine that defines the special status of the city of Sevastopol. Therewith:

1) expenditures of the budgets of Kyiv and Sevastopol shall be developed on the basis of the list of expenditure items identified in Articles 88-91 of this Code.

2) Financial standards of budget sufficiency applied for defining the amounts of intergovernmental transfers for Kyiv and Sevastopol shall be based on the financial standards of budget sufficiency for oblast budgets and budgets of cities of Republican (in the Autonomous Republic of Crimea) and oblast significance with account for specific features of their status.

Article 68. Revenues and Expenditures of Municipal Districts’ Budgets

(1) Revenues and expenditures of the budgets of municipal districts (where available) shall be determined based on the assignments delegated to bodies of power of municipal districts.

Article 69. Revenues of Local Budgets that Are not Taken into Account in Defining Inter-governmental Transfers

(1) Revenues of local budgets that are not taken into account in defining inter-governmental transfers shall include:

1) local taxes and fees payable to local self-governmental budgets;
2) 100 percent of the land tax – for budgets of Kyiv and Sevastopol; 75 percent of the land tax – for budgets of cities of Republican (in the Autonomous Republic of Crimea) or oblast significance; 60 percent of the land tax – for budgets of towns, villages, settlements, and associations;
3) portion of the transport vehicle owner tax payable to the relevant budget;
4) proceeds from interest payable for use of temporary surplus budget resources;
5) handicrafts tax payable to local self-governmental budgets;
6) dividends on the stake (stock, share) of the relevant territorial community in statutory funds of business entities;
7) portion of the levy for pollution of natural external environment payable to the relevant budget;
8) proceeds from the sale of assets owned by territorial communities, including from sale of communally owned land plots used for non-agricultural purposes;
9) portion of the fixed agricultural tax payable to local self-governmental budgets;
10) rental payments payable for rent of communally owned property complexes;
11) proceeds from local lotteries;
12) fees for guarantees subject to conditions defined by Article 17 of this Code;
13) grants and gifts (in value);
14) own revenues of budget entities maintained from the relevant budget;
15) enterprise profit tax payable by communally owned enterprises;
16) levies for special use of natural resources of local significance; and
17) other receipts provided for under legislation.

**Article 70. Expenditures of Local Budgets**

(1) Expenditures of local budgets shall include budget appropriations defined by a local budget decision for concrete purposes related to the implementation of programs, whose list is defined under Articles 88-91 of this Code.

**Article 71. Local Capital Budgets**

(1) Local capital budgets shall include:

1) proceeds from the sale of communally owned assets, including from sale of land plots used for non-agricultural purposes;

2) receipts of dividends paid on the territorial community’s stake (stock, share) in statutory funds of business entities;

3) proceeds from repayment of loans provided from the relevant budget prior to the enactment of this Code and interest paid for use of these loans;

4) resources transferred from the other part of the local budget in pursuance of a decision made by the relevant Rada;

5) borrowing raised consistent with procedures provided for under this Code and other laws of Ukraine (except for cases provided under Article 73 of this Code); and

6) subventions provided from other budgets for implementation of investment projects.

(2) Capital expenditures of local budgets shall include:

1) repayment of the principal of debts of the Autonomous Republic of Crimea and local self-government (except for the debt arising as provided under Article 73 of this Code); and

2) capital investment; and

3) contributions of bodies of power of the Autonomous Republic of Crimea and local self-government authorities related to their stakes in statutory funds of business entities.

(3) Capital budget of a local budget is a constituent of the special fund of the local budget.

**Article 72. Deficits of the Budget of the Autonomous Republic of Crimea and City/town Budgets**

(1) The Budget of the Autonomous Republic of Crimea and city/town budgets cannot be passed with a deficit other than capital budget deficit.

(2) Deficits of the budget of the Autonomous Republic of Crimea and city budgets shall be covered by borrowing.

(3) Budgets of oblasts, rayons, municipal districts, villages and settlements cannot be passed with a deficit.

**Article 73. Loans Provided to Local Self-government Budgets**

(1) The Council of Ministers of the Autonomous Republic of Crimea, local state administration, executive bodies of local radas may secure short-term loans authorized by
local rada’s decisions in financial and credit establishments for a term of up to three months but within the limits of a current budget year for purposes of liquidation of current budget short-term cash gaps. The procedure for securing such loans shall be defined by the Ministry of Finance of Ukraine.

(2) No loans can be provided from one budget to another one.

**Article 74. Borrowing by Local Budgets**

(1) Borrowing by local budgets shall be targeted and subject to obligatory repayment. Borrowing by respective budgets may be undertaken only for financing the capital budget, except for the cases provided under Article 73 of this Code.

(2) The State is not liable for local budgets’ borrowing.

(3) Servicing payments shall be made at the expense of the general fund of the budget.

(4) Annual spending for servicing of the debt of a local budget cannot exceed 10 percent of the general fund of the relevant local budget in any budget period in which the debt is to be serviced.

(5) If, in the process of repayment of the principal and interest, the contract schedule is violated by the borrower, the relevant local Rada is prohibited from new borrowing for the next 5 years.

(6) Procedures for raising capital to fund local budgets shall be established by the Cabinet of Ministers of Ukraine in compliance with procedures defined under this Code.

**Chapter 12. Formulation, Consideration, Approval, Execution and Reporting of Local Self-government Budgets**

**Article 75. Procedure of Development of Local Budgets**

(1) The Ministry of Finance of Ukraine shall inform the Council of Ministers of the Autonomous Republic of Crimea, local State administrations and executive bodies of relevant radas on the specifics of making estimates for draft budgets for the following budget period.

(2) The Council of Ministers of the Autonomous Republic of Crimea, local state administrations and executive bodies of relevant radas shall provide the Ministry of Finance of Ukraine with information necessary for calculating the amounts of intergovernmental transfers and other amounts and the Verkhovna Rada Budget Committee of Ukraine with information necessary for verifying these calculations.

(3) Local financial bodies develop and bring to notice of key spending units instructions for preparation of budget requests in compliance with the standard form for budget requests set by the Ministry of Finance of Ukraine and with Article 34 of this Code as well as with account for peculiarities of draft local budget formulation.

(4) Key spending units shall organize formulation of budget requests with the view of submission thereof to local financial bodies within the time limits and in compliance with procedure set by these bodies. Key spending units are responsible for the timeliness, reliability, and contents of budget requests filed to local financial bodies. These requests shall contain all information necessary for analysis of the amounts of a draft local budget in compliance with requirements of local financial bodies.
(5) Local financial bodies, at all stages of formulation and consideration of draft local budget, shall analyze the budget requests submitted by key spending units from the viewpoint of their compliance with the purpose, priority, as well as effectiveness and efficiency of the use of budget funds. Based on the analysis, the head of a local financial body shall make a decision on the inclusion of the budget request to the proposed draft local budget prior to its submission for review to the Council of Ministers of the Autonomous Republic of Crimea, local state administration, or the executive body of a local rada as appropriate.

(6) Executive bodies of the radas of villages, settlements, and towns, as well as district state administrations of municipal districts in the cities of Kyiv and Sevastopol shall submit proposals, respectively, to rayon, district or city financial bodies with respect to amounts of relevant draft budgets defined in compliance with requirements of Sections 3 through 5 of this Article.

(7) Upon approval of the draft State Budget Law of Ukraine by the Cabinet of Ministers of Ukraine, the Ministry of Finance of Ukraine shall inform the Council of Ministers of the Autonomous Republic of Crimea, local state administrations and executive bodies of local radas about the estimated amount of intergovernmental transfers, methodology for their definition, other amounts as necessary for development of draft local self-government budgets and other parameters needed for formulation of local budgets as well as proposals as to the format of draft decisions on local budgets (standard decision form).

(8) Within two weeks after the approval of the State Budget Law on second reading, the Cabinet of Ministers of Ukraine shall bring to notice of the Council of Ministers of the Autonomous Republic of Crimea, local state administrations, and executive bodies of local radas provisions and indices of intergovernmental fiscal relations (amounts of intergovernmental transfers to relevant budgets and other provisions that define the peculiarities of intergovernmental fiscal relations for the next budget period) that were approved by the Verkhovna Rada of Ukraine when approving the State Budget Law on second reading.

