

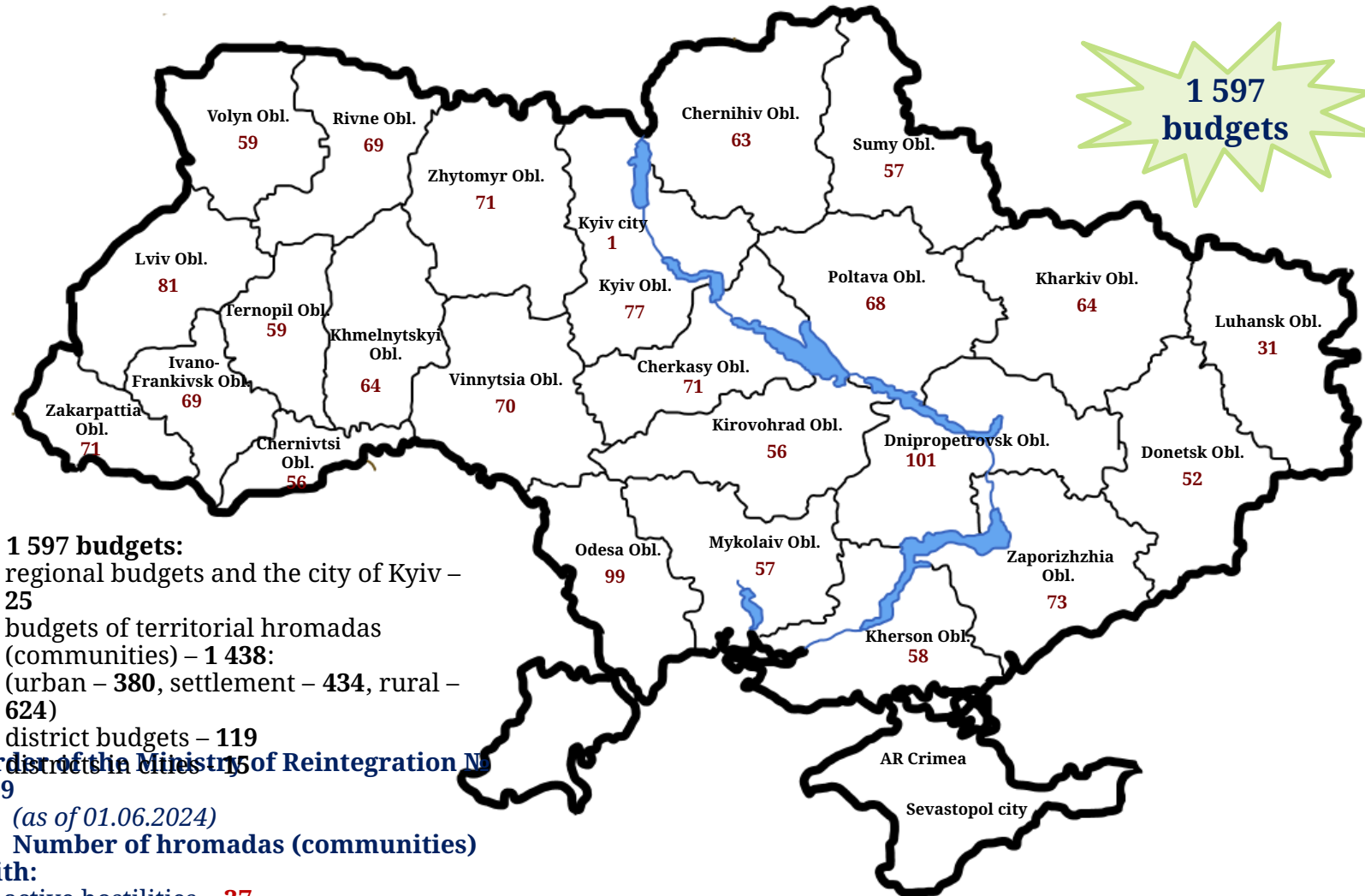


Ministry of
Finance of
Ukraine



The system of inter-budgetary relations in Ukraine

LOCAL BUDGETS



1 597 budgets

- 1 597 budgets:**
- regional budgets and the city of Kyiv – 25
 - budgets of territorial hromadas (communities) – 1 438:
 - (urban – 380, settlement – 434, rural – 624)
 - district budgets – 119
 - districts of the Ministry of Reintegration No 309

