

Budgetary Procedures in the Administrative-Territorial Units

Teliceanu Claudiu
Bujdoveanu Aurica
"Dunarea de Jos" University of Galati
Mihailescu Emil Raul
Academy of Economic Studies of Moldova, Chisinau

Abstract

According to Law no. 273 of June 29, 2006 on local public finances, the elaboration of local budgets projects pertains to credit officers. They must however take into account the main macroeconomic and social forecasts for both the budget year for which the budget project is elaborated and for the next 3 years, those being developed by the empowered bodies and fiscal and budgetary policies that are both national and local. There should be also taken into consideration provisions of concluded internal or external loan agreements, memoranda of funding or other international agreements that are signed and/or ratified.

Key words: budget structures, financial indicators, shares, transfers.

JEL classification: H60

1. Advance details

In terms of content and structure of public budgets, thus including local budgets as well, we stress that revenue and expenditures are grouped (into budget) based on approved budgetary classification of MPF. Therefore revenue will be divided into chapters and subchapters, while expenditures will be divided into parts, chapters, subchapters, titles, articles, as well as into paragraphs. Obviously, as it is known, this was stipulated in previous regulations as well. What is now precisely and distinctly stated refers to the tax payers that have stable working places with minimum 5 employees working in that particular place, and who are obliged to require these employees' tax registration, as taxable income from wages, at

the fiscal body where the working point exists. The request should be made within 15 days of its foundation for the newly established offices and the fiscal body is required within 5 days from the tax registration to make a written notice of this to the mayor.

The above mentioned tax payers are required to hold the corresponding accounting in order to determine income tax from wages that is calculated, withheld and paid, while the mayor, through specialized bodies, can check at fiscal authorities the tax registration of payers from both the main headquarters and secondary offices. We underline that the mayor is required to bring any deficiencies to fiscal authority of the Ministry of Public Finance.

2. Regulation of local budgetary procedures

Article 26 of Law no. 273 of June 29, 2006 on local public finances stipulates that all expenditures found in chapters and articles have a targeted and limited destination, while the permanent and temporary staff number, as well as the basic wages fund is approved separately by the annex to each public institution's budget.

The operating and development sections are used to substantiate the local budgets and are approved as annexes to them respectively:

- The operating section includes current expenditures for the functioning of responsibilities and competences approved by law, which are specific to each administrative-territorial unit;
- The development section includes capital expenditures.

Non-reimbursable external funds and domestic and foreign loans are included in

annexes to local budgets and are approved at the same time.

Competences regulation in setting local taxes requires that they be approved by the local and county councils, as well as by the General Council of Bucharest.

A special aspect is given by the regime of amounts resulted from the assessment of fixed assets and some material goods, as well as revenues resulted from leasing or rental of several goods or the recovery of confiscated properties. The amounts received from sales or from the exploitation of materials resulted from demolition, dismantling or decommissioning as provided by law, from assets or sale of material assets belonging to public institutions, financed entirely by the local government, constitute local budget revenues.

The same sort of amounts received by other public institutions stands for their budget, while revenues resulted from leasing or rental of property owned by the private or public domains of the administrative-territorial units are local budget revenues.

Note: The proceeds of confiscated goods are turning to local budget revenue, according to the subordination of the institutions that have ordered their seizure. Under law, proceeds of sale of goods belonging to the private domain of administrative-territorial units are full local budget revenues.

New rule (Article 30) refers to special taxes for the operation of some local public services, as follows. Thus, for the operation of local public services created in the interests of individuals and legal persons, local and county councils and the General Council of Bucharest approve special taxes. The amount is determined annually, while the incomes derived there from are wholly used to cover expenses paid for setting up local public services and to fund ongoing maintenance and operating costs of these services.

Through regulation approved by deliberative authorities are established the activity areas and the conditions under which special taxes can be introduced, as well as the organization and functioning way of local public services for which that particular taxes are proposed.

Special fees shall be collected only from individuals and legal persons who use the local

public services for which that particular taxes were imposed, in a separate account opened outside the local budget, being used for the purposes for which they were created while their execution account is approved by deliberative authorities.

Note: According to law, local public services performing economic activities are required to calculate, record and recover the physical and moral wear of fixed assets related to these activities by tariff or price. The depreciation amounts for these assets are collected in a separate account opened at State Treasury units, are used exclusively for investments in that area and are distinctly highlighted in the investment program as their funding source, with exceptions regulated under loan or security agreements made with international financial institutions.

3. Mechanism of income tax shares

Public (territorial) financial practice implies that out of the income tax charged to the state budget in each administrative-territorial units, to allocate monthly within 5 working days from the end of the month when this tax was collected, a rate of 47 % to local budgets of villages, cities and municipalities on whose territory the taxpayer operate; a 13% share at the county's local budget and a share of 22% in a separate account at the Treasury, opened on account of general directions of the county public finances.

The execution rate of 22% is allocated by the General Directorates of the county public finances in the period mentioned within, for balancing the local budgets of villages, towns, municipalities and county, being proportional to the amounts allocated and approved for this purpose in the respective budgets.

82% share of income tax for Bucharest is distributed as follows: 23.5% to local budgets of the sectors of Bucharest, 47.5% to the local budget of Bucharest and 11% in a separate account opened on behalf of the Public Finances General Directorate of Bucharest to the Bucharest Treasury for balancing sectors of Bucharest's local budgets.

11% quota is allocated by the Public Finances General Directorate of Bucharest to

balance local budgets of sectors and municipality of Bucharest, in proportion to the amounts allocated and approved in the respective budgets.

The practice of consolidated transfers to local budgets include amounts' movement from the state budget to the local budgets for investments financed from external loans, the Government contributing to its accomplishment, and it is approved annually at a global level through the state budget law.

Out of the state budget, through the budgets of some credit officers, as well as out of other budgets, there can be granted transfers to local budgets for financing some development of social programs of national, county or local interest.

Deliberative authorities may approve collaboration or association for carrying out local public works and services. Collaboration or association shall be based on contracts of association in which are stipulated the funding sources, representing the contribution of each local government authority involved, the contracts being concluded by the credit officers under mandates approved by each local council involved in cooperation or association.

The same authorities may decide on participation with capital or assets in the name and on behalf of the interest of local communities they represent, on the formation of companies or on the establishment under the law of local or county public services as appropriate.

They may also decide to purchase, on behalf of local interests they represent, the shares in the companies in which they participated with a share of capital and they can increase or decrease their social capital under the law.

The above mentioned normative act stipulates that the associations of communitarian development are financed by contributions from local budgets of territorial-administrative member units, from other project based sources and from loans or public-private partnerships, under the law.

4. Final provisions

Government run national development programs to stimulate the association of

administrative territorial units and the increase of their administrative capacity; these programs being annually funded by the state budget through the Ministry of Administration and Interior.

In all cases the financial obligations arising from agreements of cooperation, twinning or accession of the administrative-territorial units to internal associations organized at national level or to international organizations with legal personality, determined by deliberative authorities under the law, are paid from their local budgets.

We also stress that part of local budgets is the budget reserve fund available for the local and county council and for the General Council of Bucharest and its sectors, representing a share of 5% of the total amount. This is used on the credit officers' proposal, based on the respective councils' decisions to finance urgent or unforeseen expenditures rising during the year, to eliminate the effects of natural disasters, as well as to grant aid to other administrative-territorial units in situations of extreme difficulty at the request of the mayors of these units or on own initiative.

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