

# Law of Georgia

## Budget Code of Georgia

### Part I. General Provisions

#### Chapter I. General Provisions

##### Article 1. Aims and Goals Code *(12.12.2014. N2935)*

The present Code defines the principles of formation of the budget system of Georgia, regulates rules for the drafting, discussion, approval, execution, reporting and control of budgets by State, Autonomous Republics and Local Authorities, along with the budgetary interaction and responsibilities of legal entities incorporated by Central or Local Authorities and their Subsidiaries.

##### Article 1<sup>1</sup>. Scope of Coverage *(12.12.2014. N2935)*

1. The present Code covers Government Agencies of Central, Autonomous Republican and Local Authorities of Georgia, along with legal entities and organizations incorporated by them, apart from the exemptions envisaged in Clause 2 of the present Article.
2. The present Code does not cover the National Bank of Georgia (NBG), national regulation bodies and entrepreneurial legal entities, as well as membership based legal entities, provided the latter are not organizations mandated or entitled to manage funds allocated within programs/sub-programs of the respective budgets.

##### Article 2. Budget System of Georgia

Budget System of Georgia is a set of budgetary interaction regulated with legal instruments defined for the mobilization and use of funds allocated for the implementation of duties of Central, Autonomous Republican and Local Authorities.

##### Article 3. Legal Basis of the Budget System of Georgia *(05.02.2014. N1959) Enforceable from the official announcement date of local election results in 2014)*

Authority to manage public funds within the budget system of Georgia is executed in line with the Constitution of Georgia, Organic Law of Georgia on Economic Freedom, Organic Law of Georgia on the Status of the Autonomous Republic of Adjara, Constitutional Law of Georgia, Organic Law of Georgia – The Local Authority Code, Organic Law of Georgia on

the Adoption of the Constitution of the Autonomous Republic of Adjara, present Code, Law of the Autonomous Republic of Adjara on the Budget Cycle and Authority of the Autonomous Republic of Adjara, legislation of Georgia on taxes and fees, other primary (laws) and secondary (by-laws) legislation of Georgia, Legal Protocols issued (released) by the Central, Autonomous Republican and Local Authorities.

#### Article 4. Major Principles of the Budget System of Georgia

1. Each participant of the budget system of Georgia shall at all times adhere to the following principles:

- a) Comprehensiveness – All revenues, expenditures and balance adjustments need to be fully captured in the respective budgets;
- b) Transparency – Discussion procedures of draft budgets submitted to the representative bodies of the authority need to be public for citizens and mass media; Approved budgets and their Execution Reports need to be published; Information on the budget (except for the classified information) need to be readily accessible to individuals and corporations;
- c) Accountability – All participants of the budget cycle need to be kept responsible for their performance and information presented on the budget;
- d) Independence – Independence of State, Autonomous Republican and Local Budgets ensured by their own revenues and balance, along with the authority of defining their expenditures in an independent manner in line with the legislation of Georgia;
- e) Unity – using the unified budget classification codes, unified accounting system, and unified principles of State financial control for all level budgets;
- f) Universality – Use of all revenues of the budget to incur general expenditures except for the cases envisaged in the present Code. In addition, none of the revenues, except for the donor funded ones, should be used to incur the targeted, specific expenditures. It is impermissible to use the revenues generated by budgetary organizations for their purposes, except for the cases when they are legal entities of public and/or private law; *(20.12.2012. N117 Endorsable from January 1, 2013)*
- g) Consolidation – Unification of budget revenues and expenditures of all levels within a common accounting system of State Treasury, payment of expenditures in line with the legislation of Georgia, management of the common accounting system of State Treasury by the State Treasury and their maintenance at the National Bank of Georgia (NBG) and/or other banking institutions. *(12.12.2014. N2935 Enforceable from January 1, 2015)*

## Article 5. Budgeting Process

Budgeting process is an integral part of the budget system of Georgia. It is the performance of the budget system participants, covering the drafting, submission, discussion, approval, verification, execution, accountability and control of the budget.

## Article 6. Terms and Definitions

Terms used in the present Code shall be defined as follows:

- a) Authority of Autonomous Republics– Authorities of Autonomous Republics of Abkhazia and Adjara ;
- b) Local Authority – Local authorities; *(12.12.2014. N2935)*
  - <sup>1</sup>) Legal Entity of Public Law (LEPL) – legal entity of such status as envisaged in the legislation of Georgia for the purposes of the present Code, which is: *(12.12.2014. N2935)*
    - <sup>1</sup>.a) Incorporated/established with a respective law, Government Resolution or Administrative Protocol issued on the grounds of the present law, or a Legal Entity of Public Law (LEPL) incorporated by such LEPL;
    - <sup>1</sup>.b) Incorporated by with a By-Law issued by a Supreme Executive Body of the Autonomous Republic or a Legal Entity incorporated by such LEPL;
    - <sup>1</sup>.c) Incorporated with a By-Law issued by the representative body of the local authority, in line with the rules defined in the Organic Law of Georgia – Local Authority Code or a legal entity incorporated by such LEPL;
  - <sup>2</sup>) Legal Entity of Private Law as envisaged by the legislation of Georgia, which is *(12.12.2014. N2935)*:
    - <sup>2</sup>.a) Incorporated in line with the rules defined in the legislation of Georgia by a Central Executive Body of Georgia and/or a legal entity incorporated by such;
    - <sup>2</sup>.b) Incorporated in line with the rules defined in the legislation of Georgia by an Autonomous Republican Authority and/or legal entity incorporated by such;
    - <sup>2</sup>.c) Incorporated in line with the rules defined in the legislation of Georgia by a Local Authority and/or legal entity subordinated and/or controlled by such; *(12.12.2014. N2935)*
- c) Budget – set of revenues, expenditures and adjusted balance approved by the representative bodies of central, autonomous republican and local authorities of Georgia for the execution of duties and functions assumed by the central, autonomous republican and local authorities of the country;

c<sup>1</sup>) Budget of a Legal Entity of Public or Private Law – set of revenues to be obtained from any and all sources permitted under the legislation of Georgia for the execution of functions and duties assigned to legal entities in line with Clauses B<sup>1</sup>/B<sup>2</sup> of the present Article, along with expenditures to be incurred from such sources and adjustment in the balance, which is approved under the rules defined in the legislation of Georgia; *(12.12.2014. N2935)*

d) Consolidated Budget of Georgia – consolidated budget of the State, Autonomous Republics and Local Authorities of Georgia. Aggregated budget is not subject to the approval by the Representative Bodies of any Authority;

d<sup>1</sup>) Aggregated State Budget – consolidated budget of the central, autonomous republics and local authorities. Aggregated State Budget is not subject to the approval by the Representative Body of any authority; *(12.12.2014. N2935)*

e) State Budget – set of revenues, expenditures and adjusted balance approved by the Parliament of Georgia for the execution of functions and duties assigned to the Central Authorities of Georgia;

e<sup>1</sup>) Central Budget – consolidated budget of the State Budget and those of LEPLs envisaged in Clauses B<sup>1</sup>.A and B<sup>2</sup>.A of the present Article. Central Budget is not subject to the approval by Representative Bodies of any authority; *(12.12.2014. N2935)*

f) Consolidated Budget of an Autonomous Republic – consolidated budget of the Autonomous Republics of Abkhazia or Adjara and local authorities subordinated to them. Aggregated budget of an Autonomous Republic is not subject to the approval by the Representative Body of any authority;

f<sup>1</sup>) Aggregated Budget of an Autonomous Republic – consolidated budget of a Republican Budget of the Autonomous Republic and municipal budgets of local authorities within their subordination. Aggregated Budget of an Autonomous Republic is not subject to the approval of the Representative Body of any authority; *(12.12.2014. N2935)*

g) Republican Budget of an Autonomous Republic – set of revenues, expenditures and adjusted balance approved by the Supreme Council of the Autonomous Republic for the execution of functions and duties assigned to the Autonomous Republican Authority;

g<sup>1</sup>) Aggregated Republican Budget of an Autonomous Republic – consolidated budget of the Republican Budget of the Autonomous Republic, those of the LEPLs envisaged in Clauses B<sup>1</sup>.B and B<sup>2</sup>.B of the present Article. Aggregated Budget of the Autonomous Republic is not subject to the approval by a Representative Body of any authority; *(12.12.2014. N2935)*

- h) Budget of a Local Authority – set of budget revenues, expenditures and adjusted balance approved by the Representative Body (legislature) of the Local Authority for the execution of function and duties assigned to the local authority;
- h<sup>1</sup>) Aggregated Municipal Budget – consolidated budget of the local authority and those of LEPLs envisaged in Clauses B<sup>1</sup>.C and B<sup>2</sup>.C of the present Article. Aggregated Municipal Budget is not subject to the approval of the representative body of any authority; (12.12.2014. N2935)
  - i) Approved Budget – State, Autonomous Republican or Local Budget approved by the representative body of the respective authority; (12.12.2014. N2935)
  - j) Amended Budget – State, Autonomous Republican or Local Budget adjusted on the grounds of Article 31, 69 and 92 of the present Code; (12.12.2014. N2935)
- j<sup>1</sup>) Approved Budget of a Legal Entity of Public or Private Law (LEPL)– budget envisaged in Clause C<sup>1</sup> of the present Article, which is approved under the rules defined in the legislation of Georgia; (12.12.2014. N2935)
- j<sup>2</sup>) Amended Budget of a Legal Entity of Public or Private Law (LEPL) – budget of an LEPL envisaged in Clause J<sup>1</sup> of the present Article adjusted on the grounds of Articles 31, 69 and 92 of the present Code; (12.12.2014. N2935)
  - k) Budget Appropriation – authority to incur expenditures within the volumes envisaged in the budget during the fiscal year;
  - l) Budget Breakdown – monthly and/or quarterly distribution of budget revenues, expenditures and balance adjustment by budget classifiers (except for the functional classification of expenditures and non-financial assets);
  - m) Local Authority, Local Self-Governing Body, Own and Delegated Authority – complies with definitions laid out in the Organic Law of Georgia – Code of Local Authorities; (05.02.2014. N1959) enforceable from the day when next local election results are officially announced in 2014)
  - n) Equalizing Transfer – funds allocated from the State Budget to a Local Budget for the execution of its authority in line with the equation defined in the present Code, use of which are independently defined by the local authority; (12.12.2014. N2935)
  - o) Targeted Transfer – funds received from the State Budget and/or Autonomous Republican Budget in the form of a financial support by the local authority budget for the execution of the delegated authority;
  - p) Special Transfer – financial support rendered by and between the state, autonomous republican and local budgets for the mitigation of natural disasters, environmental

and other calamities, hostilities, epidemics and other emergency situations (liquidation of losses) as well as for the execution of other measures; (12.12.2014. N2935)

p<sup>1</sup>) Capital Transfer – financial support rendered by and between the state, autonomous republican and local authority budgets for the implementation of capital projects, which is related to the increase of non-financial assets of the beneficiary of such transfer; (12.12.2014. N2935)

q) Spending Institution – for state and autonomous republican budgets it is a budgetary organization envisaged in Tier One of the Program Budgeting Classification, while for the local authority budgets it is a self-governing authority; (12.12.2014. N2935)

r) Budgetary Organization – organization incorporated and/or accountable or controlled by central, autonomous republican or local authorities of Georgia, also other legal entities of public or private law (if applicable), provided they are entitled to manage the budget allocations within programs/sub-programs of the respective level; (12.12.2014. N2935)

s) State Treasury – system institution of the Ministry of Finance of Georgia;

t) Financial Unit – respective department of a local self-government body, executive body of the autonomous republic, which is kept responsible for the preparation of the draft budget of the local –self-government body or autonomous republics and for the management and coordination of the budget execution; (12.12.2014. N2935)

u) Fiscal Year – calendar year;

v) Annual Budget – budget approved by the representative body of the central, autonomous republican or local authorities of Georgia, as well as those of the legal entities of public or private law envisaged by the present Code approved for the respective fiscal year in line with the legislation of Georgia; (12.12.2014. N2935)

w) Balance – cash kept at the respective budget account at a given period of time;

x) Available/free Balance – part of the balance, which is not earmarked for any particular purpose;

y) Change in Balance – use or saving of the cash available by a given period of time at the respective budget account;

z) Cash – cash and deposits kept in national or foreign currencies at the State Treasury, Autonomous Republics, Local Authorities and legal entities of public or private law envisaged in Clauses B<sup>1</sup> and B<sup>2</sup> of the present Article, which are deposited at the accounts of single treasury account system, other accounts of the State Treasury and commercial banks; (12.12.2014. N2935)

- aa) Cash Flow – acceptance and release of cash from and to accounts envisaged in Clause Z of the present Article; (12.12.2014. N2935)
- bb) Payment Obligation – registration of a payment obligation by a budgetary organization during a fiscal year under the rules defined by the State Treasury; (12.12.2014. N2935)
- cc) Financial Commitment – commitment assumed by a budgetary organization on the future release of cash from the budget.
- ¶<sup>1</sup>) Priority – major direction of budget allocations envisaged by the State, Autonomous Republican and Local Authorities, within which the spending institutions/budgetary organizations carry out programs/sub-programs. Essential measures of operation of various budgetary organizations may also be considered within such priorities; (20.12.2012. N117 Enforceable from January 1, 2013)
  - dd) Program – set of measures to be carried out for the achievement of priority goals envisaged in the budget, which are grouped by common substance and implemented for the attainment of a common outcome and whereby a single spending institution is kept responsible over the implementation; (12.12.2014. N2935)
  - ee) Sub-Program – set of measures to be implemented by a budgetary organization within a program of a spending institution. (28.10.2011. N5172 Enforceable from January 1, 2012)

## Part II

### General Norms Regulating the Budget System of Georgia and Distribution of Revenues between the Budgets

#### Chapter II

#### General Norms Regulating the Budget System of Georgia

##### Article 7. Authority and Responsibility of the Budget Process Participants

1. Responsibility for the preparation of a draft budget, budget execution and reporting rests with the following institutions:

- a) Government of Georgia for the State Budget;
- b) Supreme Executive Body of the respective Autonomous Republic for the budget of Autonomous Republics;
- c) Executive Body of the Local Authority for the Local Budget;

d) Body envisaged in the legislation of Georgia for the budgets of legal entities of public or private law covered by the present Code; (12.12.2014. N2935).

2. Authority over the review, approval and control of the draft budget is assigned to the following:

a) Parliament of Georgia for the State Budget;

b) Supreme Representative Body of the respective Autonomous Republic for the Budget of Autonomous Republics;

c) Representative Body of the respective Local Authority for the Local Budgets;

d) Body envisaged in the legislation of Georgia for the budgets of legal entities of public or private law as defined in the present Code. (12.12.2014. N2935)

3. Following institutions are kept responsible for the calculation of statistical information: (12.12.2014. N2935)

a) Ministry of Finance of Georgia for the Consolidated State, Aggregated and Central Budgets of Georgia;

b) Financial Unit of the respective Autonomous Republic for the Budgets of Consolidated and Aggregated Budgets of Autonomous Republics, c) Financial Unit of the respective Local Authority for the aggregated municipal budget.

4. Minister of Finance of Georgia issues applicable regulations for the uniformity and compliance of budgetary process of the system with the current Code at every single level of the budget cycle.

5. Relationship of the legal entities of public and private law as envisaged in Article 6.C<sup>2</sup> of the present Code with the budgetary process is subject to the rules defined for the LEPLs in the present Code and other regulations of Georgia, inter alia including the provisions related to the following measures: (12.12.2014. N2935)

a) Borrowings and guarantees;

b) Definition of the budget, staff listing and payroll;

c) Accounting, reporting and balance sheet of the operation.

6. Allocations from respective budgets in relation to the budget process, including the procurement procedures, are considered to be funding from such source prior to their transition to the economic operation and/or household, irrespective of the status of the legal entity mandated to ultimate manage such funds. (12.12.2014. N2935)

7. Revenues, expenditures and adjustment in the balance of all and any budgetary organization shall be accounted for through a single treasury account irrespective of the origin of such funding, except for the cases indicated in the present Code. (12.12.2014. N2935)



8. Financial Units of Autonomous Republics, Local Authorities and legal entities of public and private law as defined in Clauses B<sup>1</sup> and B<sup>2</sup> of Article 6 in the present Code: (12.12.2014. N2935)

a) Are entitled to open current and/or deposit accounts at commercial banks to generate additional revenues. It is prohibited for an account holder to carry out other transactions, but to transfer funds from or return funds to the account kept at State Treasury, transfer funds from or return funds to the deposit account. Legal entities of public or private law defined in Clauses B<sup>1</sup> and B<sup>2</sup> of Article 6 in the present Code are also entitled to use the funds kept at such accounts to secure bank guarantees, loans and letters of credit for the purpose of their operation;

b) Are entitled to open accounts at commercial banks with a consent of the Ministry of Finance of Georgia to deposit funds kept in their temporary management that require confirmation of an authorized officials prior to their acknowledgement as revenues, which under the legislation of Georgia may be transferred to the entities entitled to receive such funds, be channeled to the respective budget, to the account holder at the account kept within the State Treasury or be returned to the taxpayer. Interest accrued to such account belongs to the account holder and is channeled to its account kept at the State Treasury as soon as such interest income arises.