(9) On the basis of information received as provided in Sections 5 through 8 of this Article, the Council of Ministers of the Autonomous Republic of Crimea, local state administrations, and executive bodies of local radas shall draw draft decisions on relevant local budgets.

**Article 76. Composition of a Local Budget and Supporting Materials**

(1) Before its consideration at the session of the relevant rada, a draft local self-government budget shall be approved by the Council of Ministers of the Autonomous Republic of Crimea, local state administration, or the executive body of the relevant local rada and shall be supported by the following materials:

1) explanatory notes on the draft containing:

   a) information on social and economic situation of the relevant administrative-territorial unit and the forecast of its development for the next budget period that serve as the basis for the draft local budget;

   b) an evaluation of receipt of revenues taking into account the losses of revenues as a result of tax exemptions provided by the relevant local rada.

   c) an explanation to the main provisions of the draft local budget decision, including analysis of the proposed amounts of spending for functions and programs.
Justifications shall include budget data for the previous, current, and next budget periods in the context of the budget expenditure classification.

d) rationale of specifics of intergovernmental fiscal relations (for the budgets of rayons, cities divided into districts, and cities with towns, villages and settlements included into their territory) and provision of subventions for investment projects (for the budgets of the Autonomous Republic of Crimea, cities of Kyiv and Sevastopol, and oblasts);

e) information on repayment of debts of the Autonomous Republic of Crimea and local self-government, including amounts and terms of borrowing;

2) forecasted amounts of the relevant budget by main type of revenues, expenditures and financing for the next three budget periods;

3) draft indices of the consolidated budget of a rayon, a city divided into districts or a city with towns, villages and settlements included into its territory;

4) amounts of spending necessary for future budget periods in order to complete the projects envisaged in the budget, if implementation of the projects lasts longer than one budget period;

5) list of investment programs for the next budget period and for the following three budget periods;

6) information on the progress of execution of the relevant budget in the current budget period;

7) explanations by key spending units on the relevant draft budget (to be submitted to the budget commission of the relevant rada); and

8) other materials, the volume and format of which shall be determined by the Council of Ministers of the Autonomous Republic of Crimea, local state administration, or the executive body of a local rada.

(2) The draft local budget decision shall identify:

1) the total amount of revenues and the total amount of expenditures (broken down into general and special funds as well as into current and capital expenditures);

2) the limiting amount of the annual budget deficit (or surplus) of the local budget in the next budget period and the debt of the Autonomous Republic of Crimea or a local self-government as of the end of the next budget period; authorities to provide guarantees by the Autonomous Republic of Crimea or a local self-government, as well as amounts of those guarantees in compliance of Article 17 of this Code;

3) budget appropriations for key spending units in accordance with the budget classification;

4) budget revenues in accordance with the budget classification;

5) budget appropriations with respect to inter-governmental transfers; and

6) additional provisions that regulate the process of budget execution.

(3) The list of protected items of a local budget shall be determined according to Article 55 of this Code.
Article 77. Approval of Local Budgets

(1) In pursuance of Sections 8 and 9 of Article 75 of this Code, the Verkhovna Rada of the Autonomous Republic of Crimea and local radas shall, when approving local budgets, take into account the amounts of inter-governmental transfers and other provisions needed for local budget formulation approved by the Verkhovna Rada of Ukraine when adopting the State Budget Law of Ukraine on second reading.

(2) The budgets of the Autonomous Republic of Crimea, oblasts, rayons, Kyiv and Sevastopol, and cities of Republican (in the Autonomous Republic of Crimea) or oblast significance shall be approved by decisions of the Verkhovna Rada of the Autonomous Republic of Crimea, or radas of corresponding oblasts, rayons, and cities within two weeks after the official publication of the State Budget Law of Ukraine.

(3) Budgets of towns, municipal districts (if there are any), and villages for the next budget period shall be approved, respectively, by decisions of town, district, or village radas within a two-week period after the approval of the budget of a rayon, city (for the cities of Kyiv or Sevastopol), or a city of Republican (in the Autonomous Republic of Crimea) or oblast significance.

Article 78. Execution of Local Budgets

(1) The Council of Ministers of the Autonomous Republic of Crimea, local state administrations, executive bodies of local radas or heads of cities, towns, villages, and settlements (if no appropriate executive bodies are created) share ensure execution of local budgets. Local financial bodies shall generally organize and manage the execution of the relevant local budget and coordinate the activities of participants of the budget process regarding budget execution.

(2) Treasury servicing of local budgets shall be exercised by territorial bodies of the State Treasury of Ukraine in accordance with the functions specified in Article 48 of this Code.

(3) Local budgets shall be executed in accordance with the apportionment approved by the head of the local financial body. Prior to the approval of the apportionment by the head of the local financial body, an interim apportionment shall be approved for the relevant period. The head of a local financial body shall ensure the compliance between the set budget appropriations and the apportionment of the local budget during the budget period.

(4) A local financial body in the process of executing the revenue side of the budget shall forecast and analyze revenues of the relevant budget.

(5) Taxes and fees (mandatory payments) and other receipts of a local budget shall be paid directly to the account of the relevant budget opened with the territorial body of the State Treasury and cannot be accumulated on the accounts with revenue collection units. Taxes, fees, mandatory payments, and other receipts of the relevant budget shall be reckoned as paid to the revenue side of the relevant local budget as soon as they are paid to the account of the relevant budget opened with the territorial body of the State Treasury.

(6) The expenditure side of local budgets shall be executed in accordance with the procedures established by Article 51 of this Code.

(7) Decisions concerning the introduction of amendments to the rada’s budget decision shall be approved by the rada following the conclusion of a local financial body regarding over- or underexecution of the general fund revenues of the relevant budget. The fact of overexecution of the revenue side of the general fund of a local budget shall be established based on official conclusions made by the local financial body as per results.
of the first three quarters. It is reckoned that the revenue side is overexecuted if the target for revenues of the general fund of a local budget set in the apportionment of the local budget is exceeded by more than 15 percent. The fact of underexecution of the revenue side of the general fund of a local budget shall be established based on official conclusions made by the local financial body as per results of the quarterly report. It is reckoned that the revenue side is underexecuted if there is a more than 15 percent shortfall of the target for revenues of the general fund of a local budget set in the apportionment of the local budget.

(8) Decisions to amend a local budget decision may also be approved by the concerned rada in other cases provided for by this Code.

(9) Accounting records of local budget execution shall be kept and procedures for closing local budgets’ accounts at the end of a budget period shall be fulfilled in compliance with the rules established by Articles 56 and 57 of this Code.

(10) After the enactment of the State Budget Law of Ukraine, bodies of State power and their officials shall be prohibited from making decisions that require entering into new budget commitments that are not provided with budget appropriations without determining the sources of funds allocated by the State for implementation of these commitments.

Article 79. Particulars of Approving and Executing Local Budgets in Case of Untimely Adoption of the Budget

(1) If by the beginning of a new budget period, a local rada fails to adopt a local budget decision, the Council of Ministers of the Autonomous Republic of Crimea, local state administrations, and executive bodies of local radas shall be allowed to make spending from the relevant budgets only for purposes specified in the local budget decision for the previous budget period. Therewith, monthly spending cannot exceed 1/12 of the amount of spending defined by the local radas’ budget decision for the previous budget period, except for cases provided for under Section 4 of Article 15 and Section 4 of Article 23 of this Code. Capital expenditures are prohibited during the period until the local budget decision for the current budget period is approved.

Article 80. Frequency, Structure, and Timing of Reports on Local Budget Execution

(1) The frequency, structure, and timing of reports on local budget execution shall be established by the State Treasury of Ukraine in compliance with the requirements regulating the submission of reports on the execution of the State Budget of Ukraine specified in Articles 58 through 61 of this Code.

