

REPUBLIC OF LITHUANIA
LAW ON
THE BUDGET STRUCTURE

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(As last amended on 6 November 2012 – No XI-2318)

Vilnius

CHAPTER ONE
GENERAL PROVISIONS

***Article 1. Purpose and Objective of the Law**

1. The purpose of the Law is to define the contents of the State budget and municipal budgets, the legal grounds for the collection of budgetary revenue and utilisation of budgetary appropriations, also the basic provisions, procedures for the transparent drawing up, approval, implementation, evaluation and control of the budgets, the impact on the entire general government sector, the duties, rights and responsibility of appropriation managers.

2. The objective of the Law shall be to ensure the efficient use of monetary resources in the process of formation and implementation of the budget with a view to attaining a long-lasting and comprehensive economic and social welfare of citizens of the Republic of Lithuania, sustainable long-term economic growth and employment and without posing a threat to price stability.

3. The provisions of this Law have been harmonised with the legal acts of the European Union referred to in the Annex to this Law.

***Note. This Article shall apply to drawing up, approval, implementation, evaluation of and reporting for the State budget and municipal budgets of 2014 and subsequent years.**

****Article 1. Purpose and Objective of the Law**

1. The purpose of the Law shall be to define the contents of the state budget and municipal budgets of the Republic of Lithuania (hereinafter referred to as the “budget”), the legal grounds for the formation of revenue of these budgets and use of appropriations, also the basic provisions of and procedures for the drawing up, approving, implementing, assessing and controlling the budgets, the duties, rights and responsibility of appropriation managers.

2. The objective of the Law shall be to ensure the efficient use of monetary resources in the process of formation and implementation of the budget with a view to attaining a long-lasting and comprehensive economic and social welfare of citizens of the Republic of Lithuania.

****Note. This Article shall apply to implementation, evaluation of and reporting for the State budget and municipal budgets of 2012 and drawing up, approval, implementation, evaluation of and reporting for the State budget and municipal budgets of 2013.**

***Article 2. Definitions**

1. **Increase in working funds** shall mean a planned increase in temporarily available financial resources of the State at the close of the budget year as compared to envisaged or actual temporarily available financial resources of the State at the close of the previous budget year.

2. **Decrease in working funds** shall mean a planned decrease in temporarily available financial resources of the State at the close of the budget year as compared to envisaged or actual temporarily available financial resources of the State at the close of the previous budget year.

3. **Appropriations** shall mean the amount of resources approved in the State budget or municipal budget for expenses and for acquisition of tangible and intangible fixed assets (hereinafter referred to as “assets”), to which the appropriation manager shall be entitled during the budget year from the funds accumulated in the State budget or municipal budget following the submission of payment requests to the institution managing the State Treasury or to the administration of a municipality for the financing the approved programmes.

4. **Appropriations for liabilities** shall mean the amount of funds for which (and without exceeding which) the appropriation manager shall have the right to assume liabilities during the current budget year in respect of financing of the projects supported by funds of EU financial support and co-funding.

5. **Fiscal discipline** shall mean compliance with the procedure for drawing up and implementing budgets specified by this Law and elimination of violations thereof ensuring the consistent funding of functions of the State independently of cyclical fluctuations of the economy.

6. **Budget year** shall mean a budget period of 12 months commencing on 1 January and closing on 31 December.

7. **Income of budgetary establishments** shall mean the funds received by budgetary establishments performing the functions provided for in the documents regulating their activities (with the exception of state fees and charges and the stamp duty) and receipts from the lease of tangible current and tangible fixed assets used in compliance with laws or resolutions of the

Government of the Republic of Lithuania (hereinafter referred to as the “Government”) for financing the programmes carried out by these establishments.

8. **Budget balance cyclical component** shall mean an indicator expressed in monetary units and showing the impact of output gap on the general government sector balance indicator over the reporting period.

9. **Budget deficit** shall mean a difference between budget revenue and appropriations, when the appropriations exceed the revenue.

10. **Budget surplus** shall mean a difference between budget revenue and appropriations, when the revenue exceeds the appropriations.

11. **Economic classification of budget revenue and appropriations (hereinafter referred to as “economic classification”)** shall mean categorisation of budget revenue and appropriations according to general economic characteristics of the accumulation and allocation of funds.

12. **Economic development scenario** shall mean a description of economic development which is determined by the assumptions selected and listed by the Ministry of Finance of the Republic of Lithuania (hereinafter referred to as “the Ministry of Finance”), is based on available statistical data and does not contravene national account data and economic regularities and on the basis whereof a draft Law of the Republic of Lithuania on the Approval of the Financial Indicators of the State Budget and Municipal Budgets for a specific year is prepared.

13. **Funding** shall mean the transfer of funds to accounts of the budgetary establishments and other entities led by appropriation managers for implementation of their programmes or a direct payment of expenditure of programmes of the budgetary establishments and other entities and of the assets being acquired from accounts of state and municipal budgets.

14. **Functional classification of appropriations (hereinafter referred to as “functional classification”)** shall mean categorisation of appropriations according to state functions.

15. **Tax increase risk indicator** shall mean the S1 indicator calculated by the European Commission as a share of gross domestic product (hereinafter referred to as “GDP”) at current prices and presented when assessing the Convergence Programme of Lithuania for a specific year in accordance with Article 1(5)(a) of Council Regulation (EC) No 1055/2005 of 27 June 2005 amending Regulation (EC) No 1466/97 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies or the Stability Programme in accordance with Article 1(3)(1) of the Regulation on the Stability and Growth Pact.

16. **Programme** shall mean a part of a strategic and/or annual activity plan drawn up according to the Strategic Planning Methodology approved by the Government, which pursues the aim of implementing the strategic goal of the manager of appropriations and whose appropriations may be funded from:

1) a specific share of revenue of the state budget or municipal budget, the scope and purpose of the use whereof is indicated by a law, a Government resolution or a decision of a municipal council;

2) the revenue of budgetary establishments;

3) other funds of the State budget, including funds of EU financial support and other international financial support received and/or municipal budgets;

4) other legitimately obtained funds.

17. **Programme estimate** shall mean a document indicating, according to economic and functional classifications, the amounts of appropriations for the implementation of a programme.

18. **Municipal budget** shall mean a plan of a municipality's revenue and appropriations for a budget year as approved by a municipal council.

19. **Structural indicator of general government sector balance** shall mean a general government sector balance indicator adjusted by an economic cycle and referring to the difference between general government revenue and expenditure in the event of actual GDP being equal to potential GDP, where no interim sanctions have been applied. Interim sanctions shall mean the factors not related to cyclical fluctuations of the economy and affecting budget indicators only over the specified period by reducing (or increasing) the general government sector balance indicator or the state debt (one-off impact) or by improving (or deteriorating) budget positions at the expense of budget positions in the future.

20. **State budget** shall mean the plan of state budget revenue and appropriations for a budget year as approved by the Seimas of the Republic of Lithuania (hereinafter referred to as the "Seimas").

21. Other concepts used in this Law shall be interpreted as they are defined in the Law of the Republic of Lithuania on Fiscal Discipline (hereinafter referred to as the "Law on Fiscal Discipline"), the Law of the Republic of Lithuania on Public Sector Accounts (hereinafter referred to as the "Law on Public Sector Accounts") and the Law of the Republic of Lithuania on State Debt (hereinafter referred to as the "Law on State Debt").

***Note. This Article shall apply to drawing up, approval, implementation, evaluation and reporting for the State budget and municipal budgets of 2014 and subsequent years.**

****Article 2. Definitions**

1. **Appropriations** means the amount of resources approved in the budget for expenses and for acquisition of tangible and intangible fixed assets and strategic stocks (hereinafter referred to as “assets”), to which the appropriation manager shall be entitled during the budget year from the funds accumulated in the budget following the submission of payment requests to the institution managing the State Treasury or to the administration of a municipality for the financing the approved programmes.

2. **Appropriations for liabilities** shall mean the amount of funds for which (and without exceeding which) the appropriation manager shall have the right to assume liabilities during the current budget year in respect of financing of the projects supported by funds of EU financial support and co-funding.

3. **Budget year** shall mean a budget period of 12 months commencing on 1 January and closing on 31 December.

4. **Income of budgetary establishments** shall mean the funds received by budgetary establishments performing the functions provided for in the documents regulating their activities (with the exception of state fees and charges and the stamp duty) and receipts from the lease of tangible current and tangible fixed assets used in compliance with laws or resolutions of the Government of the Republic of Lithuania (hereinafter referred to as the “Government”) for financing the programmes carried out by these establishments.

5. **Budget deficit** shall mean a difference between budget revenue and appropriations, when the appropriations exceed the revenue.

6. **Budget surplus** shall mean a difference between budget revenue and appropriations, when the revenue exceeds the appropriations.

7. **Economic classification of budget revenue and appropriations** (hereinafter referred to as “**economic classification**”) shall mean categorisation of budget revenue and appropriations according to general economic characteristics of the accumulation and allocation of funds.

8. **Funding** shall mean the transfer of funds to accounts of the budgetary establishments and other entities led by appropriation managers for implementation of their programmes or a direct payment of expenditure of programmes of the budgetary establishments and other entities and of the assets being acquired from accounts of state and municipal budgets.

9. **Functional classification of appropriations** (hereinafter referred to as “**functional classification**”) shall mean categorisation of appropriations according to state functions.