9. Funds withheld from accounts upon the call of bank guarantees envisaged in Clause 8.A of the present Article, as well as in cases envisaged in the legislation of Georgia upon the proposal of funds by third parties, shall be accounted by the State Treasury and reported in line with the rules approved by the Minister of Finance of Georgia. (12.12.2014. N2935)

10. Rules different from those envisaged in the present Code for the legal entities envisaged in Clauses B<sup>1</sup> and B<sup>2</sup> of Article 6 in the present Code may be enforced if required in the international agreements concluded by Georgia. (12.12.2014. N2935)

11. Accounts of legal entities of public or private law defined in Clauses B<sup>1</sup> and B<sup>2</sup> of Article 6 in the present Code are kept within the single treasury system. Control over the management and operation of such accounts, as well as the consent on the transfer of funds from such accounts is kept solely by the respective legal entity, apart for the exceptions made in the legislation of Georgia. It is prohibited to restrict the payments within the funds kept at such accounts by such legal entities under the single treasury system as permitted in the legislation of Georgia. (12.12.2014. N2935)

12. Respective software modules of public funds management of the Ministry of Finance are used in the budgetary process. (12.12.2014. N2935)

Article 8. Budget Classification of Georgia *(20.12.2012. N117 Enforceable from January 1, 2013)*

1. Budget classification covers economic aspects of revenues and expenditures, functional aspects of transactions with assets, non-financial assets and related transactions, financial assets and liabilities, along with the related transactions and program classification. Program Classification is a set of priorities, programs/sub-programs and is defined within the Budget. Program classification of the budgets of State and Autonomous Republics of Georgia also covers spending institutions and expenditures of general state and republican importance.
2. Apart from the program budget classification, general budget classification is approved by the Minister of Finance of Georgia on the grounds of consultations held with the State Audit Office of Georgia and agreement with the Fiscal Committee of the Parliament of Georgia.

Article 9. Program Budget *(28.10.2011. N5172 Enforceable from January 1, 2012)*

1. Allocations in the program budgeting format are earmarked by priorities, programs/sub-programs. Allocations in the budgets of the State and Autonomous Republics are made by spending institutions and by expenditures of general state and republican importance respectively. *(20.12.2012. N117 Enforceable from January 1, 2013)*
2. Program Budget covers information on programs/sub-programs, their expected outcomes and outputs and performance indicators, along with the information on capital projects.
3. Minister of Finance of Georgia approves the methodology required for program budgeting in agreement with the Fiscal Committee of the Parliament of Georgia.

Article 10. Budget Revenues *(28.10.2011. N5172 Enforceable from January 1, 2012)*

Budget revenues are a set of financial inflows into the budget within a reporting period:

- A) Revenues;
- B) Non-Financial Assets (resources generated through the transactions made with non-financial assets);
- C) Financial Assets (resources generated through the transactions made with financial assets, except for the use of balance);
- D) Liabilities (resources generated by assuming new liabilities).

Article 11. Budget Expenditures *(28.10.2011. N5172 Enforceable from January 1, 2012)*

Budget expenditures are a set of financial outflows from the budget within a reporting period:

- A) Expenses;
- B) Non-Financial Assets (resources aimed for transactions made with non-financial assets);

- C) Financial Assets (resources aimed for transaction made with financial assets, except for the saving of the balance);
- D) Liabilities (resources aimed at the repayment of the principal portion of the liabilities).

#### Article 12. Budget Surplus and Deficit

1. Difference between the budget revenues and expenditures is the net operating balance of the budget, while the difference between the net operating balance and changes in the non-financial assets is the total balance of the budget.
2. Positive total balance is the budget surplus, while the negative total balance is the budget deficit.

#### Article 13. Budget Allocations in the Context of Unapproved Budget (*12.12.2014. N2935*)

1. If and when the Budgets of the State and Autonomous Republics do not get approved by the beginning of the following fiscal year, Minister of Finance in the case of the State Budget and Executive Body of the Autonomous Republic in the case of the Budget of Autonomous Republics are entitled to allocate no more than 1/12 of the budget approved for the past year to the spending institution in any given month.
2. If and when the Local Budget does not get approved by the beginning of the following fiscal year, Executive Body of the respective local authority is entitled to allocate no more than 1/12 of the budget approved for the past year to each priority in any given month.

#### Article 14. Methodology and Responsibility for Accounting and Reporting

1. In line with the respective international standards, Minister of Finance of Georgia issues the applicable regulations to ensure the adherence of budgetary organizations of Central, Autonomous Republics and Local Authorities of Georgia with standard accounting procedures and reporting requirements.
2. Central, Autonomous Republican and Local Authorities of Georgia are responsible for the accounting and control over the revenues, expenditures and change in balance, along with the compliance with the applicable regulations issued by the Minister of Finance of Georgia.
3. Ministry of Finance of Georgia is kept responsible for the accounting of budget revenues, expenditures and change in balance, along with that of the public debt and other transactions made under the legislation of Georgia. (*12.12.2014. N2935 Enforceable from January 1, 2015*)

#### Article 15. Methodology of Reporting on Budget Revenues (*12.12.2014. N2935*)

1. Report on the Budget Execution by spending institutions of the State Budget is made on

the grounds of the regulation issued by the Minister of Finance of Georgia by taking into account the requirements of the present Code.

2. Budgetary organizations of a local authority (except for Tbilisi Municipality) report on the budget execution on the grounds of the regulation issued by the Minister of Finance of Georgia by taking into account the requirements of the present Code, while the budgetary organizations within the Municipality of Tbilisi – in line with the rules defined by the respective authorized body and by taking into account the requirements laid out in Articles 85, 86 and 87.

3. Spending institutions of the Autonomous Republican Budget report on the budget execution in line with the rules defined by the respective authorized body of the Autonomous Republic and by taking into account the requirements laid out in Articles 108, 109 and 110 of the present Code.

#### Article 16. Cash Execution of the Budget

1. The Budgets of the State, Autonomous Republics and Local self-government bodies, as well as the budgets of legal entities of public and private law are executed with a cash method. *(12.12.2014. N2935 Enforceable from January 1, 2015)*

2. Authority of allocations envisaged in respective budgets terminates at 24:00 on December 31 of the current year.

3. **Deleted** *(12.12.2014. N2935 Enforceable from January 1, 2015)*

#### Article 17. Execution of Budget Revenues

1. Responsible institutions shall ensure the full and timely collection of revenues to the budget in line with the legislation of Georgia. *(12.12.2014. N2935 Enforceable from January 1, 2015)*

2. Revenues approved in an annual budget are projections and do not restrict higher actual collections.

3. All revenues of the Budgets of the State, Autonomous Republics and Local self-government bodies, along with the budget of legal entities of public and private law defined in the present Code shall be immediately channeled to the respective budgets. *(12.12.2014. N2935 Enforceable from January 1, 2015)*

#### Article 18. Execution of Budget Expenditures (12.12.2014. N2935)

1. It is prohibited to commit to the spending beyond and over the allocations of the respected adjusted budget.

2. Authority of payment commitment by a budgetary organization and of actual spending is

defined in the rules issued by the Minister of Finance of Georgia by complying with the requirements of the present Code.

3. Commitments beyond and over the budget allocations is prohibited, except for the liabilities envisaged in the international agreements concluded by Georgia and multi-year procurement commitments. Multi-year financial commitments may only be assumed in a respective mid-term plan of spending institutions or within threshold budget allocations for priorities. In such cases funds required for the execution of multi-year liabilities shall be captured by spending institutions of the State Budget and Autonomous Republics in the draft budget of the respective year, while the Executive Body of a local authority – in the respective priority. It is possible to commit for a multi-year financial liability different from the parameters envisaged in the mid-term plan on the grounds of a decision made by the respective Executive Authority.

Article 18<sup>1</sup>. Refund of an Excess Budget Revenue or Accidental Expenditure and Transfer of Funds to Other Tax Type Accounts (12.12.2014. N2935)

1. If and when excess funds are paid to the State Treasury or when funds are paid by mistake, they are subject to refund or transfer to other tax type accounts. Also, rules for the refund of the value added tax (VAT) paid by a foreign individual on the goods purchased in Georgia are defined in the Order issued by the Minister of Finance of Georgia.

2. Tax revenues are accounted and reported without including the funds transferred to the refund sub-account.

3. Adjustments to the accounts and reports on budget revenues are made by including the funds paid in excess or by mistake, which are ultimately refunded or transferred to other tax type accounts.

Article 18<sup>2</sup>. Execution of Tax and/or Other Liabilities by a Third Party (12.12.2014. N2935)

Tax and/or other liability of a taxpayer/entity payable to the budget and/or other destination as defined in the legislation of Georgia may be executed by a third party in line with the special rules issued by the National Bank of Georgia. In such cases the entity present an evidencing document envisaged in the legislation of Georgia or in the rules defined by the Minister of Finance of Georgia to the tax and/or payment destination authority. In addition, acknowledgement of actual tax and/or other payment may be made in an electronic manner in line with the rules defined by the Minister of Finance of Georgia. Executed tax and/or other payment liability is not refunded to the third party.

Article 18<sup>3</sup>. Cash Management and Plan of Release (12.12.2014. N2935)

1. Cash is released from the State Treasury Accounts to finance the expenditures to be incurred by budgetary organizations in line with the budget earmarkings.
2. Cash is released from the State Treasury Accounts to finance the expenditures to be incurred by budgetary organizations funded from the State Budget on the grounds of the budget earmarkings and monthly plan of financial operations.
3. Monthly plan of financial operations for the release of cash from the State Budget is defined by the Minister of Finance of Georgia by revenues, balance adjustments and expenditures projected for a respective period.
4. Monthly plan of financial operations defined by the Minister of Finance of Georgia shall comply with the indicators established under the budget earmarkings.
5. Draft monthly plan of financial operations defined for the release of funds from the State Budget is made, approved and cash released by the Minister of Finance of Georgia in line with the rules approved on the grounds of the present Code.

Article 18<sup>4</sup>. State Treasury (12.12.2014. N2935)

1. State Treasury is kept responsible for the full and accurate accounting, transparency and reporting of revenues, expenditures and balance adjustment within the State, Autonomous Republican and Local Budgets, as well as within the budgets of legal entities of public or private law defined in the present Code.
2. State Treasury keeps a single account at the National Bank of Georgia. State Treasury is authorized to open additional accounts at other banks.
3. Only the State Treasury is entitled to manage and control the single and other accounts kept by the State Treasury. It is the only institution entitled also to release cash from such accounts, apart from the exceptions made in the legislation of Georgia
4. Cash managed by the State Treasury is kept at the single and other accounts of the State Treasury.
5. State Treasury reports on the movement of cash from its accounts at the end of every single month.
6. It is prohibited for a budgetary organization to open a bank account without an agreement of the State Treasury, except for the cases envisaged in Article 7 of the present Code. State Treasury is authorized to withdraw its original consent on the opening of a bank account for a budgetary organization and to ultimately close such account. Budgetary organization ensures the full and immediate accounting of all its revenues at the single account of the State Treasury, if not otherwise defined in the present Code.

7. State Treasury is entitled to use electronic documents in its operation.
8. Budgetary organization is authorized to keep any document as an electronic copy and/or print out the documents submitted to and acknowledged by the State Treasury in an electronic manner. In addition, documents kept as an electronic copy and its print out have the same legally binding power as the hard copy.
9. Security norms, rules and service conditions of the electronic system deployed by the State Treasury are defined in an Order of the Minister of Finance of Georgia.
10. With an aim of generating additional budget revenues, State Treasury is authorized to deposit the available funds under its management in line with the rules approved by the Government of Georgia.
11. State Treasury is authorized to render services on a contractual basis to state owned enterprises (SOEs).

Article 19. Audit of Budget Execution and Expenditures by the State Audit Office *(22.06.2012. N6550 Enforceable from July 1, 2012)*

State Audit Office audits the execution of State, Autonomous Republican and Local Budgets and spending of budget allocations in line with the rules defined in the legislation of Georgia.

Article 20. Compliance of Regulations with Budget Parameters (12.12.2014. N2935)

1. Draft Law, leading to the increase of expenditures, reduction of revenues or commitment of new liabilities under the State Budget, may be accepted by the Parliament of Georgia only after the consent of the Government of Georgia, while the draft law related to the following fiscal year – within the Basic Data and Directions (BDD) Document submitted to the Parliament of Georgia or consent of the Government of Georgia.
2. Representative Body of the Autonomous Republic/Local Authority may only accept the draft law leading to the increase of expenditures, reduction of revenues and/or commitment of new liabilities within the Autonomous Republican or Local Budgets, only after the consent of the respective Executive Authority. Draft law of the Representative Body of the Autonomous Republic/Local Authority related to the following fiscal year shall comply with the budget parameters of the following year, while if leading to the adjustments in the budget parameters of the following year it may be accepted only with an agreement of the Executive Body of the Autonomous Republic/Local Authority.
3. Decision of the Supreme Body of the National Authority of Georgia or Autonomous Republican Authority, which increases the expenditures of the local budget or reduces its

revenues shall be compensated during the year by the beneficiary body (from the State or Autonomous Republican Budgets).

#### Article 21. Authority to Borrow and Issue State Guarantees

1. State borrowing and issuance of state guarantees is permitted only by the Minister of Finance of Georgia on the grounds of the rules defined in the legislation of Georgia.
2. Autonomous Republics and Local Authorities are entitled to borrow from the Government of Georgia and/or other sources only with the permission of the Government of Georgia.

#### Article 22. Limits of State Borrowing and State Guarantees

1. Annual Budget defines limits of total state borrowings, which may be left unrecovered by the end of the fiscal year. Individual limits are defined for domestic and external borrowings. Borrowings from the National Bank of Georgia (NBG) are subject to separate limitations.
2. Annual Budget Law defines limits for external and domestic state guarantees on loans, which may be issued during the planned fiscal year.
3. Ministry of Finance of Georgia is kept responsible for the management of public debt and other related issues.

#### Article 23. Procedures for State Borrowing and State Guaranteeing

1. Ministry of Finance of Georgia takes decisions on the public borrowings and issuance of state guarantees within the scope of the Annual Budget and limits defined in other regulations, along with the rules defined in the legislation of Georgia.
2. Ministry of Finance of Georgia is authorized to borrow in line with the rules defined in the legislation of Georgia, Law of Georgia on Public Debt in any form acceptable to the beneficiary or issuer. Ministry of Finance of Georgia is free in the selection of the financial tool, features, terms and conditions. Within the interests of the monetary policy, Ministry of Finance of Georgia acts on the grounds of consultations with the National Bank of Georgia.
3. In line with the Organic Law of Georgia on National Banking and agreements concluded in writing by and between the Ministry of Finance of Georgia and National Bank of Georgia, the latter ensures the execution of decisions on the public debt.

#### Article 24. Authority of Loan Making

1. Loans may be issued from the State Budget under the rules defined in the present Code.
2. Loans may be issued from the Autonomous Republican and Local Budgets only with a consent of the Ministry of Finance of Georgia.



### Chapter III Distribution of Revenues between Budgets

#### Article 25. Rules for Distribution of Revenues between Budgets

1. Revenues are distributed between the State, Abkhazian and Adjarian Autonomous Republican and Local Budgets in line with the Annex of the present Code. List of property of general national importance and public property indicated in the Annex is defined by the Ministry of Economy and Sustainable Development. *(17.12.2010. N4108 Enforceable from January 1, 2011)*
2. Local taxes and collectables are fully captured in the Local Budget.
3. Revenues channeled to the Abkhazian and Adjarian Autonomous Republican Budgets are distributed among the budgets of other level within these republics under the rules defined by the Supreme Representative Bodies of the Autonomous Republics.
4. Penalties/sanctions/interest and other revenues charged to the vendors for the work commissioned by the budgetary organizations within the State, Autonomous Republican and Local Budgets are channeled to the respective budget (State, Autonomous Republican or Local Budgets). Penalties/sanctions/interest charged to the vendors for the work commissioned within the funding received from donor agencies are also channeled to the respective budget in line with the legislation of Georgia, if not otherwise defined in the agreements concluded with such donor agencies. *(12.12.2014. N2935)*

#### Article 26. Distribution of Budget Revenues received from AnnuledAnnuled Taxes

Budget revenues from the taxes annuledannuled in line with the tax legislation of Georgia are distributed in the following manner:

- A) Budget revenues obtained from the following annuled taxes are fully channeled to the State Budget:
  - A.a) Fixed tax on the import of light vehicles;
  - A.b) Tax charged to the owners of vehicles;
  - A.c) Tax on the use on motorways of general use;
  - A.d) Tax on the entry of vehicles to the territory of Georgia and excessive loading;
  - A.e) Fixed tax on the import of cigarillos and filtered cigarettes;
  - A.f) Social tax;
- B) Budget revenues obtained from the following annuled taxes are fully channeled to the Abkhazian and Adjarian Autonomous Republican and Local Budgets:

- B.a) Tax on air pollution with hazardous substances;
- B.b) Tax on the use of natural resources;
- B.c) Tax on property transfer;
- B.d) Tax charged to recreation centers;
- B.e) Tax charged to hotels;
- B.f) Tax on advertising;
- B.g) Tax on the use of local symbolics;
- C) Eighty per cent of the small business and fixed tax revenues is channeled to the State Budget, while 20% – to the Abkhazian and Adjarian Republican and Local Budgets.

