

# **BUDGET SYSTEM LAW**

## **I. GENERAL PROVISIONS**

### **Subject of the Law**

#### **Article 1**

This Law shall regulate: planning, preparation, adoption and execution of the budget of the Republic of Serbia; planning, preparation, adoption and execution of the budget of autonomous provinces and local self government units (hereinafter: local government budget); preparation and adoption of financial plans of the Republican Fund for Pension and Disability Insurance, the Republican Office for Health Insurance and National Employment Service (hereinafter: organizations for mandatory social insurance); budget accounting and reporting, financial management, control and audit of public funds beneficiaries, beneficiaries of the budget of the Republic of Serbia, beneficiaries of the local government budget, and financial plans of organizations for mandatory social insurance; scope of work and organization of the Treasury, as an authority within the Ministry of Finance (hereinafter: the Treasury) and local government treasury, and other issues relevant for the functioning of the budget system.

Certain provisions of this law shall regulate budget relations and rules applied to extrabudgetary funds, economic entities and other legal persons in which the government, at all government levels, has the decisive influence on the management, namely: preparation of financial plans, financial asset management, borrowing and guarantee issuance, accounting, preparation and submission of reports and budget control execution, which are, in view of sources of financing and control, included in the general government (hereinafter: extrabudgetary beneficiaries).

The Minister of Finance shall regulate by a rulebook the criteria for determining the budget beneficiaries and extrabudgetary beneficiaries of the Republic budget and the budget beneficiaries and extrabudgetary beneficiaries of the local government budgets, as well as the manner of maintaining the register of budget beneficiaries and extrabudgetary beneficiaries.

This Law shall also regulate types and categories of public revenues and proceeds and public expenditures and outflows.

### **Definitions**

#### **Article 2**

Definitions used in this Law shall have the following meaning:

1) **Law on the Budget of the Republic of Serbia** shall mean the law whereby revenues and proceeds are estimated and expenditures and outflows are determined for one or three years and which is adopted by the National Assembly; it also contains provisions relevant for its implementation; in the event that the budget is adopted for three years, revenues and proceeds, expenditures and outflows shall be presented separately for each year;

2) **Budget Decision** shall mean the decision whereby revenues and proceeds are estimated and expenditures and outflows are determined for one or three

years and which is adopted by the autonomous province assembly, and/or the municipal assembly, and/or the town assembly, or the City of Belgrade Assembly (hereinafter: local government assembly); also contains provisions relevant for the execution of the said Decision; in the event that the budget is adopted for three years revenues and proceeds, expenditures and outflows shall be presented separately for each year;

3) **Financial plan** shall mean an act of a direct or indirect budget beneficiary, as well as an act of an organization for mandatory social insurance, which also includes financial plans of indirect beneficiaries of funds of organizations for mandatory social insurance, prepared on the basis of the Budget Preparation Instruction, in accordance with the guidelines for the preparation of medium-term plans and projections of medium-term expenditure framework provided for by the Memorandum on Budget and Economic and Fiscal Policy (hereinafter: Memorandum), containing an estimate of the scope of revenues and proceeds and the scope of expenditures and outflows for a period of one or three years;

4) **Public funds** shall mean the funds available to and controlled by the Republic of Serbia, local government, and organizations for mandatory social insurance;

5) **Public funds beneficiaries** shall mean direct and indirect budget beneficiaries, beneficiaries of funds of organizations for mandatory social insurance, public enterprises founded by the Republic of Serbia, and/or or local government, legal entities founded by such public enterprises, legal entities over which the Republic of Serbia, and/or local government, has direct or indirect control over more than 50% of equity, or more than 50% of votes in the Management Board, as well as other legal entities where public funds comprise more than 50% of total revenues;

6) **Budget beneficiaries** shall mean direct and indirect beneficiaries of budget funds of the Republic of Serbia and/or of local government;

7) **Direct budget beneficiaries** shall mean authorities and organizations of the Republic of Serbia, and/or authorities and offices of local government;

8) **Indirect budget beneficiaries** shall mean: judicial bodies, budget funds; local communities; public enterprises, funds and directorates established by the local government, which are financed from the public revenues whose purpose is stipulated by a particular law; institutions founded by the Republic of Serbia and/or local government, where the founder, through direct budget beneficiaries, executes legally prescribed rights in terms of management and funding;

9) **Beneficiaries of funds of organizations for mandatory social insurance** shall mean organizations for mandatory social insurance and beneficiaries of funds of the Republican Health Insurance Office (health and pharmacy institutions founded by the Republic of Serbia and/or by the local government);

10) **Extrabudgetary funds** shall include legal persons founded by the law, which are financed from specific taxes, dedicated contributions and non-tax revenues;

11) **Central government level** shall include all entities that are responsible for the provision of predominantly non-market services and redistribution of income and wealth at the level of the country as a whole; it shall include the budget of the Republic of Serbia and extrabudgetary funds, also including social insurance funds;

12) **General government level** shall include all entities that are responsible for the provision of predominantly non-market services and redistribution of income and wealth at all government levels; it shall include the budget of the Republic of Serbia, budgets of local governments, extrabudgetary funds, also including social insurance funds at all government levels as well as non-market and non-profit institutions that are controlled and financed by the government at all government levels;

13) **Public sector** shall mean a part of the national economy that includes general government level as well as non-financial enterprises under the government control (public enterprises) primarily engaged in commercial activities;

14) **Public revenues** shall mean revenues generated by mandatory payments by tax payers; revenues of direct and indirect beneficiaries of budget funds and funds of organizations for mandatory social insurance; certain public revenues may be presented as dedicated revenues, entirely or partially, in line with the law;

15) **Dedicated revenues** shall mean public revenues whose usage and purpose are determined by the law;

16) **Own source revenues** shall mean revenues which are generated by direct and indirect budget beneficiaries and beneficiaries of funds of organizations for mandatory social insurance through their activities, and/or sale of goods or provision of services, in line with the law;

17) **Tax revenues** shall mean the type of public revenues collected by the government through mandatory payments by taxpayers without the obligation of performing any special service in return;

18) **Non-tax revenues** shall mean the type of public revenues collected by the government through mandatory payments by legal or natural persons, with an obligation of performing a special service to such persons; non-tax revenues shall also include fines and penalties;

19) **Government proceeds** shall mean the funds generated by the government from the sale of non-financial and financial assets and borrowing;

20) **Public expenditures** shall mean expenditures for goods, services and other allowances provided by the government without direct or indirect fee;

21) **Government outflows** shall mean government outflows for the purchase of non-financial and financial assets and loan repayment;

22) **Tax expenditures** shall mean exemptions and relief from common tax structure, which reduce the amount of collected revenues and may be introduced only by the laws that introduce related taxes;

23) **Budget** shall mean a comprehensive plan of revenues and proceeds generated from the sale of non-financial assets and a plan of expenditures and outflows for the acquisition of non-financial assets; the budget shall be the basic Government economic policy document;

24) **Budget surplus or deficit** shall mean the difference between the total amount of revenues and proceeds generated from sale of non-financial assets and the total amount of expenditures and outflows for the acquisition of non-financial assets;

25) **Total fiscal surplus or total fiscal deficit** shall mean the budget surplus or budget deficit modified relative to the assets and liabilities transactions performed for the purpose of pursuing public policies; proceeds generated by privatization shall be treated as financial assets and included in the financing account; subsidies granted in the form of loan or acquisitions of financial assets shall be deemed expenditures;

26) **Consolidation** shall mean the presentation of revenues and expenditures of several interconnected budgets and extrabudgetary funds as if it were a single entity; in order to avoid double counting, consolidation excludes mutual transfers between them as well as between different government levels;

27) **Consolidated budget of central government** shall mean the budget after excluding mutual transfers between different entities at the central level of government, in order to avoid double counting, with the principles for determination of results for the budget of the Republic of Serbia applying to the consolidated budget of central government as well;

28) **Consolidated budget of general government** shall mean the budget after excluding mutual transfers between different entities at the same level of government as well as between different levels of government, with the principles for determination of results for the budget of the Republic of Serbia applying to the consolidated budget of central government as well; this shall be a real indicator of the financial position of the government, the revenues, expenditures and debt;

29) **Consolidated balance of a town, and/or the City of Belgrade** shall mean a balance of total revenues and total expenditures of a town budget and/or the budget of the City of Belgrade, and the budgets of its constituent municipalities, which shall be adopted by the competent town authority and/or competent City of Belgrade authority and submitted to the Ministry of Finance (hereinafter: the Ministry) within 15 days from the day of the adoption of the town Budget Decision, and/or the City of Belgrade Budget Decision;

30) **Supplementary budget** shall mean the amendment to the Law on the Budget of the Republic of Serbia, and/or the local government Budget Decision, within a budget year, whereby the budget is amended and/or supplemented; and the supplementary financial plan of an organization for mandatory social insurance shall be the amendment to the financial plan whereby the financial plan is amended and/or supplemented during the budget year

31) **Appropriation** shall mean the authorization granted under the Law on the Budget of the Republic of Serbia, and/or under the local government Budget Decision, by the National Assembly, and/or by the local government assembly, to the Government of the Republic of Serbia, and/or local government executive authority, to spend public funds up to a certain amount and for certain purposes during one budget year; and/or amount of funds determined for certain purposes in the financial plan of an organization for mandatory social insurance; permanent appropriation shall mean the budget appropriation under which funds are allotted for obligatory debt repayment and payments based on the issued guarantees; appropriations for indirect budget beneficiaries shall be presented collectively, according to the types of indirect budget beneficiaries and the purpose of funds under the chapter of the direct budget beneficiary that is, in terms of budget, responsible for the indirect budget beneficiaries in question;

32) **Financing account** shall include proceeds from the sale of financial assets and borrowing and outflows for the acquisition of financial assets and loan and credit repayment;

33) **Financial assets** shall include cash funds, receivables, shares and equity interests in legal persons, securities and other investments in legal persons;

34) **Borrowing** shall mean contracting of loans, as stipulated by a specific law;

35) **Government guarantee** shall mean a security instrument whereby the Government of Serbia guarantees the fulfillment of obligations for which the guarantee is issued;

36) **Borrowing for current liquidity** shall mean contracting of short-term loans, or issuance of short-term government securities for the purpose of financing the current budget illiquidity caused by imbalanced trends in revenues and expenditures during budget execution;

37) **Commitment creation** shall mean engagement of funds by budget beneficiaries, pursuant to a legal act, which is, at the moment of engagement, expected to result in cash expenditure, immediately or in the future;

38) **Payments** shall mean all transactions resulting in a lower financial balance in accounts;

39) **Consolidated treasury account system** shall mean a single account of funds deposited on consolidated accounts of the Republic of Serbia treasury and local government treasury, used for executing payments between budget beneficiaries, beneficiaries of funds of organizations for mandatory social insurance and other public funds beneficiaries that are included in the consolidated treasury account, on one side, and entities that are not covered by the consolidated treasury account system, on the other side, said single account is also used for calculation of interbank payments and is kept with the National Bank of Serbia;

40) **Consolidated treasury account of the Republic of Serbia** shall mean a single account of funds of Republic of Serbia budget beneficiaries, beneficiaries of funds of organizations for mandatory social insurance, and other public funds beneficiaries that are included in the consolidated treasury account of the Republic of Serbia, which shall be opened in the Republic of Serbia and kept with the Treasury;

41) **Consolidated treasury account of the local government** shall mean a single account of funds of local government budget beneficiaries and other public funds beneficiaries that are included in the consolidated treasury account of the local government, which shall be opened for the local government and kept with the Treasury;

42) **Treasury General Ledger** shall mean a double-entry bookkeeping ledger, where balances are systematically captured and all changes regarding assets, liabilities, equity, revenues and expenditures are recorded;

43) **Memorandum on Budget and Economic and Fiscal Policy** shall mean a mid-term macroeconomic and fiscal framework on the basis of which budgets and financial plans of budget beneficiaries and of organizations for mandatory social insurance shall be adopted;

44) **Transfer funds** shall mean funds that are transferred from the budget of the Republic of Serbia, and/or local government budget, to a budget at other government level, to a budget on the same government level, and to organizations for mandatory social insurance, as well as between organizations for mandatory social insurance for the purpose of insurance contributions;

45) **Grant** shall mean dedicated, non-repayable revenue realized on the basis of a written contract between the grant provider and the grant recipient;

46) **European Union Development Aid** shall mean dedicated, non-repayable revenue realized on the basis of international development cooperation between the Republic of Serbia and the European Union;

47) **Co-financing of European Union Development Aid** shall mean financial contribution of the Republic of Serbia to the implementation of the European Union Development Aid program, which may be funded from various sources of financing;

48) **State aid** shall mean each actual or potential public revenue or reduced collection of public revenues of State Aid beneficiaries, which, in a selective manner, enables the state aid beneficiary a more favorable position in the market

compared to its competitors, whereby competition in the market is violated or there is a danger of violating competition in the market;

49) **Sub-account** shall mean record account of budget beneficiaries and beneficiaries of funds of organizations for mandatory social insurance, and/or transaction account of other public funds beneficiaries, which shall be opened within the appropriate consolidated treasury account, and kept with the Treasury;

50) **Public finance management system** shall mean a set of activities and actions aimed at establishing financial coherence regarding the recording of revenues and proceeds and expenditures and outflows, and the execution of expenditures of the Republic of Serbia budget beneficiaries, and/or local government budget beneficiaries, which shall enable the accomplishment of budget system integrity and budget objectives;

51) **Budget execution system** shall, as part of the public finance management system, cover processes and actions performed via electronic communication with the Treasury, whose purpose is to execute expenditures of the Republic of Serbia budget beneficiaries, and/or local government budget beneficiaries, envisaged by the Law on the Budget, and/or the Budget Decision, as well as to execute the expenditures of said beneficiaries during the period of interim financing;

52) **Law on Annual Financial Statement of the Budget of the Republic of Serbia** shall mean the act whereby the National Assembly shall determine total generated revenues and proceeds and executed expenditures and outflows (including own source revenues and expenditures covered from own source revenues of the Republic of Serbia budget beneficiaries), as well as the financial result of the budget of the Republic of Serbia (budget deficit or surplus) and financing account, for each budget year;

53) **Decision on Annual Financial Statement of the Local Government Budget** shall mean an act whereby a local government assembly shall determine total generated revenues and proceeds and executed expenditures and outflows (including own source revenues and expenditures covered from own source revenues of the local government budget beneficiaries), as well as the financial result of the local government budget (budget deficit or surplus) and financing account, for each budget year;

54) **Decision on Annual Financial Statement of the Organization for Mandatory Social Insurance** shall mean an act whereby the competent authority of an organization for mandatory social insurance shall determine total generated revenues and proceeds and executed expenditures and outflows (including own source revenues and expenditures covered from own source revenues of the beneficiaries of funds of organizations for mandatory social insurance), as well as the financial result of the organization for mandatory social insurance (budget deficit or surplus) and financing account, for each budget year;

55) **Consolidated report of a town, and/or the City of Belgrade**, shall mean consolidated report on the annual financial statement of the town budget, and/or the City of Belgrade budget, and annual financial statements of its constituent municipalities, which shall be prepared by the finance authority of the town, and/or the City of Belgrade, and submitted to the Treasury;

56) **Consolidated report of the Republican Office for Health Insurance** shall mean the consolidated report on the annual financial statement of the Republican Office for Health Insurance and annual financial statements of its indirect

beneficiaries, which shall be prepared by the Republican Office for Health Insurance and submitted to the Treasury;

57) **Consolidated report of the Republic of Serbia** shall mean the consolidated report on the annual financial statement of the Republic of Serbia budget, annual financial statements of organizations for mandatory social insurance, Consolidated Report of the Republican Office for Health Insurance, annual financial statements of the budgets of autonomous provinces, annual financial statements of municipalities and consolidated reports of towns and of the City of Belgrade, submitted by the Government to the National Assembly for consideration;

58) **Program part of the budget** shall mean an integral part of the detailed part of the budget containing the programs and activities of budget beneficiaries which shall be carried out with the aim of efficient management of funds in accordance with proposed programs, and which shall contribute to accomplishment of strategic goals in line with the government economic policy;

59) **Medium-term plan** shall mean the comprehensive plan of budget beneficiary which shall contain detailed design of all programs, projects and activities for the budget year, with projections for the following two years, according to the set mid-term goals and priorities, which also serves as a basis for the preparation of the exposition of this beneficiary's financial plan and is prepared in accordance with the budget preparation instruction.