10. **National budget** shall mean the totality of the state budget and municipal budgets (with the exception of the appropriations from the state budget allocated for municipal budgets).

11. **Programme** shall mean a part of a strategic and/or annual activity plan drawn up according to the Strategic Planning Methodology approved by the Government, which pursues

the aim of implementing the strategic goal of the manager of appropriations and may be funded from:

1) a specific share of revenue of the state budget or municipal budgets, the scope and purpose of the use whereof is indicated by a law, a Government resolution or a decision of a municipal council;

2) the revenue of budgetary establishments;

3) other funds of the state budget, including funds of EU financial support and other financial support received and/or municipal budgets;

4) other legitimately obtained funds.

12. **Programme estimate** shall mean a document indicating, according to economic and functional classifications, the amounts of appropriations for the implementation of a programme.

13. **Municipal budget** shall mean a plan of a municipality's revenue and appropriations for a budget year as approved by a municipal council.

14. **State budget** shall mean the plan of state budget revenue and appropriations for a budget year as approved by the Seimas.

****Note. This Article shall apply to implementation, evaluation and reporting for the State budget and municipal budgets of 2012 and drawing up, approval, implementation, evaluation of and reporting for the State budget and municipal budgets of 2013.**

***Article 3. Totality of the State Budget and Municipal Budgets**

1. The revenue of the state budget and municipal budgets shall comprise all funds accumulated in the state budget and municipal budgets. Only monetary funds may constitute the revenue and appropriations of the state budget and municipal budgets.

2. Appropriations of the state budget and municipal budgets shall be used for performance of the functions of the State and municipalities. The taxes, compulsory payments, fees and charges and the funds borrowed on behalf of the State and collected in the Republic of Lithuania may be re-allocated only through the state budget and municipal budgets, State Social Insurance Fund, Compulsory Health Insurance Fund, Privatisation Fund, Reserve (Stabilisation) Fund, Ignalina NPP Decommissioning Fund, Guarantee Fund, and municipal privatisation funds.

3. The Seimas shall approve the forecasted indicators of the totality of the state budget and municipal budgets for a period of three budget years (with the exception of the appropriations from the state budget allocated for municipal budgets).

***Note. This Article shall apply to drawing up, approval, implementation, evaluation and reporting for the State budget and municipal budgets of 2014 and subsequent years.**

****Article 3. National Budget**

1. The revenue of the national budget shall comprise all funds accumulated in the state budget and municipal budgets. Only monetary funds may constitute the revenue and appropriations of the state budget and municipal budgets.

2. Appropriations of the national budget shall be used for performance of the functions of the State and municipalities. The taxes, compulsory payments, fees and charges collected in the Republic of Lithuania may be re-allocated only through the national budget, State Social Insurance Fund, Compulsory Health Insurance Fund, Privatisation Fund, Reserve (Stabilisation) Fund, Ignalina NPP Decommissioning Fund, Guarantee Fund, and municipal privatisation funds.

3. Repealed as of 1 January 2011.

4. The Seimas of the Republic of Lithuania (hereinafter referred to as the “Seimas”) shall approve the forecasted indicators of the national budget for a period of three years.

****Note. This Article shall apply to implementation, evaluation and reporting for the State budget and municipal budgets of 2012 and drawing up, approval, implementation, evaluation of and reporting for the State budget and municipal budgets of 2013.**

Article 4. Appropriation Managers

1. State budget appropriation managers shall be heads of the establishments indicated in the state budget as approved by the Seimas (in ministries – ministers or the persons authorised by them, in courts – presidents of the courts or the court chancellors authorised by them), provided the establishments led by them conform to at least one condition indicated in paragraph 3 of this Article.

2. Managers of municipal budget appropriations shall be heads of municipal budgetary establishments or the administration of a municipality and/or divisions thereof referred to in the municipal budget approved by a municipal council (in the administration of the municipality – the director of the administration or the persons authorised by him, in divisions of the administration of the municipality – heads of the divisions or the persons authorised by them).

3. The establishment whose head is the manager of state budget appropriations shall be:

1) the Office of the President of the Republic, the Office of the Seimas, the Office of the Prime Minister of the Republic of Lithuania, a ministry, a Government agency;

2) an establishment which is accountable to the President of the Republic, the Seimas, the Government or whose head (or the collegial management body) is appointed by the President of the Republic, the Seimas, the Government;

3) the Constitutional Court of the Republic of Lithuania, courts, the National Courts Administration, the Prosecutor General’s Office of the Republic of Lithuania;

4) a state university, a state scientific research institute or a priest seminary;

5) the Lithuanian National Opera and Ballet Theatre, the Lithuanian National Drama Theatre, the Lithuanian National Philharmonic Hall, the National Museum of Lithuania, the Lithuanian Art Museum, the Mikalojus Konstantinas Čiurlionis National Art Museum, ?, the Martynas Mažvydas National Library of Lithuania, the National Museum Place of the Grand Dukes of Lithuania, the Lithuanian National Radio and Television.

4. The budgetary establishments not conforming to the terms and conditions specified in paragraph 3 of this Article may receive budget funds from the appropriations approved for the appropriation manager exercising the rights and duties of the owner of the establishment concerned. These establishments shall be subject to the same provisions as stipulated by this Law for the budgetary establishments subordinate to the appropriation manager.

Article 5. Duties of Appropriation Managers and Heads of Agencies within the Areas of Management of Ministers Carrying out Programmes of the Respective Appropriation Manager and Having Subordinate Budgetary Establishments

1. Budget appropriation managers must:

1) use the allocated appropriations for implementation of programmes of the establishment led by them, distribute them for the purpose of implementation of programmes among subordinate budgetary establishments and other entities which are eligible for budget funds under the laws regulating their area of management or under the Government resolutions adopted in compliance with directly applicable EU legal acts and treaties stipulating the procedure for administering financial support granted to Lithuania by the European Union or individual states;

2) organise the drafting and implementation of the programmes financed from a budget;

3) determine and approve estimates of programmes of a budgetary establishment led by them and/or subordinate budgetary establishments and other entities according to the economic classification and within the limits of the total appropriations approved for these programmes, including appropriations for expenditure, which shall include payroll expenditure, and for the acquisition of assets;

4) in accordance with the procedure and within the time limits laid down by the Republic of Lithuania Law on Financial Statements of the Public Sector, submit sets of reports;

5) control and meet liabilities of the budgetary establishments led by them, carry out an analysis of the sets of reports of subordinate budgetary establishments and other entities submitted under the Law on Public Sector Accounts;

6) ensure the accuracy of the sets of reports submitted under the Law on Public Sector Accounts and statistical reports and their timely submission;

7) ensure the legitimacy, cost-effectiveness, efficiency and effectiveness of implementation of programmes and use of the allocated appropriations.

2. Heads of agencies within the areas of management of ministers carrying out programmes of the respective appropriation manager and having subordinate budgetary establishments must:

1) use the budget funds allocated to them by the appropriate manager of appropriations (a minister or a person authorised by him) according to the specified purpose, distribute them among subordinate budgetary establishments for implementation of programmes;

2) organise the drafting and implementation of the programmes financed from a budget;

3) determine and approve estimates of programmes of subordinate budgetary establishment according to the economic classification and within the limits of the total appropriations allocated to these programmes by the appropriation manager, including appropriations for expenditure, which shall include payroll expenditure, and for the acquisition of assets;

4) in accordance with the procedure and within the time limits laid down by the Republic of Lithuania Law on Financial Statements of the Public Sector, submit sets of reports to the manager of appropriations;

5) control and meet liabilities of the agency led by them, carry out an analysis of the sets of reports of subordinate budgetary establishments submitted under the Law on Public Sector Accounts;

6) ensure the accuracy of the sets of reports submitted under the Law on Public Sector Accounts and statistical reports and their timely submission to the manager of appropriations;

7) ensure the legitimacy, cost-effectiveness, efficiency and effectiveness of implementation of programmes and use of the funds allocated for implementation of the programmes.

Article 6. Rights of Appropriation Managers

The manager of budget appropriations shall have the right:

1) during the budget year and not later than ten days prior to the end of an appropriate quarter, to change the purpose of the approved budget appropriations according to the economic classification as earmarked for programmes of the agency headed by him, the budgetary establishments subordinate to him and other entities (the manager of state budget appropriations shall, in accordance with the procedure laid down by the Government, notify thereof the Ministry of Finance, and the manager of municipal budget appropriations – a municipality administration in accordance with the procedure laid down by it) not exceeding the amounts of

total appropriations for expenditure, including payroll expenditure, as approved for a certain programme. The amounts of appropriations for expenditure, including payroll expenditure, shall represent the upper limit, and saved funds, unless there are any debts, may be used for the acquisition of assets and additional funding of investment projects to which funds are to be earmarked in a state investment programme of the year concerned or in municipal budgets;

2) during the budget year and once per quarter, to change the quarterly allocation of the total amount of appropriations for the implementation of a programme, subject to co-ordination with the Ministry of Finance (the manager of state budget appropriations) or with a municipal administration (the manager of municipal budget appropriations);

3) when drafting programmes and drawing up estimates for the programmes, to submit alternative programmes and estimates thereof (the manager of state budget appropriations – to the Ministry of Finance, whereas the manager of municipal budget appropriations – to an appropriate municipal administration);

4) in order to cover liabilities, to allocate funds from the total saved amount of approved appropriations for expenditure (with the exception of funds of EU financial support and other financial support as well as co-funding) without altering approved estimates irrespective of allocation of the appropriations according to functions and programmes;

5) to specify the rights referred to in subparagraphs 1-4 of this Article to heads of agencies within the areas of management of ministers carrying out programmes of the respective appropriation manager and having subordinate budgetary establishments and give a notice thereof to the Ministry of Finance.