Article 26<sup>1</sup>. Distribution and Use of Net Profit Generated by State Owned Enterprises  
(22.02.2011. N4210)

1. Proposals on the distribution and use of net profit generated by State Owned Enterprises (SOEs) are considered and decided upon (except for the decisions made by the Government of Georgia and cases envisaged in Clause 5 of the present Article) by a Commission, which is composed and operates in line with the Government Resolution of Georgia. (25.05.2012. N6331)
2. Dividends to be paid from the net profit of the State Owned Enterprises (SOEs) to the State as defined by the Commission indicated in Clause 1 of the present Article in line with Cell 9.1 of the Table Presented in the Annex to the present Code (Distribution of Revenues between the State, Abkhazian and Adjarian Autonomous Republican and Local Budgets of Georgia by Percentage Indicators) are fully channeled to the State Budget of Georgia.
3. Commission indicated in Clause 1 of the present Article is entitled to take a decision on the purpose of spending from the net profit retained by SOEs.
4. Government of Georgia is entitled to take a decision on the distribution, use and appropriation of net profit generated by SOEs different from Clause 2 of the present Article. (28.10.2011. N5172)
5. Decision on the distribution and use of net profit generated by SOEs, shares of which are traded at reputable stock exchanges of foreign countries is taken in line with the rules envisaged by the Law of Georgia on Entrepreneurship. In addition, Government of Georgia is entitled to take a decision on the dividends to be transferred to the State from the net profit of the SOEs, in contrast with the rules envisaged in Clause 2 of the present Article. (25.05.2012. N6331)

## State Budget

### Chapter IV

#### General Norms of State Budget

##### Article 27. Expenditures of General State Importance

1. Expenditures of general state importance are the allocations envisaged in Tier ranked first of the organizational code of the Annual Budget, which include the following as separate organisational codes: *(28.10.2011. N5172 Enforceable from January 1, 2012)*

- a) Service and repayment of foreign stateliabilities;
- b) Service and repayment of domestic state liabilities;
- c) Reserve Fund of the President of Georgia;
- d) Reserve Fund of the Government of Georgia;
- e) Fund for Projects Implemented in the Regions of Georgia;
- f) Fund for Execution of Court decisions and Repayment of Arrears Originating in Previous Years;
- g) Transfers to the budgets of Autonomous Republics and Local Authorities.

2. Other categories of expenditures of general state importance may be defined in the Annual Budget.

3. Apart from the Funds envisaged in the present Chapter, management of other expenditures of general state importance are defined in the Annual Budget.

##### Article 28. Reserve Funds of the State Budget

1. Reserve Funds of the President of Georgia and Government of Georgia are created in the State Budget. The total size of both funds shall not exceed 2% of total annual budget allocations.

2. Funds are allocated from the Reserve Funds of the President of Georgia and Government of Georgia to cover the expenditures that are not envisaged in the State Budget. Directions of funds from the Reserve Funds of the State Budget are defined by the President and Government of Georgia respectively on the grounds of the volumes indicated in the adjusted budget.

3. Ministry of Finance of Georgia allocates funds from the Reserve Funds of the President and Government of Georgia on the grounds of the respective decisions made by the President and Government of Georgia, which include information on the size and purpose of such allocations.

4. If and when the amounts to be allocated from the Reserve Fund of the Government of Georgia do not exceed 100 000 GEL, Prime Minister of Georgia is entitled to decide on the allocation of such funds on the grounds of a suggestion of the Minister of Finance of Georgia. (18.06.2010. N3114)

#### Article 29. Fund of Projects Implemented in the Regions of Georgia

1. Fund of Projects Implemented in the Regions of Georgia is created within the State Budget to manage the funds in line with the decision made by the Government of Georgia.

2. Ministry of Finance of Georgia allocates funds from the Fund of Projects Implemented in the Regions of Georgia on the grounds of a respective decision made by the Government of Georgia.

3. Size of the Fund of Projects Implemented in the Regions of Georgia is defined in the Annual Budget.

4. If and when the funds to be allocated from the Fund of Projects Implemented in the Regions of Georgia do not exceed 100 000 GEL, Prime Minister of Georgia is entitled to decide on the allocation of such funds on the grounds of a suggestion made by the Minister of Finance of Georgia. (18.06.2010. N3114)

#### Article 30. Fund for Execution of Court Decisions and Repayment of Arrears Originating in Previous Years

1. Fund for the Execution of Court Decisions and Repayment of Arrears Originating in Previous Years is created in the State Budget. It is managed under the rules defined in the legislation of Georgia and in line with the decisions made by the Government of Georgia.

2. Ministry of Finance of Georgia allocates resources from the Fund for Execution of Court Decisions and Repayment of Arrears Originating in Previous Years on the grounds of applicable decisions of the Government of Georgia.

3. Size of the Fund for the Execution of Court Decisions and Repayment of Arrears Originating in Previous Years is defined in the Annual Budget.

4. If resources to be allocated from the Fund for the Execution of Court Decisions and Repayment of Arrears Originating in Previous Years do not exceed 100 000 GEL, Prime Minister of Georgia is entitled to decide on the allocation of such funds on the grounds of a suggestion made by the Minister of Finance of Georgia. (18.06.2010. N3114)

#### Article 31. Distribution of Budget Allocations and Adjustments in Program Budgeting Classification *(Title (12.12.2014. N2935 Enforceable from January 1, 2015)*

1. Budget allocation may be forwarded from one spending institution to another only as a result of adjustments made to the Annual Budget Law.
2. Distribution of budget allocations between the programs and sub-programs of spending institutions along with the line items of budget classification may occur with a consent of the Ministry of Finance of Georgia.
3. Distribution of budget allocations between the individual programs of a spending institution shall not exceed 5% of the budget earmarkings for the spending institution envisaged in the Annual Budget.
4. Funds allocated for a spending institution on the grounds of their budget proposals and decisions made by the Government of Georgia may be used to cover the expenditures of general state significance, provided they do not exceed 2% of the budget allocations envisaged in the Annual Budget for the expenditures of general state significance. Ministry of Finance of Georgia shall notify the Fiscal Committee of the Parliament of Georgia on the applicable decision.
5. Minister of Finance of Georgia is entitled to make adjustments to the program budgeting classification (supplement to a program or a sub-program, title of a program or a sub-program) on the grounds of an applicable legislative protocol and budget proposal of the spending institution.
6. Annual Budget shall be adjusted with the distribution of budget allocations for expenditures of general state significance and adjustment shall be made under Clauses 2 and 5 of the present Article in line with the rules defined by the Minister of Finance of Georgia.
- 6<sup>1</sup>. Minister of Finance of Georgia defines the rules for verification of the budget by legal entities of public and private law defined in Clauses B<sup>1</sup>.a ad B<sup>2</sup>.a of Article 6 in the present Code in the segment of other revenues (non-budgetary resources) permitted in the legislation of the country. These rules only define procedures of budget verification, while the decisions on budget verification are made by the respective legal entities under the rules defined in the legislation of Georgia on the grounds of an agreement with the controlling body (if such obligation applies). *(12.12.2014. N2935 Enforceable from January 1, 2015)*
7. If adjustments to the Public Procurement Plan of a budgetary organization funded from the State Budget lead to the distribution of allocations from a adjusted budget, such budgetary organization shall distribute funds among the respective programs, sub-programs and line items of budget classification prior to making adjustments to its Public Procurement Plan in line with the rules defined in the present Article.

## Article 32. Emergency Response Budget

1. Parliament of Georgia may approve an Emergency Response Budget submitted by the Government of Georgia if and when an emergency or hostilities arise in the throughout or within the country to finance the measures aimed at the mitigation of such circumstances. (20.11.2013. N1599)
2. Percentage limitations defined in Articles 28 and 31 of the present Code are suspended from application to Emergency Response Budgets.

## Chapter V State Budget Drafting, Submission and Approval

### Article 33. Coordination of State Budget Drafting and Submission Process

State Budget drafting and submission process is coordinated and responsibility assumed by the Ministry of Finance of Georgia.

### Article 34. Basic Data and Directions Document of Georgia

1. Basic Data and Directions (BDD) Document of Georgia is a main plan of development for the country, which captures information on the mid-term macroeconomic and fiscal projections, along with information on the major directions of development within Central, Autonomous Republican and Local Authorities.
2. Drafting of the BDD Document is ensured by the Ministry of Finance of Georgia through coordination with the National Bank of Georgia, State Representatives – Governors stationed in administrative-territorial units of the country, Autonomous Republican and Local Authorities, along with spending institutions defined by the Government of Georgia. With this aim in mind officials and institutions referred above are obliged to submit the requested information to the Ministry of Finance of Georgia.

3. Government Resolution of Georgia defines a list of information and deadlines for submission of the requested data by spending institutions, Autonomous Republican and Local Authorities (except for the local authorities within such Autonomous Republics) for the BDD Document by March 1 of every single year. *(20.12.2012. N117 Enforceable from January 1, 2013)*

4. Government of Georgia submits information on the major macroeconomic projections and main directions of the line ministries of the country to the Parliament of Georgia by June 1 of every single year with an aim of soliciting agreement from Parliamentary Committees on major data and directions. Expertise Opinions of the individual Parliamentary Committees are sent to the Government of Georgia on the submitted information no later than June 20 of every single year. Line ministries of Georgia approve their mid-term action plans by June 30 of every single year. They include priorities, programs and activities to be carried out with an aim of attaining the priorities.

5. BDD Document shall include at least the following information:

a) For the past, current, future and three following fiscal years:

a.a) Main macroeconomic indicators (nominal and real Gross Domestic Product (GDP), economic growth, inflation, investments and etc.) projections and their description;

a.b) Aggregated indicators of Consolidated and State Budget Revenues and Expenditures, transactions with financial and non-financial assets and liabilities;

b) Analysis of State Budget Execution for the past fiscal year and adjusted projections of the current fiscal year;

c) For the future and following fiscal years: *(28.10.2011. N5172 Enforceable from January 1, 2012)*

c.a) State priorities defined by the Government of Georgia;

c.b) Programs, aims and funding of spending institutions defined in the Government Resolution of Georgia; (12.12.2014. N2935)

c.c) Solely for information purposes – Autonomous Republican and Local Authority priorities for a mid-term period, along with programs and funding earmarked for their achievement, goals and outcomes of such programs;

c.d) Aggregated indicators of the targeted threshold budget allocations defined for the each spending institution of the State Budget;

c.e) List of priority directions indicated in the State Budget, within which the spending institutions of the State Budget capture their programs and sub-programs in the respective budget proposals; (12.12.2014. N2935)

d) Projected number of staff for the next fiscal year broken down by spending institutions.

6. Government of Georgia approves the first draft of BDD Document of the country no later than by July 10 of every single year (except for the information indicated in Clause 5.C.C of the present Article).

7. BDD Document (except for the information indicated in Clause 5.C.C of the present Article) is submitted to the Parliament of Georgia in line with Articles 38 and 39 of the present Code.

8. Government of Georgia ensures the compatibility of the Draft State Budget and BDD Document. (12.12.2014. N2935)

#### Article 35. Budget ProposalProposals and Threshold Funding Volumes

1. Ministry of Finance of Georgia ensures the submission of budget proposalproposal templates to the spending institutions through the e-budget management system no later than within 5 days from the approval of the BDD Document by the Government of Georgia. They may be used by spending institutions for the submission of information for the budgets of following fiscal years in an electronic manner. (28.10.2011. N5172 Enforceable from January 1, 2012)

2. Information submitted to the Ministry of Finance of Georgia by spending institutions on the following fiscal years shall comply with the threshold volumes of staffing and budget allocations envisaged in the BDD Document for spending institutions.

3. Budget proposals are submitted to the Ministry of Finance of Georgia under the rules defined in Clause 1 of the present Article by legal entities of public and private law defined in Clauses B<sup>1</sup>.a and B<sup>2</sup>.a of Article 6 of the present Code, which are not spending institutions under the State Budget or budgetary organizations subordinated to their control. (12.12.2014. N2935)

#### Article 36. Submission of Budget Proposals (Title 12.12.2014. N2935)

1. Spending institutions submit their budget proposals to the Ministry of Finance of Georgia via an e-budget management system no later than by September 1 of every single year. Budget proposal shall include at least the following information: (28.10.2011. N5172 Enforceable from January 1, 2012)

a) For past, current and future fiscal years:

a.a) Calculation of budget allocations earmarked for the spending institutions by the lowest tier of budget classifications (except for the program budgeting classification);

a.b) Calculation of budget allocations earmarked for spending institutions by program budgeting classifications;



- a.c) Approved and projected number of employees at the spending institutions;
- a.d) Information on the projects funded by donor agencies and budget allocations earmarked for the co-financing and co-participation in such projects;
- a.e) Information on the revenues, expenditures and balance adjustments of legal entities of public or private law envisaged in Clauses B<sup>1</sup>.a and B<sup>2</sup>.a of Article 6 in the present Code obtained from any source permitted in the legislation of Georgia by the lowest tier of budget classification (except for the program budgeting classification), along with the information on the approved and projected number of employees; (12.12.2014. N2935)
- b) Programs and sub-programs planned for the future and following three fiscal years by spending institutions from budget allocations, along with the description of their funding, aims and goals, anticipated results and performance indicators;
- c) Information on capital projects.

<sup>1</sup> 1. Information envisaged in Clause 1.A.E of the present Article is submitted within the deadlines envisaged for the budget proposals under the present Code by legal entities of public and private laws envisaged in Article 35.3 of the present Code. (12.12.2014. N2935)

2. Budget proposals envisaged in Clauses 5.C.D and 5.D of Article 34 of the present Code above the threshold (if applicable) maybe submitted by spending institutions only through the electronic templates of budget proposals posted in the e-budget management system. (28.10.2011. N5172 Enforceable from January 1, 2012)

3. If information presented in the budget proposal differs from that of the Clauses 5.C.B, 5.C.D and 5.D of Article 34 of the present Code, spending institutions shall submit information to the Ministry of Finance through the e-budget management system along with the budget proposal on the reasons of such difference. (28.10.2011. N5172 Enforceable from January 1, 2012)

4. Ministry of Finance of Georgia ensures the inclusion of budget allocations for expenditures of general state significance in the Draft State Budget.

#### Article 37. State Budget Drafting

1. Ministry of Finance of Georgia considers budget proposals and submits main parameters of the State Budget to the Government of Georgia no later than September 15 of every single year.

2. Ministry of Finance of Georgia submits Draft State Budget and updated BDD Document to the Government of Georgia no later than September 25 of every single year.

3. If and when the Ministry of Finance of Georgia and spending institutions fail to agree on actions to be taken under Clauses 1 and 2 of the present Article, Ministry of Finance of

Georgia is entitled to submit its version of the State Budget to the Government of Georgia, ultimate decisions on which is made by the Government of Georgia.

4. **Deleted** (28.10.2011. N5172 Enforceable from January 1, 2012)

Article 38. Submission of Draft State Budget and BDD Document to Parliament of Georgia

1. Government of Georgia submits Draft State Budget to the Parliament of Georgia no later than by October 1 of every single year together with the supporting documents. (20.11.2013. N1599)

2. BDD Document compatible with the Draft State Budget of Georgia is submitted with the later to the Parliament of Georgia for consideration purposes.

3. Draft State Budget shall include at least the following information:

a) Balance sheet of the State Budget by budget classifiers;

b) Revenues, balance adjustment and allocations of the State Budget for each spending institution by the following line items of the budget classifiers: (28.10.2011. N5172 Enforceable from January 1, 2012)

b.a) Expenditures, including the budget allocations for remuneration;

b.b) Increase in non-financial assets;

b.c) Increase in financial assets;

b.d) Decrease in liabilities;

c) Budget allocation for spending institutions for expenditures and non-financial asset transactions by functional classifiers; (28.10.2011. N5172 Enforceable from January 1, 2012)

d) Amount of surplus or deficit of the State Budget; (28.10.2011. N5172 Enforceable from January 1, 2012)

e) Amount of State Budget allocations by program budgeting classifications; (28.10.2011. N5172 Enforceable from January 1, 2012)

f) Amount of expenditures of general state significance (including the volume of Equalization Transfers broken down by municipalities); (28.10.2011. N5172 Enforceable from January 1, 2012)

g) Threshold amount of state debt and loans guaranteed by the state; (28.10.2011. N5172 Enforceable from January 1, 2012)

h) Projects funded with targeted loans and grants allocated by donor agencies; (28.10.2011. N5172 Enforceable from January 1, 2012)

i) Priorities, within which the spending institutions carry out programs/sub-programs with funding of the State Budget; their description, aims and goals. (28.10.2011. N5172 Enforceable from January 1, 2012)

4. Draft State Budget is enclosed with the following: (28.10.2011. N5172 Enforceable from January 1, 2012)

- a) Clarification Note for the Draft State Budget, capturing the following information:
- a.a) Main macroeconomic indicators (nominal and real Gross Domestic Product (GDP), economic growth, inflation, investments, etc.) manifested in the form of projections and their descriptions;
  - a.b) Projected fiscal indicators and their descriptions;
  - a.c) Information on the main activities and programs funded from the State Budget;
- b) Short overview of State Budget Execution in the current year;
- c) Set of legislative amendments required for the enforcement of the Annual Budget Law;
- d) Additional information on the programs/sub-programs envisaged in the budget, along with their expected outcomes and outputs and performance indicators. (28.10.2011. N5172 Enforceable from January 1, 2012)
- e) Information on revenues generated by legal entities of public and private law as defined in Clauses B<sup>1</sup>.a and B<sup>2</sup>.a of Article 6 in the present Code from any source permitted under the legislation of Georgia, along with their expenditures and balance adjustments; (12.12.2014. N2935)
- f) Information on fiscal risks. (12.12.2014. N2935)
5. Information contained in Clause 3 of the present Article, except for that of Clause 3.I, shall be submitted for the past, current and future fiscal years.(28.10.2011. N5172 Enforceable from January 1, 2012)
6. Information envisaged in Clause 3.I of the present Article shall be submitted for the future and following 3 fiscal years. (28.10.2011. N5172 Enforceable from January 1, 2012)
7. Draft State Budget with enclosures and BDD Document shall be made publicly available upon its submission to the Parliament of Georgia.
8. Information enclosed to the Draft State Budget, except for that of the Clause 4.C of the present Article, are presented for information purposes only and do not get approved by the Parliament of Georgia. (20.12.2011. N5526)
9. Budgets of legal entities of public and private law defined in Clauses B<sup>1</sup>.a and B<sup>2</sup>.a of Article 6 in the present Code are approved under the rules defined in the legislation of Georgia. (12.12.2014. N2935)

#### Article 39. Review and Approval of Draft State Budget

1. Draft State Budget with enclosures and BDD Document submitted to the Parliament of Georgia is reviewed at the individual Committees, Factions, Majority, Minority and individual Members of the Parliament of Georgia.