60) **Medium-Term Expenditure Framework (MTEF)** shall be an integral part of the Memorandum, by which the Government determines the total scope of the Republican budget expenditure in line with the defined priority financing areas; which ensures overall fiscal compliance and transparency of the budget planning process and presents a basis for the definition of medium-term scopes for planning and preparation of financial plans of budget beneficiaries.

## **Budget System**

### **Article 3**

Budget system shall comprise the budget of the Republic of Serbia, local government budgets, and financial plans of organizations for mandatory social insurance.

Budget system integrity shall be accomplished through a common legal basis, single budget classification, utilization of single budget documentation for the preparation of draft budget and medium-term and financial plans, single budget accounting system, single criteria for budget control and audit, transfer of statistics reports and data from one budget level to another, and observing the principles underpinning the budget process, in line with this Law.

## **Budget Goals**

### **Article 4**

The budget system shall achieve the following goals:

1) Overall fiscal sustainability and control, implying the implementation of policies without significant changes in the consolidated general government, with a comprehensive control of total budget funds, through the establishment of expenditure and outflow ceilings which are guaranteed by the law, both at the overall level and at the budget beneficiary level;

2) Allocation efficiency which shall imply a possibility of setting priorities within the budget, allocating funds in line with the Government priorities within the budget, as well as a possibility of transferring funds from old to new or from less productive to more productive priorities;

3) Technical or operational efficiency which shall imply the use of budget funds and possibility of their application with the lowest possible costs.

The budget system shall provide comprehensive, relevant and reliable information about the Government activities.

In the course of budget preparation and execution the priority budget goals shall be macroeconomic stability, low inflation, economic development, stimulation of regional development and mitigation of financial risk of the Republic of Serbia.

In the course of budget preparation and execution, principles of efficiency, cost effectiveness, effectiveness, publicity, comprehensiveness, accuracy and unique budget classification must be observed.

## **Budget Scope**

### **Article 5**

Budget revenues and proceeds belonging to the Republic of Serbia, and/or local government, shall be set forth and identified according to the budget sources.

Budget expenditures and outflows of the Republic of Serbia, and/or local government, shall be set out according to their individual budget purpose.

Revenues and proceeds shall be presented in total generated amounts, while expenditures and outflows shall be presented in total executed amounts.

Notwithstanding, in the event that a higher government level by means of its act allocates to a lower government level funds dedicated for recovery of damages caused by natural disasters, local government finance authority shall, on the basis of such act, open applicable appropriations for related tasks to be carried out.

Notwithstanding, in the event that one government level by means of its act allocates to another government level dedicated transfer funds, as well as in the event of contracting a grant the amount of which could not be determined during the budget preparation, competent finance authority shall, on the basis of such act, open applicable appropriations for execution of related expenditures.

In the event that a budget beneficiary generates dedicated and own source revenues at a higher than planned amount, the finance authority may, upon the request of such beneficiary, increase the approved appropriations for execution of expenditures from these revenues.

Budget revenues and proceeds must be in balance with budget expenditures and outflows.

Over the year, the Government, and/or the local government executive authority, may use funds that are generated in the budget until the end of the current year.

Budget beneficiary may create commitments and utilize budget appropriation up to the amount set for specific budget purpose, and/or up to the amount of appropriation set under a program.



Collection of revenues shall not be limited by the amounts of the budgeted revenue.

### **Responsibility for Adopting the Budget and Financial Plan of Organization for Mandatory Social Insurance**

#### **Article 6**

National Assembly shall adopt the Law on the Budget of the Republic of Serbia.

Local government assembly shall adopt the decision on local government budget.

Financial plan of organization for mandatory social insurance shall be adopted by the competent authority of organization for mandatory social insurance, in line with the law and other regulations, with the previous approval of the National Assembly.

### **Responsibility for Executing the Budget and Financial Plan of Organization for Mandatory Social Insurance**

#### **Article 7**

Minister in charge of finance (hereinafter: the Minister) shall be responsible for the execution of the budget of the Republic of Serbia. The Government shall be responsible to the National Assembly for the execution of the budget of the Republic of Serbia.

Local government executive authority shall be responsible to the local government assembly for the execution of the local government budget.

Competent authority of the organization for mandatory social insurance shall be responsible to the Government for the execution of the financial plan of the organization for mandatory social insurance

In the event that the execution of funds that are transferred from the Republic of Serbia budget to other government levels or organizations for mandatory social insurance jeopardizes the settlement of commitments of the Republic of Serbia stipulated by the Constitution or other special laws, the Minister may temporarily reduce, and/or suspend the funds transferred to other government levels or organizations for mandatory social insurance, and shall immediately inform the Government of such actions.

Report on budget execution shall be submitted to the National Assembly, and/or local government assembly, in the manner stipulated by this Law.

### **Establishment of the Inventory of Public Funds Beneficiaries that are Included in the Consolidated Treasury Account System**

#### **Article 8**

By means of a special act, the Minister shall establish the inventory of direct and indirect beneficiaries of the Republic of Serbia budget, and/or local government budget, the beneficiaries of funds of organizations for mandatory social insurance, as well as other public funds beneficiaries that are included in the

consolidated treasury account system (hereinafter: public funds beneficiaries included in the consolidated treasury account system).

The Inventory indicated in Paragraph 1 hereof shall be published in the "Official Gazette of the Republic of Serbia".

## **Consolidated Treasury Account**

### **Article 9**

The Minister, and/or local government finance authority, shall be authorized to open the consolidated treasury account of the Republic of Serbia, and/or local government treasury account.

Consolidated treasury account of the Republic of Serbia and consolidated treasury account of the local government shall constitute consolidated treasury account system, held with the National Bank of Serbia.

The Minister, and/or local government finance authority, and/or the person authorized by him, shall open sub-accounts of public funds beneficiaries included in the consolidated treasury account of the Republic of Serbia, and/or consolidated treasury account of the local government.

Within the sub-accounts indicated in Paragraph 3 hereof, the following funds must be kept separately:

1) Funds allocated by the budget, and/or the financial plan of organizations for mandatory social insurance;

2) Own source revenues generated by direct and indirect budget beneficiaries, and/or organizations for mandatory social insurance, in line with the law, as well as own source revenues of other public funds beneficiaries included in the consolidated treasury account system.

The sub-accounts indicated in Paragraph 3 hereof shall be kept by the Treasury.

Financial resources of the budget of the Republic of Serbia, of the direct and indirect beneficiaries of that budget, of beneficiaries of funds of organizations for mandatory social insurance, as well as the financial resources of other public funds beneficiaries included in the consolidated treasury account of the Republic of Serbia, shall be kept and deposited on the consolidated treasury account of the Republic of Serbia.

Notwithstanding Paragraph 6 hereof, the Minister may give the approval for opening a bank account for own source revenues to other public funds beneficiary indicated in Paragraph 1, Article 8, hereof, which generates over 50% of the total revenues on the market.

Financial resources of the local government budget, of the direct and indirect beneficiaries of that budget, as well as financial resources of other public funds beneficiaries included in the consolidated treasury account of the local government, shall be kept and deposited on the consolidated treasury account of the local government.

The Minister, and/or local government finance authority, shall more closely regulate the manner of using funds from sub-accounts, and/or from other accounts indicated in this Article.

## **Investment of Funds**

### **Article 10**

The Minister, and/or the person authorized by the Minister, may invest financial resources deposited on the consolidated treasury account of the Republic of Serbia on the domestic or international money market or capital market, in line with the law or other regulation, except for the revenues that are allocated in accordance with a separate law and/or an international agreement, for a specific purpose which limits the usage of such funds.

Local government finance authority, and/or the person authorized by it, may invest financial resources deposited on the consolidated treasury account of the local government on the domestic or international money market, in line with the law or other regulation, except for the revenues that are allocated in accordance with a separate law, and/or local regulation, or an international agreement, for a specific purpose which limits the usage of such funds.

Local government finance authority may conclude with the Minister a contract on the investment of financial resources deposited on the consolidated treasury account of the local government.

Republic of Serbia budget beneficiary, and/or beneficiary of funds of organizations for mandatory social insurance, may invest its own source revenues independently, with the prior consent of the Minister, and shall be obligated to inform the Treasury of such investment upon its performance.

Republic of Serbia budget beneficiary, and/or beneficiary of funds of organizations for mandatory social insurance, may conclude with the Minister a contract on the investment of own source revenues.

Local government budget beneficiary may invest its own source revenues independently, with the prior consent of the competent local government authority.

Local government budget beneficiary may conclude with the competent local government authority a contract on the investment of own source revenues

Local government budget beneficiary shall be obligated to inform the appropriate local government treasury of the investment of funds indicated in Paragraphs 6 and 7 hereof, upon its performance.

Local government finance authority shall be obligated to inform the Treasury of the investment of funds indicated in Paragraphs 2, 6, and 7 hereof, upon its performance.

Revenues generated from investment shall be credited to the appropriate consolidated treasury account, and/or sub-account of own source revenues.

The Minister, and/or local government finance authority, shall more closely regulate the manner of reporting on the investment of funds indicated in this Article.

The Minister, and/or local government finance authority, and/or the person authorized by them, shall be responsible for the efficiency and safety of investing the funds in the consolidated treasury account of the Republic of Serbia and/or the consolidated treasury account of local government.

## **Treasury General Ledger**

### **Article 11**

Ministry – the Treasury, and/or local government finance authority shall keep the treasury general ledger.

Transactions and business events, including revenues and expenditures, as well as balance and all changes regarding assets, liabilities and equity, shall be recorded in the treasury general ledger, in line with the chart of accounts and such budget classification, as stipulated by Article 29 hereof.

In the general ledger of the Republic of Serbia treasury, and/or local government treasury, separate record shall be kept for each direct and indirect budget beneficiary.

In the general ledger of the Republic of Serbia treasury, separate record shall be kept for organizations for mandatory social insurance.

Transactions and business events recorded in the ledgers of direct and indirect budget beneficiaries must be updated and in line with the transaction and business events recorded in the treasury general ledger.

Transactions and business events recorded in the ledgers of organizations for mandatory social insurance must be in line with the transaction and business events recorded in the treasury general ledger.

In the treasury general ledger, record is kept for special purpose revenues, which shall be used by direct and indirect budget beneficiaries, and shall not be used for any other purposes.

The Minister shall more closely regulate the manner of recording and the content of the general ledger and ledgers of the Republic of Serbia treasury, and/or local government treasury.

## **Finance Unit of Direct Budget Beneficiary**

### **Article 12**

Direct budget beneficiary shall establish a unit which shall prepare draft financial plan and requests for the execution of approved appropriations, draw up a report on their execution, and perform other activities stipulated by law, other regulations, and general acts (hereinafter: finance unit).

Notwithstanding paragraph 1 of Article 2 hereof, budget beneficiary finance unit may perform activities for other direct budget beneficiaries, as well.

The Minister shall lay down common grounds, criteria and tasks for the operation of finance unit, which shall be more closely regulated by direct budget beneficiaries.

## **II. PUBLIC REVENUES AND PROCEEDS AND PUBLIC EXPENDITURES AND OUTFLOWS**

### **Introduction of Public Revenues and Proceeds**

#### **Article 13**

Public revenues and proceeds shall be introduced by a law, and/or a decision adopted by local government assembly, in line with the law.

The amount of public revenues and proceeds shall be determined by a law, and/or by an act of a competent authority, in line with the law.

### **Types of Public Revenues and Proceeds**

#### **Article 14**

**Public revenues** shall be the following:

- (1) Taxes;
- (2) Contributions for mandatory social insurance;
- (3) Charge for using possessions of general interest;
- (4) Fees;
- (5) Self-contribution;
- (6) Grants and transfers;
- (7) Other public revenues;

**Government proceeds** shall be the following:

- (1) Proceeds from sale of non-financial assets
- (2) Proceeds from borrowing;
- (3) Proceeds from sale of financial assets;
  - (1) received repayments of the principal of the loans granted
  - (2) proceeds from the sale of securities
  - (3) proceeds from the sale of shares and interests.