Article 7. Responsibility of Appropriation Managers

The managers of budget appropriations and heads of the budgetary establishments subordinate to agencies within the areas of management of ministers carrying out programmes of the respective appropriation manager and heads of other entities shall be responsible, in accordance with the procedure laid down by law, for:

1) the implementation of programmes, drawing up and implementation of estimates of the programmes within the limits of the approved amounts of appropriations (in compliance with subparagraph 5 of Article 6 of this Law), for the efficient and effective use of the allocated appropriations corresponding to the programme goals;

2) settlements with employees, tax administration institutions, suppliers of all types of energy and other works, services and goods, with the exception of the cases of a failure of timely payment of the applications submitted to the State Treasury and municipal administrations for the allocation of appropriations;

3) organisation of accounting, drawing up and submission of sets of reports in compliance with the Law on Public Sector Accounts and the requirements set forth by other legal acts.

Article 8. Legal Basis for the Drawing up and Implementation of a Budget

1. The Constitution of the Republic of Lithuania, this Law, the Law on Fiscal Discipline, the Statute of the Seimas, the Law on the Methodology of Determination of Municipal Budgetary Revenues, a Law on the Approval of Financial Indicators of the State Budget and Municipal Budgets for the corresponding year, the Rules for Drawing up and Implementation of Budgets as approved by the Government as well as other legal acts regulating receipt of budget revenue and funding of programmes shall constitute the legal basis for the drawing up of a budget.

2. The decisions on the approval of municipal budgets for an appropriate budget year taken by appropriate municipal councils shall constitute the legal basis for municipal budgets.

3. The legal basis for the use of the appropriations allocated to the budgetary establishments and other entities subordinate to the managers of budget appropriations shall be the estimates of programmes of the said establishments as approved by the appropriation managers.

4. Estimates of programmes of budgetary establishments subordinate to heads of agencies within the areas of management of ministers carrying out the programmes of the respective appropriation manager, as approved by the said heads, shall be the legal basis for the use of funds allocated to these establishments.

*5. The issues of the methodology of drawing up and implementation of the state budget and municipal budget shall be specified by the Ministry of Finance to the extent that they are not regulated by laws and Government resolutions.

***Note. This paragraph shall apply to drawing up, approval, implementation, evaluation and reporting for the state budget and municipal budgets of 2014 and subsequent years.**

**5. The issues relating to the methodology of the drawing up and implementation of the national budget shall fall within the remit of the Ministry of Finance.

****Note. This paragraph shall apply to implementation, evaluation and reporting for the State budget and municipal budgets of 2012 and drawing up, approval, implementation, evaluation of and reporting for the state budget and municipal budgets of 2013.**

Article 9. Classification of Budget Revenue and Appropriations

The economic and functional classification of budget revenue and appropriations shall be established by the Ministry of Finance.

***Article 10. Borrowing by Municipalities**

1. Municipalities may, within the borrowing limits approved by the Seimas and in accordance with the procedure laid down by the Government:

1) take out long-term loans (with the maturity of more than one year and repayable not in the same budget year) from domestic or foreign creditors or grant guarantees for the loans used solely for the funding of investment projects;

2) take out short-term loans (with the maturity in the same budget year) from domestic or foreign creditors for covering of a temporary shortfall of revenue during the budget year, when the amount of the working funds of a municipal budget proves insufficient for the purpose.

2. Municipalities may be granted, in accordance with to the procedure laid down by the Government, short-term loans from the working funds of the state budget, when the working funds of a municipal budget have been used for covering a temporary shortfall of revenue.

3. Municipalities may be granted, in accordance with to the procedure laid down by the Government, short- or long-term loans from the working balance of the state budget, when the municipalities cannot dispose of their funds due to a moratorium on the activities of credit institutions and/or withdrawal of licences thereof and hence lack working funds.

4. Budgetary establishments may not borrow funds or assume any liabilities in their own name.

***Note. This Article shall apply to drawing up, approval, implementation, evaluation and reporting for the state budget and municipal budgets of 2014 and subsequent years.**

****Article 10. Borrowing by Municipalities**

1. Municipalities may, within the borrowing limits approved by the Seimas and in accordance with the procedure laid down by the Government:

1) take out long-term (with the maturity of more than one year and repayable not in the same budget year) loans from domestic or foreign creditors or grant guarantees for the loans used solely for the funding of investment projects;

2) take out short-term loans (with the maturity in the same budget year) from domestic or foreign creditors for covering of a temporary shortfall of revenue during the budget year, when the amount of the working funds of a municipal budget proves insufficient for the purpose.

2. Municipalities may be granted, in accordance with to the procedure laid down by the Government, short-term loans from the state budget for covering a temporary shortfall of revenue, when the amount of the working funds of a municipal budget proves insufficient for the purpose.

3. Municipalities may be granted, in accordance with to the procedure laid down by the Government, short- or long-term loans from the working balance of the state budget, when the municipalities cannot dispose of their funds due to a moratorium on the activities of credit institutions and/or withdrawal of licences thereof and hence lack working funds.

4. Budgetary establishments may not borrow funds or assume any liabilities in their own name.

****Note. This Article shall apply to implementation, evaluation and reporting for the State budget and municipal budgets of 2012 and drawing up, approval, implementation, evaluation of and reporting for the State budget and municipal budgets of 2013.**

Article 11. Publicity of Information on Budgets

1. Information on the drawing up, adoption, implementation, evaluation and control of a budget must be transparent and accessible to the public, with the exception of the information which constitutes a State secret in accordance with the procedure laid down by laws.

2. Information on the approved state budget, revenue and appropriations thereof, and their implementation shall be published in the official gazette *Valstybės žinios* and on the website of the Ministry of Finance.

3. Information on approved municipal budgets and implementation thereof shall be published by the director of a municipal administration in the local press.

Article 12. Requirements for Adoption of Other Legal Acts

The tax laws, other laws and legal acts and amendments thereto which affect the budget revenue, appropriations and the state debt of an appropriate year shall enter into force as prescribed by law, but shall be adopted not later than a Law on the Approval of Financial Indicators of the State Budget and Municipal Budgets for that budget year.

CHAPTER TWO

STATE BUDGET

Article 13. Revenue of the State Budget

1. Revenue of the state budget shall comprise:

- 1) the tax revenue received into the state budget according to laws and other legal acts;
- 2) the revenue received from State-owned property (with the exception of the revenue received under the Law on Privatisation of State-owned and Municipal Property and the immovable property sold by the organiser of renovation of the State-owned immovable property

as specified in Article 16⁽¹⁾ of the Law on Management, Use and Disposal of the State-owned and Municipal Property, with the exception of land);

- 3) revenue of state budgetary establishments;
- 4) non-repayable financial support (monetary funds);
- 5) grants;
- 6) other income.

2. State budget revenue shall include payments from the sale of tangible and intangible fixed assets, with the exception of the case specified in Article 16⁽¹⁾ of the Law on Management, Use and Disposal of the State-owned and Municipal Property, namely, in the event of renovation of State-owned immovable property.

***Article 14. Appropriations of the State Budget**

1. Appropriations of the state budget shall be used in accordance with laws:

- 1) for the performance of state functions;
- 2) for the provision of grants to municipal budgets;
- 3) for the discharge of state obligations.

2. Unused payments into the respective budget referred to in subparagraph 1 of paragraph 16 of Article 2 of this Law and intended for the funding of programmes shall be carried forward to the next budget year and shall remain with appropriation managers as well as may be used in excess of the total amounts of appropriations approved by the Seimas.

3. An unused part of the state budget revenue indicated in subparagraph 2 of paragraph 16 of Article 2 of this Law may be carried forward to the next budget year and used for funding of programmes in excess of the total amounts of appropriations approved by the Seimas:

- 1) if this part does not exceed $\frac{1}{4}$ of the annual amount of payments;
- 2) the entire amount, if all the programmes of the appropriation manager are financed solely from the state budget funds indicated in subparagraph 2 of paragraph 16 of Article 2 of this Law.

4. Excess payments into the state budget or municipal budget from the revenue referred to in subparagraphs 1 and 2 of paragraph 16 of Article 2 of this Law during the current budget year shall remain with appropriation managers and may be used in excess of the total amounts of appropriations approved by the Seimas for the funding of programmes.

***Note. This Article shall apply to drawing up, approval, implementation, evaluation and reporting for the State budget and municipal budgets of 2014 and subsequent years.**

****Article 14. Appropriations of the State Budget**

1. Appropriations of the state budget shall be used in accordance with laws:

- 1) for the performance of state functions;
- 2) for the provision of grants to municipal budgets;
- 3) for the discharge of state obligations.

2. Unused payments into the respective budget referred to in subparagraph 1 of paragraph 11 of Article 2 of this Law and intended for the funding of programmes shall be carried forward to the next budget year and shall remain with appropriation managers as well as may be used in excess of the total amounts of appropriations approved by the Seimas.

