

Draft as of April 23, 1998

***THE LAW
Of Poland
on revenues of the local government units
General regulations***

Article 1

The Law determines:

- 1) rules of distribution of public revenues between the state and the local government units,
- 2) sources of revenues for the local government units,
- 3) rules of revenues accumulation by the local government units,
- 4) rules of determination of subsidies for the local government units,
- 5) rules of informing the local government units about subsidies,
- 6) rules and mode of subsidies transfer,
- 7) rules and mode of allocations transfer.

Article 2

All matters of the local government budgets which are not regulated by this Law are subject to the regulations of the Law on public finances.

Article 3

Local Government units manage their finances independently on the basis of their budgets.

Article 4

Allocation of the funds received in the form of subsidies is decided upon by appropriate organs the particular local government.

Article 5

1. Placement of revenues from specific sources, or of expenditures for specific targets, in the budget of a particular local government does not constitute a basis for claims or legal obligations of the local government towards any third parties, nor for claims of any third parties towards the local government. (*it is so in the Law on public finances*).
2. The regulation as per section 1 above does not apply to claims of the local government units in the area of the state budget expenditures for subsidies for the local government units. (*this should be placed in the Law on public finances*).

Article 6

1. Drafts of the legal acts resulting in changes of the level of revenues or expenditures of the local governments require determination of the dimensions of such effects and an opinion of the representation of the local governments.

Article 7

Rules for taking loans, credits and issuing securities by the local governments are determined in a separate law.

Article 8

Whenever the Law mentions :

- 1) local government units - it is understood as:
 - a commune, as described in the Law of March 8, 1990 on local government (Official Gazette of 1996 No 13 position 74, No 58 pos. 261, No 106 pos. 496, No 132 pos. 622) or
 - a district, as described in the Law of on district local government (Official Gazette No..., position....) or
 - a province, as described in the Law of on provincial local government (Official Gazette No....., position),
- 2) legislative organ of the local government units - it is understood as commune council, district council or provincial council respectively,
- 3) Chairman of the Management of the local government unit - it is understood as Commune President, Town President (Mayor), District President or Province Marshal respectively,
- 4) the Law on public finances - it is understood as the Law of(Official Gazette No..... position),
- 5) representation of the local government units of a particular level - it is understood as:
version 1: All - Poland representation of communes, all- Poland representation of districts or all - Poland representation of provinces,
version 2: local government part of the Joint Commission of Government and Local Governments,
- 6) population number - it is understood as the number of inhabitants actually residing on the territory of the local government unit, according to the census on June 30 of the base year,
- 7) base year - it is understood as the year preceding the year for which the budget is being determined,
- 8) tax year - it is understood as the year described in the Law of August 29, 1997 - Tax Regulations,
- 9) due revenues of the commune - it is understood as revenues , available to communes in agricultural and forest taxes applying average purchasing price of rye determined by the President of the Central Statistical Office, and for other taxes applying upper limits of the rates, with the exception of the tax on means of transportation, income from which is created by the revenues received by application of the rates determined in the commune council resolutions, with the exclusion of exemptions, reductions, deferrals, cancellations and refraining from collections of the basic tax revenues,
- 10) due revenues of the district and self-governing province - it is understood as revenues from local surcharges on individual persons taxes, applying upper limits of the rates, as determined in separate regulations, with the exclusion exemptions, reductions, deferrals, cancellations or refraining from collection of the basic tax revenues,
- 11) basic tax revenues of the communes - it is understood as the revenues determined in the Article,
- 12) basic tax revenues of the districts - it is understood as the revenues determined in the Article,
- 13) basic tax revenues of the provinces - it is understood as the revenues determined in the Article,

- 14) new local government units - it is understood as the local government units which were established, or their borders were changed, after June 30 of the base year,
- 15) area of divided units of local government - it is understood as the area of one local government unit or several local government units, which existed on June 30 of the base year and met the following conditions:
- a) area of the local government units is the same as of one or more local government units,
 - b) the area cannot be divided into several separate areas of the divided local government units,
- 16) regions endangered with high structural unemployment - it is understood as communes, listed in separate regulations,
- 17) Treasury properties taken over from the Russian Federation forces and transferred to the local government units - it is understood as properties, described in the Law of June 10, 1994 on management of the Treasury properties taken over from the Russian Federation forces (Official Gazette No 79, position 363).

