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LAW ON AMENDMENTS TO THE LAW ON THE BUDGET SYSTEM OF REPUBLIKA SRPSKA

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NOTE: The Law on Budget System of Republika Srpska was published in the “Official Gazette of Republika Srpska”, 96/03.

LAW ON AMENDMENTS TO THE LAW ON THE BUDGET SYSTEM OF REPUBLIKA SRPSKA

Article 1

In the Law on the Budget System of Republika Srpska ("Official Gazette of Republika Srpska", No. 96/03, 14/04 and 67/05), in Article 2, items 10 and 18 shall be amended to read:

"10. *Debt* means obligation for repayment of borrowed funds including the financial leasing.

18. *Budgetary expenditures* represent the total expenditures and other out-payments from the budget made by December 31st of the fiscal year."

In the same Article, in item 25, the following text shall be added:

"*System of the Single Treasury Account* comprises of the public revenue accounts, investment account, transaction accounts and, as required, special purpose accounts."

After the item 27, new items 28, 29 and 30 shall be added to read:

"28. *Single Indirect Taxes Account* that is maintained by the Indirect Taxation Authority (hereinafter: Single Account of ITA) is the account to which funds for indirect taxes are paid to the Indirect Taxation Authority.

29. *Expenditures* are decreases of economic benefits or service potential during a report period, in the form of outflow or spending of funds or emergence of obligations that lead to decrease of the net property, i.e. capital, except those concerning the distribution of profit to the owners.

30. *Revenues* are gross inflow of economic benefits or service potential during a report period that lead to increase of the net property, i.e. capital, except increase due to payments of the owners."

Article 2

In Article 7, paragraph 1, items 1 and 2 shall be replaced with a new item 1 that shall read:

"1. Revenues from indirect taxes paid from the Single Account of ITA, in accordance with the Law on Payments into the Single Account and Distribution of Revenues (Official Gazette of Bosnia and Herzegovina, No. 55/04)."

In the same paragraph, item 6 and lines 1, 2 and 3 of item 8 shall be deleted.

In the same Article, items 3, 4 and 5 shall become items 2, 3 and 4, and items 7, 8, 9, 10, 11 and 12 shall become items 5, 6, 7, 8, 9 and 10.

Article 3

Article 8 shall be amended to read:

“Revenues shared by the Republika budget and the budgets of municipalities and towns are:

1. Revenues from the indirect taxes paid to the budget of Republika Srpska from the Single Account of ITA, after the allocated part of funds for servicing external debt of Republika Srpska, which shall be divided as follows:

- | | |
|--|--------|
| - Budget of Republika Srpska | 73.5%; |
| - Budgets of municipalities and towns | 23.0%; |
| - Budget of the “JP Putevi Republike Srpske” | 3.5%. |

1.a) Individual participation of municipalities and towns in distribution shall be done on the basis of a formula, in accordance with the following criteria:

- 75% on the basis of the number of population of a municipality or town;
- 5% on the basis of the size of the area of a municipality or town;
- 15% on the basis of the number of secondary school students;
- 5% on the basis of the number of primary school students.

1.b) For the municipalities and towns that, by application of the formula referred to in item 1.a), in the end of the period specified in Article 8a have negative difference of revenues for more than 10% in relation to revenues in year 2004, special additional coefficients for all criteria shall apply.

Special coefficients shall be determined for the following municipalities and towns:

Banja Luka 1.60
Gacko 1.40
East Drvar 10.50
Donji Žabar 3.70
Petrovac Drinić 2.00
Oštra Luka 1.40
Laktaši 2.25
Han Pijesak 1.45
East Novo Sarajevo 1.50
Pale 1.22
Ljubinje 1.20
Bijeljina 1.10
Sokolac 1.10 and
East Ilidža 1.05.

1.c) Funds remitted to the municipalities and towns shall be considered general transfer and the municipalities and towns shall spend them in accordance with their budgets.

2. Tax on citizens' income:

- Tax on income from independent activity and

- Tax on personal income

which shall be divided between the Republika budget and municipal budget in proportion 75:25.

3. Charge on changed use of farming land, shared by the Republika budget and municipal budgets in proportion 30:70.

4. Charge on use of mineral raw materials, shared by the Republika budget and municipal budgets in proportion 30:70.

5. Confiscated property and proceeds obtained by sale of confiscated objects, falling under jurisdiction of the Republika market inspection, shared between the Republika budget and municipal budgets in proportion 70:30.”