3. An unused part of the state budget revenue indicated in subparagraph 2 of paragraph 11 of Article 2 of this Law may be carried forward to the next budget year and used for funding of programmes in excess of the total amounts of appropriations approved by the Seimas:

- 1) if this part does not exceed $\frac{1}{4}$ of the annual amount of payments;
- 2) the entire amount, if all the programmes of the appropriation manager are financed solely from the state budget funds indicated in subparagraph 2 of paragraph 11 of Article 2 of this Law.

4. Excess payments into the budget from the revenue referred to in subparagraphs 1 and 2 of paragraph 11 of Article 2 of this Law during the current budget year shall remain with appropriation managers and may be used in excess of the total amounts of appropriations approved by the Seimas for the funding of programmes.

****Note. This Article shall apply to implementation, evaluation and reporting for the State budget and municipal budgets of 2012 and drawing up, approval, implementation, evaluation of and reporting for the State budget and municipal budgets of 2013.**

Article 15. Government Reserve Funds

1. The Government Reserve shall be formed in the state budget. It may not exceed 1% of the amount of approved state budget appropriations. The specific amount of the Government Reserve shall be determined by the Seimas on an annual basis by the Law on the Approval of Financial Indicators of the State Budget and Municipal Budgets. The funds of the Government Reserve shall be allocated by a Government resolution.

2. The funds of the Government Reserve shall be used:

- 1) to ensure emergency and/or emergency event response, mitigation of consequences thereof and partial compensation for the losses incurred,
- 2) to discharge obligations relating to participation in international operations;
- 3) to ensure execution of arbitral awards or court judgments awarding payments from the State of Lithuania, also to cover other expenses incurring when defending the interests of the State;

- 4) to cover the burial expenses of well-known Lithuanian public figures;
- 5) to provide humanitarian aid.

3. The procedure for allocating and using the funds of the Government Reserve shall be laid down by the Government.

***Article 16.** Repealed as of 31 October 2012.

***Note. This Article shall apply to drawing up, approval, implementation, evaluation and reporting for the State budget and municipal budgets of 2014 and subsequent years.**

****Article 16. Working Funds of the State Budget**

1. The working funds of the state budget shall be formed from the balance of budget funds or, when the said amount proves insufficient, from budget revenue.

2. Working funds shall be used for repayment of the remaining amounts of unused funds for programmes as referred to in subparagraphs 1 and 2 of paragraph 11 of Article 2 of this Law and covering of shortfalls of budget funds.

****Note. This Article shall apply to implementation, evaluation and reporting for the State budget and municipal budgets of 2012 and drawing up, approval, implementation, evaluation of and reporting for the State budget and municipal budgets of 2013.**

***Article 17. Basic Principles of Preparation of a Draft State Budget and Draft Financial Indicators of Municipal Budgets and Formation of the General Government Sector Balance Indicator**

1. A draft state budget and draft financial indicators of municipal budgets shall be prepared by the Ministry of Finance.

2. A draft of forecasted indicators of the totality of the state budget and municipal budgets for a period of three budget years shall be prepared on the basis of the Government Programme, the Convergence Programme of Lithuania, the State Progress Strategy (until the entry into force of this strategy – the Long-term Development Strategy of the State approved by the Seimas), the National Programme for the Advancement of Lithuania, other planning documents approved by the Seimas and the Government, this Law, the Law on Fiscal Discipline, other laws and other legal acts, the country's medium-term economic development scenario, EU financial support strategic documents, strategic plans of activities of appropriation managers and preliminary basic indicators of the state budget and municipal budgets as approved by the Government approved by the Government, also the programmes submitted by managers of state budget appropriations and draft estimates of the programmes.

3. A draft of the state budget for a specific year and draft financial indicators of municipal budgets may derogate from the forecasted indicators of the totality of the state budget

and municipal budgets for a period of three budget years as approved by the Seimas only in the case when the Government submits to the Seimas a written clarification of how new economic policy priorities are reflected in the changes.

4. The medium-term general government sector balance indicators specified by a draft law on the approval of the financial indicators of the state budget and municipal budgets for a specific year shall be submitted to the Seimas under a resolution of the Government on the compliance of the financial indicators of the state budget and municipal budgets with the valid recommendations and opinion of the Council of the European Union on the Convergence Programme of Lithuania and likely additional measures (hereinafter referred to as the “Conclusions”). The Conclusions must indicate the main preconditions for an economic development scenario and the target medium-term impact on price stability, sustainability of the Lithuanian payment balance current account, risk-related bonus interest, employment, future tax increase risks and the prospects of achieving general government surplus over the medium term.

***Note. This Article shall apply to drawing up, approval, implementation, evaluation and reporting for the state budget and municipal budgets of 2014 and subsequent years.**

****Article 17. Basic Principles of Drafting Financial Indicators of the State Budget and Municipal Budgets**

1. Draft financial indicators of the state budget and municipal budgets shall be prepared by the Ministry of Finance.

2. The state budget shall be drafted for a period of three budget years based on the Government programme, the State Progress Strategy (until the entry into force of this strategy – the Long-term Development Strategy of the State approved by the Seimas), the National Programme for the Advancement of Lithuania, other planning instruments approved by the Seimas and the Government, this Law, the Law on Fiscal Discipline, other laws and other legal acts, macro-economic forecasts of the country’s economic development, strategic documents of EU financial support, strategic plans of activities of appropriation managers and the preliminary basic indicators of the national budget as approved by the Government, also the programmes and draft estimates of the programmes submitted by managers of state budget appropriations.

3. Repealed as of 1 January 2011.

****Note. This Article shall apply to implementation, evaluation and reporting for the state budget and municipal budgets of 2012 and drawing up, approval, implementation, evaluation of and reporting for the state budget and municipal budgets of 2013.**

***Article 18. Together with a draft Law of the Republic of Lithuania on the Approval of Financial Indicators of the State Budget and Municipal Budgets for a specific year, the Government shall submit to the Seimas:**

1. The Government shall submit a draft Law of the Republic of Lithuania on the Approval of the Financial Indicators of the State Budget and Municipal Budgets for a specific year to the Association of Local Authorities in Lithuania to the Seimas not later than 75 calendar days prior to the close of the budget year. Before submitting the draft to the Seimas, the Government shall submit it to the Association of Local Authorities in Lithuania.

2. The draft Law of the Republic of Lithuania on the Approval of Financial Indicators of the State Budget and Municipal Budgets for a specific year shall approve the state budget and the financial indicators of municipal budgets, that is, the draft shall specify:

- 1) the total amount of revenue and allocation thereof according to the types of revenue;
- 2) allocation of state budget revenue indicated in points (1) and (2) of Article 2(16) of this Law (with the exception of funds of EU financial support and other funds of international financial support) intended for the funding of programmes according to appropriation managers;
- 3) the total amount of appropriations from the state budget, allocation thereof according to appropriation managers for the implementation of programmes. The appropriations shall be allocated for expenditure, including payroll expenditure, and for the acquisition of assets, with the exception of state schools of higher education, to which the appropriations shall be allocated without separating wages and salaries;
- 4) limit for net change in debt liabilities and a share thereof allocated for accumulation of monetary funds intended for debt repayment;
- 5) limit of the state guarantees issued during the budget year;
- 6) amounts of the grants awarded to municipal budgets, compensatory amounts of the general grant;
- 7) borrowing limits of municipalities;
- 8) share of the personal income tax (in per cent) per budgets of all municipalities according to revenue into the consolidated state budget and municipal budgets, with the exception of the fixed amount of personal income tax on the income derived from the activities pursued under a business certificate;
- 9) medium-term objectives of annual improvement in terms of the general government sector balance indicator;
- 10) the amount of monetary resources of the State to be allocated for increase of working funds, where such an increase is planned at the close of the budget year, and the circumstances and derogations permitting to diverge from the plan.

3. The draft Law of the Republic of Lithuania on the Approval of the Financial Indicators of the State Budget and Municipal Budgets for a specific year may contain provisions limiting the right to assume obligations to use budget funds.

***Note. This Article shall apply to drawing up, approval, implementation, evaluation and reporting for the state budget and municipal budgets of 2014 and subsequent years.**

****Article 18. Submission of a Draft Law on the Approval of Financial Indicators of the State Budget and Municipal Budgets to the Seimas**

1. The Government shall submit to the Seimas a draft Law on the Approval of Financial Indicators of the State Budget and Municipal Budgets for the corresponding year not later than 75 calendar days prior to the close of the budget year. Before submitting the draft to the Seimas, the Government shall submit it to the Association of Local Authorities in Lithuania.

2. A draft Law on the Approval of Financial Indicators of the State Budget and Municipal Budgets shall establish:

- 1) the total amount of revenue and allocation thereof according to the types of revenue;
- 2) allocation of state budget revenue indicated in points (1) and (2) of Article 2(11) of this Law (with the exception of funds of EU financial support and other funds of financial support) intended for the funding of programmes according to appropriation managers;
- 3) the total amount of appropriations from the state budget, allocation thereof according to appropriation managers for the implementation of programmes. The appropriations shall be allocated for expenditure, including payroll expenditure, and for the acquisition of assets, with the exception of state schools of higher education, to which the appropriations shall be allocated without separating wages and salaries;
- 4) limit for net change in debt liabilities;
- 5) limit of the state guarantees issued during the budget year;
- 6) amounts of the grants awarded to municipal budgets, compensatory amounts of the general grant;
- 7) borrowing limits of municipalities;
- 8) share of the personal income tax (in per cent) per budgets of all municipalities according to revenue into the national budget, with the exception of the fixed amount of personal income tax on the income derived from the activities pursued under a business certificate.