Revenues of local government units

Chapter 1

Communal revenues

Article 9

Following are the revenues of communes:

- 1) revenues from the following taxes, determined and collected on the basis of separate laws:
 - a) on real estate,
 - b) agricultural,
 - c) forest,
 - d) on means of transportation,
 - e) on business activities of individual persons, paid in the form of the tax card,
 - f) on inheritances and donations,
- 2) revenues from fees:
 - a) stamp duty,
 - b) development, paid by the businesses on the basis of the Law of February 4, 1994 - Law on geology and mining (Official Gazette No 27 position 96 of 1996, No 106 position 496 of 1997, No 80 pos. 491 and No 88 pos. 554),
 - c) local, paid on the basis of the Law of January 12, 1991 on local taxes and fees (Official Gazette No 9 position 31, No 101 pos. 444, of 1992, No 21 pos.86, of 1994, No 123 pos.600, of 1996, No 91 pos. 409, No 149 pos. 704, of 1997, No 5 pos, 24),
 - d) others, collected on the basis of separate regulations,
- 3) commune surcharge over the income tax from individual persons, as described in.....
- 4) commune surcharge over the income tax from legal entities, as described in.....,
- 5) revenues received from the budgetary units of the communes and proceeds from units of extrabudgetary management of the communes,
- 6) revenues from the property of the commune,
- 7) general subsidy,
- 8) subsidy for educational targets,
- 9) road subsidy,

- 10) target allocations from the state budget for government administration objectives commissioned to the communes,
- 11) other revenues due to the communes on the basis of the separate regulations.

Article 10

Following may become the revenues of communes:

- 1) equalization subsidy for revenues lost due to legal reductions and exemptions, determined in the Article 12 section 1 point 4, 5 and 6 and section 3, Article 13a section 1 and 2, Article 13b section 1 and Article 13c of the Law of November 15, 1984 on agricultural tax (Official Gazette of 1993 No 94 position 431, of 1994 No 1 position 3, of 1996 No 91 position 409 and of 1997 No 43, pos.272) as well as the Article 62 section 1 of the Law of September 29, 1991 on forests (Official Gazette No 101 position 444, of 1992 No 21 position 85 and No 54 pos. 254, of 1994 No 1 position 3 and No 127 pos.627, of 1995 No 141 pos.692, No 147 pos.713, of 1996 No 91 position 409 and of 1997 No 54 position 349),
- 2) allocations from the state budget and budgets of other local government units for funding of own operating and investment targets of the communes,
- 3) target allocations for tasks implemented by the commune on the basis of agreements with the state administration organs or the organs of other local government units,
- 4) allocations from the target funds,
- 5) target allocations from the state budget for implementation of activities related to removal of direct hazards to public security and order,
- 6) inheritances, legacies and donations,
- 7) interest on commune funds accumulated on the bank accounts,
- 8) interest on loans granted by the commune,
- 9) interest on overdue amounts receivable in the area of commune revenues.
- 10) interest and dividends on contributed capital,
- 11) revenues from penalties and fines, determined by separate regulations,
- 12) other revenues due to the communes on the basis of separate regulations.

Chapter 2 ***Revenues of districts***

Article 11

Following are the district revenues:

- 1) district surcharges over the income tax on individual persons,
- 2) revenues of the district budgetary units and proceeds from other district organizational units,
- 3) revenues from the district property,
- 4) target allocations from the state budget for implementation of tasks in the area of services, inspections and guards resulting from the Law on district local government,
- 5) other own revenues, collected on the basis of separate regulations.

Article 12

Following may become the district revenues:

- 1) subsidy for educational purposes,
- 2) equalisation subsidy,
- 3) target allocations for funding of own operating and investment tasks of the districts,
- 4) target allocations from the state budget for implementation of activities related to removal of direct hazards to public security and order,
- 5) allocations from target funds,

- 6) target allocations from the state budget for the tasks within the area of the government administration, implemented by the district on the basis of agreements concluded with the government administration organs,
- 7) target allocations from the budgets of other local government units for implementation of tasks within their responsibility, implemented by the district on the basis of agreements.
- 8) inheritances, legacies and donations,
- 9) interest on district funds located on the bank accounts and interest on the loans granted by the district,
- 10) interest on overdue amounts receivable, constituting district revenues,
- 11) interest and dividends on contributed capital,
- 12) revenues from penalties and fines, determined by separate regulations,
- 13) other revenues due to districts on the basis of separate regulations.