2. Major parameters of the State Budget are presented by the Minister of Finance or Deputy Minister at the Parliamentary Committee Hearings, while the information on the programs, sub-programs and funding within the budget allocations earmarked to line ministries in the Draft State Budget is presented by the respective Minister or Deputy Minister together with the Minister of Finance or Deputy Minister. (12.12.2014. N2935)
3. Comments and suggestions expressed at the Parliamentary Committee Hearings, along with the Expertise Opinions of the State Audit Office (SAO) and National Bank of Georgia (NBG) are sent by the Parliament to the Government of Georgia no later than by October 22 of each single year. Comments on the 3 fiscal years following the next (budgeted) year elaborated in the BDD Document are recommendations by their nature. (22.06.2012. N6550 Enforceable from July 1, 2012)
4. Government of Georgia submits the updated Draft State Budget and BDD Document to the Parliament of Georgia by incorporating all the considered suggestions and comments no later than by November 5 of each single year. Draft State Budget is thus heard at the Plenary Session of the Parliament.
5. Updated Draft Law on Annual Budget and short overview of the State Budget in the current year is presented at the Plenary Session of the Parliament of Georgia by the Prime Minister or any member of the Government of Georgia acting within the instructions of a respective Protocol issued by the Prime Minister of Georgia. Parliament of Georgia also hears presentations of the State Audit Office, National Bank of Georgia and Fiscal Committee of the Parliament of Georgia. (22.06.2012. N6550 Enforceable from July 1, 2012)
6. Comments and suggestions expressed at the Plenary Session of the Parliament of Georgia are sent to the Government of Georgia no later than by November 15 of every single year.
7. Government of Georgia submits the final draft of the State Budget and respective BDD Document to the Parliament of Georgia with information on the status of the comments and suggestions expressed at the Plenary Session no later than by November 30 of each single year. (20.12.2012. N117 Enforceable from January 1, 2013)
8. Draft State Budget is voted by the Parliament of Georgia no later than by third Friday of December. Draft Law on State Budget is approved with a listed majority, within one hearing.
9. Draft State Budget approved by the Parliament of Georgia shall at least include information envisaged in Article 38.3.A-G of the present Code. (20.12.2011. N5526)
10. Draft State Budget may be adjusted at the Parliament of Georgia with a permission of the Government of Georgia. In such cases, Government of Georgia submits the respectively adjusted Draft Law to the Parliament of Georgia. Adjustments may also be made to the Draft

State Budget at the Plenary Session of the Parliament of Georgia, during its discussions, provided the presenter agrees to the expressed comments. (20.11.2013. N1599)

11. If and when the Parliament of Georgia fails to approve the Draft State Budget by the third Friday of December, it is possible for the same draft or an updated one agreed between the Government of Georgia and Agreement Commission of the MPs be voted in 10 days, however no later than by December 31.

12. If and when the Draft State Budget is not approved, expenditures in the following year are incurred according to the State Budget approved for the previous year in line with Article 13 of the present Code. (12.12.2014. N2935)

13. Ministry of Finance of Georgia ensures the preparation of the final draft of BDD Document on the grounds of the information obtained from Local Authorities and Autonomous Republics and submission to the Fiscal Committee of the Parliament of Georgia no later than within 1 month from the start of the budgeted year.

14. Annual Budget Law is published under the rules defined in the legislation of Georgia.

#### Article 40. Amendments and/or Additions to the Annual Budget Law

1. Amendments and/or additions to the Annual Budget allocations, except for the rules defined in Article 31 of the present Code, require such amendments and/or additions to be made to the Annual Budget Law.

2. Materials attached to the Draft Law on Amendments and/or Additions to the Annual Budget Law shall include the updated mid-term macroeconomic and fiscal projections and information containing arguments for such amendments and/or additions, except for the cases when their submission is not required on the grounds of the substance of such amendments and/or additions.

3. Parliament of Georgia communicates the respective Expertise Opinion to the Government of Georgia on the Draft Law on Amendments and/or Additions to the Annual Budget Law within 7 days from the submission of the referred draft law to the Parliament by the Government of Georgia.

4. Government of Georgia submits the updated Draft Law on Amendments and/or Additions to the State Budget Law for consideration to the Parliament of Georgia no later than within 5 days from reception of the draft. It shall be enclosed with information on the status of comments and suggestion made to the draft law.

5. Draft Law on Amendments and/or Additions to the State Budget Law is discussed by the Parliament at the Plenary Session no later than within 5 days from the reception of the

updated draft from the Government of Georgia. (22.06.2012. N6550 Enforceable from July 1, 2012)

6. Draft Law on Amendments and/or Additions to the Annual Budget Law is presented at the Plenary Session of the Parliament of Georgia by the Prime Minister or an official acting by the respective Protocol issued by the Prime Minister. Parliament of Georgia also hears the presentations of the State Audit Office, National Bank of Georgia and Fiscal Committee of the Parliament of Georgia. (22.06.2012. N6550 Enforceable from July 1, 2012)

7. Parliament of Georgia adopts Draft Law on Amendments and/or Additions to the State Budget Law with a listed majority within one hearing.

8. If and when the Parliament of Georgia fails to adopt the Draft Law on Amendments and/or Additions to the State Budget Law, it is possible to vote again on the same draft of the Law on Amendments and/or Additions to the State Budget Law or the adjusted one by the Government of Georgia and Agreement Commission of MPs.

9. Law on Amendments and/or Additions to State Budget Law is published under the rules defined in the legislation of Georgia.

## Chapter VI

### Special Funding Rules from State Budget

Article 41. Parliament of Georgia and State Audit Office (*Title (22.06.2012. N6550 Enforceable from July 1, 2012)*)

1. Draft Budgets of the Parliament of Georgia and State Audit Office of Georgia are submitted to the Government by the Parliament of Georgia no later than by June 15 of every single year. (22.06.2012. N6550 Enforceable from July 1, 2012)

2. Rules for drafting the budgets of the Parliament of Georgia and State Audit Office are defined in the Regulations of the Parliament of Georgia. (22.06.2012. N6550 Enforceable from July 1, 2012)

3. Reduction of total State Budget allocations envisaged in the expenditures of the Parliament of Georgia by economic classification of line items compared to the respective volumes of the current and previous years may occur only with a preliminary consent of the Parliament of Georgia and State Audit Office respectively. (12.12.2014. N2935)

4. Parliament of Georgia may exercise the unlimited authority granted under Article 31 of the present Code for the distribution of its budget allocations with an agreement of the Ministry of Finance.

Article 42. Constitutional and General Courts of Law (12.12.2014. N2935)

Reduction of total State Budget allocations envisaged in the expenditures of the Constitutional and General Courts of Law by economic classification of line items compared to the respective volumes of the current and previous years may occur only with a preliminary consent of the Constitutional Court and Supreme Council of Justice of Georgia.

Article 43. General Prosecutor's Office of Georgia (12.12.2014. N2935)

Reduction of total State Budget allocations envisaged in the expenditures of the General Prosecutor's Office of Georgia by economic classification of line items compared to the respective volumes of the current and previous years may occur only with a preliminary consent of the Minister of Justice of Georgia.

Article 44. Legal Counsel Service (12.12.2014. N2935)

Reduction of total State Budget allocations envisaged in the expenditures of the Legal Counsel Service of Georgia by economic classification of line items compared to the respective volumes of the current and previous years may occur only with a preliminary consent of the Council of the Legal Counsel of Georgia.

Article 45. Condition for the Definition of the Size of Special Funding (12.12.2014. N2935)

Volume of expenditures envisaged in Articles 41.3, 42 and 44 of the present Code by economic classification of line items does not envisage the expenditures for projects funded by donor agencies, co-financing and co-participation of such projects by economic classification of such line items.

## Chapter VII State Budget Execution

Article 46. Responsibility over the Execution of State Budget

1. Budgetary organizations are kept responsible for the expenditures to be carried out in line with their budget allocations and for collection of revenues within their competencies.  
*(12.12.2014. N2935 Enforceable from January 1, 2015)*
2. Minister of Finance of Georgia supervises the organization and management of the state budget execution.

3. Parliament of Georgia is authorized to control the legitimacy of expenditures incurred by the Government of Georgia from the State Budget through the State Audit Office. (20.11.2013. N1599)

#### Article 47. Breakdown of the State Budget

1. Spending institutions submit information to the Ministry of Finance of Georgia on the tentative quarterly and/or monthly breakdown of their budget allocations within 5 business days from the publication of the State Budget Law.

2. Ministry of Finance of Georgia reviews the submitted information and takes decision on the grounds of the available resources on the quarterly and/or monthly breakdown of the State and Consolidates Budgets (expenditures part) no later than within 15 days from the publication of the State Budget Law.

3. Unearmarked balance may be used for the funding of budget allocations while breaking down the State Budget by quarters and/or months, provided the annual volume of the balance envisaged in the Annual Budget will be kept unchanged.

4. Amendments and/or additions to the Annual Budget Law require the adoption of a new breakdown or adjustments to the existing one.

5. Upon submission of the information envisaged in Clause 1 of the present Article, spending institutions also communicate information via an e-budget management system on other revenues generated by them and their controlled subordinates, legal entities of public and private law defined in Clauses B<sup>1</sup>.a and B<sup>2</sup>.a of Article 6 in the present Code as permitted under the legislation of Georgia (except for the budget revenues) and expenditures to be incurred from such sources of revenues, which shall comply with information contained in Article 38.4.E of the Code to be submitted to the Parliament of Georgia within the deadlines defined in Article 39.7 of the present Code. (12.12.2014. N2935)

6. Information defined in Clause 1 of the present Article within the deadlines defined in the referred clause is also submitted by legal entities of public and private law defined in Clauses B<sup>1</sup>.a and B<sup>2</sup>.a of Article 6 in the present Code, which are not spending institutions funded from the State Budget or budgetary organizations subordinated to their control. (12.12.2014. N2935)

7. Adjustments to the budget breakdown of legal entities of public and private law defined in the present Article are made according to the established rules for the compliance and further verification of budgets approved for the legal entities of public and private law. (12.12.2014. N2935)



Article 48. Deleted (28.10.2011. N5172 Enforceable from January 1, 2012)

Article 48<sup>1</sup>. Deleted (28.06.2012. N6572)

Article 49. Deleted (12.12.2014. N2935)

Article 49<sup>1</sup>. Deleted (25.11.2011. N5351)

Article 50. Deleted (12.12.2014. N2935)

Article 51. Deleted (12.12.2014. N2935)

Article 52. Deleted (12.12.2014. N2935)

## Chapter VIII

### Accounting, Reporting and Audit of State Budget

#### Article 53. Accounting and Reporting of the State Budget

1. State Treasury accounts for the payments made to incur the expenditures under the State Budget in line with the budget classification that covers information for every phase of the payment. State Treasury also accounts for the revenues by the budget classification and refund of excess tax revenues. (12.12.2014. N2935)
2. State Treasury produces reports on the execution of the State Budget, covering the revenues, expenditures, balance adjustment and total net balance within 20 days from the end of every single month. Referred reports are submitted to the Parliament of Georgia.

#### Article 54. Quarterly Overview of the State Budget Execution

Ministry of Finance of Georgia submits a quarterly overview of State Budget execution with an aggregated total to the Parliament of Georgia within 1 month from the end of every single quarter. Overviews include the following information:

- a) Development of events in the macroeconomic and fiscal areas;
- b) Comparison of actual revenues, expenditures (including those of general state significance), balance adjustment and total net balance with projections of the respective period.

#### Article 55. Annual Reporting on State Budget Execution (20.11.2013. N1599) 141189 574 999584

1. Spending institutions and legal entities of public and private law defined in Clauses B<sup>1</sup>.a and B<sup>2</sup>.a of Article 6 in the present Code prepare final reports in line with the instructions defined by the Minister of Finance of Georgia within the pre-defined deadlines, which are

sent to the Ministry of Finance of Georgia. On the basis of the data obtained from the State Treasury and information submitted by spending institutions and other respective budgetary organizations, Ministry of Finance of Georgia prepares an Annual Report on State Budget Execution, which is presented to the Government of Georgia. It is then forwarded to the State Audit Office by the Government of Georgia within 3 months from the end of the fiscal year. *(12.12.2014. N2935 Enforceable from January 1, 2015)*

2. Government of Georgia submits Annual Report of State Budget Execution to the Government of Georgia upon reception of information on the completion of its drafting from the State Audit Office, but no later than within 5 months from the end of the fiscal year.

Article 56. Annual Report on State Budget Execution *(12.12.2014. N2935 Enforceable from January 1, 2015)*

1. Annual Report on State Budget Execution includes at last the following information on the execution of the Annual Budget:

- a) Balance sheet of the State Budget by the budget classifiers;
- b) Macroeconomic overview;
- c) Comparison of actual budget revenues and expenditures with projections of the respective period by budget classifiers;
- d) Opening and closing balances kept at the accounts of common system of State Treasury;
- e) Clarification on the inconsistencies between the approved and adjusted budget allocations for spending institutions, if such inconsistencies exceed 30%;
- f) Clarification of inconsistencies between the approved and adjusted allocations for spending institutions, if such inconsistencies exceed 15%;
- g) Information on the execution of budget expenditures of general state significance (including that of by unpaid public debt at the end of the fiscal year and by equalization transfer between municipalities);
- h) Description of programs/sub-programs implemented by spending institutions within the priorities defined in the Annual Budget and achieved results;
- i) Annual indicators of budget execution for legal entities of public and private law defined in Clauses B<sup>1</sup>.a and B<sup>2</sup>a in Article 6 of the present Code.

2. Information envisaged in Clause 1 of the present Article reflects data on the grant funding/targeted finance received by line ministries and public institutions throughout the year, which are accounted within a fiscal year in line with the rules approved by the Minister of Finance of Georgia.

Article 57. Review of Annual Report on State Budget Execution Presented by State Audit Office (20.11.2013. N1599)

State Audit Office (SAO) notifies the Government of Georgia on the completion of the Annual Report within 45 days from the reception of Annual Report of the Government of Georgia on State Budget Execution and submits such SAO Report on State Budget Execution to the Parliament of Georgia.

Article 58. Adoption of Annual Report on State Budget Execution (20.11.2013. N1599)

Parliament of Georgia issues a Resolution after the discussions of the Annual Report of the Government of Georgia on State Budget Execution and after hearing the Annual Report of the State Audit Office on State Budget Execution. Referred Resolution of the Parliament of Georgia on the adoption or non-adoption of the Annual Report on State Budget Execution is issued prior to the end of the Spring Session.

## Chapter IX

### Crediting from State Budget

Article 59. Grounds for Crediting

1. Loans are issued from State Budget and control over its spending is practices in line with the terms and conditions defined in the present Chapter. Issues related to the loan making, control over targeted spending and repayment are regulated with the present Code and regulations of the Government of Georgia.

2. Provisions of the present Chapter do not apply to the following:

- a) Loans made within the projects financed by foreign donor agencies;
- b) Loans made from the State Budget to the Autonomous Republican or Local Budgets;
- c) Loans made prior to the enforcement of the present Code, apart from the cases indicated in it. (29.06.2010. N3265)

3. Loans are made from the State Budget only on the grounds of the Government Resolution, which shall specify the following: (20.11.2013. N1599)

- a) Purpose of the loan;
- b) Source of such loans (Reserve Fund of the Government of Georgia envisaged in the State Budget, Allocations for the budgetary organizations and/or other);
- c) Security of the loan as envisaged in the present Code and/or exemption;
- d) Loan maker, allocator, beneficiary, controlling agency and other parties of the loan agreement;

- e) Size of the loan;
  - f) Annual interest rate of the loan;
  - g) Maturity and deadlines for loan repayment.
4. Government Resolution may also define other terms and conditions that are essential for loan making and repayment, its targeted and effective use.

#### Article 60. Loan Maker and Borrower

1. Budgetary organization which makes the loan from its State Budget allocations and/or which get resources (funds) allocated from the Funds of the State Budget and/or other sources under the rules defined in the legislation of Georgia from which the loans are made is deemed to be the loan maker from the State Budget.
2. Borrower may be the enterprise or organization defined in the Tax Code of Georgia, or any legal or physical entity defined in the Law of Georgia on Entrepreneurship.

#### Article 61. Security of the Loan

1. Borrower shall secure the loan with one of the assets defined in Clause 2 of the present Article.
2. Assets securing a borrowing from the State Budget are:
  - a) Bank guarantee, which promulgates in writing that if and when the borrower fails to honor the liabilities arising from the loan agreement will transfer funds to the State Budget with an aim of an overdue loan repayment for the borrower when the guarantee is called by the creditor in writing;
  - b) Insurance coverage (policy) issued by an insurance company, which promulgates in writing that if and when the borrower fails to honor the liabilities arising from the loan agreement will transfer funds to the State Budget with an aim of an overdue loan repayment for the borrower when the guarantee is called by the creditor in writing;
  - c) Collateral and/or mortgage of property held in the title ownership of oneself or a third party in favor of the creditor.
3. Security of the loan is selected by the creditor in every individual case by taking into account the current circumstances.
4. If and when the loan gets overdue and defaulted, creditor is entitled to use the security under the rules, terms and conditions defined in the legislation of Georgia.
5. Loan Agreement shall include the additional security, for the penalty sanction to be incurred by the borrower for the default and/or inadequate performance.