3. A draft Law on the Approval of Financial Indicators of the State Budget and Municipal Budgets for the corresponding year may contain the provisions limiting the right to assume obligations to use budget resources.

****Note. This Article shall apply to implementation, evaluation and reporting for the state budget and municipal budgets of 2012 and drawing up, approval, implementation, evaluation of and reporting for the state budget and municipal budgets of 2013.**

***Article 19. Documents Submitted to the Seimas together with a Draft Law of the Republic of Lithuania on the Approval of Financial Indicators of the State Budget and Municipal Budgets for a Specific Year**

1. Together with a draft Law of the Republic of Lithuania on the Approval of Financial Indicators of the State Budget and Municipal Budgets for a specific year, the Government shall submit to the Seimas:

1) the explanatory note to the draft Law of the Republic of Lithuania on the Approval of Financial Indicators of the State Budget and Municipal Budgets for a specific year, which shall also publish comprehensive information concerning the impact of tax expenditure on the revenue and the funds which, under Article 14(2) and/r (3) of this Law, are planned to be carried from another budget year, when they remain with the appropriation manager to be used in excess of the total amount of appropriations approved by the Seimas. The Government shall present projections regarding all the main government sector expenditure and revenue lines adjusting the share of central government and the social protection level, covering the budget year and the period of three subsequent years and based on the presumption that the economic policy will not change; a description of the projected medium-term economic policy affecting government sector funding according to the main revenue and expenditure lines, demonstrating the ensuring of the adjustment of the government sector balance indicator with a view to attaining medium-term budget objectives, against with the projections based on the presumption that the economic policy will not change;

2) draft allocation of state budget appropriations by programmes, subject to approval by the Government;

3) data on the total amount of the intended borrowing by the Government on behalf of the State in domestic and foreign markets;

4) information about the evaluation criteria presented in appropriation managers' strategic action plans;

5) an interpretation of how new priorities of economic policy are reflected in changes, in the event of a deviation from the key financial indicators of the state budget and municipal budgets for three budget years as approved by the Seimas;

6) the documents specified by other laws and other legal acts.

2. Having submitted a draft Law of the Republic of Lithuania on the Approval of Financial Indicators of the State Budget and Municipal Budgets for a specific year, the Government shall, within ten working days, submit to the Seimas:

1) the latest opinion as published by the Council of the European Union on the Convergence Programme of Lithuania or the Stability Programme and, in the event of application of the excessive deficit procedure, the relevant recommendations of the Council of the European Union addressed to the Republic of Lithuania, with a view to rectifying the excessive deficit of the general government sector;

2) conclusions of the Government on the expediency of implementation of the latest recommendations and/or opinion of the Council of the European Union. The grounds for adoption of such conclusions shall be submitted to the Seimas by the Minister of Finance;

3) a list of measures proposed by the Government for a partial or full implementation of the latest recommendations and/or proposals of the Council of the European Union;

4) the general government sector balance indicators specified by a draft Law of the Republic of Lithuania on the Approval of Financial Indicators of the State Budget and Municipal Budgets for a specific year and serving as a basis for implementing the commitments of the Republic of Lithuania to the European Union or seeking general government surplus. The general government sector balance indicator of each year shall be estimated as a percentage of GDP at current prices;

5) the medium-term structural indicators of the general government balance specified by a draft Law on the Approval of the Financial Indicators of the State Budget and Municipal Budgets and calculated according to the submitted draft Law of the Republic of Lithuania on the Approval of the Financial Indicators of the State Budget and Municipal Budgets for a specific year and based on the latest data on Lithuania's output gap as published by the European Commission in the course of drafting the Law and the budget balance cyclical component;

6) a list and estimation of potential deviations which may arise in the medium term due to expected fiscal risk. The fiscal risks of each year shall be estimated as a percentage of GDP at current prices;

7) data on the change in prospects of long-term sustainability of the government sector assessed according to the tax increase risk indicator and its changes based on new data published by the European Commission in the course of drafting a Law of the Republic of Lithuania on the Approval of Financial Indicators of the State Budget and Municipal Budgets for a specific year;

8) a list of reclassifications in the state budget and municipal budgets required for calculation of the general government sector balance indicator under the European System of Accounts; when evaluating the draft state budget and the draft financial indicators of municipal

budgets, only the reclassifications in the state budget and municipal budgets whose value exceeds 0.1% of GDP at current prices shall be submitted.

3. The Bank of Lithuania shall, not later than within 15 working days of submission to the Seimas of the draft Law of the Republic of Lithuania on the Approval of Financial Indicators of the State Budget and Municipal Budgets for a specific year, provide conclusions on the impact of implementation of annual improvement objectives in respect of the general government sector balance indicator on confidence in the stability of the financial system and on price stability paying particular attention to external economic balance and long-term sustainability of public finances.

***Note. This Article shall apply to drawing up, approval, implementation, evaluation and reporting for the state budget and municipal budgets of 2014 and subsequent years.**

****Article 19. Documents Submitted to the Seimas Together with a Draft Law on the Approval of Financial Indicators of the State Budget and Municipal Budgets**

Together with a draft Law on the Approval of Financial Indicators of the State Budget and Municipal Budgets for the corresponding year, the Government shall submit to the Seimas:

- 1) explanatory notes to the draft Law on the Approval of Financial Indicators of the State Budget and Municipal Budgets;
- 2) draft allocation of state budget appropriations according to functions and programmes, subject to approval by the Government;
- 3) data on the postponement of defaulted financial obligations of the debtors who have been granted loans on behalf of the State or with the State guarantee;
- 4) data on the total amount of the intended borrowing by the State from foreign and domestic creditors;
- 5) information about the evaluation criteria presented in appropriation managers' strategic action plans;
- 6) other documents prescribed by laws and other legal acts.

****Note. This Article shall apply to implementation, evaluation and reporting for the state budget and municipal budgets of 2012 and drawing up, approval, implementation, evaluation of and reporting for the state budget and municipal budgets of 2013.**

Article 20. Consideration and Adoption of a Draft Law on the Approval of Financial Indicators of the State Budget and Municipal Budgets by the Seimas and Entry into Force of the Law

1. The Seimas shall consider a draft Law on the Approval of Financial Indicators of the State Budget and Municipal Budgets having regard to the proposals and conclusions as well as

additional reports by committees of the Seimas in accordance with the procedure laid down in the Statute of the Seimas.

2. The Seimas shall approve the state budget and financial indicators of municipal budgets for one budget year by a law not later than 14 calendar days prior to the beginning of the budget year. In the event of a failure to timely adopt a draft Law on the Approval of Financial Indicators of the State budget and Municipal Budgets, the budget shall be implemented in accordance with the procedure laid down in Article 29 of this Law.

3. The state budget shall be approved according to the indicators specified in paragraph 2 of Article 18 of this Law.

*4. A Law of the Republic of Lithuania on the Approval of Financial Indicators of the State Budget and Municipal Budgets for a specific year may also approve other indicators not specified in Article 18(2) of this Law.

***Note. This paragraph shall apply to drawing up, approval, implementation, evaluation and reporting for the state budget and municipal budgets of 2014 and subsequent years.**

**4. A Law on the Approval of Financial Indicators of the State Budget and Municipal Budgets for the corresponding year may also approve other indicators not specified in paragraph 2 of Article 18 of this Law.

****Note. This paragraph shall apply to implementation, evaluation and reporting for the State budget and municipal budgets of 2012 and drawing up, approval, implementation, evaluation of and reporting for the state budget and municipal budgets of 2013.**

*5. The Law of the Republic of Lithuania on the Approval of Financial Indicators of the State Budget and Municipal Budgets for a specific year may establish restrictions of the amounts of monthly state budget appropriations (with the exception of a share of programme appropriations consisting of the funds of EU financial support and co-funding as well as other international financial support received).

***Note. This paragraph shall apply to drawing up, approval, implementation, evaluation and reporting for the state budget and municipal budgets of 2014 and subsequent years.**

**5. A Law on the Approval of Financial Indicators of the State Budget and Municipal Budgets for the corresponding year may establish restrictions of the amounts of monthly state budget appropriations (with the exception of a share of programme appropriations consisting of the funds of EU financial support and co-funding as well as other financial support received).

****Note. This paragraph shall apply to implementation, evaluation and reporting for the State budget and municipal budgets of 2012 and drawing up, approval, implementation, evaluation of and reporting for the state budget and municipal budgets of 2013.**

*6. When passing a Law of the Republic of Lithuania on the Approval of Financial Indicators of the State Budget and Municipal Budgets for a specific year or a law amending the Law, the Seimas of the Republic of Lithuania shall have regard to the latest effective recommendations and the opinion of the Council of Ministers of the European Union on Lithuania's convergence programme.

***Note. This paragraph shall apply to drawing up, approval, implementation, evaluation and reporting for the state budget and municipal budgets of 2014 and subsequent years.**

SECTION THREE

MUNICIPAL BUDGETS

Article 21. Municipal Budgets

1. Municipal budgets shall accumulate the funds necessary for performing the functions assigned by laws and the State functions delegated to municipalities by laws.