#### **Taxes**

#### **Article 15**

Law may introduce:

- 1) Value Added Tax;
- 2) Excises;
- 3) Personal Income Tax;
- 4) Corporate Profit Tax;
- 5) Property Tax;
- 6) Tax on Inheritance and Gift;
- 7) Tax on Transfer of Absolute Rights;
- 8) Tax on Usage, Keeping and Carrying of Certain Goods;

- 9) Tax on International Trade and Transactions.
- 10) other tax, in accordance with a special law.

### **Fees**

#### **Article 16**

Law may introduce the following fees:

- 1) Administrative;
- 2) Court;
- 3) Utility;
- 4) Registration;
- 5) Residence;
- 6) Fees for special products and activities.

### **Charges**

#### **Article 17**

Law may introduce the following charges for using possessions of general interest:

- 1) Charges on water;
- 2) Charges on forests;
- 3) Charges on roads;
- 4) Charges on land;
- 5) Charges on fishery areas;
- 6) Charges for using tourist space;
- 7) Charge for using natural healing factor;
- 8) Charge for using mineral resources;
- 9) Charges for environmental protection;
- 10) Charge for using air space;
- 11) Charge for using radio frequencies and TV channels.
- 12) Tourist charge.
- 13) Other charges, in accordance with a special law.

Funds generated from charges indicated in Paragraph 1 hereof, shall be used in line with the law which introduces such charges.

## **Contributions for Mandatory Social Insurance**

### **Article 18**

Law introduces contributions for mandatory social insurance, for the following:

- 1) Pension and disability insurance;
- 2) Health insurance;
- 3) Unemployment insurance.

## **Other Public Revenues**

### **Article 19**

Other public revenues indicated in Article 14, paragraph 1), item (7) of this Law shall be the following:

- 1) Interest revenues;
- 2) Revenues generated from leasing, and/or rental usage of the immovable and movable state-owned property;
- 3) Revenues generated from leasing, and/or rental usage of the immovable and movable property owned by autonomous province or local self government unit;
- 4) Revenues generated by authorities and organizations of the Republic of Serbia, and/or authorities, organizations and offices of the local government, through their activities;
- 5) Revenues generated from fines ordered under a criminal, misdemeanor, or other proceedings administered before a competent government authority, and from the ownership benefits that are seized during such proceedings;
- 6) Revenues generated from fines ordered under a misdemeanor proceedings for misdemeanor regulated by an act of local government assembly, and from the ownership benefits that are seized during such proceedings;
- 7) Charges for organizing games of chance;
- 8) Other public revenues regulated by law.

## **Revenues from the Sale of Non- Financial Assets**

### **Article 20**

Proceeds from the sale of non-financial assets shall be the following proceeds:

- 1) Proceeds from the sale of immovable and movable state-owned property;
- 2) Proceeds from the sale of immovable and movable property owned by autonomous province or local self-government unit;
- 3) Proceeds from the sale of other fixed assets;
- 4) Proceeds from the sale of supplies;
- 5) Proceeds from the sale of valuables;

- 6) Proceeds from the sale of natural property.

## **Proceeds from the Borrowing and Sale of Financial Assets**

### **Article 21**

Proceeds from the borrowing and sale of financial assets shall be the following:

- 1) Proceeds from domestic borrowing;
- 2) Proceeds from international borrowing;
- 3) Proceeds from the sale of domestic financial assets;
- 4) Proceeds from the sale of international financial assets.

## **Own Source Revenues**

### **Article 22**

Public funds and revenues generated by beneficiaries from their activity, and/or the sale of goods and provision of services, in line with the law, shall be presented as own source revenues of budget beneficiaries and beneficiaries of funds of organizations for mandatory social insurance in the budget act and/or financial plan.

The Government may prescribe the conditions, criteria and manner of using the funds from revenues generated by budget beneficiaries from their activity, and/or the sale of goods and provision of services.

## **Financing of the Republic of Serbia Jurisdiction**

### **Article 23**

The budget of the Republic of Serbia shall receive the following public funds and proceeds for the financing of the Republic of Serbia jurisdiction:

- 1) Legally stipulated portion of the following taxes:
  - (1) Value Added Tax;
  - (2) Excises;
  - (3) Personal Income Tax;
  - (4) Corporate Profit Tax;
  - (5) Tax on Usage, Keeping and Carrying of Certain Goods;
  - (6) Tax on International Trade and Transactions;
- 2) Fees:
  - (1) Republican administrative fees;
  - (2) Court fees;
  - (3) Registration fees;
- 3) Charges for the usage of possessions of general interest, in line with the law;
- 4) Grants and transfers;



5) Other public revenues:

- (1) Interest revenues,
  - (2) Revenues generated from leasing, and/or rental usage of the immovable and movable state-owned property, used by government units and organizations, and the Republic of Serbia Army;
  - (3) Revenues generated by authorities and organizations of the Republic of Serbia through their activity;
  - (4) Revenues generated from fines ordered under a criminal, misdemeanor, or other proceedings carried out before a government authority, and from the ownership benefits that are seized during such proceedings;
  - (5) Revenues from concession fee in line with the law
  - (6) other revenues stipulated by law;
- 6) proceeds:
- (1) Proceeds from the sale of state-owned immovable property, unless otherwise stipulated by law;
  - (2) Proceeds from the sale of state-owned movable property used by government units and organizations, and the Republic of Serbia Army;
  - (3) Proceeds from the sale of Republican commodity reserves;
  - (4) Proceeds from borrowing;
  - (5) Proceeds from the sale of financial assets.
  - (6) Other proceeds stipulated by law;

## **Financing of Jurisdiction of Autonomous Provinces**

### **Article 24**

The budget of autonomous province shall receive the following public funds and revenues for the financing of autonomous province jurisdiction:

- 1) Portion of revenues generated from Corporate Profit Tax collected on the territory of the autonomous province, in line with the law;
- 2) Portion of revenues generated from Personal Income Tax – Tax on Wages, collected on the territory of the autonomous province, in line with the law;
- 3) Province administrative fees;
- 4) Charges for the usage of possessions of general interest, in line with the law;
- 5) Grants and transfers;
- 6) Other public revenues:
  - (1) Interest-generated revenues;
  - (2) Revenues generated from leasing, and/or rental usage of the immovable and movable state-owned property, used by authorities of autonomous province;
  - (3) Revenues generated from leasing, and/or rental usage, immovable and movable province-owned property, in line with the law;
  - (4) Revenues generated by authorities of autonomous province through their activity;

(5) Revenues generated from fines ordered under a misdemeanor procedure for misdemeanor regulated by an act of autonomous province assembly and from the ownership benefits that are seized during such proceedings;

(6) Revenues from concession fee in line with the law

(7) Other revenues stipulated by law

7) Proceeds:

(1) Proceeds from the sale of state-owned immovable and movable property, used by autonomous province authorities, stipulated by law;

(2) Proceeds from the sale of immovable province-owned property, in line with the law;

(3) Proceeds from the sale of movable province-owned property, used by autonomous province authorities;

(4) Proceeds from the sale of province commodity reserves;

(5) Proceeds from borrowing;

(6) Proceeds from the sale of financial assets:

(7) Other proceeds stipulated by law;

Provisions of Paragraph 1, Item 6), Sub-item (2) and Item 7), Sub-items (1) hereof shall apply until the legally established date until which autonomous province, and/or its authorities, act in the capacity of users of immovable and movable state-owned property.

## **Financing of the Jurisdiction of Local Self Government Unit**

### **Article 25**

The budget of a local self government unit shall receive the following public revenues and proceeds for the financing of the jurisdiction of local self government unit:

1) Legally stipulated portion of the following taxes:

(1) Personal Income Tax;

(2) Property Tax;

(3) Tax on Inheritance and Gift;

(4) Tax on Transfer of Absolute Rights;

2) Fees:

(1) Local administrative fees;

(2) Local utility fees;

(3) Residence fee;

3) Charges for the usage of possessions of general interest, in line with the law;

4) Self-contribution;

5) Grants and transfers;

6) Other public revenues:

(1) Interest-generated revenues;

(2) Revenues generated from leasing, and/or rental usage, immovable and movable state-owned property, used by local self government unit, and/or authorities, organizations and offices of local self government unit and indirect beneficiaries of its budget;

(3) Revenues generated from leasing, and/or rental usage of the immovable and movable property owned by local self government unit, in line with the law;

(4) Revenues generated by authorities, organizations and offices of local self government unit through their activity;

(5) Revenues generated from fines ordered under a misdemeanor proceedings for misdemeanor regulated by an act of the assembly of local self government unit, and from the ownership benefits that are seized during such proceedings;

(6) Revenues from concession fee in line with the law

(7) other revenues stipulated by law;

7) proceeds:

(1) Proceeds from the sale of immovable property owned by local self government unit;

(2) Proceeds from the sale of movable state-owned property, used by authorities, organizations and offices of local self government unit;

(3) Proceeds from the sale of movable property owned by local self government unit, used by authorities and organizations of local self government unit;

(4) Proceeds from the sale of commodity reserves;

(5) Proceeds from borrowing;

(6) Proceeds from the sale of financial assets.

(7) Other proceeds stipulated by law;

Provisions of Paragraph 1, Item 6) Sub-item (2) and Item 7) Sub-items (2) hereof shall apply until the legally established date until which local self government unit, and/or its authorities, organizations and offices act in the capacity of users of immovable and movable state-owned property.

Town statute, and/or or the statute of the City of Belgrade, shall specify which portion of revenues indicated in Paragraph 1 hereof shall belong to the town assembly budget, and which portion shall belong to the town budget, and/or City of Belgrade budget.

## **Financing of Organizations for Mandatory Social Insurance**

### **Article 26**

Organizations for mandatory social insurance shall receive the following public revenues and proceeds for financing the rights related to the area of pension and disability insurance, health insurance and unemployment insurance:

1) Contributions for mandatory social insurance;

2) Grants and transfers;

3) Other revenues and proceeds stipulated by law.

## **Public Expenditures and Outflows of the Government**

### **Article 27**

Public expenditures are the following:

- 1) Expenditures for employees;
- 2) Expenditures for goods and services;
- 3) Amortization and usage of work material;
- 4) Payment of interest and borrowing-related expenses;
- 5) Subsidies;
- 6) Financial assistance and transfers;
- 7) Mandatory social insurance and social security;
- (8) Other expenditures (taxes, mandatory fees, fines, etc.);

#### **Outflows of the government are the following:**

- 1) Outflows for the acquisition of non-financial assets;
- 2) Outflows for principal repayment;
- (3) Outflows for the acquisition of financial assets.

## **III. PREPARATION AND ADOPTION OF THE BUDGET AND FINANCIAL PLANS**

### **Preparation of the Budget and Financial Plans**

#### **Article 28**

Budget shall consist of the general part and the detailed part.

General part of the budget shall comprise:

1) Revenue and expenditure account,; **net acquisition of non-financial assets (the difference between the sale and acquisition of non-financial assets); budget surplus or deficit**2) **Total fiscal surplus or total fiscal deficit;**

3) Financing account, **or proposed surplus use, and in the event of deficit – sources of its financing presented and quantified individually per source type:**

4) Overview of expected funds from the European Union Development Aid

5) Estimated financial resources necessary for co-financing development programs financed from the funds provided under the European Union Development Aid;

6) Estimated total new borrowing and/or debt settlement of the Republic of Serbia over the course of the budget year;

7) Estimated total amount of new guarantees of the Republic of Serbia to be issued over the course of the budget year;

8) Description and estimation of tax expenditures based on tax relief and reduced tax bases;

9) Permanent and current budget reserve.

Detailed part of the budget shall set forth financial plans of direct budget beneficiaries according to the principle of government division into legislative, executive and judicial.

Financial plans indicated in Paragraph 3 hereof shall include expenditures and outflows of direct budget beneficiaries, in line with economic and functional classification, and classification according to sources of financing, defined in article 29 hereof.

Detailed part of the budget may be presented according to the program classification presenting the goals, expected results, activities and funds necessary for the realization of the stated goals.

Financial plan of organizations for mandatory social insurance shall consist of a general and detailed part, set out as stipulated by the Minister.

## **Budget Classification**

### **Article 29**

Budget shall be prepared and executed on the basis of a single budget classification system.

Budget classification shall include the economic classification of revenues and proceeds, economic classification of expenditures and outflows, organizational classification, functional classification, program classification and classification according to sources of financing, where:

1) Economic classification of revenues and proceeds identifies revenues and proceeds according to regulations or contracts that determine the sources of revenues and proceeds;

2) Economic classification of expenditures and outflows identifies individual goods and services and executed transfer payments;

3) Organizational classification identifies expenditures and outflows according to budget beneficiaries, accompanied by allocation of appropriation among the beneficiaries;

4) Functional classification identifies expenditures and outflows according to their functional purpose for a certain area, and is independent from the organization which performs such function;

5) Program classification identifies classification of programs of budget beneficiaries;

6) Classification of expenditures and outflows according to sources of financing identifies revenues and proceeds, expenditures and outflows according to the generation of those funds.

International and domestic sources of financing, as well as repayment of external and internal debt, shall constitute elements of the classification indicated in Paragraph 2, hereof.

The Minister shall more closely regulate budget classification which the Republic of Serbia, local government, budget beneficiaries, and beneficiaries of funds of organizations for mandatory social insurance apply when preparing financial plans.

## **Budget Surplus and Deficit**

### **Article 30**

The amount of the total **fiscal** surplus and the manner of its allocation shall be stipulated by law on the Budget of the Republic of Serbia, and/or local government Budget Decision.