(2) Territorial bodies of the State Treasury shall draw up and submit to the corresponding local financial bodies the balance sheets, reports on local budget execution, and other financial reports in accordance with the rules and formats established by the State Treasury of Ukraine and approved by the Ministry of Finance of Ukraine and the Accounting Chamber. Consolidated indices of the budget execution reports shall be concurrently submitted by bodies of the State Treasury of Ukraine to the Ministry of Finance of the Autonomous Republic of Crimea, financial bodies of local state administrations, and executive bodies of relevant radas in compliance with conditions provided for under Section 1 of this Article.

(3) Revenue collection units shall submit to local financial bodies reports provided for under Section 3 of Article 59 of this Code.
(4) The quarterly and annual budget execution reports shall be submitted to the Verkhovna Rada of the Autonomous Republic of Crimea or the corresponding rada by the Council of Ministers, a local state administration, executive body of the relevant rada, or the head of the town, village or settlement (if no appropriate executive bodies are created) within two months after the end of the budget period. The 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 bodies of executive power) or the budget commission of the corresponding radas; subsequently, the radas shall adopt budget execution decisions or make other appropriate decision on this matter.

Section IV. Intergovernmental Fiscal Relations


Article 81. The Notion and the Goal of Regulating Intergovernmental Fiscal Relations

(1) Intergovernmental fiscal relations shall be understood as relations between the State, the Autonomous Republic of Crimea, and local self-governments under which local budgets receive funds required for implementing functions as stipulated under the Constitution of Ukraine and laws of Ukraine.

(2) The goal of regulating intergovernmental fiscal relations is to assure conformity between expenditure assignments assigned to budgets under Ukrainian legislation and budget resources meant for implementation of these assignments.

Article 82. Expenditures for Execution of Assignments

(1) Expenditures for execution of assignments to be implemented with funds from the State budget and local budgets are divided into:

1) expenditures related to provision of the Constitutional order in the State, State integrity and sovereignty, independent litigation, as well as other assignments provided for under this Code that cannot be delegated for implementation to the Autonomous Republic of Crimea and local self-government;

2) expenditures which are determined by the State’s functions and may be delegated for implementation to the Autonomous Republic of Crimea and local self-government with the view to ensuring the most effective implementation thereof on the basis of the subsidiarity principle; and

3) expenditures on implementation of the rights and duties of the Autonomous Republic of Crimea and local self-government of a local nature defined by Ukrainian legislation.

Article 83. Resources for Budget Expenditures

(1) Expenditures specified in Item 1 of Article 82 of this Code shall be financed by the State budget of Ukraine.

(2) Expenditures specified in Items 2 and 3 of Article 82 of this Code shall be funded from the overall amount of resources of local budgets, including transfers from the State budget.
Article 84. Responsibility for Expenditures

(1) Execution of expenditures specified under Item 1 of Article 82 of this Code shall be a responsibility of respective State authorities.

(2) Implementation of assignments specified under Items 2 and 3 of Article 82 of this Code shall be a responsibility of the Council of Ministers of the Autonomous Republic of Crimea, local state administrations, executive bodies of relevant radas, and the heads of towns, villages, and settlements (where relevant executive bodies are not available).

Article 85. Delegation of the Right to Execute Expenditures

(1) The State may delegate to the Council of Ministers of the Autonomous Republic of Crimea or local self-governmental bodies expenditure assignments subject to assigning budget resources in the form of assigned national taxes, fees, mandatory payments or shares thereof 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 bodies of local radas, and the heads of towns, villages, and settlements (where relevant executive bodies are not available) shall ensure execution of expenditure assignments specified in Items 2 and 3 of Article 82 of this Code from relevant local budgets in compliance with the division of these expenditures between the budgets as defined by Articles 88-91 of this Code. It is prohibited to plan and implement expenditures that are not assigned to local budgets by this Code, as well as implement expenditures on financing of budget entities from different budgets during the budget period.

Article 86. Criteria for Division of Expenditure Assignments between Local Budgets

(1) Division of expenditure assignments specified in Items 2 and 3 of Article 82 of this Code between local budgets shall be based on the subsidiarity principle taking into account the criteria assuring the complete provision of services and bringing them closer to the ultimate beneficiary. Consistent with these criteria, expenditures are divided into the following groups:

1) the first group embraces expenditures for financing those budget entities and activities that provide essential social services guaranteed by the State and are located as close to beneficiaries as possible;

2) the second group embraces expenditures for financing those budget entities and activities that provide primary social services guaranteed by the State to all the citizens of Ukraine; and

3) the third group embraces expenditures for financing those budget entities and activities that provide social services guaranteed by the State to particular categories of citizens or expenditures related to financing programs, the need for which exists in all the regions of Ukraine.

(2) Expenditures of the first group shall be implemented at the expense of the budgets of towns, settlements, villages, and associations.

(3) Expenditures of the second group shall be implemented from the budgets of cities of Republican (in the Autonomous Republic of Crimea) and oblast significance and the budgets of rayons.
(4) Expenditures of the third group shall be implemented from the budget of the Autonomous Republic of Crimea and oblast budgets.

(5) The budgets of the cities of Kyiv and Sevastopol finance expenditures of all the three groups.

Chapter 14. Division of Expenditure Assignments Across the Budgets

Article 87. Expenditures Funded from the State Budget of Ukraine

(1) Expenditures funded from the State budget of Ukraine shall include expenditures on:

1) State administration:
   a) the legislative power;
   b) the executive power;
   c) the President of Ukraine;

2) judicial power;

3) international activity;

4) fundamental and applied research of nationwide importance and fostering scientific/technical progress, international scientific and informational contacts of nationwide importance;

5) national defense;

6) law-enforcement and State security;

7) education:
   a) general secondary education:
      specialized schools (including boarding schools) based on State property;
      and
      secondary social rehabilitation schools;
   b) vocational education (educational establishments and education-related establishments based on State property);
   c) educational establishments of higher education based on State property;
   d) post-graduate education (except for post-graduate establishments and activities specified under Item (d) of Section 90(2) of this Code);
   e) extra-curriculum educational establishments and activities related to extra-curriculum work with children as per list approved by the Cabinet of Ministers of Ukraine;
   f) other educational establishments implementing nationwide functions as per list approved by the Cabinet of Ministers of Ukraine;

8) health care:
   a) primary medical and sanitary aid, out-patient and in-patient aid (general hospitals and out-patient clinics implementing specific functions of nationwide importance as per list approved by the Cabinet of Ministers of Ukraine);
b) specialized and highly specialized out-patient and in-patient aid (clinics of research-and-development institutes; specialized hospitals, centers, leprosoriums; hospitals for war veterans; specialized medical and sanitary departments; specialized out-patient clinics; specialized dental clinics as per list approved by the Cabinet of Ministers of Ukraine);

c) sanatorium-and-resort aid (national sanatoria for tuberculosis patients, national specialized sanatoria for children and adolescents, specialized sanatoria for veterans of World War II);

d) sanitary-and-epidemiological supervision (sanitary/epidemiological stations, disinfecting stations; anti-epidemic activities); and

e) other health-care programs that provide implementation of nationwide functions as per list approved by the Cabinet of Ministers of Ukraine;

9) social protection and social security:

a) State specialized pension programs (military pensions for the rank and file and their family members; pensions for retired military men, the rank and file and commanders of bodies of internal affairs payable under other pension programs);

b) State social assistance programs (cash aid to refugees; compensations for medicines; prosthesis programs; programs and activities related to social protection of invalids, including reimbursement of losses incurred by citizens; measures related to return to Ukraine of the Crimean Tartars and other persons of other nationalities illegally deported from Ukraine; yearly one-time cash aid to veterans of World War II; life stipends for war participants; funds transferred to the Unemployment Social Insurance Fund; partial reimbursement of expenses on miners’ regress claims);

c) State support to non-for-profit organizations of invalids and veterans that have the status of national organizations;

d) national programs and activities with respect to children, youth, women, and families; and

e) State programs to support construction (reconstruction) of housing for certain categories of citizens.