#### Article 62. Control over the Targeted Use of Borrowing

1. Control over the targeted use of the borrowing is exercised by the creditor, if not otherwise defined in the Government Resolution and namely if no other administrative body is mandated to control.
2. If and when the loan resources are misused, borrower is obliged to terminate such spending of the funds, correct the breached conditions within a reasonable period of time and replenish the misused loan resources from its own funds.
3. If the borrower fails to honor its liabilities assumed under the loan as envisaged in Clause 2 of the present Article, borrower is obliged to refund the misused loan (tranche) within 30 calendar days from the warning made in writing, along with the accrued loan interest, penalty and interest accrued to such penalty until the liability is honored.

#### Article 63. Default of the Borrower, Terms and Conditions for Repayment of Overdue Loans

1. Creditor is entitled to enforce the authority assumed under the loan agreement, present Code and legislation of Georgia to recover the overdue loan immediately when the loan becomes overdue.
2. Security of the loan may be used to recover the overdue loan, along with enforcement measures in line with the Law of Georgia on Execution Procedures and/or other measures envisaged in the legislation of Georgia. *(29.06.2010. N3265)*
3. Creditor is obliged to communicate in writing with Ministry of Finance of Georgia no later than within 6 months from the date when loan repayment becomes overdue to recover the loan. Notification of the creditor shall be based on the overdue loan, shall define the volume of such overdue debt liability, reasons of arrears and applicable argumenting evidences.
4. Individual Administrative-Legal Protocol issued by the Minister of Finance serves as a basis for the recovery of the overdue loan. It is issued on the grounds of the notice communicated by the creditor by complying with General Administrative Code of Georgia and on the grounds of formal administrative procedures.
5. Minister of Finance of Georgia reviews the notice of the creditor made in writing on the use of security to recover the overdue loan no later than within 6 months from the registration of such notice at the Ministry of Finance and takes a decision to accept or decline the request calling upon the security to recover the overdue loan within the sovereign interests. Loans issued to legal entities of public law, enterprises (in which the national or local authorities own over 50% of shares or stake) and legal/physical entities participating in state programs are deemed to be of sovereign interest. If and when the indicated deadline is missed, proposal on the recovery of an overdue loan from its security is deemed unmet.

6. Executive Protocol is issued on the grounds of an individual Administrative-Legal Protocol of the Minister of Finance of Georgia on the recovery of the overdue liability, which is enforced under the rules defined in the Law of Georgia on Execution Procedures.

7. Individual Administrative-Legal Protocol issued by the Minister of Finance of Georgia on the recovery of the overdue liability may be appealed at the Court of Law under the rules defined in the legislation of Georgia. If and when it is appealed, no actions will be suspended in the execution process.

#### Article 64. Registry of Loans Issued from State Budget

1. Data on the loans issued from the State Budget are kept in a Registry, which is administered by the creditor. The latter submits the following information to the Ministry of Finance of Georgia: *(29.06.2010. N3265)*

- a) Information kept in the Registry once a month (as of the first date of any given month);
- b) Copies of Loan Agreements, schedule of loan and interest payment, along with amendments made to such. Ministry of Finance of Georgia

<sup>1</sup>. Ministry of Finance of Georgia defines a common Registry of loans issued from the State Budget. *(29.06.2010. N3265)*

2. Rules for administration of State Budget Loan Registry and format of the latter are adopted by the Minister of Finance of Georgia.

### Part IV

#### Budgets of Local self-government bodies

#### Chapter X

##### General Norms for the Budgets of Local self-government bodies

Article 65. Independence of Budgets of Local self-government bodies 1. Each Local self-government body has its independent budget.

2. Budget of a Local self-government body is independent from budgets of other Local self-government bodies and Autonomous Republics.

3. Independence of Local self-government bodies in their budgeting process is guaranteed with independent definition of their own revenues and expenditures within their authority as envisaged in the present Code, as well as with the authority of independent decision-making delegated within the scope defined by the law. *(05.02.2014. N1959) Enforceable from the day, when results of the Local Elections in 2014 are officially announced)*

4. Central and Autonomous Republican Authorities of Georgia have no right to get engaged in the budgeting process of Local Authorities.

#### Article 66. Revenues Generated by Local Authorities vs Local Authority Funding

1. Revenues generated by Local self-government bodies include the local taxes and fees, equalization transfers and other revenues defined by the legislation of Georgia for Local Authorities.

2. Funding of Local self-government body include the special, targeted transfers and other revenues defined by the legislation of Georgia. *(12.12.2014. N2935 Enforceable from January 1, 2015)*

Article 67. Reserve Fund of Local self-government bodies  
1. Reserve Fund is created in the Local Authority Budget to finance the contingent liabilities. Size of such Reserve Fund shall not exceed 2% of the total allocations from the Annual Budget.

2. Financial Unite of the Local self-government body allocated funds from the Reserve Fund on the grounds of the decision made by the Mayor of the city or Governor of the region, which includes information on the size and target of such funds.

#### Article 68. Fund for Recovery of Liabilities Arising in Previous Years and for Execution of Court Rulings

1. Fund for the recovery of liabilities arising in previous years and for execution of Court Rulings may be created in the Budget of Local self-government bodies , which is managed under the rules defined in the legislation of Georgia and in line with decisions made by the Executive Body of the Local Authority.

2. Size of the Fund created in the budget of a local self-government body for the recovery of liabilities arising in previous years and for execution of Court Rulings is defined in an Annual Budget.

#### Article 69. Distribution of the budgets of Local self-government bodies Budget Allocations and Adjustments to Program Budgeting Classifications *(20.12.2012. N117 Enforceable from January 1, 2013)*

1. Redistribution of budget allocations from one priority to another, except for those allocated under Articles 67 and 68 of the present Code, may occur only by making adjustments to an approved Annual Budget.

2. Redistribution of budget allocations may occur between programs, sub-programs and line items of budget classifiers of a single priority.

3. Redistribution of budget allocations between programs of a single priority shall not exceed 5% of expenditures envisaged in an adopted Annual Budget for this particular priority, except for the budget allocations made under Articles 67 and 68 of the present Code.
4. Executive Body of a Local Authority is authorized to make adjustments in the program classifications (add programs/sub-programs, change the title of programs/sub-programs) on the grounds of a respective regulation and suggestions made by a budgetary organization.
5. Executive Body of a Local Authority is authorized to make adjustments in revenues and expenditures of the budget (including the program code and additions) to capture the funds allocated within expenditures of general state importance of the State Budget on the grounds of a respective regulation. Such amendments shall be submitted to the Representative Body of the Local self-government body within 1 month, but no later than by the end of a fiscal year.
6. Verification of the Annual Budget, with allocations made in line with Articles 67 and 68 of the present Code and adjustments envisaged in Clauses 2 and 5 of the present Article shall be made in line with the rules defined by the Representative (Legislative) Body of the Local Authority. *(05.02.2014. N1959) Enforceable from the date when results of the Local Authorities are officially announced in 2014)*
7. Budgets of legal entities of public and private law defined in Clauses B<sup>1</sup>.c and B<sup>2</sup>.c of Article 6 in the present Code are adjusted in line with the rules defined by the Representative (Legislative) Body of the Local Authority. (12.12.2014. N2935)

#### Article 70. Emergency Response Budget

1. If and when emergency conditions are introduced throughout Georgia or within its individual municipalities, Representative Bodies of Local Authorities may adopt an Emergency Response Budget submitted by an Executive Body of the Local Authority to carry out targeted funding of actions associated with such emergency conditions.

2. Percentage restrictions defined for Emergency Response Budgets in Articles 67 and 69 of the present Code are suspended.

### Chapter XI Equalization Transfer

#### Article 71. Purpose of the Equalization Transfer

1. State ensures the equalization of socio-economic development of Local Self-government bodies with Equalization Transfers allocated from the State Budget.



2. Equalization Transfer is made from the State Budget to provide financial support to Local Self-government bodies in carrying out their duties. (05.02.2014. N1959) *Enforceable from the date when results of Local Elections are officially announced in 2014)*
3. Purpose of the Equalization Transfer is to equalize the financial resources among various Local Self-government bodies for carrying out their duties. (05.02.2014. N1959) Enforceable from the date when results of Local Elections are officially announced in 2014).

#### Article 72. Equalization Transfer

1. Equalization Transfer is allocated from the State Budget on an annual basis.
2. Size of the Equalization Transfer is calculated with rules and equation defined in the present Code.

#### Article 73. Rules for Calculation of the Equalization Transfer

1. Equalization Transfer is calculated by every Local Authority.
2. Total volume of budget expenditures and increase in non-financial assets of Local Self-government bodies is initially defined in individual Administrative-Legal Protocols of the Minister of Finance of Georgia for calculation of the size of the Equalization Transfer. It shall not be less than 4% of the projected nominal Gross Domestic Product (GDP) of the budgeted year.
3. Afterwards, total expenditures and increase in non-financial assets is calculated for the budgets of each Local Authority.
4. Later, revenues (net of grants) to the Budget of Local Self-government bodies are calculated.
5. Local Authority are not allocated Equalization Transfers if and when their budget revenues (net of grants) exceed total sum of expenditures and increase in non-financial assets.
6. At a later stage, size of Equalization Transfer is calculated for the budgets of each Local Authority, which is derived as a result of the equation defined in Article 74 of the present Code.

#### Article 74. Equation for the Calculation of an Equalization Transfer

1. Size of the Equalization Transfer made to each Local Authority Budget is calculated with the following equation:

$$T=E-R,$$

Whereby:

- a) T – Transfer to be allocated to the Local Authority Budget;
  - b) E – Total sum of expenditures and increase in non-financial assets within the budget of the Local Authority, which is calculated on the basis of statistical data (population broken down by the following age groups: children below 6, adolescents from 6 to 18, adults with a socio-economic condition (rating score) falls below the threshold defined by the Government of Georgia, size of the region in square meters and road length of local significance) and equalization ratio by splitting the self-governing cities and municipalities;
  - c) R – Revenues to the Local Authority Budget (net of grants), which are calculated by the projections for the current year and actual trend indicators of the past 3 years within the budgets of Local Self-government bodies.
2. Instructions for the calculation of Equalization Transfer (including the status used in calculations and ratios of support) are adopted by the Minister of Finance of Georgia.

## Chapter XII

### Drafting, Submission and Adoption of Local Authority Budgets

#### Article 75. Coordination of the Drafting and Submission of Local Authority Budgets

1. Financial Unit of the Local Authority coordinates the drafting and submission of Draft Budgets of the Local Authority.
2. Ministry of Finance of Georgia provides methodology and guidance to Local Self-government bodies on drafting, submission and adoption of the Local Authority Budgets.
3. Local Authority is required to timely and fully present information to the Ministry of Finance of Georgia upon its request on the budget of the Local Authority.

#### Article 76. Document of Local Authority Priorities

1. Document of Local Authority Priorities is the main plan of development for administrative units, which reflects information on mid-term action plans.
2. Document of Local Authority Priorities is drafted by the Executive Body of the Local Authority in consultations with the Office of the State Representative – Administration of the Governor – Executive Body of the respective Local Authority.
3. Executive Body of the Local Authority starts drafting the Document of Local Authority Priorities from March 1 of every single year. With this aim in mind it issues a respective

Administrative-Legal Protocol, which defines the list of information and deadlines for the submission of priorities.

4. Document of Local Authority Priorities shall include at least the following information:

a) Aggregated indicators of revenues, expenditures, transactions with financial and non-financial assets, liabilities of the Local Authority Budget for past, current, future and following three fiscal years;

b) Analysis of final result of the Budget Execution of the Local Authority and adjusted projections of the current fiscal year;

c) For the planned and following three fiscal years: *(20.12.2012. N117 Enforceable from January 1, 2013)*

c.a) Priorities of the Local Authority defined by the Executive Body of such Local Authority, along with the programs/sub-programs to be implemented within such priorities;

c.b) Mid-term priorities of the Local Authority, along with volumes, purpose and results of main programs and activities to be implemented to achieve such priorities;

d) Performance indicators for the programs/sub-programs planned within priorities. *(20.12.2012. N117 Enforceable from January 1, 2013)*

5. Executive Body of the Local Authority (except for the Local Self-government bodies within Autonomous Republics) submits the Document of Local Authority Priorities to the Representative Body of the Local Authority and Ministry of Finance of Georgia no later than November 15.

6. Local Authority of the Autonomous Republic submits Document of its Priorities to the Financial Unit of the Autonomous Republic under the rules defined by such Autonomous Republic.

Article 77. Drafting of Local Authority Budgets, Submission of Draft Budgets of Local Self-government bodies to the Representative Body of the Local Authority *(20.12.2012. N117 Enforceable from January 1, 2013)*

1. Ministry of Finance of Georgia notifies Local Self-government bodies on the major budget parameters of the following fiscal year by July 15 of the current year.

2. Financial Unit calculates the projected revenues and expenditures by taking into account the information received from the Ministry of Finance of Georgia and starts to carry out relevant procedures to develop a Draft Budget of the Local Authority.

3. Financial Unit sends templates of budget proposals to budgetary organizations with an indication of threshold allocations and staffing number to ultimately develop the Draft budgets of Local Self-government bodies. *(12.12.2014. N2935 Enforceable from January 1, 2015)*

4. Budget Proposal shall include no less than following information:

a) For past, current and future fiscal years:

a.a) Calculation of budget allocations earmarked for programs/sub-programs by the lowest tier of budget classifiers (except for the program classifiers);

a.b) Calculation of budget allocations by program classifiers;

a.c) Threshold staffing list of budgetary organizations;

a.d) Information projects financed by donor agencies and budget allocations for co-financing and co-participation in such projects (if applicable);

a.e) Information on revenues generated from any source permitted in the legislation of Georgia by legal entities of public and private law defined in Clauses B<sup>1</sup>.c and B<sup>2</sup>.c in Article 6 of the present Code, expenditures to be incurred from such sources and balance adjustments *(12.12.2014. N2935 Enforceable from January 1, 2015)*

b) Programs/sub-programs to be implemented with budget allocations in the future and following three fiscal years, their funding, description and goals;

c) Information on capital projects.

5. Budget proposals above thresholds (if applicable) envisaged for budgetary organizations in Clause 3 of the present Article may be submitted only in the form envisaged in the budget proposal.

6. Ministry of Finance of Georgia notifies projections of financial support and tax revenues as envisaged in the Draft State Budget to Local Self-government bodies no later than October 5.

7. Governor/Mayor of a Local Authority submits its Draft Budget with enclosures to the Representative (Legislative) Body of the Local Authority no later than November 15. *(05.02.2014. N1959) Enforceable from the date when results of Local Elections are officially announced in 2014)*

8. Document of Local Authority Priorities submitted to the Representative Body of the Local Authority together with the Draft Budget of such Local Authority.

8<sup>1</sup>. Financial Unit prepares Draft Budget of the Local Authority via the e-public funds management (E-PFM) system. *(12.12.2014. N2935 Enforceable from January 1, 2015)*

9. Draft Budget shall include at least the following information:

a) Balance sheet of the Budget by budget classifiers;

b) Budget revenues, balance adjustment and allocations for each program/sub-program by budget classifiers of the following line items:

b.a) Expenditures, including the budget allocations for the payroll;

b.b) Increase in non-financial assets;

b.c) Increase in financial assets;

b.d) Reduction in liabilities;

- c) Budget allocations for expenditures and transactions with non-financial assets by functional classifiers;
- d) Size of budget surplus or deficit;
- e) Size of budget allocations by program classifiers;
- f) Size of the Reserve Fund;
- g) Projects implemented with the funding of donor agencies manifested in loans and targeted loans and grant funding;
- h) Priorities, within which budgetary organizations carry out programs/sub-programs with funding from the budget, along with their descriptions and goals.

10. Documents enclosed to the Draft Budget include the following:

- a) Clarification Note on the Draft Budget;
- b) Short Overview of performance of the budget in the current year;
- c) Information on revenues generated by legal entities of public and private law defined in Clauses B<sup>1</sup>.c and B<sup>2</sup>.c in Article 6 of the current Code from sources permitted in the legislation of Georgia, expenditures to be incurred from such sources and balance adjustments. *(12.12.2014. N2935 Enforceable from January 1, 2015)*

11. Information indicated in Clause 9 of the current Article, apart from that of indicated in Clause 9.H shall be presented for the past, current and future fiscal years.

12. Information indicated in Clause 9.H of the present Article shall be presented for the planned future and following three fiscal years. *(20.12.2012. N117 Enforceable from January 1, 2013)*

#### Article 78. Review and Adoption of Draft Budgets of Local Self-government bodies

1. Draft Budget shall be submitted to the Representative Body of the Local Authority within 5 days and it shall be made available for public discussions.

2. Representative Body of the Local Authority publicly discusses the Draft Budget and takes decision on the adoption of the Draft Budget for the Local Authority prior to the start of the new fiscal year. Decision on the adoption of the Draft Budget is taken by the listed majority of the Representative Body.

