

CHANGES IN RUSSIA'S REGULATORY BASE OF THE BUDGETARY PROCESS IN JULY 2013

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In July 2013, in the regulatory base of the budgetary process the following developments took place: amendments providing for grants in the form of subsidies to legal entities have been introduced into the Budget Code of the Russian Federation; conditions of buying-out of state property by entities of small and mid-sized business have been liberalized by amendments to a number of federal laws.

By **Federal Law No. 181-FZ of July 2, 2013** on Amendment of Article 78 and Article 78.1 of the Budget Code of the Russian Federation as Regards Provision of Grants, provisions of the Budget Code of the Russian Federation as regards provision of subsidies to legal entities have been brought in harmony with the existing corpus of effective statutory acts on which basis grants in the sphere of culture, art, education, science and technology are provided out of the budgetary funds to legal entities (commercial and non-profit organizations, except for government institutions)¹. In practice, grants to legal entities, including non-profit organizations took the form of subsidies; the general rules of provision of subsidies are regulated by Article 78 and Article 78¹ of the Budget Code of the Russian Federation as the specified beneficiaries of grants are not participants in the budgetary process.

To eliminate that loophole, Article 78 and Article 78¹ of the Budget Code of the Russian Federation were supplemented with norms which provided for the opportunity to make grants in the form of subsidies to legal entities (except for state (municipal) entities), as well as non-profit organizations which are not government institutions.

Also, a new provision was introduced in the Budget Code of the Russian Federation; under the above provision in the Law (decision) on the Budget in accordance with resolutions of the President of the Russian Federation, the Government of the Russian Federation, high-ranking official of a constituent entity of the Russian Federation, supreme executive authority of a constituent entity of the Russian Federation and local administration budget allocations can be envisaged for provision of grants in the form of subsidies, includ-

ing those provided on a tender basis to legal entities (except for government (municipal) entities), individual entrepreneurs and individuals. The above adjustment was made due to the fact that budget-funded and autonomous institutions which are under control of not only the organizer of the tender, but also other state authorities (local governments) have the right to take part in tenders for allocation of grants.

The procedure for provision of the above subsidies is established by regulatory statutory acts of executive authorities of a respective level of power.

In addition to the above, in the Budget Code of the Russian Federation such grounds for provision of subsidies out of the federal budget, budget of a constituent entity of the Russian Federation and local budget as the existence of a concession agreement concluded in accordance with the procedure determined by the legislation of the Russian Federation on concession agreements were introduced.

In addition to the above, it was established that conclusion of a concession agreement on behalf of the Russian Federation, constituent entity of the Russian Federation and municipal entity for the period exceeding the term of the approved limits of budget liabilities is carried out in cases provided for by resolutions of the Government of the Russian Federation, supreme executive authority of a constituent entity of the Russian Federation and local government in accordance with the respective procedure determined by the Government of the Russian Federation, supreme executive authority of a constituent entity of the Russian Federation and local government.

By **Federal Law No.144-FZ of July 2, 2013** on Amendment of Individual Statutory Acts of the Russian Federation in Connection with Upgrading of the Procedure for Assignment of Real Property which is in State Ownership of Constituent Entities of the Russian Federation or in Municipal Ownership or Rented by Small and Mid-Sized Business Entities (hereinafter Law No. 144-FZ) conditions of buying-out of state property by small and mid-sized business entities were liberalized.

¹ See, for example, Resolution No.1164 of December 30, 2009 of the Government of the Russian Federation on Provision out of the Federal Budget Other Inter-Budgetary Transfers to Budgets of Constituent Entities of the Russian Federation for Rendering of Additional State Support (Provision of Grants) to Leading Academic Theatres, Choral and Chamber Music Groups which are Budget-Funded and Autonomous Institutions of Constituent Entities of the Russian Federation and Subsidies to the *Muzykant* Limited Liability Company for the *Solisty Moskv*y Chamber Ensemble.

According to the Explanatory Note to Law No. 144-FZ, the statutory act in question provides for a number of measures on liberalization of conditions of buying-out and leasing of state (municipal) property:

1) lifting of limitations on the maximum size of leased floorspace for the purpose of realization of the priority right to a buy-out;

2.) granting of the right to priority buy-out of premises rented for at least two years as of September 1, 2012 by entities of small and mid-sized business;

3) establishment of the minimum period of an installment payment for property (3 years) with specification of the term – “installment payment”;

4) provision of an opportunity to suspend the term set for signing of an agreement on purchase and sale of premises in case of litigation by an entity of a small and mid-sized business as regards adequacy of the market value of the appraised property specified in the report before the court decision comes into effect;

5) provision of the right to entities of small and mid-sized business which have rented premises in good faith for over five years as of September 1, 2012 to submit in accordance with a notification procedure an application for buying-out of rented premises if such a property has been included in the lists of property for at least five years;

6) provision to the entities of small and mid-sized business which were earlier denied to buy-out rented property for reasons of limitation of floorspace of premises which was in effect then the right to submit another application for inclusion of premises in the lists of property due to a change in circumstances;

7) extension of the right to conclusion for a new term without holding of tenders and auctions of all the agreements on leasehold of state or municipal property entered into with entities of small and mid-sized business and not only those concluded before July 1, 2008;

8) expansion of the list of the units of infrastructure required for support of entities of small and mid-sized business by means of inclusion of units of infrastructure providing assistance to small innovation companies;

9) extension till July 1, 2015 of the period of validity of Federal Law No. 159-FZ of July 22 on The Specifics of Assignment of Real Property Which is in State Ownership of Constituent Entities of the Russian Federation or Municipal Ownership and Rented by Small and Mid-Sized Business Entities and On Amendment of Individual Statutory Acts of the Russian Federation which permits to expand opportunities for entities of small and mid-sized business as regards application of newly introduced rules.

In addition to the above, the Government of the Russian Federation, authorities of constituent entities of the Russian Federation and local governments are entrusted with powers to issue regulatory statutory acts as regards property support of small and mid-sized entrepreneurship.

Federal executive authorities, authorities of constituent entities of the Russian Federation and municipal authorities are granted the powers to set privileges as regards leasehold for entities of small and mid-sized business which engage not only in socially important types of activities, but other priority lines of business. ●