The amount of the total **fiscal** deficit and the manner of its financing shall be stipulated by law on the Budget of the Republic of Serbia, and/or local government Budget Decision

Consolidated general government budget and total fiscal surplus, or **total budget deficit of general government shall be determined in the Memorandum .**

## **Budget Calendar**

### **Article 31**

The process of the preparation and adoption of the budget and financial plans of organizations for mandatory social insurance shall be carried out according to the budget calendar, as follows:

1) Calendar for the Republic of Serbia level:

(1) 15 March – direct beneficiaries of the budget of the Republic of Serbia shall furnish the Ministry with the proposals for determining priority areas of financing for the budget year and the two following fiscal years;

(2) 1 April – the Government, at an agreed proposal of the Ministry and special Government body, shall determine priority financing areas, including national investment priorities for the budget year and the following two fiscal years;

**(3) 10 April – Government shall organize a public hearing on priority areas of financing, also including national investment priorities for the budget year and the next two fiscal years;**

(4) 30 April – the Minister, in cooperation with ministries and institutions in charge of economic policy and economy system, shall prepare the Memorandum, which shall contain economic and fiscal policy of the Government with projections for the budget year and the two following fiscal years; **taking into account the public hearing;**

(5) 15 May – Government shall adopt the Memorandum;

(6) 1 June – the Minister shall adopt the instruction for the preparation of draft budget of the Republic of Serbia;

(7) 1 June – the Minister shall submit the Memorandum to local government and organizations for mandatory social insurance;

(8) 1 September- direct beneficiaries of the budget of the Republic of Serbia and organizations for mandatory social insurance shall submit draft medium-term and financial plan to the Ministry;

(9) 1 October – upon the proposal of the Minister, the Government shall adopt the revised Memorandum, together with information on financial and other effects of new policies, taking into account the macroeconomic framework updated after 30 April;

(10) 15 October – the Minister shall furnish the Government with the Draft Law on the Budget of the Republic of Serbia, draft decisions on giving consent to financial plans of organizations for mandatory social insurance, accompanied by said financial plans;

(11) 1 November – Government shall adopt the Proposed Law on the Budget of the Republic of Serbia and shall submit it, together with the revised Memorandum, the proposed decisions on giving consent to financial plans of organizations for mandatory social insurance, and said financial plans, to the National Assembly;

(12) 15 December - National Assembly shall adopt the Law on the Budget of the Republic of Serbia and decisions on giving consent to financial plans of organizations for mandatory social insurance;

2) Calendar for local government budget:

(1) 15 June –local government finance authority shall issue the instruction for the preparation of the draft local government budget;

(2) 1 September – direct beneficiaries of the local government budget shall submit the draft financial plan to the local government finance authority for the budget year and the two following fiscal years;

(3) 15 October - local government finance authority shall submit Draft Budget Decision to the local government executive authority;

(4) 1 November - local government executive authority shall submit the Proposed Budget Decision to the local government assembly;

(5) 20 December - local government assembly shall adopt the local government Budget Decision;

(6) 25 December - local government finance authority shall furnish the Minister with the local government Budget Decision.

Dates indicated in Paragraph 1 hereof shall mean the due dates of the budget calendar. The Minister shall prescribe the procedure and schedule for the preparation of the medium-term scope of funds to be considered and adopted by the Government in the process of Memorandum adoption.

## **Submission of the Proposed Law on the Budget of the Republic of Serbia and the Proposed Local Government Budget Decision**

### **Article 32**

The Government shall furnish the National Assembly with the following:

- 1) The Memorandum;
- 2) Proposed Law on the Budget of the Republic of Serbia;
- 3) Proposed decisions on giving consent to financial plans of organizations for mandatory social insurance, and said financial plans.

The local government executive authority shall furnish the local government assembly with the proposed local government Budget Decision.

## **Medium-Term Public Investment Priorities**

### **Article 33**

Budget beneficiaries in charge of public investment shall determine medium-term public investment priorities and deliver them to the Ministry not later than by 15 March.

The Ministry shall deliver to budget beneficiaries the instruction on the contents of plans expressing the medium-term public investment priorities.

The Government shall adopt the combined and harmonized plan of medium-term public investment priorities.

The adopted medium-term public investment plan shall be included in the revised Memorandum.

Plans for the implementation of medium-term public investment priorities shall be prepared as a part of financial plans of budget beneficiaries.

## **Budget Memorandum**

### **Article 34**

The Minister shall prepare the Memorandum for the budget year and the two following fiscal years, which shall be revised in line with the envisaged budget calendar.

The Memorandum shall contain:

- 1) Mid-term projections of macroeconomic aggregates and indicators;
- 2) Mid-term projections of fiscal aggregates and indicators;
- 3) Objectives and guidelines of the Government economic and fiscal policy for the mid-term period covered by the Memorandum;
- 4) Other economic policies and structural reforms with a special focus on their fiscal implications;
- 5) Consolidated general government budget ;
- 6) Medium-term public investment priorities;
- 7) Overview of priority financing areas and proposed new policies;
- 8) MTEF of the budget of the Republic of Serbia with the overall scope of expenditure per budget beneficiary for the budget year and the two following fiscal years;
- 9) Assessment and quantification of fiscal risks and potential liabilities;
- 10) Strategy for the management of the Republic of Serbia public debt, for the period covered by the Memorandum.

Revised Memorandum shall also contain an overview of non-dedicated and dedicated transfers from the budget of the Republic of Serbia, for each local self government unit separately.



## **Instruction for the Preparation of Budget of the Republic of Serbia**

### **Article 35**

Following the adoption of the Memorandum, the Ministry shall furnish direct beneficiaries of the Republic of Serbia budget with the instruction for the preparation of medium-term and financial plans for the preparation of the budget of the Republic of Serbia.

The instruction referred to in Paragraph 1 shall contain:

- 1) Basic economic assumptions and guidelines for the preparation of the draft financial plan of the budget beneficiary and draft budget of the Republic of Serbia;
- 2) Ceilings for the draft financial plans of direct beneficiaries of the Republic of Serbia budget for the budget year, with projections for the following two fiscal years, determined by the medium-term expenditure scope from the Memorandum;
- 3) Guidelines for the preparation of medium-term plans of direct beneficiaries of the Republic of Serbia budget;
- 4) Guidelines and requests for exposition, medium-term quantification and assessment of effects of new policies and investment priorities;
- 5) Procedure and schedule for the preparation of the Republic of Serbia budget and for the preparation of financial plans of its direct beneficiaries.
- 6) **the manner in which the beneficiaries shall present expenditures and outflows in the draft financial plan.**

## **Recommendation to Local Governments, Organizations for Mandatory Social Insurance, and Indirect Budget Beneficiaries**

### **Article 36**

The Minister shall submit the Memorandum to local government and organizations for mandatory social insurance.

Line Ministries shall inform the indirect beneficiaries of the Republic of Serbia budget about the basic economic assumptions and guidelines for the preparation of the budget of the Republic of Serbia;

Local government finance authority shall inform direct beneficiaries of local government budget about the basic economic assumptions and guidelines for the preparation of the local government budget, while the direct beneficiary of local government funds shall inform the indirect beneficiaries of local government budget.

## **Draft Financial Plan of Direct Beneficiaries of the Republic of Serbia Budget**

### **Article 37**

According to the instruction for the preparation of the draft Republic budget and medium-term plans, direct budget beneficiaries shall prepare a draft medium-term and financial plan.

Draft financial plan indicated in Paragraph 1 hereof shall consist of the following:

**1) expenditures and outflows for a three-year period, presented according to budget classification;**

**2) a detailed written explanation of the expenditures and outflows as well as sources of financing.**

**Draft financial plan of a budget beneficiary shall be submitted in the amount equal to the scope of funds of the first year of the medium-term expenditure framework, defined in the Memorandum.**

**Parts of the draft financial plan referred to in paragraph 2 of this Article shall consist of a written explanation, comprising also an exposition, medium-term quantification and assessment of effects of new policies and investment priorities, based on the Instruction for the Preparation of the Budget of the Republic and medium-term plans of beneficiaries of the Republic of Serbia funds and financial request.**

### **Preparation and Submission of Financial Plans of Organizations for Mandatory Social Insurance and Draft Financial Plans of Indirect Beneficiaries of the Republic of Serbia Budget**

### **Article 38**

Organizations for mandatory social insurance shall be obligated to prepare financial plans according to the guidelines set forth by the Memorandum.

Line Ministries shall be obligated to ask the organizations for mandatory social insurance to submit the data necessary for the evaluation of their submitted draft financial plans, in line with the guidelines and time limits prescribed by the Minister.

The Minister may directly ask the organizations for mandatory social insurance for the data regarding their financing, which are necessary for the preparation of the draft budget of the Republic of Serbia and for the evaluation of their submitted draft financial plans.

Line Ministry shall be obligated to furnish the Minister with the financial plan of an organization for mandatory social insurance. The financial plan shall be submitted by the Minister to the Government, together with the draft budget of the Republic of Serbia, draft decisions on giving consent to the financial plans of organizations for mandatory social insurance, and/or proposed Government act on rejection of said financial plans.

The financial plan indicated in Paragraph 4 hereof shall be submitted by the Government to the National Assembly, together with the Proposed Law on the

Budget of the Republic of Serbia and proposed decisions on giving consent to the financial plans of organizations for mandatory social insurance

The financial plan of an organization for mandatory social insurance shall be adopted pursuant to Article 6, Paragraph 3 hereof.

Draft financial plans of indirect beneficiaries of the Republic of Serbia budget shall be prepared according to the guidelines set forth by the Memorandum.

## **Consideration of Budget Requests**

### **Article 39**

The Ministry shall consider the requests of budget beneficiaries and organizations for mandatory social insurance contained in their draft financial plans, with the view of the following:

- 1) Targeted revenues and proceeds and expenditures and outflows;
- 2) Data and rationale indicated in Article 37 of this Law;
- 3) Compliance with guidelines set forth by the Memorandum and priorities set by the Government.

Prior to the preparation of the draft budget, the Minister shall notify the direct budget beneficiaries of proposed ceilings for revenues and proceeds and expenditures and outflows, while organizations for mandatory social insurance shall be notified of the draft financial plan which is not in compliance with the guidelines set forth by the Memorandum.

Direct budget beneficiaries shall furnish the Minister with the opinion regarding the ceilings and the notification referred to in paragraph 2 of this Article, and organizations for mandatory social insurance shall furnish the competent direct budget beneficiary with the opinion.

In the event that the agreement indicated in Paragraphs **2 and 3** hereof is not reached, the Government shall instruct that the inconsistencies in the financial plan of organization for mandatory social insurance be removed.

The competent authority of organization for mandatory social insurance indicated in Article 6, Paragraph 3 of this Law, shall be obligated to modify the financial plan in accordance with the Government's stance.

## **Instruction for the Preparation of the Local Government Budget**

### **Article 40**

Following the reception of the Memorandum, local government finance authority shall submit the instruction for the preparation of the local government budget to direct local government budget beneficiaries.

The instruction indicated in Paragraph 1, hereof shall contain:

- 1) Basic economic assumptions and guidelines for the preparation of the draft local government budget;
- 2) Description of planned local government policy;
- 3) Estimated revenues and proceeds and expenditures and outflows of the local government budget for the budget year and the following two fiscal years;

4) Ceilings for draft financial plans of direct beneficiaries of the local government budget for the budget year, with projections for the following two fiscal years;

5) guidelines for the preparation of medium-term plans of direct beneficiaries of funds of the budget of the local government;

6) Procedure and schedule for the preparation of the local government budget and for the preparation of draft financial plans of its direct beneficiaries.

### **Preparation and Submission of Draft Financial Plans of Local Government Budget Beneficiaries**

#### **Article 41**

In accordance with the instruction for the preparation of the draft local government budget, direct beneficiaries of local government budget shall prepare draft financial plan and submit it to the local government finance authority.

In terms of the content of the draft financial plan prepared by direct beneficiaries of local government budget, provisions of Article 37 of this Law shall duly apply.

Indirect beneficiaries of local government budget shall be obligated to prepare the draft financial plan in accordance with the guidelines pertaining to the local government budget.

Direct beneficiaries of local government budget shall be obligated to, in line with the guidelines and time limits prescribed by local government executive authority, ask the indirect beneficiaries of local government budget under their responsibility to submit the data necessary for the preparation of the draft financial plan of direct beneficiaries of local government budget.

Local government finance authority may directly ask the indirect beneficiaries of local government budget to submit the data on their financing, which are necessary for the preparation of the draft local government budget.

### **Preparation of the Draft Budget and Draft Decision on Giving Consent to Financial Plans of Organizations for Mandatory Social Insurance and Their Submission to the National Assembly, and/or Local Government Assembly**

#### **Article 42**

The Minister shall furnish the Government with the draft Law on the Budget of the Republic of Serbia and draft decisions on giving consent to financial plans of organizations for mandatory social insurance, together with said financial plans.

The Government may ask the Minister to submit additional information or rationale with regards to the Draft Law on the Budget of the Republic of Serbia, draft decisions on giving consent to financial plans of organizations for mandatory social insurance, and said financial plans.

The Government shall decide on the amendments of the Draft Law on the Budget of the Republic of Serbia, adopt the Proposed Law on the Budget of the Republic of Serbia, evaluate financial plans of organizations for mandatory social insurance, prepare proposed decisions on giving consent to financial plans of organizations for

mandatory social insurance, and deliver all the above to the National Assembly, together with the Memorandum.

Local government finance authority shall submit the draft local government Budget Decision to the local government executive authority and, at the same time, inform the citizens of the draft Budget Decision.

Local government executive authority may ask the local government finance authority to submit additional information or rationale regarding the draft local government Budget Decision.

Local government executive authority shall prepare the proposed local government Budget Decision and shall deliver it to the local government assembly, observing the time limits set out in the budget calendar.

In the event that local government executive authority does not furnish the local government assembly with the proposed local government Budget Decision observing the time limits set out in the budget calendar, the budget may be adopted by the local government assembly.

### **Adoption of the Budget and Giving Consent to Financial Plans of Organizations for Mandatory Social Insurance**

#### **Article 43**

National Assembly, and/or local government assembly shall adopt the budget law of the Republic of Serbia, and/or the decision on the budget of the local government.

The National Assembly shall adopt decisions on the granting consent to the financial plans of organizations for mandatory social insurance.

### **Limitations to Budget Adoption**

#### **Article 44**

The amendment to the proposed budget performed by the National Assembly, and/or local government assembly, must remain within the maximum amount of the deficit envisaged in the budget proposed by the Government, and/or by the local government executive authority.

Surplus envisaged in the budget proposed by the Government, and/or by the local government executive authority, shall not be used to increase the expenditures envisaged in the proposed budget. Proposal for the decrease of revenues must contain measures for the increase of other revenues or decrease of expenditures by the same amount.

Proposal for the increase of expenditures must contain measures for the increase of revenues or decrease of other expenditures by the same amount.

### **Publication of the Budget, the Memorandum, and the Financial Plans of Organizations for Mandatory Social Insurance**

#### **Article 45**

Law on the Budget of the Republic of Serbia, the revised Memorandum, decisions on giving consent to financial plans of organizations for mandatory social

insurance, and financial plans of organizations for mandatory social insurance shall be published in the "Official Gazette of the Republic of Serbia".

Local government Budget Decisions shall be published in local government official gazettes.