2. Each municipality shall have an autonomous budget.

*3. The deficit of the municipal budget may not exceed the amount of expenditure, as planned for this year, from the funds borrowed (not exceeding the limits on borrowing by municipalities approved by the Law of the Republic of Lithuania on the Approval of the Financial Indicators of the State Budget and Municipal Budgets for a specific year) for funding of investment projects. The budget of each municipality whose budget expenditure in terms of cash flows exceeds 0.3% of GDP for the preceding year at current prices shall be implemented so that the expenditure for the budget year in terms of liabilities does not exceed nominal revenue in terms of liabilities, with the exception of expenditure for funding of investment projects.

***Note. This paragraph shall apply after 1 January 2013.**

**3. The deficit of the municipal budget approved in the appropriate year may not exceed the amount of expenditure, as planned for this year, from the funds borrowed (not exceeding the limits on borrowing by municipalities approved by the Law on the Approval of the Financial Indicators of the State Budget and Municipal Budgets for the year concerned) for funding of investment projects.

****Note. This paragraph shall apply until 31 December 2012.**

Article 22. Revenue of Municipal Budgets

1. The revenue of municipal budgets shall comprise:

- 1) the tax revenue received into municipal budgets according to laws and other legal acts;
 - 2) the revenue received from municipal property (with the exception of the revenue received under the Law on Privatisation of State-Owned and Municipal Property);
 - 3) revenue of municipal budgetary establishments;
 - 4) the income received for the State-owned land leased or granted for use, water bodies of the state inland water stock and upon allocation, in accordance with the procedure laid down by the Government, of funds for plots of State-owned land sold for non-agricultural purposes;
 - 5) grants from the state budget and other transfers;
 - 6) non-repayable financial support (monetary funds);
 - 7) other income established by laws.
2. Municipal budget revenue shall include payments from the sale of tangible and intangible fixed assets.

Article 23. Appropriations of Municipal Budgets

Appropriations of municipal budgets shall be used for implementation of the Law on Local Self-government and other laws in carrying out the programmes approved by managers of municipal budget appropriations.

***Article 24. Working Funds of the Municipal Budget**

1. The working funds of the municipal budget shall be formed from the balance of municipal budget funds or, when the said amount proves insufficient, from budget revenue.
2. The working funds of the municipal budget shall be used in accordance with the procedure established by municipal councils.

***Note. This Article shall apply to drawing up, approval, implementation, evaluation and reporting for the state budget and municipal budgets of 2014 and subsequent years.**

****Article 24. Working Funds of Municipal Budgets**

1. The working funds of municipal budgets shall be formed from the balance of municipal budget funds or, when the said amount proves insufficient, from budget revenue.
2. Working funds shall be used in accordance with the procedure established by municipal councils.

****Note. This Article shall apply to implementation, evaluation and reporting for the State budget and municipal budgets of 2012 and drawing up, approval, implementation, evaluation of and reporting for the state budget and municipal budgets of 2013.**

Article 25. Reserve of the Director of Municipal Administration

1. Municipalities may form the reserve of the director of municipal administration, which may not exceed 1% of the amount of approved municipal budget appropriations. The specific amount of the reserve of the director of municipal administration shall be established on an annual basis by a municipal council when approving the municipal budget for the corresponding year. Funds of the reserve of the director of municipal administration shall be allocated by the director of municipal administration.

2. Funds of the reserve shall be used only for meeting the needs that cannot be foreseen at the time of drawing up and approving a municipal budget. These funds shall be used for emergency response and for other needs in accordance with the rules established by municipal councils.

Version of paragraph 2 as of 1 January 2013:

2. Funds of the reserve of the director of municipal administration shall be used solely to ensure emergency and/or emergency event response, mitigation of consequences thereof and partial compensation for the losses incurred in accordance with the procedure laid down by municipal councils.

Article 26. Drawing-up and Approval of Municipal Budgets

1. Draft municipal budgets shall be prepared by the executive bodies of municipalities on the basis of this Law, other laws, the financial indicators of municipal budgets as approved by the Seimas, the Rules for the Drawing up and Implementation of Budgets as approved by the Government, national statistical data, social and economic programmes, also programmes of managers of municipal budget appropriations and their draft estimates.

2. The executive bodies of municipalities shall submit the prepared draft budgets to municipal councils in accordance with the procedure laid down by the rules of procedure of the municipal councils.

3. Municipal councils shall consider draft budgets having regard to reports of executive bodies of municipalities, recommendations and conclusions of council committees.

4. Municipal budgets shall be approved by municipal councils. A budget shall be approved by a decision of a municipal council. The decision shall indicate:

- 1) the total amount of revenue and allocation thereof according to the types of revenue;
- 2) the total amount of appropriations and allocation thereof to budgetary establishments or divisions of municipal administration for implementation of programmes. The appropriations shall be allocated for expenditure, including pay-roll expenditure, and for the acquisition of assets;

5. Municipal councils shall approve budgets within two months after the approval of financial indicators of the state budget and municipal budgets. In the event of a failure to timely approve draft municipal budgets, the budgets shall be implemented in accordance with the procedure laid down in Article 29 of this Law.

6. Directors of municipal administrations shall submit approved budgets and estimates of the privatisation fund of municipalities to the Ministry of Finance.

7. In the event of a failure by a municipality to timely approve a budget, funds from the state budget to the appropriate municipality shall be temporarily suspended until the approval of the budget.

CHAPTER FOUR

IMPLEMENTATION OF BUDGETS

Article 27. Organisation of Implementation of a Budget and the Institutions Implementing the Budget

1. Implementation of the state Budget shall be organised by the Government.
2. Implementation of cash operations of the state budget shall be organised by the Ministry of Finance through credit institutions of the Republic of Lithuania.
3. Implementation of municipal budgets shall be organised by directors of municipal administrations.
4. Implementation of cash operations of municipal budgets shall be organised by municipal administrations through credit institutions of the Republic of Lithuania.
5. Calculation and payment of taxes and other non-tax revenue into the State and municipal budgets shall be controlled by the institutions authorised by laws.

Article 28. Entry of Revenue and Appropriations

1. Payments shall be entered in the revenue of the budgets of a specific year if they are received into the collection accounts of the State Tax Inspectorate, accounts of the Customs Department, also the accounts of the State Treasury and municipal budgets to which payers transfer their payments directly by 31 December inclusively.
2. The amounts subject to be transferred, where the execution of payment orders for them had to be commenced by 31 December inclusively, shall be included in the used appropriations of the budgets of a specific year.
3. Penalties for administrative offences shall be entered in the budget from which an institution or agency whose authorised officer has drawn up a report of an administrative

offence or imposed and/or received the penalty without drawing up the report of the administrative offence in the cases specified by Article 262 of the Code of Administrative Offences of the Republic of Lithuania.

Article 29. Implementation of a Budget Which has not been Approved

In the event of a failure to timely approve a budget, monthly appropriations at the beginning of the year until the approval of budgets may not exceed 1/12 of the last year's appropriations of these budgets. In such a case, the monthly appropriations of every appropriation manager may not exceed 1/12 of the funds allocated to this appropriation manager from the last year's relevant budget and shall be intended only for the funding of continuous activities and the liabilities established by laws (with the exception of a part of programme appropriations consisting of funds of EU financial support and co-funding as well as other financial support received) as well as covering of debts.

Article 30. Use of Revenue Received by a Budget in Excess of the Plan

*1. The revenue received in excess of the plan while implementing the state budget (in light of Article 14(4) of this Law) shall be used for supplementing the temporarily available financial resources of the State allowing to exceed the planned amount of increase in working funds or respectively not to implement the planned decrease in working funds.

***Note. This paragraph shall apply to drawing up, approval, implementation, evaluation and reporting for the state budget and municipal budgets of 2014 and subsequent years.**

**1. The revenue received in excess of the plan while implementing the state budget (in light of Article 14(4) of this Law) shall be used for supplementing the working capital of the state budget and for covering the shortfalls of municipal budget revenue.

****Note. This paragraph shall apply to implementation, evaluation and reporting for the State budget and municipal budgets of 2012 and drawing up, approval, implementation, evaluation of and reporting for the state budget and municipal budgets of 2013.**

2. The municipal budget revenue received in excess of the plan (excluding the revenue received in excess of the plan and intended, in accordance with the procedure laid down by laws, for the covering of non-received revenue of other municipalities) shall be allocated by a decision of a municipal council.

Article 31. Allocation of Budget Appropriations in the Event of a Failure to Implement the Plan until Amending a Budget Law

*1. In the event of a failure to implement the state budget, that is, when the amount of revenue received is less than the planned amount and the temporarily available financial resources of the State will not suffice until an appropriate amendment to the budget law is passed in accordance with the established procedure, programmes shall be financed on the recommendation of the Ministry of Finance in accordance with the procedure laid down by the Law of the Republic of Lithuania on State Treasury (with the exception of a part of programme appropriations consisting of funds of EU financial support and co-funding as well as other financial support received). This provision does not apply to the programme funds referred to in points (1) and (2) of Article 2(16) of this Law, where they have been paid.