10) culture and art:

a) State cultural and educational programs (national and State libraries, museums and exhibitions of nationwide importance; national parks of nationwide importance; international cultural ties; State’s cultural-and-educational activities);

b) State theatre/show programs (national theatres, national philharmonic societies, national and State musical collectives and companies and other establishments and activities related to arts as per list approved by the Cabinet of Ministers of Ukraine);

c) State support to non-for-profit organizations of culture and art which have the status of national organizations;

d) State programs to support cinematography; and

e) State archives;
11) State programs to support television, radio broadcasting, press, book publishing, and informational agencies;

12) physical training and sport:
   a) State programs to train the reserve and the main national teams and support their participation in national and international competitions (maintenance of central sportmanship schools as per list approved by the Cabinet of Ministers of Ukraine; national teams, their training sessions, and national competitions in traditional and non-traditional sports; preparation and participation of national teams in Olympic and Paralympic games, including maintenance of sport facilities designated for Olympic training);

   b) State programs on sports for disabled and rehabilitation programs (the Invasport Center; participation in sport competitions for disabled and training sessions for them); and

   c) other State sport programs related to physical culture and sports;

13) State programs to support regional economic development and high-priority sectors of the economy;

14) programs related to restoration of architectural monuments of nationwide importance;

15) State programs for development of transport, road sector, communications, telecommunications, and information technologies;

16) State investment projects;

17) State programs related to liquidation of aftermath of the Chornobyl catastrophe; protection of the natural external environment; nuclear safety; prevention and liquidation of emergency state and aftermath of natural calamities;

18) establishment and replenishment of State stocks and reserves;

19) servicing of the State debt;

20) elections and referenda; and

21) other programs of exclusively nationwide importance.

Article 88. Expenditures Funded from the Budgets of Towns, Villages, Settlements, and Associations and Taken into Account in Defining the Amounts of Transfers

(1) Expenditures that are funded from the budgets of towns, villages, settlements, and associations and taken into account in defining inter-governmental transfers shall include expenditures for:

   1) local self-governmental bodies of towns, villages, settlements;

   2) education:

      pre-school education;

      general secondary education (schools with kindergartens);

   3) primary medical and sanitary aid, out-patient and in-patient aid (district hospitals, ambulatory centers, first-aid and obstetrics centers and first-aid stations); and
4) palaces of culture, clubs, and libraries in towns, villages, and settlements.

Article 89. Expenditures Funded from Rayon Budgets and Budgets of Cities of Republican (in the Autonomous Republic of Crimea) or Oblast Significance Taken into Account in Defining the Amounts of Transfers

(1) Expenditures funded from rayon budgets and budgets of cities of Republican (in the Autonomous Republic of Crimea) or oblast significance shall include expenditures on:

1) state administration:
   a) expenditures of local self-governmental bodies of cities of Republican (in the Autonomous Republic of Crimea) or oblast significance; and
   b) rayon-level local self-governmental bodies;

2) education:
   a) pre-school education (for cities of Republican (in the Autonomous Republic of Crimea) or oblast significance);
   b) general secondary education: general secondary educational establishments, including: schools with kindergartens (for cities of Republican (in the Autonomous Republic of Crimea) or oblast significance), specialized schools, lyceums, gymnasiums, collegiums, evening (shift) schools;
   c) educational establishments for citizens requiring social assistance and rehabilitation: general boarding schools, general boarding schools for orphans and children without parents’ care; children’s houses (in case if at least 70 percent of the students’ roll is formed on the territory of the relevant city/town or rayon), family-type children’s houses and adoptive families; allowances for children in ward; and
   d) other educational State programs;

3) health care:
   a) primary medical and sanitary aid, out-patient and in-patient aid (non-specialized hospitals, maternity homes, first-aid and emergency stations, out-patient hospitals and ambulatory centers, general dentist hospitals); and
   b) health education programs (municipal and rayon health centers and health education activities);

4) social protection and social security:
   a) State social security programs: hospices for adolescents (if at least 70 percent of the roll is formed on the territory of the relevant city/town or rayon); territorial centers and departments for home-care social assistance);
   b) state social protection programs: benefits to war and labor veterans; cash aid to families with children; additional disbursements paid to citizens to cover rent and utility expenses; compensation payments for transport benefits provided to certain categories of citizens; and
   c) State programs to support construction (reconstruction) of housing for certain categories of citizens; and
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Article 90. Expenditures Funded from the Budget of the Autonomous Republic of Crimea and Oblast Budgets Taken into Account in Defining the Amounts of Transfers

(1) Expenditures that are funded from the budget of the Autonomous Republic of Crimea and oblast budgets and taken into account in defining the amounts of intergovernmental transfers shall include expenditures on:

1) state administration:
   a) representative and executive power in the Autonomous Republic of Crimea; and
   b) oblast radas;

2) education:
   a) general secondary education for citizens who need special assistance and rehabilitation: specialized general-education establishments for children requiring correction of physical and/or mental development; sanatoria with boarding schools; secondary boarding schools for orphans and children without parents’ care; children’s houses (except for boarding schools for orphans and children without parents’ care and children’s houses specified under letter (c) of Section 2 of Article 89 of this Code); and family-type children’s houses and adopted families);
   b) vocational educational establishments that are owned by the Autonomous Republic of Crimea and implement the State order;
   c) higher education (communally-owned educational establishments of higher education of the I, II, III, and IV levels of accreditation owned by the Autonomous Republic of Crimea and jointly owned by territorial communities);
   d) post-graduate education (post-graduate institutes for teachers and advanced-training centers for civil servants of local bodies of executive power and local self-governmental bodies; communally owned standing courses (centers) for advanced training of employees engaged in the socio-cultural sector and agro-industrial complex); and
   e) other State educational programs;

3) health care:

d) rayon and city programs and activities related to the State’s policy to support children, youth, women, families;

5) State culture/art and entertainment programs (theatres, libraries, museums, exhibitions, palaces and buildings of culture, children’s esthetic schools; and

6) State programs to foster development of physical training and sports: maintenance of sport schools and educational and training work in sport schools for children and youth of any type (except for schools of Republican (in the Autonomous Republic of Crimea) and oblast importance); activities related to physical training and sport; and financial support to organizations engaged in physical training and sport and sport facilities of local importance.

Article 90. Expenditures Funded from the Budget of the Autonomous Republic of Crimea and Oblast Budgets Taken into Account in Defining the Amounts of Transfers

(1) Expenditures that are funded from the budget of the Autonomous Republic of Crimea and oblast budgets and taken into account in defining the amounts of intergovernmental transfers shall include expenditures on:

1) state administration:
   a) representative and executive power in the Autonomous Republic of Crimea; and
   b) oblast radas;

2) education:
   a) general secondary education for citizens who need special assistance and rehabilitation: specialized general-education establishments for children requiring correction of physical and/or mental development; sanatoria with boarding schools; secondary boarding schools for orphans and children without parents’ care; children’s houses (except for boarding schools for orphans and children without parents’ care and children’s houses specified under letter (c) of Section 2 of Article 89 of this Code); and family-type children’s houses and adopted families);
   b) vocational educational establishments that are owned by the Autonomous Republic of Crimea and implement the State order;
   c) higher education (communally-owned educational establishments of higher education of the I, II, III, and IV levels of accreditation owned by the Autonomous Republic of Crimea and jointly owned by territorial communities);
   d) post-graduate education (post-graduate institutes for teachers and advanced-training centers for civil servants of local bodies of executive power and local self-governmental bodies; communally owned standing courses (centers) for advanced training of employees engaged in the socio-cultural sector and agro-industrial complex); and
   e) other State educational programs;

3) health care:

d) rayon and city programs and activities related to the State’s policy to support children, youth, women, families;

5) State culture/art and entertainment programs (theatres, libraries, museums, exhibitions, palaces and buildings of culture, children’s esthetic schools; and

6) State programs to foster development of physical training and sports: maintenance of sport schools and educational and training work in sport schools for children and youth of any type (except for schools of Republican (in the Autonomous Republic of Crimea) and oblast importance); activities related to physical training and sport; and financial support to organizations engaged in physical training and sport and sport facilities of local importance.
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1) primary medical and sanitary aid, out-patient and in-patient aid (hospitals of Republican (in the Autonomous Republic of Crimea) and oblast importance);

b) specialized medical and sanitary aid, out-patient and in-patient aid (specialized hospitals; out-patient clinics, including dental clinics; dispensaries, hospitals for veterans of World War II, children’s homes, and blood-transfusion stations);

