

# **Topic – 7 Organization of interbudgetary terms**

7.1 Interbudgetary relations

7.2 The formula of calculation of transfer amount

## 7.1 Interbudgetary relations

*Interbudgetary relations* – are relations between the country and the local self-government concerning the providing with the corresponding financial resources, needed for the execution of functions, foreseen by the Constitution of Ukraine and laws of Ukraine.

*Transfer* – is money, which is passed from one budget to another one.

From the point of view of kinds of expenses in the local budgets three groups are distinguished:

- expenses for the financing of budgetary organizations and measures, which provide the necessary immediate assignment of social services, guaranteed by the country, and located near the consumers;

- expenses for the financing of budgetary institutions and measures, which provide an assignment of the main social services, guaranteed by the country to all citizens of Ukraine;
- expenses for the financing of budgetary institutions and measures, which provide the guaranteed by country social services for separate categories of citizens, or financing of a program, which are of great importance in all regions of Ukraine.

The basis between budgetary transfers in the budgetary code of Ukraine is formed by:

- *subsidy of levelling* – funds, which are passed from one budget to another for the equalization of profitable ability of budget, which gets it;

- *subvention* – funds, which are passed from one budget to another for the achievement of definite aim;
- funds, passed to the state budget and local budgets from other local budgets;
- other grants

## 7.2 The formula of calculation of transfer amount

$$T_i = \alpha_i \bullet (V_i - D_i)$$

where  $T_i$  — is the amount of levelling grant from the state budget, given by the local budgets, or funds, which are passed from these budgets in the state budget of Ukraine;

$\alpha_i$  — levelling coefficient;

$V_i$  — calculating index of expenses amount;

$D_i$  — predictive index of income amount (basket of income), which accumulate on the territory of a region.



Predictive index of income account  $D_i$  (basket of income) of the local budgets is formed from the incomings of national taxes and fees, attached by the local budgets

Tax income	Non-tax income
1.Tax income by physical person (in corresponding part)	1.State fee (in corresponding part)
	2. License pay
2. Unified tax (in corresponding part)	3.Fee for state registration of subjects of enterprising business
	4 Fee for trade patent
	5.Income of administrative penalties

The calculation expenses amount of the common fund of the local budget ( $V_i$ ), which is taken into account by the determination the quantity between the budgetary transfers, is determined by a formula:

$$V_i = V_{y1} + V_{z1} + V_{o1} + V_{s1} + V_{k1} + V_{f1} + V_{d1}$$

where:  $V_y1$ - calculating expenses amount for maintenance of bodies of management ;

$V_z1$ - calculating expenses amount for public health;

$V_o1$ - calculating expenses amount for education;

$V_s1$ - calculating expenses amount for social safety and social securing;

Vk1- calculating expenses amount for culture and art;

Vf1- calculating expenses amount for physical culture and sport;

Vd1- calculating expenses amount for other measures.