***Note. This paragraph shall apply to drawing up, approval, implementation, evaluation and reporting for the state budget and municipal budgets of 2014 and subsequent years.**

**1. In the event of a failure to implement the state budget, i.e., when the amount of revenue received is less than the planned amount and the working capital of the state budget is not sufficient to cover a temporary shortfall of revenue until an appropriate amendment to the budget law is passed in accordance with the established procedure, programmes shall be financed on the recommendation of the Ministry of Finance in accordance with the procedure laid down by the Law on State Treasury (with the exception of a part of programme appropriations consisting of funds of EU financial support and co-funding as well as other financial support received). This provision does not apply to the programme funds referred to in points (1) and (2) of Article 2(11) of this Law, where they have been paid.

****Note. This paragraph shall apply to implementation, evaluation and reporting for the State budget and municipal budgets of 2012 and drawing up, approval, implementation, evaluation of and reporting for the state budget and municipal budgets of 2013.**

2. In the event of a failure to implement municipal budgets, i.e., when the amount of revenue received is less than the planned amount, funding from the municipal budgets shall be carried out in accordance with the procedure laid down by municipal councils. In case of an anticipated failure to implement the approved revenue plan by the end of the year, decisions on the procedure for funding the programmes provided for in these budgets shall be passed by a municipal council on the recommendation of the director of municipal administration.

*3. Amounts of state budget or municipal budget appropriations to be transferred to appropriation managers for the funding of programmes shall be reduced by the amounts equal to a shortfall (as against the plan) in actual payments of revenue into the state budget or municipal budget referred to in points (1) and (2) of Article 2(16) of this Law.

***Note. This paragraph shall apply to drawing up, approval, implementation, evaluation and reporting for the state budget and municipal budgets of 2014 and subsequent years.**

****3.** Amounts of budget appropriations to be transferred to appropriation managers for the funding of programmes shall be reduced by the amounts equal to a shortfall (as against the plan) in actual payments of revenue into the budget referred to in points (1) and (2) of Article 2(11) of this Law..

****Note. This paragraph shall apply to implementation, evaluation and reporting for the State budget and municipal budgets of 2012 and drawing up, approval, implementation, evaluation of and reporting for the state budget and municipal budgets of 2013.**

Article 32. Use and Repayment of Appropriations

***1.** After the close of the year, appropriation managers and the budgetary establishments subordinate to them, the budgetary establishments subordinate to the institutions within the areas of management of ministers implementing the programmes of the respective appropriation manager as well as other entities shall repay the budget funds present in the accounts disposed of by them and allocated for financing of programmes, with the exception of unused payments referred to in Article 2(16)(1) of this Law, a part not exceeding $\frac{1}{4}$ of the annual amount of the payments referred to in Article 2(16)(2) of this Law (the entire amount, if all the programmes of the appropriation manager are funded solely from the funds referred to in Article 2(16)(2) of this Law) not later than by 10 January:

1) by transferring funds of the state budget from the accounts disposed of by managers of state budget appropriations and the budgetary establishments subordinate thereto to the State Treasury account;

2) by transferring funds of municipal budgets shall be transferred from the accounts disposed of by managers of municipal budget appropriations and the budgetary establishments subordinate thereto as well as other entities to the accounts of municipal budgets.

***Note. This paragraph shall apply to drawing up, approval, implementation, evaluation and reporting for the state budget and municipal budgets of 2014 and subsequent years.**

****1.** After the close of the year, appropriation managers and the budgetary establishments subordinate to them, the budgetary establishments subordinate to the institutions within the areas of management of ministers implementing the programmes of the respective appropriation manager as well as other entities shall repay the budget funds present in the accounts disposed of by them and allocated for financing of programmes, with the exception of unused payments referred to in Article 2(11)(1) of this Law, a part not exceeding $\frac{1}{4}$ of the annual amount of the payments referred to in Article 2(11)(2) of this Law (the entire amount, if

all the programmes of the appropriation manager are funded solely from the funds referred to in Article 2(11)(2) of this Law) not later than by 10 January:

1) by transferring funds of the state budget from the accounts disposed of by managers of state budget appropriations and the budgetary establishments subordinate thereto to the State Treasury account;

2) by transferring funds of municipal budgets shall be transferred from the accounts disposed of by managers of municipal budget appropriations and the budgetary establishments subordinate thereto as well as other entities to the accounts of municipal budgets.

****Note. This paragraph shall apply to implementation, evaluation and reporting for the State budget and municipal budgets of 2012 and drawing up, approval, implementation, evaluation of and reporting for the state budget and municipal budgets of 2013.**

2. Ministries and other state institutions or establishments shall retain the balances carried forward in the amount of monthly expenditure, which are held in the accounts opened with foreign credit institutions by diplomatic and other missions, consular posts, special and defence attaches of the Republic of Lithuania and the representatives of Lithuania transferred to international and foreign institutions. The Ministry of National Defence shall retain the balances carried forward in the amount of expenditure of three months, which are in the accounts of an international operations military element deployed in a foreign state opened with foreign credit institutions or kept by responsible persons.

3. At the end of the year, the remaining unspent amounts of targeted appropriations earmarked for municipal budgets when adopting a Laws on the Approval of Financial Indicators of the State Budget and Municipal Budgets for a corresponding year, also the funds allocated during the year to municipal budgets under separate laws or Government resolutions or used not for their purpose shall be repaid to the state budget by 10 January by transfer from municipal budget accounts to the State Treasury account, unless a Law on the Approval of Financial Indicators of the State Budget and Municipal Budget for the corresponding year establishes otherwise.

4. Funds of EU financial support and co-funding may be used solely for the funding of EU financial support programmes and projects.

*5. To finance programmes during the current budget year, the payments into the state budget and municipal budgets referred to in Article 2(16)(2) of this Law must be used first.

***Note. This paragraph shall apply to drawing up, approval, implementation, evaluation and reporting for the state budget and municipal budgets of 2014 and subsequent years.**

****5.** To finance programmes during the current budget year, the payments into the state budget referred to in Article 2(11)(2) of this Law must be used first.

****Note. This paragraph shall apply to implementation, evaluation and reporting for the State budget and municipal budgets of 2012 and drawing up, approval, implementation, evaluation of and reporting for the state budget and municipal budgets of 2013.**

Article 33. Rights of the Government or an Institution Authorised by It

1. The Government or an institution authorised by it shall have the right:

1) to allocate the appropriations from the state budget as approved by the Seimas according to programmes;

2) in compliance with the legal acts of the European Union and the Republic of Lithuania regulating administration of funds of EU financial support and taking account of data of implementation of programmes and projects, to reallocate the funds earmarked for EU financial support programmes and projects, including the funds of co-funding, among appropriation managers, investment fields, state functions and items of economic classification;

****3)** with a view to covering a temporary shortfall of funds in respect of a part of programme appropriations consisting of funds of EU financial support and co-funding, to use temporarily available financial resources of the State;

***Note. This point shall apply to drawing up, approval, implementation, evaluation and reporting for the State budget and municipal budgets of 2014 and subsequent years.**

****3)** with a view to covering a temporary shortfall of funds in respect of a part of programme appropriations consisting of funds of EU financial support and co-funding, to use funds of the working capital and borrowed funds of the state budget;

****Note. This point shall apply to implementation, evaluation and reporting for the state budget and municipal budgets of 2012 and drawing up, approval, implementation, evaluation of and reporting for the state budget and municipal budgets of 2013.**

4) (Repealed as of 1 January 2011);

5) to use, subject to repayment, the monetary resources of state monetary funds and other monetary resources which have not been used otherwise for the funding of the programmes provided for in the state budget, management of state debt, investment in state securities, and taking out of loans to cover a temporary shortfall of municipal revenue;

6) to specify the maximum amounts of funds for which appropriation managers shall have the right to assume liabilities during the current budgetary year by concluding agreements on implementation of the projects supported by funds of EU financial support and co-funding;

7) where necessary, to establish the interest rate on the short-term loans granted to municipalities from the state budget;

8) to establish the amount of appropriations for work remuneration in respect of the obligations relating to participation in unplanned international operations.

2. A Law on the Approval of Financial Indicators of the State Budget and Municipal Budgets for the budget year may grant additional rights to the Government or an institution authorised by it.

Article 34. Mutual Settlements between the State Budget and Municipal Budgets

If the laws passed by the Seimas or the implementing resolutions adopted by the Government affect commitments of the state budget and municipal budgets for the current budget year, the Ministry of Finance and executive bodies of municipalities shall revise, in accordance with the procedure laid down by laws, the settlements between the state budget and municipal budgets.

***Article 35. Sets of Reports on the Implementation of the State Budget and Municipal Budgets**

1. Sets of reports on the implementation of the state budget and municipal budgets, which are subject to the requirements set forth by the Law on Public Sector Accounts, shall be drawn up on the basis of the indicators approved by the Law of the Republic of Lithuania on the Approval of the Financial Indicators of the State Budget and Municipal Budgets for a specific year, the used Government Reserve funds and funds of the reserve of the director of a municipality's administration as well as carried forward amounts of excess and unused payments into the state budget or municipal budget referred to in subparagraphs 1 and 2 of paragraph 16 of Article 2 of this Law and intended for programme financing.

2. In the event of a failure to comply with objectives of annual improvement in terms of the general government sector balance indicator or where it transpires that the funds of the general government sector were not managed in a manner which would ensure general government surplus over the medium term, valid reasons must be indicated in accordance with the procedure laid down by Chapter Six.