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

d) other State health-care and sanitary programs (medical/social expert boards; forensic medicine bureaus; medical statistics centers, suppliers of special medical equipment, health centers; health education activities; other programs and activities);

4) social protection and social security:

a) State social protection and social security programs: aid to those who take care of invalids of Groups 1 or 2 with mental disorders; targeted social assistance to low-income families; compensation paid to the rehabilitated; children’s boarding establishments; training and job-finding for invalids; hospices for aged and handicapped; hospices for handicapped children; pension centers; hospices for adolescents (except for hospices specified under letter (a) of Section 4 of Article 89 of this Code);

b) Republic-wide (in the Autonomous Republic of Crimea) and oblast-wide programs and activities related to the State’s policy to support children, youth, women, families; and

c) other State social programs;

5) culture and art:

a) State cultural/educational programs (libraries, museums, and exhibitions of Republican (in the Autonomous Republic of Crimea) and oblast importance);

b) State theatre/entertainment programs (philharmonic societies, musical collectives and companies, theatres, palaces and houses of culture of Republican (in the Autonomous Republic of Crimea) and oblast importance; other establishments and activities related to arts);

c) other culture/art related State programs; and

6) physical culture and sport:

a) State programs for development of physical culture and sports (training activities in any type of sport schools of Republican (in the Autonomous Republic of Crimea) and oblast importance for children and adolescents; measures to support physical culture and sport of Republican (in the Autonomous Republic of Crimea) and oblast importance); and

b) State programs related to sports and rehabilitation of the handicapped (Republican (in the Autonomous Republic of Crimea) and oblast centers for handicapped athletes and sport schools for handicapped children and adolescents and specialized sport schools for para-Olympic reserve; training sessions and competitions for handicapped athletes of Republican (in the Autonomous Republic of Crimea) and oblast importance).
Article 91. Expenditures of Local Budgets That Are Not Taken into Account in Defining the Amounts of Inter-governmental Transfers

(1) Expenditures of local budgets that are not taken into account in defining the amounts of inter-governmental transfers shall include expenditures on:

1) local fire-fighting units; and
2) extra-curriculum education;
3) social protection and social security:
   a) programs and activities of local importance to support children, youth, women, and families; and
   b) local social protection programs for certain categories of the population;
4) local programs to support the housing and communal sector and provision of amenities in settlements;
5) cultural/art programs of local importance;
6) programs to support cinematography and mass-media of local importance;
7) local programs to support development of physical culture and sports;
8) standard design; restoration and protection of architectural monuments of local significance;
9) transport and roads:
   a) regulation of prices for services of metropolitan railways based on decisions of local self-govermental bodies;
   b) exploitation of the road system of local significance (including services provided by specialized assembly/exploitation units); and
   c) construction, reconstruction, and maintenance of roads of local importance;
10) water-rescue activities;
11) servicing of local self-government debts;
12) local environmental protection programs;
13) management of communal property;
14) regulation of land-related relations; and
15) other programs approved by a responsible Rada consistent with law.

Article 92. Expenditures for Delegated Own Assignments between Local Self-government Budgets

(1) Territorial communities of villages, settlements, and towns may pool resources of their respective budgets on a contractual basis for implementation of own assignments.

(2) Radas of cities of Republican (in the Autonomous Republic of Crimea) or oblast significance and rayon radas may delegate all or a part of own assignments to the Verkhovna Rada of the Autonomous Republic of Crimea or to the oblast rada. This delegation shall be accompanied by transferring appropriate resources to the budget of the Autonomous Republic of Crimea or to the relevant oblast budget in the form of an inter-
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Section 15. Calculation of Expenditures Taken into Account in Defining the Amounts of Inter-governmental Transfers

Article 93. Expenditures for Implementation of Assignments Delegated by the State

(1) Relegation of expenditure assignments for implementation of assignments delegated by the State to budgets of villages, settlements and associations shall be based on decisions of the radas of a rayon or city of Republican (in the Autonomous Republic of Crimea) or oblast significance accompanied by transferring appropriate resources in the form of an inter-governmental transfer.

(2) Radas of cities of Republican (in the Autonomous Republic of Crimea) or oblast significance may relegate a portion of expenditures for implementation of assignments delegated by the State to a rayon rada with transferring appropriate resources in the form of an inter-governmental transfer. Rayon radas may also relegate a portion of delegated by the State assignments to the rada of a city of Republican (in the Autonomous Republic of Crimea) or oblast significance with transferring appropriate resources in the form of an inter-governmental transfer. This relegation shall be implemented on the basis of joint decisions of the concerned radas and executed in the form of an agreement.

(3) Unless otherwise is provided by agreement, the amount of resources transferred for implementation of assignments delegated by the State shall be proportional to the shares of users of said services in the full cost of those services calculated on the basis of financial standards of budget sufficiency for the body of power of the Autonomous Republic of Crimea or local self-governmental body that delegates those assignments.

(4) If budget entities located in a city of Republican (in the Autonomous Republic of Crimea) or oblast significance or rayon are insufficient to provide services as per Item 2 of Section 1 of Article 86 of this Code at an appropriate level defined by financial standards of budget sufficiency, the estimated volume of expenditures for financing of those services shall be taken into account when defining the inter-governmental transfer from the budget that provides funds to budget entities providing those services.

(5) All agreements on delegation of assignments shall be concluded before August 1 of the year that precedes the planned year.

Article 94. Financial Standards of Budget Sufficiency

(1) Financial standards of budget sufficiency shall be applied for defining of inter-governmental transfers.

(2) Financial standards of budget sufficiency shall be defined as a ratio of the overall amount of funds allocated for financing budget programs to the number of population or consumers of social services and so on.
(3) The overall amount of funds allocated for implementation of budget programs by local budgets shall be distributed among particular expenditure items consistent with the priorities of the State’s budget policy.

(4) When calculating the financial standards of budget sufficiency, some amount of undistributed expenditures may be envisaged, which would include a group of expenditure assignments, for which it is inappropriate to establish standards.

**Article 95. Coefficients for Financial Standards of Budget Sufficiency**

(1) Financial standards of budget sufficiency for local budgets shall be adjusted using coefficients that take into account the differences in the costs of social services depending on:

1) population and number of consumers of social services; and

2) socioeconomic, demographic, climatic, environmental, and other natural peculiarities (as soon as they are determined) of administrative-territorial units.

(2) Adjustments of coefficients shall be approved by the Cabinet of Ministers of Ukraine.

**Section 16. Inter-governmental Transfers**

**Article 96. Types of Inter-governmental Transfers**

(1) Inter-governmental transfers are divided into the following groups:

1) equalization grant;

2) subvention;

3) transfers from the State budget and local budgets to other local budgets; and

4) other grants.

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

(1) In the State Budget of Ukraine, the following inter-governmental transfers to local budgets may be stipulated:

1) equalization grants to the budget of the Autonomous Republic of Crimea, oblast budgets, budgets of Kyiv and Sevastopol, rayon budgets, budgets of cities of Republican (in the Autonomous Republic of Crimea) and oblast significance;

2) subventions for implementation of social protection programs;

3) subventions for compensation of losses of local self-government budgets’ revenues for implementing own assignments resulting from provision of benefits established by the State; and

4) subvention for investment projects; and

5) other subventions.