Chapter 3

Revenues of provinces

Article 13

Following are the revenues of the provinces:

- 1) provincial surcharges over the income tax on individual persons,
- 2) provincial surcharges over the income tax on legal entities,
- 3) revenues of the provincial budgetary units and proceeds from other provincial organizational units,
- 4) revenues from the provincial property,
- 5) other revenues collected on the basis of separate regulations.

Article 14

Following may become revenues of the provinces:

- 1) equalizing subsidy
- 2) target allocations from the state budget for the tasks of the government administration implemented by the provinces on the basis of agreements concluded with the government administration organs,
- 3) target allocations from the commune and district budgets for the tasks of such local governments implemented by the province on the basis of agreements concluded with an organ of the commune or the district, as well as with the self-governing provinces,
- 4) target allocations from the state budget for own tasks implemented by the province,
- 5) allocations from target funds,
- 6) inheritances, legacies and donations,
- 7) interest on funds of the province, accumulated on the bank accounts and interest on loans granted by the province,
- 8) interest and dividends on contributed capital,
- 9) revenues from penalties and fines, determined by separate regulations,
- 10) interest on overdue amounts receivable constituting revenues of the province,
- 11) other revenues collected on the basis of separate regulations.

Chapter 4

General rules for accumulation of revenues of the local government units

Article 15

1. Revenues of the local government units, which on the basis of separate regulations are collected by respective tax offices, are accumulated on the bank account of such tax office and are subject to transfer to the accounts of respective local government units at latest on the last day of the decade following the decade during which such revenues were received on the account of the tax office.
2. If the revenues collected for the local government units are not transferred within the dates described in the section 1, such local government units are entitled to receive interest at the rate determined for overdue taxes.
3. Tax office submits quarterly information on current state and dates of implementation of revenues described in section 1 to the local government units.

Article 16

1. Revenues from the stamp duty, transferred to the bank account of the tax office:
 - a) by the payer, on agreements to sell (to barter) real estate - are transferred to the account of the budget of the commune, on territory of which such real estate is located,
 - b) from the sale points for duty stamps and official draft forms - are transferred to the account of the budget of the commune , on territory of which such sale point is located.

Article 17

Revenues from taxes on inheritances and donations involving acquisition of ownership (perpetual lease-hold) of real estate, transferred to the account of the tax office by the payer, are then transferred to the account of the budget of the commune, on the territory of which such real estate is located.

Article 18

1. Granting of reductions, deferments, cancellations and relinquishment of collection of taxes and fees constituting revenues of the local government units and remitted directly to the accounts of the local government units is decided upon by the Chairman of the Management of the local government unit.
2. In the area of taxes and fees constituting revenues of the local government units and collected by the tax office, such a tax office grants reductions, deferments, cancellations, relinquishments of tax collection or exempts the payer on collection mandate and remittance of tax or tax withholding, exclusively at the application or with the consent of the Chairman of the Management of the local government unit.
3. An application or a consent, as described in the section 2 above, are issued in the form of a decision.

Article 19

Financial effects of the resolutions of legislative organs of the local government units, determining tax rates at a lower level than their upper limits, with the exception of taxes on the means of transportation, as well as the effects of decisions made by the tax organs as described in section 1 and 2 above, do not constitute the basis for granting local government units with the general subsidy for the commune and education subsidy for the district.

Principles of subsidizing local government units

Chapter 5 ***Subsidies for communes***

Article 20

1. Each commune receives, from the state budget, the general subsidy, the subsidy for educational purposes and the road subsidy.
2. The commune may receive a subsidy compensating for revenue lost due to reductions and exemptions in agricultural and forest taxes provided by the law.

Article 21

1. The amount of the general subsidy for the communes is determined for not less than 0.9% of the state budget revenues planned in the budget appropriations bill and of the amount of payments by the communes, determined according to the rules of Article.....
2. The amount of the general subsidy is distributed in the following way:
 - a) 1% of the amount of the general subsidy is deducted for the reserve of such subsidy, with the reservation as per Article.....(*related to returns*),
 - b) according to the rules of the Article..... due equalization subsidies are calculated for particular communes,
 - c) remaining part is distributed among all the communes in relation to the conversion number of inhabitants in specific communes, calculated according to the rules determined in the Article.....
3. Reserve of the general subsidy remains at the disposal, with the reservation of section 4 below, of the Minister of Finance in consultation with the representation of the local government units of respective level.
4. Minister of Finance allocates the subsidy reserve for the assistance to the communes in the events of disaster, however, the total amount of such funds may not exceed 10% of the amount of the reserve.