Number of hromadas (communities)

- with:**
- active hostilities – 37
 - temporarily occupied – 107
 - active hostilities and/or temporarily occupied – 19



The Constitution of Ukraine

- *Ukraine recognises and guarantees local self-government;*
- *the state participates in the formation of revenues of local self-government budgets, and financially supports local self-government. Expenses of local self-government bodies incurred as a result of decisions of state authorities are compensated by the state;*
- *local self-government bodies may be granted by law certain powers of executive authorities. The state finances the exercise of these powers in full at the expense of the State Budget of Ukraine or by allocating certain national taxes to the local budget in accordance with the procedure established by law*

The Law of Ukraine "On Local Self-Government in Ukraine" - *defines the system and guarantees of local self-government in Ukraine, the principles of organisation and operation, legal status and responsibility of local self-government bodies and officials*

The powers divided into:

- ***delegated powers*** - *powers of executive authorities granted to local self-government bodies by law;*
- ***own (self-governing) powers***

Budget Code of Ukraine – *defines the legal framework for the functioning of the budget system of Ukraine, its principles, the basis of the budget process and inter-budgetary relations*

the principle of independence - *the State Budget of Ukraine and local budgets are independent*

BUDGETARY INDEPENDENCE OF LOCAL BUDGETS



❖ Independent formation of local budgets

The Budget Code defines:

- *uniform standards for deductions of national taxes (personal income tax and corporate tax) for each level of the budget;*
- *types of expenditures and criteria for their allocation between budget levels;*
- *types of inter-budgetary transfers and the procedure for their distribution and use;*

❖ They have the right to set the rates of local taxes and fees and provide benefits to taxpayers

❖ The right to make local borrowings and provide local guarantees was granted to all territorial communities and regional councils

❖ Independently of the timing of the state budget adoption, local budgets must be

MAIN SOURCES OF LOCAL BUDGET REVENUES



Taxes and levies:

- ❖ Personal income tax
- ❖ Unified tax
- ❖ Real estate tax (land tax, tax on real estate other than a land plot)

67,1%

37,7%

9,6%

7,3%

Transfers from the state budget

- ❖ Base subsidy
- ❖ Additional subsidies
- ❖ Educational subvention
- ❖ Other subventions