3. If and when comments are made, Representative (Legislative) Body of the Local Authority returns the Draft Budget with such comments to the Governor/Mayor of such Local Authority no later than by November 25. *(05.02.2014. N1959) Enforceable from the date when results of local elections are officially announced in 2014)*

4. Governor/Mayor of the Local Authority submits the same or adjusted Draft Budget and Priority Document to the Representative (Legislative) Body of such Local Authority no later than by December 10. *(05.02.2014. N1959) Enforceable from the date when the results of local elections are officially announced in 2014)*

5. Adjustments may be made to the Draft Budget submitted to the Representative (Legislative) Body of the Local Authority during its discussions only with the agreement of the Governor/Mayor of such Local Authority. *(05.02.2014. N1959) Enforceable from the date when the results of local elections are officially announced in 2014)*

6. If and when the Representative (Legislative) Body of the Local Authority does not approve the updated Draft Budget submitted by the Governor/Mayor of such Local Authority or in the case if the Governor/Mayor of such Local Authority does not share the comments made by the Legislative Body of such Local Authority – original Draft Budget, Legislative Body of the Local Authority is authorized to approve with 3/5 of the listed majority the Draft Budget initiated by the Faction or 1/3 of the listed majority of the Legislative Body of the Local Authority, which shall incorporate only the comments sent to the Governor/Mayor or part thereof by the Legislative Body of the Local Authority in line with Clause 3 of the present Article. *(05.02.2014. N1959) Enforceable from the date when results of local elections are officially announced in 2014)*

7. If and when the Draft Budget of the Local Authority is not approved within 3 months from the start of the new fiscal year, Government of Georgia terminates the authority prior to the due date to the Representative (Legislative) Body of the Local Authority and Governor/Mayor in line with the Organic Law of Georgia – Local Authority Code to introduce the direct state authority. Government of Georgia approves the Local Authority Budget in such cases by the nomination of the Official/Body executing direct state governance. *(12.12.2014. N2935)*

7<sup>1</sup>. Decision made by the Representative (Legislative) Body of the Local Authority on the adoption of the Local Authority Budget shall include information envisaged in Article 77.9 of the present Code. *(12.12.2014. N2935)*

8. Local Authority (except for those of the Autonomous Republics) submit the Document of Local Authority Priorities compliant with its adopted Budget to the Ministry of Finance of Georgia no later than within 20 days from such adoption.

8<sup>1</sup>. Budgets of Legal entities of public and private law defined in Clauses B<sup>1</sup>.c and B<sup>2</sup>.c in Article 6 of the present Code are adopted under the rules defined in the legislation of Georgia. *(12.12.2014. N2935)*

9. Annual Budget shall be published and made available for general public.

Article 79. Incorporation of Targeted Transfers in the budgets of Local self-government bodies

1. Ministry of Finance of Georgia notifies local self-government bodies on the tentative threshold of the targeted transfers by October 5 of every single year.
2. Local self-government body prepares calculations for the programs and activities to be financed within the budget of delegated authority on the grounds of the parameters notified to it by the Ministry of Finance of Georgia, regulations of the country and/or concluded agreements. It also calculates the volume of targeted transfers and submits them together with its Draft Budget to the Representative (Legislative) Body of the Local self-government body. The latter considers the submission. Agreement between the National and Local Self-government bodies is drafted (if required) on the authority delegated by the state.
3. Agreements on Delegated Authority are concluded by and between the National and Local Executive Self-government bodies (if required) within 1 month from the publication of the Draft State Budget.
4. Rules for the incorporation of targeted transfers in the budgets of Local self-government body from the Autonomous Republican Budgets that cover such Local Self-government bodies and for application of such transfers are defined by the Representative Body of the Autonomous Republics.

Article 79<sup>1</sup>. Rules for Allocation of Special Transfers (12.12.2014. N2935)

1. Special transfers are allocated to mitigate the natural disasters, environmental and other calamities, military hostilities, epidemics and other emergencies, along with their consequences (harm), other. Special transfer is a financial support provided by the National, Autonomous and Local Self-government bodies between their budgets. Municipality may allocate the transfer only when it is to be used for the goals set by the transfer-allocating municipality within its authority defined in the legislation of Georgia.
2. Local self-government body is authorized to apply to the Government of Georgia/Line Ministries of Georgia and/or Government of the Autonomous Republic of Georgia/Line Ministries of the Autonomous Republic of Georgia in the cases envisaged in Clause 1 of the present article with a request to get a special transfer in the form of a financial support. Reasons and volume of such special transfer are indicated in such application.
3. Special transfer is allocated to the Autonomous Republican Budget from the State Budget under the procedures defined in Clause 2 of the present Article.

4. Proposals of the Local Authority on the allocation of a special transfer as envisaged in Clause 1 of the present Article may be submitted to another Local Authority.

Article 79<sup>2</sup>. Rules for Allocation of Capital Transfers (12.12.2014. N2935)

1. Capital transfers are allocated for the implementation of capital projects. Capital transfers are financial support between the Budgets of National, Autonomous Republican and Local Self-government bodies, which is related to the increase of non-financial assets of the transfer beneficiary. Municipality may allocate the capital transfer only when it is to be used for the aims and goals of the transfer-allocating municipality within its authority defined in the legislation of Georgia.

2. Local Authority is entitled to apply to the Government of Georgia/Line Ministries of Georgia and/or Autonomous Republics of Georgia/Line Ministries of the Autonomous Republic of Georgia with a request of a capital transfer in the form of a financial support in cases envisaged in Clause 1 of the present Article. Reasons and volume of such capital transfer are indicated in the referred application.

3. Capital transfers are allocated from the State Budget to the Autonomous Republican Budgets under the procedures defined in Clause 2 of the present Article.

4. Proposal of the Local self-government body on the allocation of the capital transfer may be made to another Local Authority in cases envisaged in Clause 1 of the present Article.

Article 80. Amendments and/or Additions to the budget of Local self-government body

1. Amendments and/or additions to the allocations of the Annual Budget, except for the rule defined in Article 69 of the present Code, require such amendments and/or additions to be made to the budget of Local self-government body.

2. Amendments and/or additions may be made to the Budget of Local self-government body by the Representative Body of such Local self-government body only with the suggestion of its Governor/Mayor.

### Chapter XIII

#### Budget Execution of Local self-government body

Article 81. General Provisions of Budget Execution of Local self-government body Executive Body of a Local self-government body ensures the execution of the budget of Local self-government body within its competence.



Article 82. Breakdown of the budget of Local self-government body

1. Financial Unit prepares quarterly and/or monthly breakdown of the budget of Local self-government body via e-PFM system no later than within 15 days from the publication of such budget of Local self-government body (12.12.2014. N2935)
2. Local self-government body may use freely available balance to finance allocations while breaking down the budget of Local self-government body by quarters and/or months, provided the annual volume of such balance as envisaged in the Annual Budget will be kept unchanged.
3. Quarterly and/or monthly budget breakdown of legal entities of public and private law defined in B<sup>1</sup>.c and B<sup>2</sup>.c in Article 6 of the present Code, which shall comply with information submitted to the respective Legislative Body of the Local self-government body and Article 77.10.C of the present Code. (12.12.2014. N2935)

Article 83. Responsibility over the Execution of budget of Local self-government body

1. Budgetary organizations are responsible for incurring expenditures in line with their budget allocations and generation of revenues within their competencies.
2. Tax Authorities ensure the collection of local taxes to the budget of Local self-government body under the rules defined in the legislation of Georgia, while individual units of the Local self-government body are responsible for the collection of other revenues to the Local self-government body and funds to be obtained from transactions with non-financial assets, if not otherwise defined in the legislation of Georgia.
3. Deleted (12.12.2014. N2935)

Chapter XIV

Accounting, Reporting and Audit of the budget of Local self-government body

Article 84. Accounting and Reporting of budget of Local self-government body

1. Account of the budget of Local self-government body is opened within a common system of State Treasury. Only the respective Local self-government body is entitled to issue a permit on the management of the account, control of transactions made through it, wire transfers made from it, if not otherwise defined in the legislation of Georgia. (12.12.2014. N2935)
2. Deleted (12.12.2014. N2935)

3. Financial Unit of the Local Authority accounts for expenditures incurred by each budgetary organization, which cover the information on every phase of expenditures by budget classifiers. It also accounts for the revenues by budget classifiers. (12.12.2014. N2935)
4. Financial Unit of a Local self-government body drafts a Report on the Revenues, Expenditures, Balance Adjustment and Total Net Balance of the Local Budget within 10 days from the end of every single month.

Article 85. Quarterly Overview of Execution of the budget of Local self-government body  
Executive Body of a Local self-government body submits Quarterly Reports on Budget Execution with an aggregate total to the Representative (Legislative) Body of such Local self-government body within 1 month from the end of each quarter, which covers revenues, expenditures (including the funds allocated from the Reserve Fund), comparison of the actual balance adjustment and total net balance with projections of the respective period.

Article 86. Drafting and Submission of Annual Reports on execution of Local budgets of Local self-government body

Financial Unit of the Local self-government body drafts an Annual Report of Budget Execution and submits it to the Representative Body of such Local self-government body no later than within 2 months from the end of the fiscal year.

Article 87. Annual Report on Local Budget Execution *(20.12.2012. N117 Enforceable from January 1, 2014)*

Annual Report of Local Budget Execution includes at least the following information:

- a) Balance Sheet of the Budget by budget classifiers;
- b) Comparison of actual budget revenues and expenditures by budget classifiers with projections of the respective period;
- c) Opening and closing balances kept at the budget accounts;
- d) Clarifications on the inconsistencies between the adjusted budget allocations and actual spending by programs, if such inconsistencies exceed 30%;
- e) Information on the budget allocations from the Reserve Funds for Stock of Arrears Arising in Previous Years and Funds for Execution of Court Rulings (if applicable);

- f) Description and results attained by Budgetary Organizations through programs/sub-programs carried out within the priorities set within their Annual Budgets.
- g) Annual indicators of budget execution of legal entities of public and private law defined in Clauses B<sup>1</sup>.c and B<sup>2</sup>.c in Article 6 of the present Code. *(12.12.2014. N2935 Enforceable from January 1, 2015)*

#### Article 88. Adoption of Annual Report on Local self-government body Budget Execution

1. Representative Body of a Local Authority publicly discusses the submitted Annual Report on Budget Execution and takes decision on the approval or rejection of the Annual Report no later than by May 1.
2. Audit Opinion on the budget of the Local self-government body and Annual Report on Budget Execution are categorized as public documents and made available to general public under the rules defined in the legislation of Georgia.

### Part V

#### Budgets of Autonomous Republics

#### Chapter XV

#### General Norms of Budgets of Autonomous Republics

#### Article 89. Independence of Budgets of Autonomous Republics

1. Autonomous Republic has its independent Republican Budget.
2. Independence of the Budgets of Autonomous Republics ensured by the sources of its revenues and independent authority to define its expenditures in line with the legislation of Georgia.

#### Article 89<sup>1</sup>. Expenditures of General Republican Significance *(20.12.2012. N117 Enforceable from January 1, 2013)*

1. Expenditures of general republican significance are budget allocations of tier one in an annual budget, which include the following as individual codes:
  - a) Service and repayment of liabilities;
  - b) Reserve Fund of the Autonomous Republican Budget;
  - c) Fund for the Repayment of Stock of Arrears Originating from Previous Years and Execution of Court Rulings;
  - d) Transfers to be made to Local Self-government bodies.

2. Other categories of general republican significance may be defined in the Annual Budget.
3. Apart from the Funds defined in the present Chapter, manager of other expenditures of general republican significance is defined in the Annual Budget.

Article 90. Reserve Fund of the Budget of Autonomous Republic

1. Reserve Fund is created in the Budget of Autonomous Republic for contingent expenditures. Its volume shall not exceed 2% of the total allocations defined in the Annual Budget.
2. Respective Financial Body allocates funds from the Reserve Fund on the grounds of the decision made by the Chairman of the Government of the Autonomous Republics, which includes information on the volume and purpose of such funds.

Article 91. Fund for the Repayment of Stock of Arrears Arising in Previous Years and Execution of Court Decisions

1. Fund for the repayment of stock of arrears arising in previous years and execution of court rulings may be established within the Budgets of Autonomous Republics, which is managed under the rules defined in the legislation of Georgia and in line with the decisions made by the Executive Body of such Autonomous Republic.
2. Size of the fund created for the repayment of stock of arrears arising in previous years and execution of court rulings is defined in the Annual Budget.

Article 92. Re-Distribution of Budgets of Autonomous Republics Allocations and Adjustments to Program Classification *(20.12.2012. N117 Enforceable from January 1, 2013)*

1. Redistribution of budget allocations from one spending institution to another, apart from those allocated in line with Articles 90 and 91 of the present Code, may only occur through the adjustments to the Annual Budget.
2. Funds may be redistributed between programs, sub-programs and line items of budget classification of spending institutions.
3. Redistribution of funds between the programs of spending institutions shall not exceed 5 % of the expenditures approved in the Annual Budget, except for the budget allocations made in line with Articles 90 and 91 of the present Code.
4. Executive Body of the Autonomous Republic is entitled to make adjustments (add programs/sub-programs, change title of programs/sub-programs) by program classifiers on the grounds of a respective legal protocol and suggestions made by spending institutions.

5. Executive Body of the Autonomous Republic is entitled to make adjustments (inter alia to add programs/sub-programs) to revenues and expenditures of the approved budget on the grounds of a respective legal protocol and with an aim of capturing fund allocated to incur expenditures of general state significance envisaged in the State Budget. These adjustments shall be submitted to the Representative Body of the Autonomous Republic within 1 month, but no later than by the end of the fiscal year.

6. Annual Budget may be adjusted with budget allocations from expenditures of general republican significance and adjustments envisaged in Clauses 2-5 of the present Article shall be made in line with the rules defined by the Executive Body of the Autonomous Republic.

6<sup>1</sup>. Executive Body of the Autonomous Republic defines the rules for the verification of budgets of legal entities of public and private law defined in Clauses B<sup>1</sup>.b and B<sup>2</sup>.b in Article 6 of the present Code within the other revenues (non-budget-funded) permitted in the legislation of Georgia. *(12.12.2014. N2935 Enforceable from January 1, 2015)*

7. Funds may be redistributed from budget allocations for spending institutions to the expenditures of general republican significance on the grounds of proposals made by spending institutions and decisions made by the Executive Body of the Autonomous Republic, provided such redistributed funds do not exceed 2% of budget allocations approved in the Annual Budget. Financial Unit of the Autonomous Republic shall notify the Supreme Council of such Autonomous Republic on such redistribution.

#### Article 93. Emergency Response Budget

1. If and when the emergency conditions are introduced throughout Georgia or its Autonomous Republic, Representative Body of the latter may adopt the Emergency Response Budget submitted by the Executive Body of the Autonomous Republic to finance the targeted activities related to such emergency conditions.

2. Percentage restrictions defined in Articles 90 and 92 of the present Code are suspended for emergency response budgets.

### Chapter XVI

#### Drafting, Submission and Adoption of the Budget of Autonomous Republic

#### Article 94. Coordination of Drafting and Submission of the Budget of Autonomous Republic

1. Financial Unit of the Autonomous Republic coordinates the drafting and submission of the the Budget of Autonomous Republic.

2. Ministry of Finance of Georgia provides relevant methodology guidance to the Autonomous Republican Authority for the purposes of drafting and submission of the Budget of Autonomous Republic.

3. Autonomous Republican Authority is obliged to timely and fully submit information on the Budget of Autonomous Republic to the Ministry of Finance of Georgia if and when the latter requests.

#### Article 95. Document of the priorities of Autonomous Republic

1. Document of the priorities of Autonomous Republic is the main plan of development for the Autonomous Republic and it covers information on the mid-term action plans.

2. Financial Unit of the Autonomous Republic coordinates the submission of the Document of Autonomous Republican Priorities.

3. Executive Body of the Autonomous Republic issues a relevant administrative-legal protocol by March 1 of every single year for the drafting of the Document of Autonomous Republican Priorities.

4. Chairman of the Government of the Autonomous Republic submits information on the Major Directions of the Autonomous Republic to the Supreme Council of such Autonomous Republic by June 15 of every single year with an aim of seeking agreement on the major data and directions from the Supreme Council of the Autonomous Republic. Supreme Council of the Autonomous Republic communicates its Expertise Opinion to the Government of the Autonomous Republic on the submitted information no later than by June 30 of every single year.

5. Document on the priorities of Autonomous Republic shall include at least the following information:

a) Aggregated indicators of the budget revenues and expenditures, transactions with financial and non-financial assets and liabilities for the past, current, future and following three fiscal years of Autonomous Republic ;;

b) Analysis of final results of the budget execution of Autonomous Republic for the past fiscal year and adjusted projections for the current fiscal year;

c) For the next and following three fiscal years: *(28.10.2011. N5172 Enforceable from January 1, 2012)*

c.a) the priorities of Autonomous Republic defined by the Executive Body of the Autonomous Republic;

c.b) Programs of spending institutions of the Autonomous Republic, along with their volumes, purpose and anticipated results;

- c.c) Aggregated indicators on tentative threshold volumes of budget allocations defined for each spending institution under the budget of Autonomous Republic;
  - d) Projected threshold staffing list for the next (planned) fiscal year broken down by spending institutions;
  - e) Programs of Local Self-government bodies within the Autonomous Republic, along with their funding amounts, purpose and expected outcomes and outputs. *(28.10.2011. N5172 Enforceable from January 1, 2012)*
6. Executive Body of the Autonomous Republic approves the Document of the Priorities of the Autonomous Republic no later than by July 25 (Except for the information envisaged in Clause 5.E of the present Article). *(18.06.2010. N3114)*

#### Article 96. Deadlines for Drafting and Submission of Applications for Financial Support

1. Executive Body of the Autonomous Republic submits its main data to the Ministry of Finance of Georgia if it requires financial support from the State Budget in a planned fiscal year no later than by July 15 with an aim of defining the size of such financial support.

2. Ministry of Finance of Georgia notifies the Executive Body of the Autonomous Republic on the major parameters of the State Budget by July 15 of the current year and on allocation of financial support to the Autonomous Republic from the State Budget no later than by October 5.