Article 22

1. Equalization subsidy is due to the communes where the index of basic tax revenues per one inhabitant, calculated according to the principles determined in the section 2 below and hereinafter called the G index, is less than 85% of the respective index calculated jointly for all the communes, hereinafter called the P index.
2. The G index is calculated by dividing the amount of basic tax revenues due to the commune in the year preceding the base year by the number of commune inhabitants.
3. The G index and the P index are calculated on the basis of revenues reported in the commune reports (an obligation to prepare such reports results from regulations issued on the basis of the Law on public finance) and of the census data determined by the Central Statistical Office, with a reservation of the Article.....
4. The amount of the equalization subsidy due to a commune is calculated by multiplication of the figure, equal to 90% of the difference between 85% of the P index and the G index, by the number of commune inhabitants and by the index determining, for the base year, a relation of the planned revenues of the state budget to such revenues actually implemented in the first half of the year.
5. For calculation of the equalization subsidy for communes with the number of inhabitants up to 15,000, revenues due from real estate tax are assumed as revenues resulting from the rates voted in for such a tax by the commune council.
6. The number of inhabitants mentioned in section 5 above is determined for June 30 of the year preceding the base year.

Article 23

1. For the communes with the number of inhabitants not larger than 5,000 the conversion inhabitants number is equal to 5,000.
2. For the communes with the number of inhabitants from 5,000 to 10,000 the conversion inhabitants number is equal to the actual number of inhabitants.
3. For the communes with the number of inhabitants over 10,000 the conversion inhabitants number is calculated in the following way:

Number of inhabitants	Conversion inhabitants number
10,000 - 50,000	10,000 + 110% of the number of inhabitants exceeding 10,000
50,000 - 300,000	54,000 + 120% of the number of inhabitants exceeding 50,000
over 300,000	354,000 + 125% of the number of inhabitants exceeding 300,000.

Article 24

1. Communes with the G index larger than 150% of the P index make remittances with a destination to increase the general subsidy, as described in the Article.....
2. To determine the amounts of remittances, as mentioned in section 1 above, indices P and G are used, calculated according to the principles determined in the Article
3. The amount of annual remittance due from the commune is calculated by multiplication of the number of commune inhabitants by the index determining, for the base year, the relation of planned revenues of the state budget to the actual revenues implemented in the first half of the year and by the amount equal to:
 - a) for the communes with the G index not larger than 200% of the P index - 20% of the excess of the G index over 150% of the P index,
 - b) for the communes with the G index larger than 200% but not larger than 300% of the P index - 10% of the P index, increased by 25% of the excess of the G index over 200% of the P index,
 - c) for the communes with the G index larger than 300% of the P index - 35% of the P index, increased by 30% of the excess of the G index over the P index.
4. Total amount of remittances, as described in section 1 above, is placed in the budget appropriations bill for particular year.
5. Communes execute remittances, as described in section 1 above, to the account of the state budget revenues in twelve even installments, by the 15th day of each month, Amounts not paid on due date are charged with an interest at the rate determined for overdue taxes.
6. Amounts not paid by the due date, as described in section 5 above, are subject to the procedures of execution in the administration.

Article 25

1. The amount of the subsidy for educational purposes, i.e. for administration of public primary schools and for allocations for primary schools administered by individual persons and legal entities, is determined on the level not less than% of the planned revenues of the state budget.
2. The amount of the subsidy for educational purposes is distributed in the following way:
 - a) 0.5% is deducted from the amount of the subsidy for educational purposes for the reserve of such subsidy,
 - b) remaining part of the subsidy for educational purposes is distributed among the communes, according to the algorithm established, by an executive order, by the Minister of National

Education, after consultation from the representation of the local government units of respective level.

3. The reserve of the subsidy, as described in section 1 point 1), is distributed by the Minister of Finance, after opinion of the Minister of National Education and the representation of the local government units of respective level. (*or version II - self-government part*).

Article 26

1. The amount of the road subsidy is determined at the level not less than% of the revenues from excise tax on engine fuels, planned in the budget appropriations bill.
2. principles and procedure of allocation of road subsidy for the communes is determined by the Minister of Finance in an executive order, after opinion of the representation of the local government units of respective level.