(2) The State Budget Law shall approve the overall amount of equalization grants and subventions separately for the budget of the Autonomous Republic of Crimea, every oblast budget, budgets of Kyiv and Sevastopol, budgets of cities of Republican (in the Autonomous Republic of Crimea) and oblast significance and rayons, as well as transfers from the State Budget of Ukraine to local budgets, if there are reasons for providing and receiving such inter-governmental transfers.
Article 98. Equalization Grants to the Budgets of Kyiv and Sevastopol, Cities of Republican (in the Autonomous Republic of Crimea) and Oblast Significance, and Rayon Budgets

(1) Equalization grants to the budgets of Kyiv and Sevastopol, cities of Republican (in the Autonomous Republic of Crimea) and oblast significance, and rayon budgets shall be defined as the difference between the amount of expenditures specified in Article 89 of this Code (for the budgets of Kyiv and Sevastopol – Articles 88 through 90 of this Code) calculated with the application of financial standards of budget sufficiency and adjustment coefficients and

- the amount of the revenue basket of budgets of local self-government (for the budgets of Kyiv and Sevastopol, cities of Republican (in the Autonomous Republic of Crimea) and oblast significance) or

- the amount of revenues specified in Section 2 of Article 66 of this Code (for rayons).

(2) The amounts of intergovernmental transfers specified in Items 1 and 3 of Section 1 of Article 96 of this Code adopted in the State Budget Law shall be allocated across the budgets of Kyiv and Sevastopol, cities of Republican (in the Autonomous Republic of Crimea) and oblast significance, and rayon budgets shall be allocated by a formula.

(3) The formula for allocation of intergovernmental transfers specified in Items 1 and 3 of Section 1 of Article 96 of this Code shall be adopted by the Cabinet of Ministers of Ukraine and take into account the following factors:

1) financial standards of budget sufficiency and adjustment coefficients thereto;
2) the population and number of recipients of social services in question;
3) the relative fiscal capacity index of the city or rayon in question; and
4) the projected index of the basket of local self-government revenues (for the budgets of Kyiv and Sevastopol, cities of Republican (in the Autonomous Republic of Crimea) and oblast significance) and the projected amount of revenues defined by Section 2 of Article 66 of this Code (for rayon budgets); and
5) the coefficient of equalization.

(4) The amount of the revenue basket of the budget in question shall be defined applying the relative fiscal capacity index of the respective city or rayon budget on the basis of data on actual execution of the budget in question during the last three budget periods.

(5) The relative fiscal capacity index is a coefficient that measures the level of fiscal capacity of the administrative-territorial unit relative to the national average on a per capita basis.

(6) For purposes of calculating the relative fiscal capacity index of a budget in question, the basket of local self-government revenues defined under Article 64 of this Code and revenues provided for under Items 1, 3 through 5 of Section 2 of Article 66 of this Code shall be applied.

(7) When calculating the relative fiscal capacity index, the revenue basket of local self-government shall be increased by the amount of losses in revenues related to tax exemptions provided on the basis of the decision of the Verkhovna Rada of the Autonomous Republic of Crimea or relevant local radas [as appropriate].

(8) Relative fiscal capacity indices of respective budgets cannot be changed and reconsidered more frequently than once every three years.
(9) The coefficient of fiscal equalization shall be applied to the amount of the equalization grant calculated by formula and shall range between 0.60 and 1.00. Therewith, the overall amount of funds by which the amount of equalization grant is decreased shall equal to the overall amount of funds by which the transfer to the State budget of Ukraine from local budgets is decreased in case of application of the coefficient of equalization.

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

(1) Equalization grants to the budget of the Autonomous Republic of Crimea and oblast budgets shall be defined as the amounts by which the amount of expenditures of the budget in question specified in Article 90 of this Code and calculated with application of financial standards of budget sufficiency and adjustment coefficients exceeds the estimated amount of revenues of the budgets of the Autonomous Republic of Crimea and oblast budgets assigned thereto under Section 1 of Article 66 of this Code.

(2) The amount of revenues of the budget of the Autonomous Republic of Crimea and oblast budgets shall be calculated on the basis of forecasted indices of the revenues defined under Section 1 of Article 66 of this Code with application of the relative fiscal capacity index in compliance with provisions of Sections 5, 7, 8 of Article 98 of this Code.

Article 100. Contributions to the State Budget of Ukraine from the Budgets of the Autonomous Republic of Crimea, Oblasts and Rayons, Cities of Kyiv and Sevastopol, Cities of Republican (in the Autonomous Republic of Crimea) and Oblast Significance

(1) If the projected amount of revenues of the budgets of the Autonomous Republic of Crimea, oblasts and rayons, cities of Kyiv and Sevastopol, cities of Republican (in the Autonomous Republic of Crimea) and oblast significance defined under Articles 64 and 66 of this Code exceeds the estimated amount of expenditures of the budget in question, contributions to the State budget of Ukraine shall be envisaged for this budget.

(2) The coefficient of equalization shall be applied to the amount of the contribution to be made to the State budget of Ukraine calculated by formula and shall range between 0.60 and 1.00.

Article 101. Inter-governmental Transfers between Local Budgets

(1) The radas of Kyiv and Sevastopol, cities of Republican (in the Autonomous Republic of Crimea) and oblast significance, and rayons in their respective budgets may envisage equalization grants to the budgets of municipal districts, villages, settlements, towns and associations, as well as contributions from these budgets.

(2) The Verkhovna Rada of the Autonomous Republic of Crimea and local radas may envisage in their relevant budgets the following types of inter-governmental transfers:

1) subventions for maintenance of joint projects or liquidation of adverse aftermath of operation of joint projects;
2) subventions for implementation of own assignments of territorial communities of towns, settlements, villages, and associations;
3) subventions for implementation of investment projects; and
4) other subventions.
Article 102. Subventions from the State Budget of Ukraine to Local Budgets for Implementing Social Protection Programs

(1) Expenditures of local self-government budgets stipulated under Article 89, Item (4), sub-Item (b) of this Code, shall be financed by a subvention from the State budget of Ukraine in compliance with procedures established by the Cabinet of Ministers of Ukraine.

Article 103. Subvention for Compensation of Revenue Losses of Local Self-government Budgets for Implementing Own Assignments Resulting from the Provision of Benefits Provided by the State

(1) Any time that the State provides benefits that decrease revenues of local self-government budgets for implementation of own assignments, this policy shall be accompanied by amendments to the State Budget Law for the current budget period to provide a subvention for compensation for the respective revenue losses of local self-government budgets.

Article 104. Subventions for Maintenance of Joint Projects or Liquidation of the Adverse Aftermath of Operation of Joint Projects

(1) Subvention for maintenance of joint projects or liquidation of the adverse aftermath of operation of joint projects shall be provided from one local budget to another one with the objective of compensating those expenses.

(2) Terms for maintenance of joint projects or liquidation of the adverse aftermath of operation of joint projects and provision of a subvention shall be defined by an agreement between the grantor and the recipient.

Article 105. Subventions from the State Budget of Ukraine for Implementing Investment Projects

(1) Subventions from the State Budget of Ukraine for implementing investment projects shall be provided from the State Budget of Ukraine to the budget of the Autonomous Republic of Crimea, oblast budgets, and budgets of Kyiv and Sevastopol with further redistribution thereof for local self-government budgets.

(2) Subventions for implementing investment projects shall be provided on a tender basis and require financial participation of the recipient budget in implementing the program or project. Bodies of local self-government whose average yearly actual amount of spending for budget entities over the last three budget periods is less than the amount defined on the basis of financial standards of budget sufficiency, have a higher priority in securing subventions for implementing investment projects.

(3) The basic principles for provision of subventions shall be defined by a separate statute, the procedure and terms for provision of subventions shall be established by the Cabinet of Ministers of Ukraine, and the amount thereof for the next budget period shall be defined in the State Budget Law of Ukraine.

Article 106. Subventions for Implementing Own Assignments of Territorial Communities of Towns, Settlements, Villages, and Associations

(1) Subventions for implementing own assignments of territorial communities may be provided for in the budgets thereof in the event that some other body of State power of local self-government is able to implement this function more efficiently.
(2) Terms and procedures for providing subventions for implementing own assignments of territorial communities shall be defined by an agreement between the concerned parties.

Article 107. Subventions for Implementing Investment Projects from Local Budgets

(1) Subventions for implementing investment projects shall be provided by one local budget to another one on the basis of an agreement between the grantor and the recipient.