#### Article 97. Budget Proposal and Threshold Volumes

1. Financial Unit of the Autonomous Republic ensures the submission of templates for budget proposals to spending institutions via an electronic budget management system no later than within 5 days from the reception of Document of Autonomous Republic Priorities defined by the Government of such Autonomous Republic. Such templates are used for the submission of electronic information on the budget of the planned year by the spending institution to the Financial Unit. *(12.12.2014.N2935)*

2. Information submitted by the spending institution to the Financial Unit on the budgets of the planned fiscal years shall comply with the threshold volumes of staffing and budget allocations defined for such spending institutions in the Document of Autonomous Republic Priorities.

3. Legal entities of public and private law defined in Clauses B<sup>1</sup>.c and B<sup>2</sup>.c in Article 6 of the present Code submit their budget proposals under the rules defined in Clause 1 of the present Article to the Financial Unit, which are not spending institutions of the Autonomous

Republican Budget or budgetary organizations subordinated to their control. (12.12.2014.N2935)

#### Article 98. Submission of Budget Proposals by Spending Institutions

1. Management of spending institutions submit their budget proposals to the Financial Unit no later than by August 25. Budget proposals shall include at least the following information: (28.10.2011. N5172 Enforceable from January 1, 2012)

a) For past, current and planned fiscal years:

a.a) Calculation of budget allocations for spending institutions by the lowest tier of budget classifiers (except for program classification);

a.b) Calculation of budget allocations for spending institutors by program classifiers;

a.c) Number of staffing approved and projected for spending institutions;

a.d) Information on projects financed by donor agencies and budget allocations for co-financing and co-participation for such projects;

a.e) Information on revenues generated by legal entities of public and private law defined in Clauses B<sup>1</sup>.b and B<sup>2</sup>.b in Article 6 of the present Code from any source permitted under the legislation of Georgia, expenditures to be incurred from such sources and balance adjustments; (12.12.2014.N2935)

b) Programs and sub-programs to be implemented from budget allocations for spending institutions in the planned future and following three fiscal years, their funding, description, goals, anticipated results and performance indicators;

c) Information on capital projects.

<sup>1</sup> Budgetary organizations defined in Article 97.3 of the present Code submit information indicated in Clause 1.A.E of the present Article for filing their budget proposals within the deadlines defined in the present Code. (12.12.2014.N2935)

2. Budget proposals above the thresholds (if applicable) indicated in Articles 95.5.C.C and 95.5.D of the present Code may be subsisted by spending institutions only in the format envisaged in the budget proposals. (18.06.2010. N3114)

3. If and when the information indicated in the budget proposal differs from that of Articles 95.5.C.B, 95.5.C.C and 95.5.D of the present Code, spending institutions shall submit the information explaining such differences along with their budget proposals to the Financial Unit. (18.06.2010. N3114)

4. Financial Unit of the Autonomous Republic ensures the inclusion of budget allocations for the expenditures of general republican significance in the Draft Republican Budget. (20.12.2012. N117 Enforceable from January 1, 2013)



Article 99. Review of Budget Proposals and Drafting of the Autonomous Republican Budgets

1. Financial unit reviews the submitted budget proposals and submits the major parameters of the Autonomous Republican Budget to the Representative Body of such Autonomous Republic no later than by October 15.
2. Executive Body of the Autonomous Republic takes decisions on issues that spending institutions and Financial Unit fail to agree.
3. Financial Unit submits the Draft Autonomous Republican Budget and Document of Autonomous Republican Priorities to the Executive Body of such Autonomous Republic no later than by October 25.

Article 100. Submission of the Draft Law on the Autonomous Republican Budget

1. Chairman of the Autonomous Republican Government submits a Draft Law on the Autonomous Republican Budget to the Supreme Council of such Autonomous Republic together with the enclosures no later than by November 1 of every single year.

2. Draft Law on the budget of the Autonomous Republic is submitted for consideration to the Supreme Council of the Autonomous Republic together with the Document of Autonomous Republican Priorities.

3. Draft Law on the budget of the Autonomous Republic shall include at least the following information:

- a) Balance Sheet of the budget of the Autonomous Republic by budget classifiers;
- b) Revenues to the budget of the Autonomous Republic, change in balance and amount of budget allocations for each spending institution by the following line items of budget classifiers: *(28.10.2011. N5172 Enforceable from January 1, 2012)*
  - b.a) Expenditures, including the budget allocations for compensation of employees;
  - b.b) Increase in non-financial assets;
  - b.c) Increase in financial assets;
  - b.d) Decrease in liabilities;
- c) Amount of budget allocations for spending institutions by expenditures and functional classification of transactions with non-financial assets; *(28.10.2011. N5172 Enforceable from January 1, 2012)*
- d) Amount of the surplus or deficit in the budget of the Autonomous Republic; *(28.10.2011. N5172 Enforceable from January 1, 2012)*
- e) Amount of allocations from the budgets of the Autonomous Republic by program classifiers; *(18.10.2011. N5172 Enforceable from January 1, 2012)*
- f) Size of the Reserve Fund; *(28.10.2011. N5172 Enforceable from January 1, 2012)*

g) Priorities, within which spending institutions carry programs/sub-programs with funding from the budget of the Autonomous Republic, their descriptions and goals. *(28.10.2011. N5172 Enforceable from January 1, 2012)*

4. Enclosures to the Draft Law on Annual Budget include the following:

a) Explanation Note on the Draft budget of the Autonomous Republic, which cover information on projected fiscal indicators; *(28.10.2011. N5172 Enforceable from January 1, 2012)*

b) Short overview of the budget execution of the Autonomous Republic in the current year;

c) Set of legislative amendments required for the enforcement of the Law on Annual Budget.

d) Additional information on the programs/sub-programs, their expected outcomes and outputs and performance indicators. *(28.10.2011. N5172 Enforceable from January 1, 2012)*

e) Information on the revenues of legal entities of public and private law defined in Clauses B<sup>1</sup>.b and B<sup>2</sup>.b in Article 6 of the present Code from any sources permitted by the legislation of Georgia, expenditures to be incurred from such sources and balance adjustments *(12.12.2014.N2935)*

5. Information indicated in Clause 3 of the present Article, except for that of Clause 3.G, shall be submitted for past, current, planned fiscal years. *(28.10.2011. N5172 Enforceable from January 1, 2012)*

6. Information indicated in Clause 3.G of the present Article shall be submitted for the planned future and following three fiscal years. *(28.10.2011. N5172 Enforceable from January 1, 2012)*

7. Draft Law on the budget of the Autonomous Republic with its enclosures and Document of the priorities of the Autonomous Republic shall be made publicly available upon their submission to the Representative Body of such Autonomous Republic.

8. Budgets of legal entities of public and private law defined in Clauses B<sup>1</sup>.b and B<sup>2</sup>.b in Article 6 of the present Code are approved under the rules defined in the legislation of Georgia. *(12.12.2014.N2935)*

Article 101. Incorporation of Financial Support in Budgets of Local self-governments bodies  
Executive Body of the Autonomous Republic notifies projected volume of financial support to Local Self-government bodies within its administration no later than by November 5 of every single year.

Article 102. Review and Approval of Draft Law on the budget of the Autonomous Republic

1. Chairman of the Autonomous Republican Government or any member of the Government acting on the grounds of a respective legislative protocol submits Draft Law on the budget of

the Autonomous Republic and Government Report on the the budget execution of the Autonomous Republic in the current year to the Meeting of the Supreme Council of such Autonomous Republic. Supreme Council of the Autonomous Republic also hears the Reports of Fiscal and Economic Commissions and State Audit Office. (22.06.2012. N6550 Enforceable from July 1, 2012)

2. Supreme Council of the Autonomous Republic approves the Republican Budget prior to the start of the new fiscal year.
3. Law on the Autonomous Republican Budget is published under the rules defined in the legislation of Georgia and shall be made publicly available.
4. Executive Body of the Autonomous Republic communicates Document of the priorities of the Autonomous Republic compliant with its approved Budget to the Ministry of Finance of Georgia no later than in 20 days from such approval.

Article 103. Amendments and/or Additions to the budget law of the Autonomous Republic

1. Amendments and/or additions to the allocations of the Annual Budget require the amendments and/or additions to be made to the Annual Budget, except for the rule defined in Article 92 of the present Code.

2. Rules for the drafting, submission, review and adoption of a Draft Law on Amendments and/or additions to the Budget Law of the Autonomous Republic are defined in the Regulation issued by the Supreme Council of the Autonomous Republic.

## Chapter XVII

### Budget Execution of Autonomous Republic

Article 104. General Provisions on the Budget Execution of the Autonomous Republic

Executive Body of the Autonomous Republic ensures the budget execution of the Autonomous Republic within its competence.

Article 105. Breakdown of the budget of Autonomous Republic

1. Spending institutions submit information on the quarterly and/or monthly breakdown of their budget allocations to the Financial Body within 5 business days from the publication of the Budget Law of the Autonomous Republic.

2. Financial Unit considers the submitted information together with the spending institutions and takes decision on the quarterly and/or monthly break-down of the budget no later than within 15 days from the publishing of the Budget Law.

3. Freely available balance may be used to finance the quarterly and/or monthly break-down of allocation from the budget of the Autonomous Republic, provided such balance envisaged in the Annual Budget will be kept unchanged.

4. Upon submission of information envisaged in Clause 1 of the present Article, spending institutions also submit information via an e-budget management system on their revenues and those of the legal entities of public and private law subordinated to their control and defined in Clauses B<sup>1</sup>.b and B<sup>2</sup>.b in Article 6 of the present Code from sources permitted under the legislation of Georgia (except for the budget revenues) and on expenditures to be incurred from such sources, which shall comply with the information submitted to the Representative Body of the Autonomous Republic in line with Article 100.4.E of the present Code. *(12.12.2014.N2935)*

5. Legal entities of public and private law defined in Clauses B<sup>1</sup>.b and B<sup>2</sup>.b in Article 6 of the present Code also submit information envisaged in Clause 4 of the present Article within the deadlines indicated thereby, which are not spending institutions of the Autonomous Republican Budget or budgetary organizations subordinated to their control. *(12.12.2014.N2935)*

#### Article 106. Responsibility over the Execution of the Autonomous Republican Budget

1. Budgetary organizations are kept responsible for the spending in line with their budget expenditures and collection of revenues within their competence.

2. Collection of taxes to the budget of the Autonomous Republic is ensured by the tax self-government bodies under the rules defined in the legislation of Georgia.

3. Deleted *(12.12.2014.N2935)*

4. Supreme Council of the Autonomous Republic is entitled to control the legitimacy of spending from the budget of the Autonomous Republic by the Government of such Autonomous Republic and if violations are identified it may approach the Chairman of such Government of the Autonomous Republic with a request to stop spending of the budget funds..

### Chapter XVIII

#### Accounting and Reporting on the Execution of the budget of the Autonomous Republic

#### Article 107. Accounting and Reporting on the Execution of the budget of the Autonomous Republic

1. Account of the budget of the Autonomous Republic is opened in the common system of the State Treasury. Only the respective Financial Unit is authorized to manage the account,

control transactions through it, issue permits for transfer of funds from it, except for the cases envisaged in the legislation of Georgia. *(12.12.2014.N2935 Enforceable from January 1, 2015)*

2. **Deleted** *(12.12.2014.N2935 Enforceable from January 1, 2015)*

3. Financial Unit of the Autonomous Republic account for the expenditures to be made by budgetary organizations subordinated to its spending institutions, including all the phases of expenditures by budget classifiers. It also accounts for the revenues by budget classifiers. *(12.12.2014.N2935 Enforceable from January 1, 2015)*

4. Financial Unit of the Autonomous Republic drafts a Report on the Revenues, Expenditures, change in Balance and Total Net Balance of the budget of Autonomous Republic within 10 days from the end of every month.

Article 108. Review of Quarterly Execution of the budget of the Autonomous Republic  
Government of the Autonomous Republic submits a Quarterly Overview of Budget Execution with an aggregate total to the Supreme Council of such Autonomous Republic within 1 month from the end of every quarter. It includes actual revenues and expenditures (including the funds allocated from the Reserve Fund), change in balance and total net balance compared with the projected indicators of the respective period.

Article 109. Drafting and Submission of Annual Reports on the Budget Execution of Autonomous Republic

1. Spending institutions draft reports and submit them to the Financial Unit of the Autonomous Republic upon its request within the defined deadlines, but no later than February 15. Financial Unit of the Autonomous Republic on the other hand drafts an Annual Report on the Execution of the budget of the Autonomous Republic and submits it to the Government of such Autonomous Republic for consideration.

2. Government of the Autonomous Republic submits the Annual Report on the Execution of the budget of the Autonomous Republic to the Supreme Council of such Autonomous Republic no later than within 2 months from the end of the fiscal year.

Article 110. Annual Report on the budget Execution of the Autonomous Republic *(28.10.2011. N5172 Enforceable from January 1, 2014)*

Annual Report on the budget Execution of the Autonomous Republic includes at least the following information:

- a) Balance sheet of the budget of the Autonomous Republic by budget classifiers;
- b) Comparison of actual budget revenues and expenditures with projections of the respective period by budget classifiers;

- c) Opening and closing balance kept at the budget accounts;
- d) Clarifications on the inconsistencies between the approved and adjusted budget allocations for programs of spending institutions, if such inconsistencies exceed 30%;
- e) Clarification on inconsistencies between adjusted budget allocations and actual spending on programs of spending institutions, if such inconsistencies exceed 15%;
- f) Information on the allocation of resources from the Funds for Repayment of Stock of Arrears Originating in Previous Years and Execution of Court Decisions (if applicable);
- g) Description of programs/sub-programs implemented by spending institutions within the priorities envisaged in the Annual Budget and attained results.
- h) Annual indicators of budget execution by legal entities of public and private law defined in Clauses B<sup>1</sup>.b and B<sup>2</sup>.b in Article 6 of the present Code. *(12.12.2014.N2935 Enforceable from January 1, 2015)*

Article 111. Adoption of Annual Report on the Execution of the budget of Autonomous Republic

Supreme Council of the Autonomous Republic takes decision on the adoption or rejection of the Annual Report on the Execution of the budget of Autonomous Republic no later than by May 1.

## Part VI

### Transition and Conclusion Provisions

#### Chapter XIX

##### Transition Provisions

Article 112. **Deleted** *(28.10.2011. N5172 Enforceable from January 1, 2012)*

Article 113. Restriction on Re-Distribution of Budget Allocations

Allocations of Autonomous Republican and Local Budgets shall be re-distributed within 10% in 2010.

Article 113<sup>1</sup>. Loans Issued from the State Budget Prior to January 1, 2010 *(29.06.2010. N3265)*

1. If and when arrears arise in the repayment of loans issued from the State Budget prior to 1<sup>st</sup> January 2010, provided the respective Loan Agreement envisages any form of debt repayment, Article 63 of the present Code is applied to the borrower. In addition, creditor is

not restricted with a 6 month period envisaged in Article 63.3 of the present Code.

2. If no form of debt repayment is envisaged in the Loan Agreement concluded on the allocation of a loan from the State Budget prior to 1<sup>st</sup> January 2010, tax authority administers the overdue loan repayment with a decision of the Minister of Finance against the borrower under the rules defined in the Tax Code of Georgia. Rules for the application to the Minister of Finance of Georgia on issues envisaged by the present Clause and for decision-making on such matters are defined in the Order of the Minister of Finance of Georgia. *(17.12.2010. N4108 Enforceable from January 1, 2011)*

3. The present Article does not apply to the borrower in the following circumstances:

- a) Litigation is underway at the court of law on the repayment of the overdue loan;
- b) Court Ruling is enforced legitimately on the repayment of the overdue loan.

#### Article 114. Measures Related to the Enforcement of the Code

Executive or Representative Bodies of the Autonomous republics shall ensure the relevant amendments to be made to regulations enforced in such Autonomous Republics within 3 months from the enactment of the present Code.

#### Article 114<sup>1</sup>. Measures Related to the Distribution and Use of Net Profit Generated by State Owned Enterprises *(22.02.2011 N4210)*

Government of Georgia shall ensure the definition of rules for the composition and operation of a Commission to review and decide on the proposals related to the distribution and use of net profit generated by state owned enterprises (SOEs) by March 15, 2011.

#### Article 114<sup>2</sup>. Transition Provisions Related to Program Budgeting *(28.10.2011. N5172 Enforceable from January 1, 2012)*

Articles 6.Q and R and 8.1 of the present Code shall apply to the Autonomous Republican and Local Budgets approved before January 1, 2013 in the edition of the Code valid prior to January 1, 2013.

#### Article 114<sup>3</sup>. Relocation of Funds from Commercial Bank Accounts of Local Self-government bodies, Autonomous Republics and LEPLS (Public and Private Law Subjects) to the Common Treasury System *(12.12.2014. N2935)*

Government of Georgia shall define rules for the relocation of funds from commercial bank accounts of Local Self-government bodies, Autonomous Republics and legal entities of public and private law to the common system of State Treasury by January 1, 2015.

Article 114<sup>4</sup>. Definition of LEPLS (Public and Private Law Subjects) Envisaged by the Code  
(12.12.2014. N2935)

1. Provisions defined for the legal entities of public and private law envisaged in Clauses B<sup>1</sup> and B<sup>2</sup> in Article 6 of the present Code in the segment of public schools, kindergartens and other pre-school institutions shall apply for the fiscal year of 2018.

2. Provisions defined for legal entities of public and private law envisaged in Clauses B<sup>1</sup>.b and B<sup>2</sup>.b in Article 6 of the present Code shall apply to them for the fiscal year of 2016, except for the LEPLs incorporated or controlled by self-governing cities or their bodies.