Article 27

1. The amount of the subsidy compensating the communes for revenue lost due to agricultural and forest taxes reductions and exemptions provided by the law, is determined annually in the budget appropriations bill for particular year. In the event of insufficiency in the funds planned for that purpose, it is supplemented by the funds from the reserve for the liabilities of the Treasury.
2. The amount of the subsidy, described in section 1 above, is determined on the basis of data indicated in the submissions by the communes, prepared on the basis of the regulations described in section 3 below.
3. Minister of Finance determines, by an executive order, principles and procedure of calculating subsidy, described in section 1 above, and its transfer to the communes.

Article 28

1. Subsidies described in the Articles.....are determined for the communes existing on June 30 of the base year.
2. Subsidies for the new communes are calculated in the following way:
 - a) principles determined in the Article are applied to calculate (separately for each area of the divided communes) the general subsidies for all the communes existing on June 30 of the base year and located on the particular area of the divided communes,
 - b) the total amount of the general subsidies, calculated for the communes located on the particular area of the divided communes, is distributed among the new communes in relation to their number of inhabitants,
 - c) the total amount of the subsidy for educational purposes, calculated for the communes located on the particular area of the divided communes, is distributed among the new communes in relation to the number of students of the primary schools (and gymnasiums), located on the particular area of the divided communes,
 - d) the total amount of the road subsidy, calculated for the communes located on the particular area of the divided communes, is distributed among the new communes in relation to their number of inhabitants.
 - e) In the event of a fusion of the communes, the total amount of subsidies is determined as the sum of the subsidies of particular communes.
3. Regulations of section 2 above are applied respectively to the new communes, however, if the new commune are created (or change their borders) after January 1 of the year, for which subsidies are calculated, redistribution applies to the amount of the subsidies due for the period between creation (or change of the borders) of the new communes until the end of the year; if creation (or change of the borders) of the commune did not occur on the first day of the month - since the first day of the month following the day of creation (or change of the borders) of the commune.

4. New communes may, through unanimous resolutions made by councils of all the communes in subject, agree on a different way of redistribution of the total amount of subsidies, described in section 2 point 2. Determination of the new subsidy shall be executed within one month from informing the Minister of Finance on agreed upon redistribution.

Chapter 6

Subsidies for districts

Article 29

A district may receive the subsidy for educational purposes and the equalization subsidy from the state budget.

Article 30

1. The amount of the subsidy for educational purposes for the districts is determined on the level not less than% of the GDP (*version II: of the planned revenues of the state budget*) of the year preceding the base year.
2. Distribution of the subsidy for educational purposes is executed in the following way:
 - a) 0.5% is deducted from the amount of the subsidy for educational purposes for the reserve of such subsidy,
 - b) remaining part of the subsidy for educational purposes is distributed among the districts according to the algorithm determined, by an executive order, by the Minister of National Education, after opinion of the representation of the local government units of respective level.
3. The reserve of the subsidy, described in section 2 point 1 above, is distributed by the Minister of Finance, after opinion of the Minister of national Education and the representation of the Local government units of respective level.

Article 31

1. Equalization subsidy is due to the districts where the index of the basic tax revenues per 1 inhabitant, calculated along the principles described in section 2 below, hereinafter called the S index, is smaller than 80% of the respective index, calculated for the district, where the S index is the highest.
2. The S index is calculated by dividing the amount of the due basic revenues of the district in the first half of the base year by the number of inhabitants of the district, with the reservation for Article
- Remark: transitory regulations will regulate the way of calculation of subsidies for 1999. Equalization subsidy for the district for 1999 shall be established on the basis of the basic tax revenues per 1 inhabitant of the district determined in the budget appropriations bill for 1999.***
3. The S index is calculated on the basis of revenues revealed in the district reports, which are obligatory as a result of regulations issued on the basis of the Law on public finances, as well as of the data on the number of inhabitants, determined by the Central Statistical Office, with the reservation for Article.....
4. The amount of the equalization subsidy due to the district is calculated by multiplication of the figure, equal to the difference between 80% of the S index highest in the country and the S index calculated for the particular district, by the number of inhabitants of the particular district and by the factor determining, for the base year, the relation of planned revenues of the state budget to the actual revenues implemented in the first half of the year.
5. The amount of the equalization subsidy for the districts, calculated on the basis of the Article....., is increased annually by the index of the price increase for goods and services.

Chapter 7

Subsidies for provinces

Article 33

A province may receive the subsidy for educational purposes and the equalization subsidy from the state budget.