3. A set of reports on the implementation of the state budget shall be drawn up by the Ministry of Finance on the basis of the state budget accounting data, namely, reports on the revenue received into the state budget and the sets of reports on implementation of the budget as submitted by managers of state budget appropriations.

4. Sets of reports on the implementation of municipal budgets shall be drawn up by municipal administrations on the basis of accounting data of municipal budgets, namely, reports on the revenue received into the municipal budgets, reports on the appropriations used by managers of municipal budget appropriations and the sets of reports on the implementation of a budget as submitted by the appropriation managers.

5. The rules for drawing up a set of reports on the implementation of a budget shall be established by the Ministry of Finance.

6. A set of reports on the implementation of the state budget shall be submitted to the Government by the Ministry of Finance in accordance with the procedure and within the time limits laid down by the Government.

7. The non-repayable financial support received by the establishments financed from a budget shall be recorded in the accounts of the budgetary establishments in a separate account.

***Note. This Article shall apply to drawing up, approval, implementation, evaluation and reporting for the State budget and municipal budgets of 2014 and subsequent years.**

****Article 35. Sets of Reports on the Implementation of the State Budget and Municipal Budgets**

1. Sets of reports on the implementation of the state budget and municipal budgets, which are subject to the requirements set forth by the Law on Public Sector Accounts, shall be drawn up on the basis of the indicators approved by the Law on the Approval of the Financial Indicators of the State Budget and Municipal Budgets for the year concerned, the used Government Reserve funds and funds of the reserve of the director of a municipality's administration as well as carried forward amounts of excess and unused payments into the budget referred to in subparagraphs 1 and 2 of paragraph 11 of Article 2 of this Law and intended for programme financing.

2. A set of reports on the implementation of the state budget shall be drawn up by the Ministry of Finance on the basis of the state budget accounting data, namely, reports on the revenue received into the state budget and the sets of reports on implementation of the budget as submitted by managers of state budget appropriations.

3. Sets of reports on the implementation of municipal budgets shall be drawn up by municipal administrations on the basis of accounting data of municipal budgets, namely, reports on the revenue received into the municipal budgets, reports on the appropriations used by managers of municipal budget appropriations and the sets of reports on the implementation of a budget as submitted by the appropriation managers.

4. The rules for drawing up a set of reports on the implementation of a budget shall be established by the Ministry of Finance.

5. A set of reports on the implementation of the state budget shall be submitted to the Government by the Ministry of Finance in accordance with the procedure and within the time limits laid down by the Government.

6. The non-repayable financial support received by the establishments financed from a budget shall be recorded in the accounts of the budgetary establishments in a separate account.

****Note. This Article shall apply to implementation, evaluation and reporting for the State budget and municipal budgets of 2012 and drawing up, approval, implementation, evaluation of and reporting for the State budget and municipal budgets of 2013.**

Article 36. Approval of Sets of Reports on the Implementation of the State Budget and Municipal Budgets

1. The Government shall analyse the received set of reports on the implementation of the state budget, make relevant decisions and submit to the Seimas for approval in accordance with the procedure and within the time limits prescribed by the Statute of the Seimas.

2. A set of reports on the implementation of the state budget shall be approved according to the indicators specified in subparagraphs 1-6 of paragraph 2 of Article 18 of this Law taking account of the reports of state schools of higher education drawn up according to all items of economic classification.

3. A set of reports on the implementation of a municipal budget shall be approved by a municipal council according to the indicators specified in paragraph 4 of Article 26 of this Law.

4. A summary set of reports on the implementation of budgets of all municipalities shall be formed by the Ministry of Finance and submitted to the Government in compliance with the Rules for Drawing up and Implementation of Budgets approved by the Government.

***CHAPTER FIVE**

CONTROL OF BUDGET IMPLEMENTATION AND ASSESSMENT OF MODELLING OF THE ECONOMIC DEVELOPMENT SCENARIO

***Note. This title of the Chapter shall apply to drawing up, approval, implementation, evaluation and reporting for the state budget and municipal budgets of 2014 and subsequent years.**

****CHAPTER FIVE**
CONTROL OF BUDGET IMPLEMENTATION AND ASSESSMENT OF BUDGET
IMPLEMENTATION

****Note. This title of the Chapter shall apply to implementation, evaluation and reporting for the State budget and municipal budgets of 2012 and drawing up, approval, implementation, evaluation of and reporting for the State budget and municipal budgets of 2013.**

Article 37. Control of Budget Implementation

1. Audit of the implementation of the state budget shall be carried out by the National Audit Office, and audit of the implementation of municipal budgets shall be carried out by the National Audit Office within the scope of national audit and municipal controllers (municipal control and audit services).

2. The National Audit Office shall indicate in its opinion as submitted to the Seimas whether the allocated appropriations have been used to achieve programme goals, whether the appropriations have been used in the most effective manner possible, whether there have been any violations of legal acts in the use of the appropriations, also to what extent the programme goals have been achieved.

3. Implementation of municipal budgets, estimates of programmes of managers of municipal budget appropriations, accounting of municipal budget funds and sets of consolidated reports of municipalities shall be audited by municipal control and audit services.

4. Implementation of programmes of budget appropriation managers and the budgetary establishments subordinate thereto and other entities shall be assessed by internal audit services in compliance with the Law on Internal Control and Internal Audit (*Valstybės žinios* (Official Gazette) No 123-5540, 2002) and other legal acts regulating internal audit.

*5. Modelling of the economic development scenario and budget revenue plans shall be assessed by the Ministry of Finance on the basis of objective criteria, including final assessment. Results of this assessment shall be publicly announced and shall be taken into account when drawing up other economic development scenarios and budget revenue plans. Where, in the course of assessment, a considerable partiality is detected, understood as the errors which reoccur for at least four consecutive years and which affect the economic development scenario and do not result from changes in forecasts or from methods of modelling, the Ministry of Finance shall undertake measures to eliminate such partiality of actions and shall publicly announce the measures undertaken.

***Note. This paragraph shall apply to drawing up, approval, implementation, evaluation and reporting for the state budget and municipal budgets of 2014 and subsequent years.**

***CHAPTER SIX**

PROCEDURES CONCERNING VIOLATIONS OF FISCAL DISCIPLINE, CLARIFICATION AND JUSTIFICATION THEREOF

***Note. Chapter Six shall apply to drawing up, approval, implementation, evaluation and reporting for the state budget and municipal budgets of 2014 and subsequent years.**

Article 38. Procedures regarding Unjustified Failure to Comply with Objectives of Annual Improvement in the General Government Sector Balance Indicator

1. After the close of the budget year and when submitting to the Seimas a national set of financial statements in accordance with the procedure laid down by the Law on Public Sector Accounts, the Government shall additionally submit a report on implementation of the objective of annual improvement in the general government sector balance indicator drawn up by the Ministry of Finance in accordance with the procedure laid down by the Government.

2. Where a report on implementation of the objective of annual improvement in the general government sector balance indicator indicates that the objective of annual improvement in the general government sector balance indicator has not been implemented (the indicator shall be considered to not have been implemented where annual improvement deviates from the objective by more than 0.2 per cent of GDP at current prices), the Prime Minister must orally account to the Seimas for the failure. In the absence of valid reasons referred to in Article 39 of this Law, the Prime Minister shall present other explanations of the failure to implement the objectives of annual improvement in the general government sector balance indicator and propose measures to be taken with a view to preventing non-implementation of the objectives for the same reasons in the future.

3. Where information on an annual increase in the tax increase risk indicator by more than 0.5 per cent is provided when submitting to the Seimas a draft Law of the Republic of Lithuania on the Approval of the Financial Indicators of the State Budget and Municipal Budgets for a specific year, the Prime Minister shall be invited to the Seimas to account orally for the increase in the tax increase risk indicator and the prospects of management of this risk over the medium term.

Article 39. Reasons Justifying a Failure to Comply with Objectives of Annual Improvement in the General Government Balance Indicator or to Ensure that General Government Finances be in Surplus and Close to Balance over the Medium Term

The reasons justifying a failure to comply with objectives of annual improvement in the general government balance indicator or to ensure that general government finances be in surplus and close to balance over the medium term shall be as follows:

1) when drafting the Law of the Republic of Lithuania on the Approval of the Financial Indicators of the State Budget and Municipal Budgets for a specific year, use was made of the data forecasted by the Lithuanian Department of Statistics or the European Commission, which were subsequently adjusted;

2) a Seimas resolution adopted on the objective of annual improvement in the general government sector balance indicator in the budget year of implementation of the state budget and municipal budgets for a specific year;

3) other factors not provided for by laws and established under a Seimas resolution in respect of a specific budget year;

4) the events beyond the control of the Government which affect the financial indicators of the general government sector.

CHAIRMAN
OF THE SUPREME COUNCIL
OF THE REPUBLIC OF LITHUANIA

VYTAUTAS LANDSBERGIS

The Annex shall apply to drawing up, approval, implementation, evaluation and reporting for the state budget and municipal budgets of 2014 and subsequent years.

Annex to
the Republic of Lithuania
Law on the Budget Structure

LEGAL ACTS OF THE EUROPEAN UNION IMPLEMENTED BY THIS LAW

1. Council Directive 2011/85/EU of 8 November 2011 on requirements for budgetary frameworks of the Member States (OJ 2011 L 306, p. 41).