## **Fiscal Year and Interim Financing**

### **Article 46**

Budget shall be adopted for the period of one fiscal year and shall be effective for the year for which it was adopted.

Fiscal year shall mean a 12-month-period, commencing on 1 January and ending on 31 December of each calendar year.

Budget may also be adopted for the period of three fiscal years.

In the event that the National Assembly, and/or the local government assembly, does not adopt the budget within the time limits set out in the budget calendar, interim financing shall be performed during the maximum period of first three months of the fiscal year.

Interim financing indicated in Paragraph 4 hereof shall be executed up to one quarter of the amount of expenditures planned in the budget act from the previous fiscal year, but the previous year allocation of expenditures according to types and purposes shall not be regarded as a restriction, **except for payment for the rights from pension and disability insurance, which shall be performed up to the level of expenditures executed in the last quarter of the previous year.**

The Government shall adopt the decision on interim financing, and give consent to the decision on interim financial plans of organizations for mandatory social insurance.

Local government executive authority shall adopt a decision on interim financing.

Decision on interim financial plan of organization for mandatory social insurance shall be adopted by competent organization authority, in line with the law and other regulations.

Following the completion of the interim financing period, commitments paid and created during that period, in line with the act on interim financing, shall be included in the budget, and/or financial plans of organizations for mandatory social insurance, for the current year.

Notwithstanding, interim financing period may be extended for three more months, thus the total period of its duration being six months, in the event that the budget is not adopted until 15 March of the current budget year. During the interim financing period January-June, in terms of ceilings and allocation of expenditures, the limitations referred to in Paragraph 5 hereof shall be applied in proportion to the interim financing period.

Provisions of Para. 1 - 5 and Paragraph 10 hereof shall duly apply to financial plans of organizations for mandatory social insurance.

## **Amendments and Supplement to the Budget and Financial Plans of Organizations for Mandatory Social Insurance**

### **Article 47**

In the event that over the course of fiscal year a law or other regulation is adopted that results in the reduction of planned revenues or increase of planned expenditures, a decision shall be adopted whereby additional revenues or decreased expenditures are envisaged, for the purpose of achieving budget balance.

In the event that over the course of fiscal year expenditures are increased or revenues decreased, budget balance shall be achieved by reduction of planned expenditures or introduction of new revenues.

Budget balance shall be performed by means of supplementary budget, adopted in line with the procedure for budget adoption.

No law or other regulation which envisages spending of public funds outside the budget may be adopted.

Provisions of Para. 1-4 hereof shall duly apply to financial plans of organizations for mandatory social insurance.

### **Financial Effect of Laws or other Regulations**

#### **Article 48**

Exposition of a law or other regulation submitted to the Government, or local government executive authority, for the purpose of preparing the proposed text of the law, and/or its adoption, must contain an estimate of financial effects that the law and/or other regulation shall have on the budget.

The estimate indicated in Paragraph 1 hereof must contain the information whether the proposed law, and/or other regulation, shall increase or decrease budget revenues and proceeds or expenditures and outflows for the budget year and two following fiscal years.

The estimate indicated in Paragraph 1 hereof must contain the following:

- 1) Envisaged changes in the revenues and expenditures, as well as proceeds and expenditures for the budget year and two following fiscal years;
- 2) Proposals for covering increased budget expenditures and outflows;
- 3) Proposals for covering decreased budget revenues and proceeds;
- 4) Approval of the Ministry, and/or local government finance authority.

If laws and other regulations are adopted during the year, based on which new obligations arise for the budget, the funds shall be provided in the budget for the following budget year in accordance with projections and possibilities.

The provisions of this Article shall apply accordingly to extrabudgetary beneficiaries and local government units.

## **IV. BUDGET EXECUTION**

### **Collection of Budget Revenues and Proceeds**

#### **Article 49**

Revenues and proceeds of the budget of the Republic of Serbia, or local government budget, shall be collected in line with the law and other regulations, irrespective of the amounts budgeted for certain types of revenues and proceeds.

Direct and indirect budget beneficiaries shall be obligated to enable, in full amount and in due course, on the day of realization, the payment of budget revenues and proceeds under their jurisdiction to the prescribed account of the appropriate consolidated treasury account, for the purpose of their allocation in the budget, in line with the law.

Provisions of Para. 1 and 2 hereof shall also be applied during the interim financing period.

### **Allocation of Appropriations and Financial Management**

#### **Article 50**

Within 15 days from the effectiveness date of the budget law, and/or budget decision, direct budget beneficiaries that are, in terms of budget, responsible for indirect budget beneficiaries, shall carry out allocation of funds to indirect beneficiaries, within their approved appropriations, and shall inform each indirect beneficiary, on the said allocation, after having obtained the consent of the Treasury, and/or the local government treasury.

For such direct beneficiaries that present expenditures in the program part of the budget, the time limit indicated in Paragraph 1 hereof shall be 30 days.

Direct budget beneficiary that does not comply with the provisions of Paragraphs 1 and 2 hereof, shall not be allowed to use appropriations.

Direct and indirect budget beneficiaries that pass financial plans pursuant to the law shall be obligated to harmonize their financial plans with the appropriations approved in the budget.

Direct and indirect budget beneficiaries that are not legally required to pass financial plans shall pass plans laying down the usage of those appropriations whose ceiling and purpose is not legally envisaged in advance; said financial plans shall be broken down by specific purposes and activities so as to enable the monitoring of achievement of budget principles indicated in Article 4, Paragraph 3 of this Law.

Time limit for submission of acts indicated in Paragraphs 4 and 5 hereof shall be 45 days from the effectiveness date of the Law on the Budget of the Republic of Serbia, and/or local government Budget Decision.

### **Budget Liquidity Planning**

#### **Article 51**

The Ministry, and/or local government finance authority, shall plan budget liquidity and cash flow on the basis of revenues and proceeds, as well as expenditures and outflows, within budget execution plans prepared by direct budget beneficiaries, in



line with the methodology and observing the time lines set by the Minister, and/or local government finance authority.

Budget execution plan shall mean the overview of planned revenues and proceeds of direct budget beneficiaries broken according to sources of financing, and the overview of planned expenditures and outflows.

#### **Article 52**

Budget beneficiary that executes certain expenditure from budget funds and other sources shall be obligated to settle the expenditure from other revenue sources, first.

### **Expenditure Ceilings for Direct and Indirect Budget Beneficiaries for Certain Period**

#### **Article 53**

Direct and indirect budget beneficiaries may execute payments up to expenditure ceilings which are set by the Minister, and/or local government finance authority, for a three-month or other period (hereinafter: quota).

When setting quotas for direct budget beneficiaries, the Minister, and/or local government finance authority, take into consideration the funds budgeted for the direct budget beneficiary in question, budget execution plan for the direct budget beneficiary, and liquidity capacities of the budget.

The Ministry and/or local government finance authority, shall inform direct budget beneficiaries of the quotas, at least 15 days prior to the commencement of the period covered by the quotas.

The Minister shall prescribe the procedure and conditions for setting quotas indicated in Paragraphs 1 and 2 hereof, as well as the measure for the nonobservance of quotas.

### **Responsibility for Created Commitments and Expenditures**

#### **Article 54**

Commitments created by direct, and/or indirect budget beneficiaries and organizations for mandatory social insurance must conform to the appropriation approved for such purpose in the budget year.

Commitments created in line with the approved appropriations, but not executed during the year, shall be transferred and have the status of created commitments and in the following budget year shall be executed based on the approved appropriations for that budget year.

Created commitments and all financial liabilities indicated in Paras 1 and 2 hereof must be executed exclusively according to the cash basis principle from the consolidated treasury account, unless another method is stipulated by law, and/or Government act.

## **Payments in Foreign Exchange**

### **Article 55**

Beneficiary of the budget of the Republic of Serbia, beneficiary of funds of organizations for mandatory social insurance, and local government budget beneficiary, as well as other public funds beneficiary that is included in the consolidated treasury account system, may have a foreign exchange account only with the National Bank of Serbia, except if otherwise stipulated by a special law or an international agreement.

Financial resources on foreign exchange accounts indicated in Paragraph 1 hereof shall be kept and deposited within the consolidated treasury account of the Republic of Serbia, and/or local government treasury.

Notwithstanding, the Minister may allow the beneficiary referred to in Paragraph 1 hereof to open a foreign exchange account with an authorized bank, for such payments that cannot be executed through the National Bank of Serbia, if required by the specific nature of beneficiary's business activities.

Provisions of the law regulating foreign exchange operations shall apply to the purchase and sale of foreign exchange, payments in foreign exchange, collection, and transfers executed with the participation of beneficiaries referred to in Paragraph 1 hereof.

National Bank of Serbia shall provide data regarding the balance of foreign exchange on the accounts of beneficiaries referred to in Paragraph 1 hereof.

National Bank of Serbia shall furnish the Ministry with the data indicated in Paragraph 5 hereof on a monthly basis, and/or upon the request submitted by a beneficiary or the Ministry.

## **Management of Created Commitments**

### **Article 56**

When creating commitments, direct and indirect budget beneficiaries shall be obligated to observe the guidelines on the payment terms and conditions, laid down by the Minister, and/or local government finance authority.

Budget beneficiaries shall create commitments on the basis of a written contract or other legal act, unless otherwise stipulated by law.

Commitments created in the amounts higher than budgeted ceilings, or in contravention to this Law or other regulation, may not be settled by charging the consolidated treasury account of the Republic of Serbia, and/or local government.

Forced collection imposed to a budget beneficiary, which refers to the budget execution account, may be executed up to 50% of the total ceiling allocated to said budget beneficiary, charging its appropriations, using the appropriation dedicated for this type of expenditures; the execution shall be performed successively, in line with the budget execution dynamics (monthly quotas).

Forced collections may not charge appropriations for the repayment of debt and given guarantees and the execution of expenditures from donation funds.

Forced collection may not charge appropriations dedicated for co-financing the European Union Development Aid, nor the appropriations funded under the European Union Development Aid when made available to the Republic of Serbia.

In the event that the account for local government budget execution is proclaimed the debtor, such orders shall be executed not later than 5 days from the day of their filing.

## **Contract Conclusion**

### **Article 57**

Contracts on procurement of goods, financial assets, provision of services or construction works, contracted by direct and indirect budget beneficiaries and beneficiaries of funds of organizations for mandatory social insurance must be **concluded** in line with the legislation regulating public procurements.

## **Payments from the Budget**

### **Article 58**

Budget expenditure shall be based on the bookkeeping documentation.

Legal ground and amount of created commitments that arise from the original bookkeeping documentation must be **prepared and** validated in writing prior to the payment of commitments.

The Minister shall closely regulate the manner of commitment creation, reporting on commitments created, as well as the payment to be executed from the Republican, and/or local government budget.

Provisions of Para. 1-3 hereof shall duly apply to the commitments of organizations for mandatory social insurance.

Payments from the consolidated treasury account for the settlement of commitments created by other public funds beneficiaries included in the consolidated treasury account system, shall not be executed if said beneficiaries have not obtained consent to their financial plan, as stipulated by law, and/or act of the local government assembly, and if said financial plan has not been submitted to the Treasury.

## **Refunds to the Budget**

### **Article 59**

In the event that certain payment has been executed without the legal ground, direct, and/or indirect budget beneficiary shall be obligated to immediately ask for the refund to the budget.

If the refund is performed in the same fiscal year when the payment is executed, **the corresponding appropriation of the budget beneficiary to which the refund was performed shall be reduced by the amount of the funds returned.**

Provisions of Paragraphs 1 and 2 hereof shall duly apply to the refunds to organizations for mandatory social insurance.

Following the end of fiscal year, direct and indirect budget beneficiaries shall return to the budget such funds that have been transferred to them pursuant to the budget act, but have remained unspent.

The Minister, and/or local government finance authority, shall prescribe the manner of determining amounts to be returned, and the procedure for returning the unspent funds indicated in Paragraph 4 hereof.

## **Refund on the Basis of Overpaid or Incorrectly Collected Budget Funds**

### **Article 60**

In the event that a payer has been overcharged for revenues indicated in Article 14, Paragraph 1), Items (1)- (5) and Item (7) of this Law, and/or the legal ground for collection was incorrect, refund shall be performed in line with the law regulating the collection of public revenues.

Revenue refund indicated in Paragraph 1 hereof shall be performed by charging the revenue payment account.

Should the revenue payment account indicated in Paragraph 2 hereof have insufficient funds for the refund to be performed, and the revenue in question belongs entirely to the budget of the Republic of Serbia or local government budget, and/or is divided between the budget of the Republic of Serbia and local government budget, the Treasury shall be obligated to transfer the funds, which are to be returned to the payer, to the public revenue payment account that is to be used for the refund, in proportion to the prescribed beneficiaries' share in the allocation of the said revenue.

Provisions of Para. 1-3 hereof shall duly apply to the prescribed record account of the authority in charge of customs activities, payments of excises and import taxes.

**The Treasury shall perform refund of revenues not later than five days from the day of receiving the decision or other refund document.**

## **In-Year Changes of Appropriations**

### **Article 61**

Should the scope of activities or jurisdiction of a direct or his indirect budget beneficiary change during the year, the amount of appropriations allocated for the activities of the said beneficiary shall be increased or reduced.

Should the scope of activities or jurisdiction of a direct or his indirect budget beneficiary referred to in paragraph 1 hereof increase, the funds shall be provided from the current budget reserve.

In the event that a new direct or indirect budget beneficiary is founded, funds for its operation and jurisdiction shall be provided from the current budget reserve.

Should the budget beneficiary cease to exist, and its tasks have not been delegated to another budget beneficiary, unused funds shall be transferred to the current budget reserve and may be used for the purposes defined for the use of permanent budget reserve funds.

In the event that during the year, a number of direct or indirect budget beneficiaries are created from one direct or indirect budget beneficiary, the unused funds allocated to that beneficiary shall be transferred to the current budget reserve and afterwards allocated to newly-created direct or indirect budget beneficiaries.

Decision o appropriation change referred to in Paragraph 1-5 hereof, and the usage of current budget reserve funds shall be adopted by the Government, and/or local government executive authority.

Direct budget beneficiary, with the consent of the Minister, and/or local government finance authority, may redirect the appropriation approved for certain expenditure up to 5% of the appropriation being reduced.

Direct budget beneficiary, with the consent of the Minister, and/or local government finance authority may redirect fund under a program up to 10% of the appropriation whose funds are being reduced.