Article 34

1. The amount of the subsidy for educational purposes for the provinces is determined at the level no less than% of the GDP (*version II: of the planned revenues of the state budget*) of the year preceding the base year.
2. Distribution of the amount of the subsidy for educational purposes is executed in the following way:
 - a) 0.5% Of the amount of the subsidy for educational purposes is deducted for the reserve of such a subsidy,
 - b) remaining part of the subsidy for educational purposes is distributed among the provinces according to the algorithm determined, by an executive order, by the Minister of National Education, after opinion of the representation of the local government units of respective level.
3. The reserve of the subsidy, described in section 2 point 1) above is distributed by the Minister of Finance, after opinion of the Minister of National Education and the representation of the Local government units of respective level.

Article 35

1. The amount of the equalization subsidy is determined at the level not less than% of the planned revenues of the state budget.
2. Distribution of the equalization subsidy is executed in the following way:
 - a) 0.5% of the amount of the equalization subsidy is deducted for the reserve of such subsidy,
 - b) according to the principles established in the Article the amounts of the due equalization subsidy are determined for particular provinces.
3. The reserve of the subsidy, described in section 2 point 1) above, is distributed by the Minister of Finance in consultation with the representation of the local government units of respective level.

Article 36

1. Equalization subsidy is due to the provinces where the index of the basic tax revenues per 1 inhabitant, calculated according to the principles established in section 2 below, hereinafter called the W index, is smaller than 80% of the respective index, calculated for the province, where the W index is the highest.
2. The W index is calculated by dividing the amount of the due basic revenues of the province in the first half of the base year by the number of inhabitants of the province, with the reservation for the Article

Remark: transitory regulations shall regulate the way of calculation of the subsidy for 1999.

The equalization subsidy for the province for 1999 shall be determined on the basis of the basic tax revenues per 1 inhabitant of the province, established in the budget appropriations bill for 1999.

3. The W index is calculated on the basis of the revenues revealed in the provincial reports, which are obligatory as a result of the regulations issued on the basis of the Law on public finances, and of the census data determined by the Central Statistical Office, with the reservation for the Article

4. The amount of the equalization subsidy due to the province is calculated by multiplication of the figure equal to the difference between 80% of the W index highest in the country and the W index calculated for the particular province, by the number of inhabitants of the particular province and by the factor determining, for the base year, relation of the planned revenues of the state budget to the actual revenues implemented in the first half of the year.
5. The amount of the equalization subsidies for the provinces, calculated on the basis of the Article, is increased annually by the index of growth of the prices of goods and services.

Chapter 8

Principles of informing local government units about subsidies and principles of transferring subsidies

Article 37

1. Minister of Finance informs specific local government units about:
 - a) annual total amounts of subsidies proposed in the draft budget appropriations bill, with the exception of the subsidy compensating for revenues lost to the agricultural and forest taxes reductions and exemptions provided by the law - by September 30 of the year preceding the budget year,
 - b) final amount of allocated amounts of the subsidies - within 7 days from announcement of the budget appropriations law,
 - c) changes of the amounts of subsidies in effect of distribution of the reserves of the subsidies.
2. Managements of the local government units introduce amendments in the revenues of the budgets of the local government units, resulting from changes, described in section 1 point 3).

Article 38

1. Minister of Finance transfer the subsidy to the local government units within the following dates:
 - a) the subsidy for educational purposes, described in the Article, in monthly installments, out of which the March installment equals 2/13, and remaining - 1/13 each of the total amount of the subsidy for educational purposes,
 - b) in twelve even monthly installments - the subsidies described in the Article (for the part concerning equalization of revenues) by the 15th day of each month.
 - c) the road subsidy for the communes in two installments by May 31 - 60% of the annual amount of the subsidy and by October 31 - remaining part of the subsidy.
 - d) the subsidy compensating for the revenue lost due to agricultural and forest taxes reductions and exemptions, in two installments, by May 31 to the amount of compensation of revenues for the year preceding the tax year, and by October 15 - in the amount equal to 50% of the amounts of lost revenues in the tax year, indicated in the submission described in the Article
2. If the subsidies are not transferred within the deadlines determined in section 1 above, the local government units are entitled to interest at the rate determined for the overdue taxes.