Article 108. Procedures for Provision of Inter-governmental Transfers

(1) Equalization grants as well as subventions from the State budget of Ukraine to local budgets shall be transferred from accounts of the State budget of Ukraine with the State Treasury of Ukraine to the budget of the Autonomous Republic of Crimea, oblast budgets, budgets of Kyiv and Sevastopol, cities of Republican (in the Autonomous Republic of Crimea) and oblast significance, and rayon budgets. Transfer of resources to the State budget of Ukraine from the budget of the Autonomous Republic of Crimea, the budgets of Kyiv and Sevastopol, the budgets of cities of Republican (in the Autonomous Republic of Crimea) and oblast significance, and rayon and oblast budgets shall be a responsibility of respective bodies of the State Treasury of Ukraine.

(2) Procedures for transferring the equalization grants and subventions from the State budget of Ukraine to local budgets and contributions to the State budget of Ukraine from local budgets as well as the procedure for transferring inter-governmental transfers between local budgets shall be determined by the Cabinet of Ministers of Ukraine and shall ensure that the transfers are made in a timely manner, evenly, obligatory, and in the full amount.

Section V. Control over Compliance with Budget Legislation and Responsibility for Violations

Chapter 17. Control over Compliance with Budget Legislation

Article 109. Authority of the Verkhovna Rada of Ukraine to Verify Compliance with Budget Legislation

(1) Authorities of the Verkhovna Rada of Ukraine include the authority to verify the compliance with budget legislation at every stage of the budget process.

(2) Committees of the Verkhovna Rada of Ukraine shall take part in preparing the draft State Budget Law to consideration by the Verkhovna Rada, preparing and preliminary considering the issues related to supervising the execution and reporting on the execution of the State budget of Ukraine within the terms of reference of these committees.

(3) Authorities of the Verkhovna Rada Budget Committee related to the verification of compliance with budget legislation shall include:

1) Hearing reports on the status of the execution of the State budget of Ukraine, including hearing reports of key spending units on the use of State budget resources; and

2) Supervising the use of resources from the Reserve Fund of the Cabinet of Ministers of Ukraine.

(4) Authorities of the Verkhovna Rada Budget Committee related to the verification of compliance with budget legislation shall include:
1) Verification of compliance of the draft State Budget Law of Ukraine submitted by the Cabinet of Ministers with the Guidelines of the Budget Policy for the Next Budget Period and recommending a relevant decision;

2) Verification of compliance of draft laws submitted to the Verkhovna Rada for consideration with the budget legislation.

**Article 110. Authorities of the Accounting Chamber to Verify the Compliance with Budget Legislation**

(1) Authorities of the Accounting Chamber to verify compliance with the budget legislation shall include control over:

1) the use of the State budget funds in accordance with the State Budget Law of Ukraine;

2) creation, servicing, and repayment of the State debt of Ukraine;

3) efficiency of the use and management of State budget resources; and

4) use of budget funds related to financing of authorities of local state administrations and revenue and expenditure assignments of bodies of executive power delegated to local self-governmental bodies.

**Article 111. Authority of the Ministry of Finance of Ukraine to Verify the Compliance with Budget Legislation**

(1) The Ministry of Finance of Ukraine shall verify compliance with budget legislation at each stage of the budget process with respect to both the State and local budgets unless otherwise is stipulated by legislation of Ukraine.

**Article 112. Authorities of the State Treasury of Ukraine to Verify the Compliance with Budget Legislation**

(1) The State Treasury of Ukraine shall:

1) account for all revenues and expenditures of the State budget of Ukraine;

2) establish unified rules for accounting and reporting with regard to the execution of all budgets and estimates, issue applicable instructions, and supervise compliance with these instructions; and

3) exercise control to ensure that payments comply with commitments and budget appropriations.

**Article 113. Authorities of the Control and Auditing Administration of Ukraine to Verify Compliance with Budget Legislation**

(1) Agencies of the Control and Auditing Administration of Ukraine shall exercise control over:

1) the targeted and efficient use of resources of the State Budget of Ukraine and local budgets;

2) the targeted use and timely repayment of loans backed by the Cabinet of Ministers’ guarantees; and
3) compliance with accounting procedures and accuracy of reporting on the execution of the State budget and local budgets, as well as estimates of incomes and expenses of budget entities.

(2) The State Control and Auditing Administration of Ukraine shall submit monthly summary reports on the implementation of check-ups to the Verkhovna Rada of Ukraine and the Ministry of Finance of Ukraine.

**Article 114. Authorities of the Verkhovna Rada of the Autonomous Republic of Crimea and Local Radas to Verify Compliance with Budget Legislation**

(1) The Verkhovna Rada of the Autonomous Republic of Crimea and local radas verifying compliance with budget legislation shall exercise:

1) control over fulfillment of the budget decisions; and

2) other functions envisaged under this Code and the State Budget Law of Ukraine.

**Article 115. Authorities of the Council of Ministers of the Autonomous Republic of Crimea, Local State Administrations, and Executive Bodies of Local Radas to Verify Compliance with Budget Legislation**

(1) The following agencies shall verify compliance of the budgets passed, budget apportionment, and estimates of incomes and expenses of budget entities:

1) the Council of Ministers of the Autonomous Republic of Crimea, with respect to the budgets of cities of Republican significance and rayon budgets of the Autonomous Republic of Crimea;

2) oblast state administrations, with respect to rayon budgets and budgets of cities of oblast significance;

3) state administrations of Kyiv and Sevastopol, with respect to the budgets of municipal districts in these cities;

4) rayon state administrations, with respect to the budgets of towns, villages, settlements, and associations thereof;

5) executive bodies of city/town radas, with respect to the budgets of municipal districts, villages, and settlements of towns that are constituents of these cities/towns.

**Chapter 18. Responsibility for Violations of Budget Laws**

**Article 116. The Concept of a Budget Offence**

(1) A violation by any participant of the budget process of procedures established under this Code and other regulations and legal directives with respect to budget formulation, consideration, passage, amendment, execution, or reporting shall be recognized as a budget offence.

**Article 117. Reasons for Suspension of Budget Allocations**

(1) The Ministry of Finance of Ukraine, State Treasury of Ukraine, bodies of the State Control and Auditing Administration, local financial bodies, heads of executive bodies of the rada of a town, village, or settlement, key spending units shall be empowered to suspend budget allocations in cases of:
1) belated or incomplete submission of reporting documents on budget execution;

2) failure to meet requirements concerning maintaining accounting records, drawing up reporting, and internal control over budget funds, as well as failure to comply with the procedure for transferring such funds;

3) submission of inaccurate reports or information on budget execution;

4) violations by spending units of requirements for budget commitments undertaken; and

5) unauthorized use of budget funds.

**Article 118. Measures Applicable to Spending Units or Recipients of Budget Funds for Budget Offences**

(1) In case of a budget violation, the Ministry of Finance of Ukraine, the State Treasury of Ukraine, bodies of the State Control and Auditing Administration of Ukraine, local financial bodies, heads of executive bodies of the radas of towns, villages, and settlements, and key spending units may take the following actions within their terms of reference against those spending units and recipients whom they have given budget allocations:

1) apply administrative penalties to persons guilty of budget offences as provided by law; and

2) suspend transactions with budget funds.

(2) A person penalized for the budget offence shall not be free from obligation to compensate material losses in a manner determined by law.

**Article 119. Use of Budget Funds for Purposes Other than Those Authorized**

(1) Unauthorized use of budget funds, that is, spending such funds for purposes other than those provided for under budget appropriations established in the State Budget of Ukraine or budget decisions of local self-governments, budget allocations, or estimates of incomes and expenses of budget entities, shall result in a reduction of allocations to spending units by an amount spent inappropriately and disciplinary, administrative, or criminal penalties of the relevant officials consistent with procedures established by laws of Ukraine.

(2) The inappropriate use of budget funds received in the form of subventions shall result in withdrawal of that funds and reimbursement of that funds to the concerned budget consistent with procedures established by the Cabinet of Ministers of Ukraine. Relevant officials shall be liable under procedures established by laws.