Article 4

After Article 8, new Article 8a shall be added to read:

“Article 8a

The system of distribution of revenues between the municipalities and towns referred to in Article 8, item 1 of this Law shall be carried out in a six year period according to the formula:

1st year: $X(i) = a(i) \times 0.90 + b(i) \times 0.10$

2nd year: $X(i) = a(i) \times 0.80 + b(i) \times 0.20$

3rd year: $X(i) = a(i) \times 0.60 + b(i) \times 0.40$

4th year: $X(i) = a(i) \times 0.40 + b(i) \times 0.60$

5th year: $X(i) = a(i) \times 0.20 + b(i) \times 0.80$

6th year: $X(i) = b(i) \times 1$

where

$X(i)$ – is the share that the municipality or town has in the amount of funds specified for the municipalities pursuant to Article 8, paragraph 1, item 1;

$a(i)$ – is the historic share that the municipality or town has had in the revenues from the sales tax and excises in the year 2004;

$b(i)$ – is the share that the municipality or town has in the amount of funds specified for the municipalities after the application of the formulae referred to in article 8 of this Law.

The decision on specification of the coefficients of distribution in accordance with the formulae referred to in previous paragraph shall be made by the Government within 15 days from the day this Law enters into force.”

Article 5

In Article 30, after the paragraph 3, new paragraph 4 shall be added to read:

“Should the Assembly, i.e. the municipal and town assemblies not adopt the budget prior to June 30th of the current fiscal year, the funds from the transaction accounts of Republika, municipalities and towns cannot be used until the adoption of the budget.”

Article 6

In Article 35, paragraph 1 shall be amended to read:

“Budget beneficiaries referred to in Article 2, item 12 and funds referred to in Article 2, item 13 of this Law, may incur liabilities and use funds only for the purposes provided for by the Budget and financial plan, up to the planned amounts and in accordance with the funds available.”

Article 7

In Chapter VII – ACCOUNTING, CONTROL AND AUDIT OF THE BUDGET, numeral “VII” shall be replaced with numeral “VI”.

Article 8

In Article 58, paragraph 1, after the line 5, new line 6 shall be added to read:

“- And other bylaws concerning the implementation of this Law.”

Article 9

Article 66 shall be amended to read:

“The budget control shall be established within the Treasury Department of the Ministry.”

Article 10

Article 68 shall be amended to read:

“An appeal may be filed against the budget inspector’s decision within 8 days upon receipt of the decision.

The appeal is to be submitted to the Minister of finance – budget control.

The budget control shall pass the appeal together with the complete file to the Appeals Board of the Ministry.

The Minister of Finance shall appoint members to the Board

The Minister of Finance, on the basis of the opinion of the Appeals Board made in written form, shall make the decision that shall be final in the administrative procedure.

An administrative dispute against the decision referred to in previous paragraph of this Article shall be allowed.”

Article 11

Article 69 shall be amended to read:

“If the ordered measures upon final decision are not eliminated within eight days from the day of its reception, the Minister of Finance shall issue a decision on prohibition of using funds from the transaction accounts and special purpose accounts.

If a municipality, town or Fund fails to correct identified irregularities pursuant to the second instance decision, the inspector shall issue a decision prohibiting transfer of any tax and contribution revenue from the Public Revenue Account to the account of the municipality, town or Fund, which otherwise belong to the municipality, town or Fund, respectively.

The decision on prohibition of using funds referred to in paragraph 1 of this Article shall be communicated to Treasury Department, Department for Budget and Public Finances and to the commercial banks where the budget beneficiaries, municipalities, towns or funds keep accounts.

The prohibition of using funds referred to in paragraph 1 of this Article shall remain in force until all identified irregularities are removed.”

Article 12

After Article 72, new Article 72a shall be added to read:

“Article 72a

Revenues collected on the grounds of sales taxes for products and services, and other public revenues realized through the application of laws that were in effect until 31st December 2005 and collected revenues upon reprograms of public revenues, shall be

distributed according to the regulations and rules of distribution that had been applied until the enactment of this Law.”

Distribution of revenues from the indirect taxes in accordance with articles 8 and 8a of this Law shall be applied from the 1st January 2006.

Article 13

The Government of Republika Srpska shall be bound to analyze effects of application of the Law upon expiry of six months from the day of beginning of application of the Law.

Article 14

This Law shall enter into force on the eighth day from the day of its publishing in the “Official Gazette of Republika Srpska”.