Article 39

1. If in the effect of the inspection executed by the authorized organs it is established that in the report or an application described in the Articles, false data were presented and the local government unit received subsidies, enumerated in the Articles in the amount higher than the due one, the Minister of Finance shall reduce the amount of the subsidy due to the local government unit, reducing, or withdrawing, consecutive installments of the subsidy transferred to the local government unit by the amount of the unduly received subsidy with interest at the rate

for overdue taxes, unless the local government unit returns earlier the received amounts with interest. *(should specify which subsidy is discussed)*

- 1a. Regulations as per section 1 above do not apply to the subsidy for educational purposes.
2. Minister of Finance shall inform the regional revenue inspection chamber about the decisions made, as described in the section 1 above.
3. The amounts unduly received by the local government unit, which are described in section 1 above, are subject to return transfer to the state budget.
4. The amounts mentioned in section 3 increase the amount of the reserve of the subsidy, as described in the Article *(should specify which reserve of the subsidy is discussed)*.
5. The amounts unduly gained by the commune, described in section 1 are subject to regulations of Article 48 paragraph 1 and Article 67, in the part concerning interest, of the Law of August 29, 1997 - Tax Regulations (Official Gazette No 137, position 926), except that the organ authorized to cancel the interest, divide in installments or defer the payment date is the Minister of Finance.
6. The right of the Minister of Finance to order the return payment of the undue subsidy expires after 5 years from the end of the calendar year for which the report was prepared on implementation of the budget of the local government unit, containing data that impacted calculation of the subsidy.

Principles, procedure and dates of transferring subsidies for local government units

Article 40

1. Detailed principles and dates for transfer of allocations for implementation of tasks taken over on the basis of agreements are determined in such agreements.
2. In the event of missing the deadlines as mentioned in section 1, local government units are entitled to interest at the rate determined for the overdue taxes.

Chapter 9 Allocations for communes

Article 42

(for further discussions and possible changes)

1. The communes implementing commissioned tasks from the scope of the government administration and other tasks commissioned by the Laws, shall receive the target allocations from the state budget for implementation of such tasks; such allocations to be transferred by the voievodes
2. The amounts of the target allocations, as described in section 1, are determined according to the principles adopted for determination of respective expenditures in the state budget.
3. The target allocations, as mentioned in section 1:
 - a) should be transferred according to the procedure enabling full and timely implementation of the commissioned tasks,
 - b) are subject to return payment to the state budget in the part, in which the task has not been implemented.
4. In the event when the conditions of section 2 and 3 point 1) above are not fulfilled, the commune may seek to receive the due payment in the court.
5. If the allocation is not transferred within the time described in section the commune is entitled to the interest at the rate determined for the overdue taxes.

Article 43

1. From the state budget the target allocations may be granted, hereinafter called the allocations, for funding of the following own tasks of the communes:
 - a) investments implemented by the communes,
 - b) tasks related to the social welfare, determined in separate regulations,
 - c) payments of residence supplements determined in separate regulations,
 - d) for other tasks, determined in separate regulations.
2. The commune receives, from the state budget, the target allocations for the maintenance of administered schools and organizations described in the Article 104 section 4 of the Law of September 7, 1991 on the system of education (Official Gazette Of 1996 No 67 position 329, No 106 position 496 and of 1997 No 28 position 153.).
3. The allocations as described in section 2 and 3 above are granted by the voievodes.
4. The total amount of the allocations granted in consecutive year for funding of investments implemented by the commune may not exceed 50% of the cost estimate of the investment, described in the commune application submitted to the voievode, except for section 5 and section 6 below.
5. If the investment is implemented by the commune:
 - a) where the G index, described in the Article, is smaller than 60% of the P index, or which receives the equalization subsidy described in the Article, or in the regions endangered by the high structural unemployment - the total amount of the allocation, described in section 4 above, may not exceed 75% of the cost estimate of the investment,
 - b) in order to put under management the properties of the Treasury, taken over from the military of the Russian Federation and transferred to the commune - the total amount of the allocation described in section 4, may exceed 75% of the cost estimate of the investment.
6. The amount of the allocation received by the commune in the particular year for funding the investments, with the exception of schools and educational organizations, may not exceed:
 - a) in the first year of implementation of the investment - 50% of the amount of funds planned in the budget of the commune for financing such an investment, decreased by the amount of the allocation from the state budget, and in the event as per section 5 above - 200% of the amount of such funds,
 - b) if the investment is started and completed in the same year - 100% of the amount of the funds planned in the budget of the commune for financing such an investment, decreased by the amount of the allocation from the state budget, and in the event as per section 5 above - 300% of the amount of such funds.
7. The commune receiving the allocation for funding investments is obligated do submit, respectively to the voievode or other organ of the government administration, an information , within 30 days after completion of the budget year, containing: the list of investments implemented with participation of the allocation, cost estimates of such investments and dates of commencement and planned completion , as well as the amounts of the allocation and of the funds from the budget of the commune transferred during the year to the financing account of specific investments.
8. The commune which does not fund from its budget, in the particular year, the investment under allocation to the full amount required on the basis of section 6 above, is obligated to return the allocation , in part related to the actual expenditures, granted in the particular year for the revenues of the state budget, within the time agreed with the voievode, however not later than by the end of the year following the year when the allocation was granted.
9. Allocations as described in section 1, not used in the particular year according to their destination, are subject to return payment to the state budget, with the reservation of section 9a below.
- 9a. Part of the allocation remaining on December 31 of the particular budget year may be destined after this date for funding liabilities related to the investment under allocation, and the remaining part of the allocation is returned to the state budget within 14 days from completion of financing the liabilities.