**Reallocation of the appropriations referred to in paragraphs 7 and 8 shall refer to appropriations from revenues from the budget, while appropriations from other sources may be changed without limitation. An organization for mandatory social insurance, based on a decision of the manager of the organization for mandatory social insurance, may perform a reallocation of appropriations approved for particular expenditure in the amount of up to 5% of the appropriation value for the expenditure the amount of which is reduced and exceptionally, of over 5% for health care expenses.**

Appropriations may be reallocated among the legislative, executive and judicial branch.

## **Temporary Suspension of Budget Execution**

### **Article 62**

In the event that during the fiscal year expenditures increase or revenues decrease, the Government, upon the proposal of the Minister, and/or local government executive authority, upon the proposal of the local government finance authority, may suspend execution of certain expenditures (hereinafter: temporary suspension of execution), for not more than 45 days.

Under the temporary suspension of execution the following may be performed:

- 1) Stop the commitment creation;
- 2) Propose the extension of contracted payment deadline;
- 3) Stop the process of giving approval for concluding contracts;
- 4) Stop the usage of quotas.

The Ministry, and/or local government finance authority, in cooperation with direct budget beneficiaries, shall prepare the proposed scope and measures of the temporary suspensions of execution.

Measures of the temporary suspension of execution may be applied to all direct budget beneficiaries.

The Government shall inform the National Assembly of the decision indicated in Paragraph 1 hereof, while the local government executive authority shall inform the local government assembly, **within seven days**.

## **Supplementary Budget**

### **Article 63**

The Supplementary Budget, adopted by the National Assembly, upon the proposal of the Government, or by the local government assembly, upon the proposal of

the local government executive authority, shall serve to balance the budget revenues and expenditures at a lower, higher or the same level.

In the event that during the implementation of measures of temporary suspension of execution the budget deficit is not harmonized with the financing capacities and/or harmonized with the planned deficit, the Government, and/or the local government executive authority, shall prepare the Proposed Supplementary Budget, within 15 days prior to the expiration of the period in which the temporary suspension of execution is being carried out.

In the course of the adoption of the Supplementary Budget, the Government, upon the proposal of the Minister, and/or local government executive authority, upon the proposal of the local government finance authority, may continue with the temporary suspension of execution of certain expenditures.

## **Budget Fund**

### **Article 64**

Budget fund is a record account within the treasury general ledger opened by the Government, and/or local government executive authority, with the purpose of keeping certain budget revenues and expenditures separately in order to achieve a goal set by a special Republican, and/or local regulation, or international agreement.

The regulation, and/or agreement indicated in Paragraph 1 hereof shall define the following:

- 1) Purpose of the budget fund;
- 2) Time period for which the budget fund is opened;
- 3) Line Ministry, and/or local government authority in charge of the fund management;
- 4) Source of financing of the budget fund.

## **Financing of the Budget Fund and Commitments Arising from the Budget Fund**

### **Article 65**

Budget fund shall be financed from:

- 1) Appropriations provided under the budget for the current year;
- 2) Dedicated budget revenues, defined as dedicated revenues of the budget fund;
- 3) Revenues generated from the management of liquid assets of the budget fund.

Commitments of the budget fund shall be settled from the budget fund resources.

## **Budget Fund Management**

### **Article 66**

Budget fund shall be managed by the line Ministry, and/or competent local government authority.

Following the termination of a budget fund, its rights and commitments shall be assumed by the Ministry, and/or local authority indicated in Paragraph 1 hereof.

### **Special Conditions for the Usage of Budget Fund Resources**

#### **Article 67**

Payments executed by charging a budget fund shall be performed up to the amount of resources available in the budget fund, and commitments shall be created within realistically planned budget fund revenues.

At the end of current year, unused resources from the budget fund account shall be carried over to the next year.

## **European Union Development Aid**

### **Article 68**

Government shall, upon the proposal of the Minister, closely regulate the division of responsibilities and the manner of managing the budget funds for co-financing the European Union development program, as well as the manner of managing funds provided under the European Union Development Aid, when the said funds are made available to the Republic of Serbia, in line with an international agreement between the Republic of Serbia and the European Union.

The Government shall appoint a person in charge of the operation of the entire EU fund management system, of the transfer of EU funds, as well as funds from national co-financing.

## **Current Budget Reserve**

### **Article 69**

Under the budget, a portion of planned revenues shall not be allocated in advance, but shall be held as current budget reserve.

Funds of the current budget reserve shall be used for unplanned purposes for which no appropriation was allocated, or for such purposes for which the initially set appropriations prove to be insufficient during the year.

Government, and/or local government executive authority, shall, upon the proposal of the Minister, and/or local government finance authority, pass a decree on the usage of the current budget reserve.

Funds of the current budget reserve shall be allocated to direct budget beneficiaries during the fiscal year.

Notwithstanding the provisions of Para. 1-4 hereof, funds of the current budget reserve of the Republic of Serbia budget may also be used for the execution of local government liabilities, due to a decreased scope of local government budget revenues.

## **Permanent Budget Reserve**

### **Article 70**

Under the budget resources for permanent budget reserve shall be planned, which are identified within the appropriation dedicated for budget reserve.

Permanent budget reserve shall be used for financing expenditures incurred for the participation of the Republic of Serbia, and/or local government, in the recovery of consequences which occur due to unforeseen circumstances, such as earthquakes, floods, draught, fire, landslides, snowdrifts, hail, animal and herbal diseases, ecological disaster, and other natural disasters, and/or other unforeseen events, which might jeopardize life and health of citizens, or cause large scale damages.

Permanent budget reserve shall be allocated at the amount of up to 1.5% of total revenues envisaged for the budget year.

Government shall, upon the proposal of the Minister, and/or local government executive authority, at the proposal of the local government finance authority, adopt the decree on the usage of permanent budget reserve funds.

Report on the usage of permanent budget reserve funds shall be submitted to the National Assembly, and/or local government assembly, together with the annual financial statement of the budget.

## **Accountability of Executives and/or Managers of Direct, and/or Indirect Budget Beneficiaries**

### **Article 71**

Executives, and/or managers of direct, and/or indirect budget beneficiaries shall be accountable for commitment creation, commitment verification, issuance of payment orders to be executed from the funds of the authority he or she manages, as well as the issuance of orders for payment of funds belonging to the budget.

Executives, and/or managers of direct, and/or indirect budget beneficiaries shall be accountable for legal, purposeful, cost effective and efficient usage of budget appropriations.

Executives, and/or managers of direct, and/or indirect budget beneficiaries may transfer certain authorities indicated in Paragraph 1 hereof to other persons in direct, and/or indirect budget beneficiary.

## **Accountability Division between the Ordering Party and the Accountant**

### **Article 72**

Functions of the ordering party and the accountant shall not overlap.

Ordering party is the executive, and/or manager of a budget beneficiary, and/or the person accountable for management of funds, commitment creation, issuance of payment orders to be executed from the authority's funds, as well as the issuance of orders for payment of funds belonging to the budget.



Accountant is the person that is, pursuant to a general or special authority act, accountable for legality, correctness and preparation of records on business changes and other business events that pertain to the usage of the authority's funds, and/or budget appropriations, as well as the legality, correctness and preparation of records on business changes and other business events that pertain to the usage of the funds and other property.

## **Ceilings for Debt and Guarantees**

### **Article 73**

Under the budget of the Republic of Serbia ceilings shall be determined for the total debt amount for the budget year, as well as the ceilings for total amount of issued guarantees.

In the process of determining debt ceilings, the Ministry shall take into consideration all facts regarding the following:

- 1) Requests for refinancing internal debt;
- 2) Requests for financing the total deficit;
- 3) Assessments of the following macroeconomic indicators:
  - (1) Share of total internal debt in GDP;
  - (2) Share of annual debt interest payments in GDP;
  - (3) Amount of borrowing from banks, including the National Bank of Serbia, on the basis of guarantees for securities;
  - (4) Share of short-term internal debt in total government debt;
  - (5) Share of external debt in total government debt;
  - (6) Ratio of debt and guarantees to revenues;
  - (7) Ratio of expenditures for total debt settlement to export.

Under the budget of the Republic of Serbia, and/or local government budget, funds shall be provided for financing temporary current illiquidity, in line with provisions of the law regulating public debt.

Available, uncommitted funds on the consolidated account of the Republic of Serbia treasury, and/or local government treasury, may be used for financing current illiquidity, under the conditions and in the manner prescribed by the Minister, and/or local government finance authority.

## **V. BUDGET ACCOUNTING AND REPORTING**

### **Accountability for Budget Accounting**

#### **Article 74**

Indirect budget beneficiary and beneficiary of funds of organizations for mandatory social insurance shall be accountable for accounting of its own transactions.

Direct budget beneficiary shall be accountable for the accounting of its own transactions, and within its authorities, it shall also be accountable for the accounting of transactions performed by the indirect budget beneficiaries under its jurisdiction.

High Judicial Court, and/or State Committee of Prosecutors, shall be accountable for accounting of their own transactions, and within their authorities they shall also be accountable for the accounting of transactions performed by the judicial authorities under their chapter.

The Minister, on behalf of the Government, and/or local government finance authority, on behalf of the local government executive authority, shall be accountable for the accounting of received loans and debt.

## **Authorizations for Passing Budget Accounting Regulations**

### **Article 75**

Government shall closely regulate budget accounting and the manner of keeping the consolidated treasury account.

The Minister shall regulate the manner of budget bookkeeping, as well as the content and manner of financial reporting for direct and indirect budget beneficiaries of the Republic of Serbia and local government, beneficiaries of funds of organizations for mandatory social insurance and budget funds of the Republic of Serbia and local government, and may pass special instructions on financial planning for certain government units.

The Minister shall manner of reporting on total revenues and proceeds and total expenditures and outflows for the local government treasuries.

The Minister shall regulate the manner of preparing, drawing up and submitting annual financial statements of direct and indirect budget beneficiaries, beneficiaries of funds of organizations for mandatory social insurance and budget funds of the Republic of Serbia and local government.

### **Submitting reports to the National Assembly and/or local government assembly**

### **Article 76**

The Minister and/or local government finance authority shall regularly monitor budget execution and, at least twice a year, inform the Government and/or the competent executive authority of the local government within fifteen days from the expiry of the six-month and/or nine-month period.

Line Ministers shall regularly monitor the execution of financial plans of organizations for mandatory social insurance and, at least twice a year, inform the Government and the Minister within fifteen days from the expiry of the six-month and/or nine-month period.

Within fifteen days from the submission of the reports referred to in paragraphs 1 and 2 of this Article, the Government and/or the competent executive authority of the local government shall adopt and submit the reports to the National Assembly and/or the assembly of the local government.

The reports shall also contain discrepancies between the adopted budget and execution and an explanation of substantial discrepancies.

## **Draft Annual Financial Statement**

### **Article 77**

Draft Law on Annual Financial Statement of the Republic of Serbia budget shall be passed by the Government, while the local government executive authority shall pass the draft decision on the annual financial statement of the local government budget.

## **Calendar for Submitting Annual Financial Reports**

### **Article 78**

Procedure for the preparation, drawing up, and submitting annual financial reports of budget beneficiaries, beneficiaries of funds of organizations for mandatory social insurance, budget of the Republic of Serbia, and local government budget, shall be carried out in line with the following calendar:

1) Calendar for the Republic of Serbia level:

(1) 28 February – indirect beneficiaries of the Republic of Serbia budget shall prepare annual financial statement for the previous budget year and submit it to responsible direct beneficiaries of the Republic of Serbia budget; judicial authorities that are collectively presented in the budget of the Republic of Serbia shall prepare annual financial statement for the previous budget year and submit it to High Judicial Court, and/or State Committee of Prosecutors; beneficiaries of funds of the Republican Office for Health Insurance shall prepare annual financial statement for the previous budget year and submit it to the Republican Office for Health Insurance;

(2) 31 March – direct beneficiaries of the Republic of Serbia budget shall prepare the annual report and submit it to the Treasury, while such direct beneficiaries of the Republic of Serbia budget that have indirect budget beneficiaries under their jurisdiction shall control and reconcile the data contained in the annual financial statements of the indirect budget beneficiaries and shall draw up a consolidated annual report which they shall submit to the Treasury; High Judicial Court, and/or State Committee of Prosecutors, shall control and reconcile the data contained in the annual financial statements of the judicial authorities that are collectively presented under their chapters, and shall draw up consolidated annual reports which they shall submit to the Treasury;

(3) 30 April – organizations for mandatory social insurance shall pass decisions on the annual financial statement of the organizations for mandatory social insurance, adopt reports on the execution of financial plans and submit it to the Treasury; Republican Office for Health Insurance shall control and reconcile the data contained in the annual financial statements of the budget beneficiaries under its jurisdiction, consolidate data and draw up a consolidated annual report, which it shall submit to the Treasury;

(4) 20 June – The Ministry shall prepare Draft Law on the Annual Financial Statement of the Budget of the Republic of Serbia, and shall submit it to the Government, together with the decisions on annual financial statements of organizations for mandatory social insurance;

(5) 15 July – The Government shall furnish the National Assembly with the Proposed Law on the Annual Financial Statement of the Budget of the Republic of Serbia, together with the decisions on annual financial statements of organizations for mandatory social insurance;

(6) 1 October - The Ministry shall draw up the consolidated report of the Republic of Serbia and submit it to the Government;

(7) 1 November – The Government shall furnish the National Assembly with the consolidated report of the Republic of Serbia, for its information.

2) Calendar of annual financial statement of local government budget:

(1) 28 February – indirect beneficiaries of the local government budget shall prepare annual financial statement for the previous budget year and submit it to responsible direct beneficiaries of the local government budget;

(2) 31 March - direct beneficiaries of the local government budget shall prepare the annual report and submit it to the local government finance authority, while such direct beneficiaries of the local government budget that have indirect budget beneficiaries under their jurisdiction shall control and reconcile the data contained in the annual financial statements of the indirect budget beneficiaries and shall draw up a consolidated annual report which they shall submit to the local government finance authority;

(3) 15 May - local government finance authority shall prepare Draft Decision on Annual Financial Statement of the Local Government Budget and shall submit it to the local government executive authority;

(4) 1 June - local government executive authority shall furnish the local government assembly Proposed Decision on Annual Financial Statement of the Local Government Budget;

(5) 15 June - local government finance authority shall furnish the Treasury with the Decision on Annual Financial Statement of the Local Government Budget, adopted by the local government assembly, and shall submit the report on the execution of the local government budget, excluding finance authorities of municipalities under a town, and/or City of Belgrade, which shall submit their decisions on annual financial statements and reports on the budget execution to the town, and/or City of Belgrade;

(6) 1 July – town finance authority shall draw up the consolidated report of the town, and submit it to the Treasury.