## Chapter XX Conclusion Provisions

Article 115. Annuled Regulations

Following regulations shall be declared void upon the enforcement of the present Code:

- a) Law of Georgia on the Budget System of Georgia, passed on April 24, 2003 (Official Gazette of Georgia; Issue N12, 21.05.2003, Art. 62);
- b) Law of Georgia on Re-Distribution of Revenues between Budgets, passed on December 28, 2007 (Official Gazette of Georgia; Issue N50, 29.12.2007, Art. 437);
- c) Law of Georgia on Local Authority Budgets, passed on May 24, 2006 (Official Gazette of Georgia; Issue N20, 09.06.2006, Art. 170);
- d) Law of Georgia on Funds for Future Generations and Stable Development, passed on March 14, 2008 (Official Gazette of Georgia; Issue N7, 26.03.2008, Art. 37);
- e) Law of Georgia on Global Competitiveness of the Financial Intermediation Sector, passed on March 14, 2008 (Official Gazette of Georgia; Issue N7, 26.03.2008, Art. 28).

Article 116. Enactment of the Code

1. Present Code shall be enacted from January 1, 2010 except for the following provisions: Article 36.1.C; Article 37.4; Article 38.3.I; Article 56.I; Article 77.4.C and 77.10.H; Article 87.G; Article 98.C; Article 100.3.G and Article 110.H.
2. Articles 36.1.C and 38.3.I.3 of the present Code shall be enforced from January 1, 2011.
3. Deleted (28.10.2011. N5172 Enforceable from January 1, 2012)



4. Article 56.I of the present Code shall be enforced from January 1, 2013. (28.10.2011. N5172 Enforceable from January 1, 2012). **Shall be deleted (28.10.2011. N5172 Enforceable from January 1, 2013)**

5. Articles 87.G and 110.H of the present Code shall be enforced from January 1, 2014. Shall be **deleted (28.10.2011. N5172 Enforceable from January 1, 2014)**

6. Articles 25, 25.1, 25.2 and 25.3 in the Annex to the present Code (Distribution of Revenues between State, Autonomous Republican and Local Budgets by Percentage Indicators) shall remain valid to December 1, 2010. (29.06.2010 N 3235)

President of Georgia

*Mikheil Saakashvili*

Tbilisi,

December 18, 2009; N 2440 – IIS

Annex

## Distribution of Revenues between State, Autonomous Republican and Local Budgets by Percentage Indicators

N	Revenues	State Budget	Abkhazian and Adjarian Autonomous Republican Budgets	Local Budgets
1	2	3	4	5
1	Personal Income Tax (PIT): (PIT Enforceable from January 1, 2016; 12.12.2014; N2935)			
1.1	Apart from the PIT due to the Autonomous Republican Budgets (PIT, except for the following: a. PIT from individual entrepreneurs; b. PIT from non-residents (from	100		

	<p>sale of real estate);</p> <p>c. PIT from individuals paid on the yield from sale of material assets;</p> <p>d. PIT from individuals paid on the granted property;</p> <p>e. PIT from individuals paid on inherited property;</p> <p>f. PIT from individuals paid on property rental;</p> <p>g. PIT paid by taxable facility incorporated in the Autonomous Republic (12.12.2014; N2935; Enforceable from January 1, 2016)</p>			
1.2	<p>Due to the Autonomous Republican Budgets (Apart from PIT paid by taxable facility incorporated in the Autonomous Republic:</p> <p>a. PIT from individual entrepreneurs;</p> <p>b. PIT from non-residents (from sale of real estate);</p> <p>c. PIT from individuals paid on the yield from sale of material assets;</p> <p>d. PIT from individuals paid on the granted property;</p> <p>e. PIT from individuals paid on inherited property;</p> <p>f. PIT from individuals paid on property rental (12.12.2014; N2935; Enforceable from January 1, 2016)</p>		100	
1.3	<p>a. PIT from individual entrepreneurs;</p> <p>b. PIT from non-residents (from sale of real estate);</p> <p>c. PIT from individuals paid on the yield from sale of material assets;</p> <p>d. PIT from individuals paid on the granted property;</p> <p>e. PIT from individuals paid on inherited property;</p> <p>f. PIT from individuals paid on property rental;</p>			100

	<i>(12.12.2014; N 2935 Enforceable from January 1, 2016)</i>			
2	Corporate Income Tax (CIT)	100		
3	Property Tax			100
4	Value Added Tax (VAT)	100		
5	Excise	100		
6	Import Duty (12.11.2010; N3806 Enforceable from January 1, 2011)	100		
7	Other taxes (including other taxes (penalties levied by tax self-government bodies inclusive, which are not actual assessments of any particular tax type liability), except for the annuled taxes (12.11.2010; N3806 Enforceable from January 1, 2011))	100		
8	Interest income from certain types of financial assets, namely deposits (except for the shares, securities), loans, debit liabilities and other interest income due to:			
8.1	Central Self-government bodies	100		
8.2	Autonomous Republican Self-government bodies		100	
8.3	Local Self-government bodies			100
9	Income from dividends and profit of the National Bank of Georgia (NBG):			
9.1	From profit of SOEs and Private Sector Enterprises	100		
9.2	From profit of SOEs and Private Sector Enterprises of the Autonomous Republics		100	
9.3	From profit of SOEs and Private Sector Enterprises of Local Self-government bodies			100
9.4	From profit of NBG	100		
10	Collectible for the use of natural resources, payable for:			
10.1	Natural resources extracted from an Autonomous Republic		100	
10.2	Natural resources extracted from a Local Authority (apart from those within the administration of			100

	Autonomous Republics)			
11	Income from the lease and management of state owned land (usufruct, rental and other), transfer, which:			
11.1	Located or used by the Autonomous Republics	65	35	
11.2	Located in Local Self-government bodies (apart from those within the administration of Autonomous Republics) and are not used by Local Self-government bodies	65		35
11.3	Used by Autonomous Republics		100	
11.4	Used by Local Self-government bodies (apart from those within the administration of Autonomous Republics)			100
12	Income from the transfer of land owned by Autonomous Republics (usufruct, lease, rental, etc.)	35	65	
13	Income from the transfer of land managed by Local Self-government bodies (usufruct, lease, rental, etc.)			100
14	Income from the license fee on use payable:			
14.1	By respective bodies of Central Self-government bodies	100		
14.2	By respective bodies of Autonomous Republican Self-government bodies		100	
15	Rental (except for land), payable:			
15.1	By respective bodies of Central Self-government bodies	100		
15.2	By respective bodies of Autonomous Republican Self-government bodies		100	
15.3	By respective bodies of Local Self-government bodies			100
16	<b>Shall be deleted (12.11.2010. N3806 Enforceable from January 1, 2011)</b>	100		
17	License fee, payable:			
17.1	By respective bodies of Central Self-government bodies	100		
17.2	By respective bodies of Autonomous Republican Self-government bodies		100	
18	Permit fees, payable:			
18.1	By respective bodies of Central Self-government bodies	100		
18.2	By respective bodies of Autonomous Republican Self-government bodies		100	

18.3	By respective bodies of Local Self-government bodies			100
19	State certification fee	100		
20	Registration fee	100		
21	State Expertise Fee	100		
22	State Duty, payable:			
22.1	On cases litigated at the Court of Law	100		
22.2	For the issuance of documents evidencing the citizenship and identity within Georgia, registration of citizenship position protocols, consideration of citizenship and immigration-emigration within Georgia: (For the issuance of documents evidencing the citizenship and identity within Georgia, registration of citizenship position protocols, consideration of citizenship and immigration-emigration within Georgia <i>(8.05.2015. N3604 Enforceable on the 30<sup>th</sup> day from the publication)</i> )			
22.2.1	By respective bodies of Central Self-government bodies (by respective bodies of Central Self-government bodies, except for cases when visas are issued in line with the Law of Georgia on the Legal Position of Foreign Individuals and those of having no affiliation to the citizenship of any particular country that are subject to a subordinate public institution within the system of the Ministry of Justice of Georgia for getting or extending a visa or e-visa and/or when a municipality is delegated such function on a contractual basis <i>(8.05.2015. N3604 Enforceable on the 30<sup>th</sup> day from its publication)</i> )	100		
22.2.2	By relevant services of Autonomous Republican Self-government bodies (By relevant services of Autonomous Republican Self-government bodies <i>(8.05.2015. N3604 Enforceable on the 30<sup>th</sup> day from publication)</i> )		100	
22.2.3	By relevant services of Local Self-government bodies (By relevant services of Local Self-government bodies, except cases when			100

	visas are issued in line with the Law of Georgia on the Legal Position of Foreign Individuals and those of having no affiliation to the citizenship of any particular country that are subject to a subordinate public institution within the system of the Ministry of Justice of Georgia for getting or extending a visa or e-visa and/or when a municipality is delegated such function on a contractual basis (8.05.2015. N3604 Enforceable on the 30 <sup>th</sup> day from publication)			
22.3	Other state fees, payable:			
22.3.1	By relevant services of Central Self-government bodies	100		
22.3.2	By relevant services of Autonomous Republican Self-government bodies		100	
22.3.3	By relevant services of Local Self-government bodies			100
23	Consular service fees	100		
24	For a copy of a public information payable:			
24.1	By relevant service of the Central Authority	100		
24.2	By relevant service of the Autonomous Republican Authority		100	
24.3	By relevant service of the Local Authority			100
25	Tender fee for public procurement:			
25.1	With funds allocated from the State Budget	100		
25.2	With funds allocated from the Autonomous Republican Budget		100	
25.3	With funds allocated from Local Authority Budget – local tender fee			100
26	Revenues from the permits issued on outdoor advertising			100
27	Fee on the deference of recruitment to military army, payable:			
27.1	By relevant services of the Autonomous Republic	90	10	
27.2	By relevant services of the Local Authority	90		10
28	Fee on gambling business			100
29	Fee for garbage collection from a residential area			100

30	Infrastructure fee in the rehabilitation area of cultural heritage			100
31	Fee for special (zone) agreement			100
32	Fee for a construction permit (except for the construction of radioactive and nuclear facilities of particular significance)			100
32 <sup>1</sup>	Fee for accelerated services on the confirmation of adherence to terms and conditions (commissioning) of the construction permit (except for the construction of radioactive and nuclear facilities of particular significance) when a protocol is issued (or adjusted) (20.12.2011.N5526)			100
32 <sup>2</sup>	Service fee for the technical supervision of construction by the state self-government bodies (28.06.2012. N6572)			100
33	Revenues from permits on a regular, local, urban transportation <i>28.10.2010. N3775)</i>			100
34	Other fees payable:			
34.1	By relevant services of Central Self-government bodies	100		
34.2	By relevant services of Autonomous Republican Self-government bodies		100	
34.3	By relevant services of Local Self-government bodies			100
35	Goods and Services sold with non-market terms and conditions:			
35.1	Revenues from nominal value of excise stamps	100		
35.2	Revenues from the sale of other goods, payable:			
35.2.1	By relevant services of Central Self-government bodies	100		
35.2.2	By relevant services of Autonomous Republican Self-government bodies		100	
35.2.3	By relevant services of Local Self-government bodies			100
35.3	Revenues from services, rendered:			

35.3.1	By relevant services of Central Self-government bodies	100		
35.3.2	By relevant services of Autonomous Republican Self-government bodies		100	
35.3.3	By relevant services of Local Self-government bodies			100
35.4	Revenues from the lease of management contracting on property of general state significance (usufruct, rental, lease, etc.)	100		
35.5	Revenues from lease out of a state owned property (except for land) or management contracting (usufruct, lease, rental, etc.), which:			
35.5.1	located within an Autonomous Republic and is used by the State	65	35	
35.5.2	Located within a Local Authority (except for those Local Self-government bodies that fall under the Autonomous Republican Authority) and is used by the State	65		35
35.5.3	Used by Autonomous Republics		100	
35.5.4	Used by Local Self-government bodies (except for those falling under the Autonomous Republican Self-government bodies)			100
35.6	Revenues from the transfer of property owned by Autonomous Republican Self-government bodies (except for land) under lease or management (usufruct, lease, rental, etc.)	35	65	
35.7	Revenues from the transfer of property (except for land) in the ownership of Local Self-government bodies for lease or management (usufruct, lease, rental, etc.)			100
35.8	Revenues from other state owned property (except for land) leased or management contracted (usufruct, lease, rental, etc.) payable:			
35.8.1	By relevant services of Central Self-government bodies	100		
35.8.2	By relevant services of Autonomous Republican Self-government bodies		100	
35.8.3	By relevant services of Local Self-government bodies			100
36	Revenues from sanctions (penalties, interest)			



36.1	Revenues from administrative violations in various areas, payable:			
36.1.1	By relevant services of Central Self-government bodies	100		
36.1.2	By relevant services of Autonomous Republican Self-government bodies		100	
36.1.3	By relevant services of Local Self-government bodies			100
36.2	Revenues from penalties for violations of traffic rules	40		60
36.3	Revenues from penalties for illegal border crossing	100		
36.4	Revenues from sanctions on overdue loan payments, payable:			
36.4.1	By relevant services of Central Self-government bodies	100		
36.4.2	By relevant services of Autonomous Republican Self-government bodies		100	
36.4.3	By relevant services of Local Self-government bodies			100
36.5	Revenues from penalties for violations of architectural and construction activities, payable:			
36.5.1	By relevant services of Central Self-government bodies	100		
36.5.2	By relevant services of Autonomous Republican Self-government bodies		100	
36.5.3	By relevant services of Local Self-government bodies			100
36.6	Revenues from penalties envisaged in the Criminal Code of Georgia	100		
36.7	Revenues from penalties and interest, payable:			
36.7.1	By relevant services of Central Self-government bodies	100		
36.7.2	By relevant services of Autonomous Republican Self-government bodies		100	
36.7.3	By relevant services of Local Self-government bodies			100
37	Revenues from current transfers, donations and charity (except for grants) due to:			
37.1	Relevant services of Central Self-government bodies	100		
37.2	Relevant services of Autonomous Republican Self-government bodies		100	
37.3	Relevant services of Local Self-			100

	government bodies			
38	Revenues from the compensation of losses and value of land allocated in exchange of agricultural land used for non-agricultural purposes			100
39	Revenues from changes in exchange rate generated:			
39.1	By Central Self-government bodies	100		
39.2	By Autonomous Republican Self-government bodies		100	
39.3	By Local Self-government bodies			100
40	Revenues from non-financial assets:			
40.1	Revenues from the sale of fixed assets, including:			
40.1.1	Sale of fixed assets of general state significance	100		
40.1.2	Sale of fixed assets of the state, which are:			
40.1.2.1	Located within Autonomous Republics	65	35	
40.1.2.2	Used by Autonomous Republics		100	
40.1.2.3	Located within Local Self-government bodies (different from those falling within the administration of Autonomous Republics and privatization of forests within the settlements envisaged in the Law of Georgia on State Property, revenues of which are captured in the Local Authority Budgets) ( <i>13.07.2010 N 3439</i> )	65		35
40.1.2.4	Used by Local Self-government bodies (different from those falling within the administration of Autonomous Republics)			100
40.2	Revenues from the sale of fixed assets owned by Autonomous Republics	35	65	
40.3	Revenues from the sale of fixed assets owned by Local Self-government bodies			100
40.4	Revenues from the sale of licenses, generated:			
40.4.1	By relevant services of Central Self-government bodies	100		
40.4.2	By relevant services of Autonomous Republican Self-government bodies		100	
40.5	By relevant services of Local Self-government bodies			
40.5.1	Revenues from the sale of strategic	100		

	stock			
40.5.2	Revenues from the sale of other tangible stock (raw materials and spare parts, production in progress, ready made products and goods purchased for further sale) generated:			
40.5.2.1	By relevant services of Central Self-government bodies	100		
40.5.2.2	By relevant services of Autonomous Republican Self-government bodies		100	
40.5.2.3	By relevant services of Local Self-government bodies			100
40.6	Revenues from the sale of valuables, generated:			
40.6.1	By relevant services of Central Self-government bodies	100		
40.6.2	By relevant services of Autonomous Republican Self-government bodies		100	
40.6.3	By relevant services of Local Self-government bodies			100
40.7	Revenues from non-production assets:			
40.7.1	Revenues from the sale of non-agricultural land owned by the state, located within:			
40.7.1.1	Autonomous Republics	50	50	
40.7.1.2	Local Self-government bodies (different from those falling within the administration of Autonomous Republics)	50		50
40.7.1.3	Revenues from the sale of non-agricultural land owned by Autonomous Republics		100	
40.7.1.4	Revenues from the sale of non-agricultural land owned by Local Self-government bodies			100
40.8	Revenues from the sale of agricultural land owned by the State, located within:			
40.8.1	Autonomous Republics (10.12.2010. N3967 Enforceable from January 1, 2011)	35	65	
40.8.2	Local Self-government bodies (different from those falling within the administration of Autonomous Republics) (10.12.2010. N3967 Enforceable from January 1, 2011)	35		65
40.9	Revenues from the sale of agricultural land owned by Autonomous Republics		100	

40.10	Revenues from the sale of agricultural land owned by Local Self-government bodies			100
40.11	Revenues from the subsoil	100		
40.12	Revenues from the licensing of the radio-frequency spectrum use	100		
40.13	Revenues from other natural assets	100		
40.14	Revenues from non-production intangible assets (patents, licensing agreements and other similar contracts, also acquired Goodwill), payable:			
40.14.1	By relevant services of Central Self-government bodies	100		
40.14.2	By relevant services of Autonomous Republican Self-government bodies		100	
40.14.3	By relevant services of Local Self-government bodies			100
40.15	Revenues from the recognition of property ownership on land			100
41	Revenues from financial assets and liabilities due to:			
41.1	Central Self-government bodies	100		
41.2	Autonomous Republican Self-government bodies		100	
41.3	Local Self-government bodies			100