10. The allocations subject to return to the state budget in the events described in section 8 and 9 and in section 9a, are subject to the regulations of the Law of August 29, 1997 - Tax Regulations (Official Gazette No 137, position 926).

Chapter 10

Allocations for districts

Article 44

1. Target allocations are granted from the state budget to the district for implementation of the tasks of the district services, inspections and guards.
2. The amounts of the target allocations, described in section 1 above, are determined according to the principles adopted for determination of respective expenditures of the state budget.
3. Detailed principles, procedures for determination and transfer of the allocations, described in section 1 above, are established by the executive order, issued by the central organ of the state administration, appropriate for such services, inspection and guards.
4. Target allocations, described in section 1:
 - a) should be transferred according to the procedure enabling full and timely implementation of the tasks,
 - b) are subject to return payment to the state budget in such part, in which the task has not been implemented.
5. Should the conditions, described in section 2 and section 3 point 1) above, be not fulfilled, the district has the right to seek the due allocation in the court.
6. If the allocation is not transferred by the time, described in section, the district is entitled to the interest at the rate determined for the overdue tax payments.

Article 45

1. The districts are entitled to allocations for implementation of the tasks defined in the regional and government programs.
2. Detailed principles of financing and transferring the allocations for investments determined in the government programs, are established in the executive orders of the Council of Ministers.
3. Principles and procedures for transferring and accounting for allocations placed in regional multiyear programs are established in the agreements concluded by the local government units.

Chapter 11

Allocations for provinces

Article 46

1. Target allocations are granted to the province from the state budget for implementation of the tasks of the provincial services, inspections and guards.
2. The amount of the allocations, described in section 1 above, are determined according to the principles adopted for determination of the respective expenditures in the state budget.
3. Detailed principles, procedures for determination and transfer of the allocations, described in section 1 above, are established in the executive order by the central organ of the state administration appropriate for such services, inspections and guards.
4. Target allocations mentioned in section 1 above:
 - a) should be transferred along the procedure enabling full and timely implementation of the tasks,
 - b) are subject to return to the state budget in such part, in which the task was not implemented.

5. In the event when the conditions, determined in section 2 and section 3 point 1) above are not fulfilled, the province has the right to seek due allocations in the court.
6. In the event when was not transferred within the due time, described in section, the province is entitled to the interest at the rate established for the overdue taxes payments.

Article 47

1. For implementation of tasks placed in the regional and government programs, the province is granted the allocation.
2. Detailed principles of financing and transferring the allocations for investments established in the government programs are determined in the executive orders of the Council of Ministers.
3. Principles and procedures of transferring and accounting for the allocations placed in the regional multiyear programs are determined in the agreements concluded by the local government units.

Transitory and final regulations

Article 48

1. In 1999 - 2000, in the state budget a target reserve is created, constituting% of the amount of the general subsidy, described in the Article
2. The amount of the reserve, described in section 1 above, is allocated to the increase of the general subsidy for the communes, in which, in the first half of the particular year, a gap in the revenue occurred due to introduction, instead of the communes' share in the revenues from income tax on individual persons, of the commune surcharge over the income tax on individual persons, revealed in the commune report for the first half of the year.
3. The reserve is distributed by the Minister of Finance after consultation with the representation of the local governments of the commune level.
4. The reserve not used for the purposes, described in section 2 above,

Article 49

The following are null and void:

1. The Law of December 10, 1993 on financing the communes (Official Gazette No 30 position 164),
2. The Law of November 24, 1995 on amendment of the scope of activity of certain towns and on the city zones of public services (Official Gazette of 1997 No 36 position 224, No 123 position 780, No 162 position 1120).

Article 50

This Law becomes effective on January 1, 1999.