Dates indicated in Paragraph 1 hereof shall mean the due dates of the calendar for submitting annual financial reports and other acts.

## **Content of the Annual Financial Statement**

### **Article 79**

The annual financial statement shall **be prepared in line with internationally accepted accounting standards** and contain the following:

Balance sheet:

- 1) Balance sheet
- 2) Statement of revenues and expenditures;
- 3) Report on **outflows for acquisition of non-financial assets and proceeds from sale of non-financial assets**;
- 4) Financing statement;

- 5) Report on budget execution, prepared in such a way to present the discrepancy between the approved resources and execution;
- 6) Explanation of discrepancies between the approved resources and execution;
- 7) Report on received domestic and foreign grants and borrowing in the domestic and foreign money and capital market and performed debt repayments;
- 8) Report on utilization of funds from current and permanent budget reserve;
- 9) Report on guarantees issued during the fiscal year;
- 10) External audit report of financial reports indicated in items 1) -9) hereof, pursuant to Article 91 of this Law;
- 11) Report on outputs of the program budget part;

12) Detailed report on the execution of funds of the programmers and projects financed from the budget and relating to:

- subsidies to public non-financial enterprises and organizations and private enterprises;
- non-financial assets financed from the funds for the National Investment Plan implementation;
- spending of dedicated public revenues and own source revenues;
- usage of funds from approved project loans;
- usage of funds for the procurement of financial assets.

**13) notes on accounting policies and additional analyses, expositions and reconciliation of the items in the statements and reports covered by the annual financial statement.**

## **VI. PUBLIC SECTOR INTERNAL FINANCIAL CONTROL**

### **Article 80**

Internal financial control in the public sector shall include:

- 1) Financial management and control in public funds beneficiaries;
- 2) Internal audit in public funds beneficiaries;
- 3) Harmonization performed by the Ministry of Finance – Central Harmonization Unit.

### **Financial Management and Control**

#### **Article 81**

Direct and indirect budget beneficiaries, beneficiaries of funds of organizations for mandatory social insurance, and public enterprises founded by the Republic of Serbia, and/or local government, legal entities founded by such public enterprises, legal entities over which the Republic of Serbia, and/or local government,

has direct or indirect control over more than 50% of equity, or more than 50% of votes in the Management Board, as well as other legal entities where public funds comprise more than 50% of total revenues shall establish financial management and control as a comprehensive, integrated internal control system, which is to be implemented by means of policies, procedures and activities with the task to provide reasonable assurance that its goals shall be achieved through:

- 1) Operation that is in conformity with regulations, internal acts and contracts;
- 2) Truthfulness and integrity of financial and business reports;
- 3) Economical, efficient, and effective usage of funds;
- 4) Protection of funds and data (information).

Financial management and control shall include the following elements:

- 1) Control environment;
- 2) Risk management;
- 3) Control;
- 4) Information and communication;
- 5) System monitoring and evaluation.

Financial management and control, as a comprehensive, integrated internal control system, shall be organized as a system of procedures and accountabilities of all persons included in financial and business processes.

Establishing financial management and control shall be the responsibility of the executive, and/or manager of direct and indirect budget beneficiary, manager of beneficiary of funds of organizations for mandatory social insurance, manager of public enterprise, and/or legal entity over which the Republic of Serbia, and/or local government, has direct or indirect control over more than 50% of equity, or more than 50% of votes in the Management Board, as well as manager of other legal entity where public funds comprise more than 50% of total revenues, and/or a person designate by him.

Executive, and/or manager indicated in Article 4 hereof shall, in a prescribed manner, report to the Minister on the adequacy and function of the established financial management and control system.

The Minister shall determine common criteria and standards for the establishment and functioning of the public financial management and control system

## **Internal Audit**

### **Article 82**

Internal audit shall be established in direct beneficiaries of the Republic of Serbia budget and organizations for mandatory social insurance

Direct beneficiaries of the Republic of Serbia budget shall set up appropriate forms of internal audit for indirect budget beneficiaries under their jurisdiction.

Direct beneficiaries of the local government budget shall set up appropriate forms of internal audit.

Internal audit shall also be established in public enterprises founded by the Republic of Serbia, and/or local government, legal entities founded by such public enterprises, and/or legal entities over which the Republic of Serbia, and/or local government, has direct or indirect control over more than 50% of equity, or more than 50% of votes in the Management Board, as well as other legal entities where public funds comprise more than 50% of total revenues

The Minister shall prescribe common criteria for organizing and standards, as well as methodological guidance for the operation of internal audit and regulate more closely the activities of internal audit in the public sector.

Internal auditors shall be directly responsible to executives of direct budget beneficiaries. Manager of organizations for mandatory social insurance, and/or managers of public enterprises and legal entities indicated in Paragraph 4 hereof.

Functions of internal audit shall be:

- 1) Control of compliance with the law and internal control rules;
- 2) Assessment of internal control systems in terms of their adequacy, successfulness and completeness;
- 3) Giving advice when new systems, procedures or tasks are introduced;
- 4) Audit of manner of work (performance) which represents the assessment of business operation and processes, including non-financial operations, with the aim of assessing economical quality, efficiency and successfulness;
- 5) Cooperation with external audit;
- 6) Performing other tasks necessary for ensuring security in terms of functioning of the internal control system.

In performing their function, internal auditor shall be obligated to observe the confidentiality of official and business data.

Internal control shall submit annual work reports to the Central Harmonization Unit not later than by 31 January of the current year for the previous year.

## **Harmonization**

### **Article 83**

Harmonization of financial management and control and internal audit shall be performed by the Central Harmonization Unit which shall be established under the Ministry.

Central Harmonization Unit shall perform the following:

- 1) Central harmonization and coordination of financial management, control, and internal audit methodologies in the public sector;
- 2) Defining standards of control in line with internationally acknowledged standards;
- 3) Defining common criteria for internal audit organization and operation in the public sector, and keeping the registry of internal auditors and internal auditor charters;
- 4) Defining methodological instructions and manuals for financial management and control;

5) Occupational training, certification and supervision of the work of internal auditors;

6) Training of public sector managers and employees in the field of financial management and control, line with internationally acknowledged standards;

7) Internal audit in budget beneficiaries, organizations, enterprises and entities referred to in Article 81, Paragraph 1 of this Law, in accordance with the plan passed by the Minister;

8) Internal audit in budget beneficiaries, for projects co-financed by the European Union.

The Minister shall prescribe the program for professional education, as well as the certification conditions and procedure, and/or taking exams for acquiring the title of certified internal auditor for the public sector, professional training, additional training and incentives for the Central Harmonization Unit employees and set guidelines and instructions for the performance of activities indicated in Paragraph 2 hereof.

## **VII. BUDGET INSPECTION**

### **Article 84**

Budget inspection activities shall be performed by the Ministry of Finance, with the aim of carrying out inspection of:

1) Direct and indirect budget beneficiaries;

2) Organizations for mandatory social insurance;

3) Public enterprises founded by the Republic of Serbia, legal entities founded by such public enterprises, legal entities over which the Republic of Serbia has direct or indirect control over more than 50% of equity, or more than 50% of votes in the Management Board, as well as other legal entities where public funds comprise more than 50% of total revenues;

4) Autonomous provinces and local self-government units, public enterprises founded by local self-government, legal entities founded by such public enterprises, legal entities over which local self-government has direct or indirect control over more than 50% of equity, or more than 50% of votes in the Management Board, as well as other legal entities where public funds comprise more than 50% of total revenues;

5) Legal entities and other entities to whom budget funds have been remitted directly or indirectly for certain purposes, legal entities and other entities that participate in the work that is under control, and entities that use budget funds on the basis of borrowing, subsidies, other state aid in any form, grants, financial assistance, etc.

### **Article 85**

Budget inspection activities on the territory of autonomous province shall be performed by autonomous province budget inspection office, founded by autonomous province competent authority, with the aim of carrying out inspection of:

1) Direct and indirect budget beneficiaries of autonomous province;



2) Public enterprises founded by autonomous province, legal entities founded by such public enterprises, legal entities over which autonomous province has direct or indirect control over more than 50% of equity, or more than 50% of votes in the Management Board, as well as other legal entities where public funds comprise more than 50% of total revenues;

3) Local self-government units, public enterprises founded by local self-government units, legal entities founded by such public enterprises, legal entities over which local self-government unit has direct or indirect control over more than 50% of equity, or more than 50% of votes in the Management Board, as well as other legal entities where public funds comprise more than 50% of total revenues;

4) Legal entities and other entities to whom budget funds of autonomous province have been remitted directly or indirectly for certain purposes, legal entities and other entities that participate in the work that is under control, and entities that use budget funds of autonomous province on the basis of borrowing, subsidies, other state aid in any form, grants, financial assistance, etc.

Executive authority of local self-government unit shall establish budget inspection office of local self-government unit.

Budget inspection office of local self-government unit shall be responsible for carrying out inspection of:

1) Direct and indirect budget beneficiaries of local self-government unit;

2) Public enterprises founded by local self-government units, legal entities founded by such public enterprises, legal entities over which local self-government unit has direct or indirect control over more than 50% of equity, or more than 50% of votes in the Management Board, as well as other legal entities where public funds comprise more than 50% of total revenues;

3) Legal entities and other entities to whom budget funds of local self-government unit have been remitted directly or indirectly for certain purposes, legal entities and other entities that participate in the work that is under control, and entities that use budget funds of local self-government on the basis of borrowing, subsidies, other state aid in any form, grants, financial assistance, etc.

#### **Article 86**

Budget inspection, budget inspection office of autonomous province, and budget inspection office of local self-government unit shall have the function to control the application laws in the field of material-financial business operation, as well as purposeful and legal usage of funds of budget beneficiaries, organizations, enterprises, legal entities and other entities indicated in Articles 84 and 85 of this Law.

#### **Article 87**

Should the inspection come across illegalities, budget inspection, and/or budget inspection offices of autonomous province, and/or budget inspection offices of local self-government units shall pass a decree stipulating measures for the removal of said illegalities, and shall take other legally envisaged actions.

**An appeal against the decree referred to in Paragraph 1 of this Article may be filed with the Minister or competent local government executive authority within eight days from the day of receiving the decree.**

#### **Article 88**

In the event that budget beneficiaries indicated in Article 84, Paragraph 1, Items 1), 2) and 3) of this Law, do not conform to the final decree passed by the budget inspection, the Minister may issue an order to suspend the transfer of budget funds to said beneficiaries, in the current period, excluding the funds for salaries, at the amount of non-dedicated spent funds that are instructed to be returned pursuant to the final decree of the budget inspection.

#### **Article 89**

In the event that autonomous province does not conform to the decree passed by the budget inspection, the Minister may temporarily suspend the transfer of the applicable portion of the Tax on Wages and Corporate Profit Tax, and/or transfer of funds from the budget of the Republic of Serbia to autonomous province.

In the event that local self-government does not conform to the decree passed by the budget inspection, and/or budget inspection office of autonomous province, and/or budget inspection office of local self-government unit, which is passed following the control indicated in Article 84, Item 4) and Article 85, Paragraph 1, Item 3, and Paragraph 3, Item 1, of this Law, the Minister may, on the basis of the notification submitted by budget inspection, and/or budget inspection office of autonomous province, and/or budget inspection office of local self-government unit, temporarily suspend the transfer of transfer funds from the budget of the Republic of Serbia, until the irregularities stated in the Minutes have been removed.

In the event that local government authority exceeds the borrowing limit stipulated by provision of Articles 35 and 36 of the Law on Public Debt ("Official Gazette of RS" No. 61/05), and does not take action in conformity to Article 37, Paragraph 3 thereof, the Minister may temporarily suspend the transfer of transfer funds from the budget of the Republic of Serbia, and/or the transfer of applicable portion of the Tax on Wages and Corporate Profit Tax, until the conditions stipulated by the provisions of said law have been met.

### **Rights and Obligations**

#### **Article 90**

Work of budget inspection shall be independent and self-reliant. Its work, authorities, and features shall be regulated by a special Government act, upon the proposal by the Minister.

Program and work plan of the budget inspection, and its changes, shall be determined by the Minister.

Provision of Paragraphs 1 ad 2 hereof shall duly apply to the budget inspection office of autonomous province, and budget inspection office of local self-government unit.

The Minister shall prescribe the methodology and closely regulate manner of work of budget inspection.

Standards related to the methodology and manner of work indicated in Paragraph 4 hereof shall also apply to the budget inspection office of autonomous province, and budget inspection office of local self-government unit.

Budget inspection shall perform the control of work carried out by the inspection indicated in Paragraph 5 in order to ensure single application of inspection procedure on the territory of the Republic of Serbia.

Budget inspection office of autonomous province, and budget inspection office of local self-government unit shall submit documentation and report, upon the request of the executive in charge of budget inspection, for the purpose of the control indicated in Paragraph 6 hereof.

Budget inspection, budget inspection office of autonomous province, and budget inspection office of local self-government unit shall have access to all data, documents, reports, and information necessary for the performance of functions in budget beneficiaries, organizations, enterprises, legal entities, and entities referred to in Articles 84 and 85 of this Law, which are subject to inspection.

Budget inspection, budget inspection office of autonomous province, and budget inspection office of local self-government unit shall have at their disposal appropriate resources (staff, space, and equipment) which shall enable performance of their functions.

When performing their functions, budget inspection, budget inspection office of autonomous province, and budget inspection office of local self-government unit shall be obligated to keep the official and business data confidential.

## **Reporting**

### **Article 91**

Budget inspection, budget inspection office of autonomous province, and budget inspection office of local self-government unit shall furnish the Minister, and/or local government competent authority, with the report on performed inspection, together with its findings and measures.

Budget inspection, budget inspection office of autonomous province, and budget inspection office of local self-government unit shall submit the Minutes to budget beneficiaries, organizations, enterprises, legal entities, and entities referred to in Articles 84 and 85 of this Law, which have been subject to inspection.