**Article 120. Suspending Transactions with Budget Funds**

(1) Suspending transactions with budget funds shall be understood as suspending of any transactions involving payments from the account of the violator of budget legislation. The mechanism of suspension shall be defined by the Cabinet of Ministers of Ukraine.

(2) Transactions with budget funds may be suspended for a period no longer than thirty days unless otherwise is provided by law.
Article 121. Responsibility for Budget Offences
(1) Persons guilty of budget legislation shall be liable to civil, disciplinary, administrative, or criminal responsibility in compliance with laws of Ukraine.

(2) Budget violations by a spending unit or recipient of budget funds may be a ground for legal initiating an action against the chief official or other officials, depending on the nature of the violations.

(3) Public officials of the State power, bodies of the Autonomous Republic of Crimea or local self-governmental bodies, as well as of enterprises, establishments, and organizations, who have violated budget legislation, shall bear civil and legal liability consistent with procedures provided by law in addition to punitive sanctions imposed on a spending unit or recipient of budget funds under this Code.

Article 122. Responsibility of Local Governments for Failure to Comply with Budget Planning
(1) In case of non-compliance with requirements of this Code and the State Budget Law of Ukraine with respect to formulation of the relevant budget regarding assignments delegated by the State, the Cabinet of Ministers of Ukraine has the right to suspend approval of the decisions on the oblast budget or city budgets of Kyiv and Sevastopol within one month after the passage thereof and address the court at the same time. The Council of Ministers of the Autonomous Republic of Crimea, radas of the oblasts and Kyiv and Sevastopol shall send the decision on respective budget or amendments thereto to the Ministry of Finance of Ukraine on the next day after the head of the Verkhovna Rada of the Autonomous Republic of Crimea or the relevant local rada signs these documents.

(2) In case of non-compliance with requirements of this Code and the State Budget Law of Ukraine with respect to assignments delegated by the State, the Head of the Council of Ministers of the Autonomous Republic of Crimea, the head of the oblast state administration, or the municipal state administration of Kyiv or Sevastopol has the right to suspend the decision on the budget of rayon, city of Republican (in the Autonomous Republic of Crimea) or oblast significance, or municipal district of Kyiv or Sevastopol within one month after passage thereof and address the court at the same time. Rayon state administrations, executive bodies of cities of Republican (in the Autonomous Republic of Crimea) or oblast significance, and radas of municipal districts shall send the decision on the relevant local budget or amendments thereto to the Council of Ministers of the Autonomous Republic of Crimea, oblast state administration, the city state administration in Kyiv or Sevastopol, or executive bodies of local radas on the next day after the head of the respective rada signs this document.

(3) In case of non-compliance with requirements of this Code, the State Budget Law of Ukraine, or the budget decision of the rada of a rayon or a city of Republican (in the Autonomous Republic of Crimea) or oblast significance regarding assignments delegated by the State, the head of the rayon state administration or the head of the executive body of the city under Republican (in the Autonomous Republic of Crimea) or oblast significance has the right to suspend the decision on the budget of the town, village, settlement, or municipal district for one month after the passage thereof and address the court at the same time. Executive bodies of the radas of towns, villages, settlements, and municipal districts shall send the decision on respective budget or amendments thereto to the rayon state administration or the executive body of a city under Republican (in the
Autonomous Republic of Crimea) or oblast significance on the next day after the head
signs these documents.

(4) In case of suspension of a local budget decision, expenditures therefrom shall be executed
consistent with procedures defined under Article 79 of this Code.

**Article 123. Responsibility of Bodies of the State Treasury of Ukraine**

(1) Bodies of the State Treasury of Ukraine shall bear responsibility for non-complying with
provisions for accounting and filing budget execution reports.

(2) Managers of bodies the State Treasury of Ukraine shall be personally responsible if they
commit a budget offence and fail to comply with requirements related to treasury
servicing of the budget defined by this Code.

**Article 124. Procedure for Execution of Penalty Sanctions Imposed for Budget
Violations**

(1) Penalty sanctions imposed for budget violations and provided in this Code shall be
executed based on decisions by the Ministry of Finance, head of the branch of the State
Treasury of Ukraine, head of the body of the State Control and Auditing Administration,
Minister of Finance of the Autonomous Republic of Crimea, head of the local financial
body, or head of the executive body of the Rada of a town, village, or settlement.

(2) A decision concerning the imposition of a penalty sanction for a budget offence shall be
made by persons specified in Section 1 of this Article on the basis of a protocol on the
budget offence and the certificate of audit and other supporting documents.

(3) A decision to impose a penalty sanction for a budget offence shall take effect on the date
of signing and shall be subject to immediate execution.

(4) The format and procedure for drawing up and filing the protocol on a budget offence shall
be established by the Ministry of Finance of Ukraine.

**Article 125. Appealing a Decision to Impose Penalty Sanctions for Budget Offences**

(1) A decision to impose penalty sanctions for a budget offence may be appealed in
accordance with legally established procedures. The decision may be appealed with the
body that made this decision within 10 days after the decision unless otherwise is
provided by law.

(2) Filing an appeal against the decision to impose a penalty sanction for a budget offense
does not mean termination of the implementation of said decision.

(3) If a court renders a judgement that the decision to impose the sanction is wrongful (in full
or in part), the person with respect to whom the decision was made shall receive budget
funds that were not provided due to the imposition of the sanction and shall be restored in
his/her rights that were restricted by the decision.

(4) A decision made by the court may be appealed in accordance with legally established
procedures.

**Section VI. Closing Provisions**

1. This Code shall take effect on the days of its publication, except for Articles 16, 29-31,
49, 61, 63-72, 77, 78, 83-85, 97-91, 102-107, which shall take effect in January 1, 2002.
2. With the enactment of this Code, other regulations and legal directives shall be applied to the extent that they comply with this Code.

3. During the first five years after the enactment of this Code, an inter-governmental transfer from the State budget of Ukraine may be provided to reduce the actual disproportion across local budgets that results from the uneven allocation of the set of budget-funded entities. The amount of the inter-governmental transfer shall be provided in the following proportions:

1) in the first year after the enactment of this Code – 5% of the overall amount of equalization grant from the State budget of Ukraine to local budgets;

2) in the second year after the enactment of this Code – 4% of the overall amount of equalization grant from the State budget of Ukraine to local budgets;

3) in the third year after the enactment of this Code – 3% of the overall amount of equalization grant from the State budget of Ukraine to local budgets;

4) in the fourth year after the enactment of this Code – 2% of the overall amount of equalization grant from the State budget of Ukraine to local budgets; and

5) in the fifth year after the enactment of this Code – 1% of the overall amount of equalization grant from the State budget of Ukraine to local budgets.

4. When drafting the 2002 and 2003 State Budget Laws of Ukraine, fiscal capacity indices shall be calculated annually. Section 8 of Article 98 of this Code shall take effect for calculating local budgets when drafting the 2004 State Budget Law of Ukraine.

5. A draft law shall be developed and submitted to the Verkhovna Rada of Ukraine for consideration on State control over the compliance with budget legislation and responsibility for budget violations.

6. The Cabinet of Ministers of Ukraine shall:

1) within 6 months after the enactment of this Code, prepare submit to the Verkhovna Rada of Ukraine its proposals concerning bringing existing legislation in line with this Code, including the provisions of the Law of Ukraine *On Taxation of Enterprises’ Profits* dealing with defining budget entities as non-for-profit;

2) within 6 months after the enactment of this Code, bring its regulations and legal directives in conformity with this Code and instruct bodies of executive authority to bring regulations and legal directives adopted thereby in conformity with this Code;

3) within one year after the enactment of this Code, have regulations and legal directives provided by this Code, including necessary instructions and rules, adopted by bodies of executive power;

4) within two years after the enactment of this Code, prepare, on the basis of this Code, a draft law to normalize intergovernmental fiscal relations at the level of settlements, villages, towns, and rayons;

5) no later than March 1, 2002, accomplish transferring budget entities to meet the requirements of the separation of expenditure assignments across budgets defined by this Code.

I. Plusch, Head of Verkhovna Rada of Ukraine, Kyiv

June 21, 2001

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