32,9%

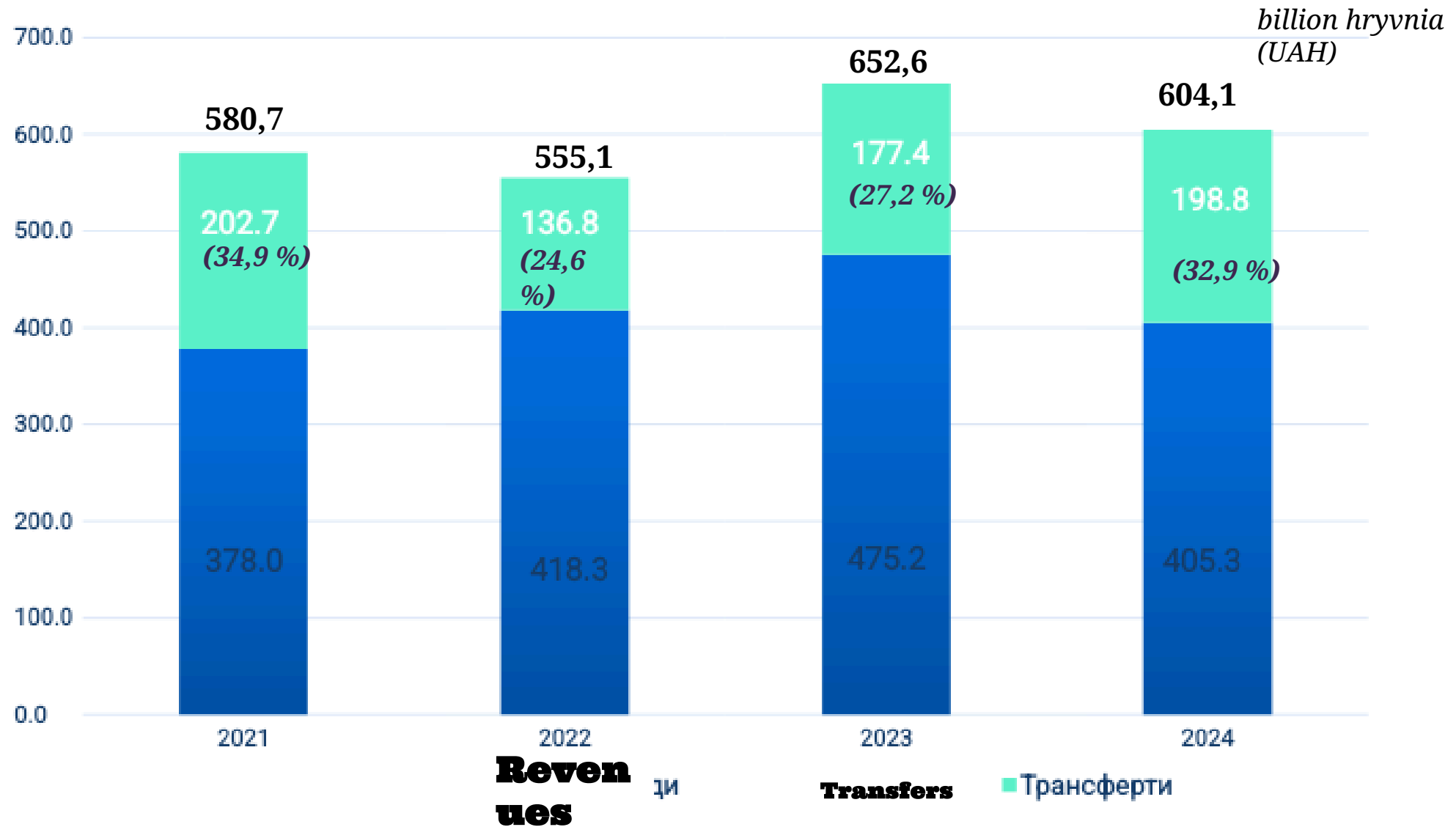
3,5%

5,8%

17,1%

6,5%

SHARE OF TRANSFERS IN LOCAL BUDGET REVENUES



HORIZONTAL LEVELLING MECHANISM

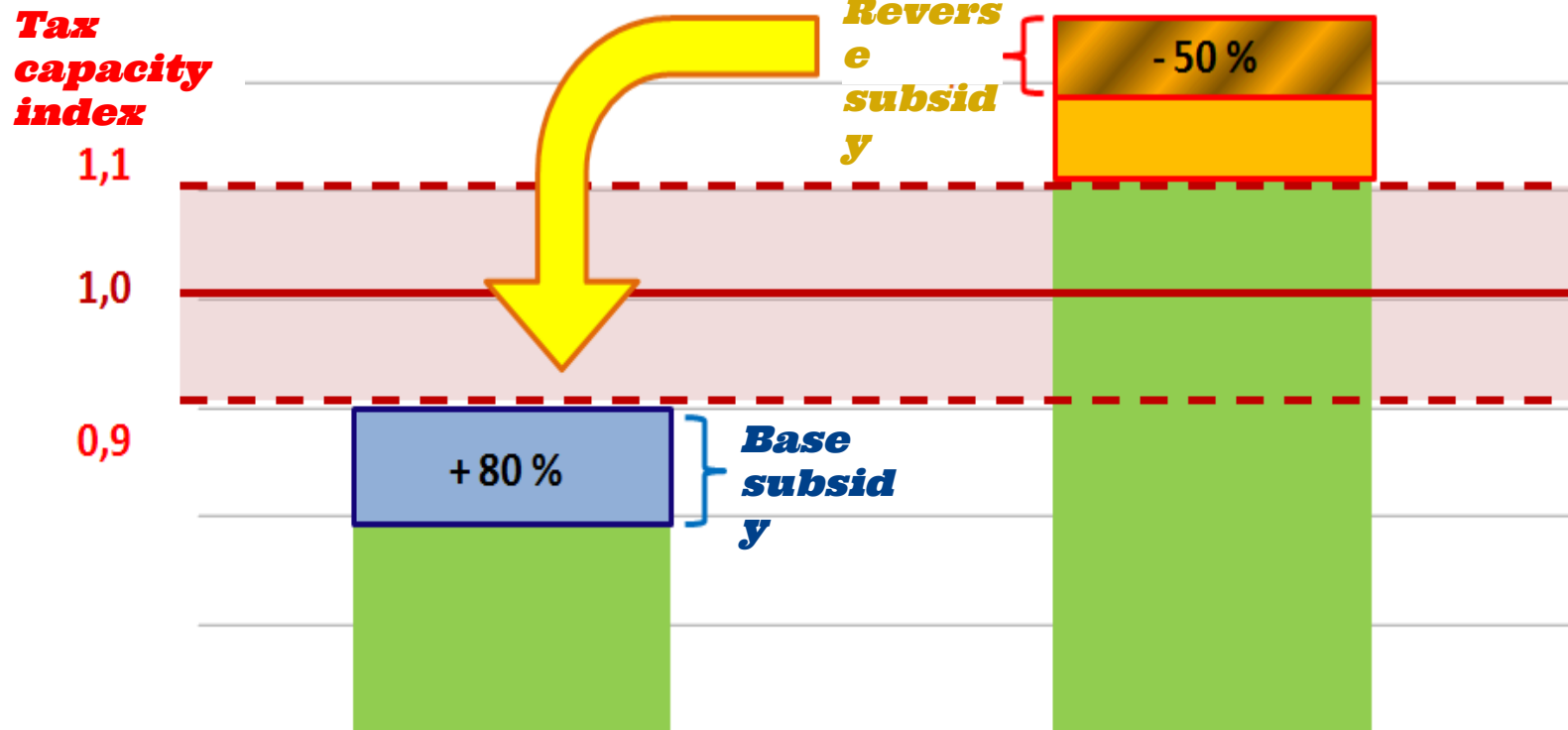


Level of Budget

Type of revenue to be levelled

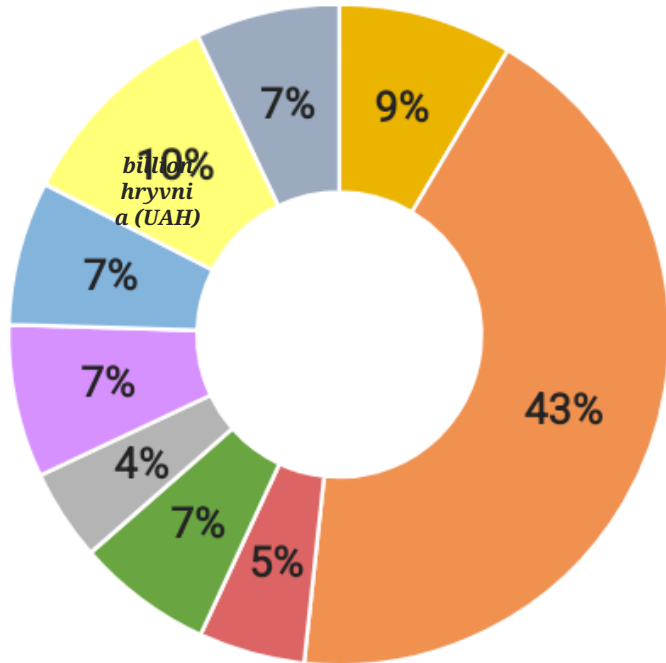
- regional budgets
- budgets of territorial hromadas (communities)
- Kyiv city

- ✓ corporate income tax
- ✓ personal income tax
- ✓ personal income tax



STRUCTURE OF LOCAL BUDGET EXPENDITURES

(as of 2024)



- Public administration (9%)
- Education (43%)
- Healthcare (5%)
- Social protection and social security (7%)
- Culture and art, physical culture and sport (4%)
- Housing and utilities (8%)
- Transport, road management (7%)
- Economic activity (10%)
- Other activity and other expenditures (7%)



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