Budget inspection, budget inspection office of autonomous province, and budget inspection office of local self-government unit shall furnish the local government assembly with the report on performed inspection of beneficiaries indicated in Articles 83 and 84 of this Law, for it to review it and undertake appropriate measures within its jurisdiction.

The Minister shall submit the annual report on the work of budget inspection to the Government, which shall afterwards submit it to the National Assembly by 31 March of the current year for the previous year..

## **VIII. EXTERNAL AUDIT**

### **Article 92**

Annual financial statement of the Republic of Serbia and annual financial statements of the organizations for mandatory social insurance shall be subject to external audit, pursuant to the provisions of the law regulating the jurisdiction of the Supreme Audit Institution.

Annual financial statements of local government budgets shall also be subject to external audit.

The audit referred to in paragraph 2 of this Article shall be performed by the Supreme Audit Institution in line with the law regulating the jurisdiction of the Supreme Audit Institution.

Notwithstanding paragraph 3 of this Article, external audit of local government budgets may also be performed, with the consent of the Supreme Audit Institution, based on the decision of the local government assembly, by a person fulfilling the conditions for the performance of financial statement audit activities prescribed by the law regulating accounting and audit.

## IX.

### TREASURY

#### **Duties and Responsibilities of the Republic of Serbia Treasury**

##### **Article 93**

Treasury shall perform the following:

1) Financial planning, including:

(1) Projections and monitoring of the inflows to the consolidated treasury account system and consolidated account of the Republic of Serbia treasury, as well as monitoring of spending based on submitted requests for execution of expenditures ;

(2) Defining quarterly and monthly quotas of created commitments and payments;

2) Management of cash funds of the Republic of Serbia, including:

(1) Management of the consolidated account of the Republic of Serbia treasury where all revenues are paid and all budget expenditures are charged, as well activities that relate to the opening and control of bank accounts and sub-accounts, as well as the management of banking relations;

(2) Budget execution and preparation of reports on budget execution;

(3) Liquidity management;

(4) Developing procedures for collection of revenues through banking system;

(5) Management of financial resources;

3) Expenditures control, including proposing procedures for commitment creation approval, and approval of payments to be executed from budget funds;

4) Reporting on the execution of the program budget part;

5) Budget accounting and reporting, including:

(1) Accounting activities for processing payments and recording proceeds, keeping record, general ledger, and certain subordinate ledgers for all revenues and expenditures broken down by budget beneficiaries, international grants and other means of assistance;

(2) Financial reporting;

(3) Preparation of acts that regulate accounting methodologies, including the system of budget classifications, budget accounting rules and requirements regarding the internal and external reporting;

6) Establishment of IT platform for budget execution system, which shall include beneficiaries of the budget of the Republic of Serbia, and/or local government, and its management;

7) Activities related to public payments, including record keeping and activities within the consolidated treasury account system, which are:

(1) Keeping the inventory of public funds beneficiaries that are included in the consolidated treasury account system, as well as other registries regulated by special regulations;

(2) Opening and keeping record on accounts for payment of public revenues;

(3) Allocation of paid public revenues to appropriate sub-accounts of various levels of government, in line with the law;

(4) Keeping sub-accounts of public funds beneficiaries that are included in the consolidated treasury account system;

(5) Keeping other accounts, in line with the law and other regulations;

(6) Reception, control, and processing of payment orders submitted by public funds beneficiaries that are included in the consolidated treasury account system;

(7) Control of the execution of appropriations performed through the system of executing budget of the Republic of Serbia, and/or local government;

(8) Issuance of payment orders charging sub-accounts of public funds beneficiaries that are included in the consolidated treasury account system, in line with the law and obtained authorizations, pursuant to court and other executive orders, correction of errors and charging of services;

(9) Execution of cash payments for public funds beneficiaries included in the consolidated treasury account system;

(10) Reception of cash payments of individuals for the purpose of settling liabilities based on public revenues;

(11) Reception, control, and processing of public funds beneficiaries' annual reports, in line with the law and other regulations;

(12) Keeping fiscal statistics, in line with the regulation passed by the Minister;

(13) Monitoring the liquidity of public funds beneficiaries that are included in the consolidated treasury account system and dissemination of related data, in line with applicable regulations;

8) Centralized processing of payroll for the employees of the Republic of Serbia budget beneficiaries, including:

(1) Processing of salaries, remunerations and other personal income of employees;

(2) Keeping and maintaining data basis on employees regarding their personal income;

9) Other activities within the jurisdiction of the Ministry prescribed by the Minister.

## **Organization**

### **Article 94**

For the purpose of performing activities under the Treasury jurisdiction, the organization units shall be established.

The manner of establishment, number, structure, network and scope of activities of organization units referred to in Paragraph 1 hereof shall be regulated by an act passed by the Minister, upon the proposal of the Treasurer.

## **Management**

### **Article 95**

Treasury shall be managed by the Treasurer.

Treasurer shall be appointed by the Government, upon the proposal of the Minister.

## **Authorities of the Minister**

### **Article 96**

The Minister shall prescribe conditions and manner of opening and terminating the consolidated treasury sub-accounts, plan of such sub-accounts, manner and procedure of operating the payment system within the consolidated treasury account, budget execution system, manner and procedure of internal control, as well as other issues relevant for the functioning of the Treasury.

## **Management of Funds**

### **Article 97**

Payment orders, for which funds have not been provided, shall be recorded and executed according to the time of their reception, unless otherwise stipulated by law.

The Minister shall closely regulate the manner for executing the orders indicated in Paragraph 1 hereof.

## **Non-Execution of Payment Orders**

### **Article 98**

The Treasury shall not execute such payment orders that are not in compliance with the law, and, upon the request of the party submitting the order, it shall explicate the reasons for rejecting the order, in writing, three days from the day of the order submission.

## **Operation funds**

### **Article 99**

Funds for operation of the Treasury shall be provided in the budget of the Republic of Serbia and from other sources of revenue.

## **Delivery of Other Financial Services**

### **Article 100**

The Treasury shall charge a fee for the delivery of the public payments execution services under the jurisdiction of the Ministry, and/or the Treasury, and may provide other financial services and carry out other activities in line with the contract, which generate revenue.

The amount of the fee indicated in Paragraph 1 hereof shall be determined by the Government, upon the proposal of the Minister.

The funds generated from the fee for services of performed public payments shall be used for the operation of the Ministry and administrations within the Ministry according to the program and dynamics of usage adopted by the Minister in line with the law.

The program referred to in paragraph 3 of this Article shall contain, before all, the plan for application of funds for

vocational education, training, and upgrading of employees, employee incentives, design, building and maintenance of IT system, procurement of equipment necessary for the operation, construction and procurement of business premises.

The funds not spent and referred to in paragraph 3 of this Article shall be returned to the budget after the expiry of the budget year at the latest.

## **Local Government Treasury**

### **Article 101**

Local government treasury shall perform the following:

1) Financial planning, including:

(1) Projections and monitoring of the inflows to the consolidated treasury account of the local government and requests for execution of expenditures;

(2) Defining quarterly and monthly quotas of created commitments and payments;

2) Management of funds on the consolidated treasury account of the local government, where revenues are paid and all budget expenditures are charged, including:

(1) Management of the consolidated account of the Republic of Serbia treasury where all revenues are paid and all budget expenditures are charged which relate to the opening and control of bank account and sub-accounts, as well as the management of banking relations;

(1) Liquidity management;

(2) Management of financial resources;

(3) Management of borrowing proceeds;

3) Budget accounting and reporting, including:

(1) Processing of payments and recording revenues;

(2) Keeping ledgers;

(3) Financial reporting;

(4) Preparation and drawing up all reports, including the annual financial statement of the local government budget, as well as consolidated report of a town;

4) Control of expenditures, including management of processes for commitment creation approval, and approval of payments to be executed from budget funds;

5) Monitoring of wage bill trends in public enterprises at the level of the treasury in question, and submission of reports to the Ministry.

### **Temporary Suspension of Transfer of Funds**

#### **Article 102**

In the event that competent local government authority does not furnish the Ministry with reports in compliance with this Law, the Minister may temporarily suspend the transfer of transfer funds from the budget of the Republic of Serbia, and/or applicable portion of Tax on Wages and Corporate Profit Tax, until the requested reports have been furnished.

## **X. PUNITIVE PROVISIONS**

### **Misdemeanors**

#### **Act 103**

Fine at the amount ranging from RSD 5,000 up to RSD 1,000,000, , shall be ordered as a punishment to the accountable person of a budget beneficiary, accountable person in an organization for mandatory social insurance, or second-accountable person **for the following misdemeanors:**

1) Should he/she create commitments or approves payment of expenditures from budget funds, **expenditures** not envisaged in the budget;

2) Should he/she fail to comply with the provisions of Articles 30, 37, 38, 40, and 41, Article 42, Paragraph 6, and Article 50 of this Law when preparing and adopting the budget;

3) Should the draft budget and annual statement, as well as reports that are submitted to the National Assembly, and/or local government assembly, not contain parts referred to in Articles 28 and 79 of this Law;

4) Should he/she fail to comply with the provisions of Articles 49-61, 71 and Article 72, Paragraph 1 of this Law, when executing the budget;

5) Should he/she postpone the collection of due receivables or approves collection in receivable installments, without prior consent of the competent authority;

6) Should he/she fail to comply with the provisions of Article 10, Paragraphs 8 and 9, and Articles 74-79 of this Law;

7) Should he/she fail to remove the irregularities indicated by the findings of the budget inspection, and/or budget inspection office of the autonomous province or local government unit, or fail to remove them in a timely manner;

8) Should he/she fail to execute the final order referred to in Article 87 of this Law;

9) Should he/she fail to act pursuant to the provisions of Article 103 of this Law.



## **Misdemeanor Proceedings Article 104**

Request to instigate the misdemeanor proceedings referred to in Article 103 of this Law shall be submitted by budget inspection, budget inspection office of the autonomous province and budget inspection office of local government unit.

Misdemeanor proceedings referred to in Article 103 of this Law may not be instigated after the period of the three years from the day when the misdemeanor is committed.

Misdemeanor proceedings referred to in Paragraph 1 hereof shall be carried out in line with the provisions of the Law regulating misdemeanors.

## **X. TRANSITIONAL AND FINAL PROVISIONS**

### **Article 105**

**If the provisions of other laws or regulations are in contravention to this Law, the provisions of this Law shall apply**

### **Article 106**

Regulations based on the authorities under this Law shall be passed not later than a year from the effective date of this Law.

By-laws passed by the effective date of this Law shall apply, unless they are in contravention to this Law, until the appropriate regulations are adopted on the basis of this Law.

### **Article 107**

**The jurisdiction of the High Judicial Council and the State Prosecutorial Council, within the meaning of the provisions of this Law and in connection with the jurisdiction of these authorities stipulated by law on Organization of Courts (Official Gazette of RS, no. 116/08) and the Law on Public Prosecutor's Office (Official Gazette of RS, no. 116/08), relating to funds for operation of courts and public prosecutor's offices shall be executed by the ministry in charge of justice affairs until 1 January 2011.** Until the Public Debt Administration established pursuant to the Law on Public Debt ("Official Gazette of RS", No. 61/05) starts operating, the activities of this Administration shall be performed by the Treasury.

Until the Central Harmonization Unit, indicated in Article 83 of this Law, is established, its activities shall be performed in the Ministry of Finance.

The Ministry shall take over from the Treasury the employees and designated persons, as well as rights, obligations, subject material, equipment, operation funds, and archive material, as well as registry material not subject to statute of limitations which are necessary for the execution of jurisdiction in the field of the budget preparation, monitoring and control of public enterprises, and record keeping and monitoring of state aid.

The Minister shall harmonize the Rulebook on Internal Organization and Systematization of Posts in the Ministry with the provisions of this Law, not later than 30 days from the date of effective date of this Law.

### **Article 108**

Treasury established pursuant to the Budget System Law ("Official Gazette of RS" No. 9/02, 87/02, 61/05 –other law, 66/05, 101/05 - other law, 62/06 - other law, and 85/06) shall continue operating in line with the authorities set forth in this and other laws.

Local government treasuries established pursuant to the Budget System Law ("Official Gazette of RS" No. 9/02, 87/02, 61/05 - other law, 66/05, 101/05 - other law, 62/06 - other law, and 85/06) shall continue operating in line with the authorities set forth in this and other and the establishment act.

### **Article 109**

The Memorandum shall set out the commencement of passing the three-year budget.

Medium-term expenditure framework of the Republic of Serbia budget shall be determined as of the Memorandum for 2011 and two subsequent fiscal years.

### **Article 110**

An act passed by the Minister shall set out the end date for executing payments from the sub-account of budget beneficiaries and beneficiaries of funds of organizations for mandatory social insurance which are used for executing payments as of the effective date of this Law.

### **Article 111**

As of the effective date of this Law the following shall cease to be effective:

1) Budget System Law ("Official Gazette RS" No. 9/02, 87/02, 61/05 – other law, 66/05, 101/05 – other law, 62/06 – other law, and 85/06);

2) Law on Public Revenues and Expenditures ("Official Gazette RS" No.76/91, 41/92 - other law, 18/93, 22/93 - revised, 37/93, 67/93, 45/94, 42/98, 54/99, 22/01, 9/02 - other law, 87/02 - other law, 33/04, and 135/04 - other law).

### **Article 112**

Provisions of this Law related to program part of the budget shall apply by means of gradual introduction for certain beneficiaries of the Republic of Serbia budget, and entirely, as of the adoption of the Law on the Budget of the Republic of Serbia, and local government Budget Decisions for 2015.

The provisions of this Law that refer to the medium-term public investment plan shall apply as of the preparation of the 2011 budget.

The provisions of this law, in the part that refers to the preparation of medium-term plans, shall be applied in the procedure of preparation and adoption of the budget law of the Republic of Serbia for all ministries for 2011 and shall be introduced gradually for other budget beneficiaries.

### **Article 113**

**Until the establishment of the IT platform for local government budget execution system, the order based on forced collection referred to in Article 56 of this Law shall be executed by the Treasury from the local government budget execution account. The local government's competent authority for finance shall record the executed order debiting the appropriation of the direct beneficiary of local government budget that is the actual debtor, within five days from the order execution day.**

### **Article 114**

**This Law shall enter into force on the eighth day upon its publication in the "Official Gazette of the Republic of Serbia".**