

State Budget Act
(423/1988; amendments up to 1111/2004 included)

In accordance with the decision of Parliament, the following is enacted:

Chapter 1 – **State Budget** (165/1992)

Section 1 – *Financial year*

The State budget shall be prepared for one financial year at a time. The financial year shall be the calendar year.

Section 2

Repealed by Act 165/1992.

Section 3 (165/1992) – *Gross budgeting*

- (1) The estimates of annual revenue and the appropriations for annual expenditure shall be entered in the State budget as gross amounts, deducting neither expenditure from revenue nor revenue from expenditure (*gross budgeting*).
- (2) As provided in more detail by decree, a repayment of excess revenue that has been collected or levied by the State may be taken into account as a deduction from revenue in the budget for the year when the repayment is made.

Section 3a (165/1992) – *Net budgeting*

- (1) In the case of the following revenues and expenditures, only the estimated revenues or appropriations equalling the balance between them may be entered in the State budget (*net budgeting*):
 - 1) new State loans, positive issue premiums and capital gains from State loans, and revenue from derivatives used to hedge the capital of State loans and amortizations on State debt, capital losses and negative issue premiums related to State loans and expenditure arising from derivatives used to hedge the capital of State loans;
 - 2) interest revenue from State loans and revenue from derivatives used to hedge the payment of interest on State loans, and interest expenditures on State loans and expenditure on derivatives used to hedge the payment of interest on State loans;
 - 3) revenue from and expenditure on the activities of government agencies;
 - 4) revenue from the sale of shares and sales commissions related to the sale; and financial commitments assumed by the State on behalf of the buyer;
 - 5) liquidity payment payable to the government pension institution under law and repayment thereof to the State;
 - 6) legislation-based State subsidies to municipalities and amounts payable to the State by municipalities under the government subsidization principles governing the determination of subsidy; (898/2000)

- 7) revenue from the activities of a university and revenue from the management and sale of shares in limited liability companies established by a university alone or through a significant holding together with others (*university companies*) directly promoting interaction with the surrounding society and the societal impact of the universities' research findings and artistic activities or needed for international commercial utilization of the universities' educational and research services laid down as the universities' mission in respect of operating sector and activities in section 4 of the Universities Act (645/1997), and expenditure arising from university activities and expenditure arising from the establishment, share subscription and other ownership arrangements of university companies as separately decided in the budget. (1111/2004)
- (2) Taxes, charges of a fiscal character and fines shall not be regarded as revenue in net budgeting. Furthermore, net budgeting shall not include:
- 1) transfer expenditure or repayments thereof; with the exception of liquidity payments payable to the government pension institution under law and repayment thereof, legislation-based state subsidies to municipalities and amounts payable to the State by municipalities under the government subsidization principles governing the determination of subsidy; nor
 - 2) investment expenditure or revenue from the sale of assets; with the exception of the sale of shares or the purchase of movable property intended for the activities of a government agency, or the sale of movable property, or the purchase or sale of shares in university companies referred to in subsection 1(7). (1111/2004)
- (3) Net budgeting shall not restrict the right to decide in the State budget on the maximum amounts of expenditure, on the allocation of expenditure or on such other matters as may be decided in the gross budgeting.

Section 3b (430/1998) – *Inclusion of a surplus or a deficit in the State annual accounts in the State budget*

- (1) When the State annual accounts have been completed, the maximum amount that can be included in the State budget is the sum by which the cumulative surplus shown in the annual accounts at the end of the financial year exceeds EUR 500 million. This amount can be included in the budget until completion of the following annual accounts. In calculating the amount of cumulative surplus available for inclusion in the next State budget, the cumulative surplus included in the budget or supplementary budget for the financial year shall be taken into account as a decrease. (898/2000)
- (2) An appropriation can be included in the State budget to cover a cumulative deficit shown in the State annual accounts at the end of the financial year.
- (3) A cumulative surplus or cumulative deficit at the end of a financial year means the sum total of cumulative surplus or deficit at the end of the previous financial year shown in the State budget implementation statement, as referred to in section 17a, plus the surplus or deficit for the financial year concerned. (1216/2003)

Section 4 (165/1992) – *Budgets of State public enterprises*

The revenue and expenditure of a State public enterprise subject to the Act on State Enterprises (627/1987) shall not be included in the State budget, as provided in the said Act.

Section 5 – *Classification of revenue*

- (1) Revenue shall be classified by type into sections, which shall be divided into chapters and subdivided into items, according partly to the type of revenue and partly to the structure of the organization.
- (2) More detailed provisions on the classification of revenues will be issued by decree.

Section 6 – *Classification of expenditure*

- (1) In the expenditure estimate, expenditure shall be classified into main divisions according to the administrative sectors. Joint expenditure for several administrative sectors may, however, be entered separately under one or several main divisions.
- (2) The main divisions shall be divided into chapters and subdivided into items, according to the activities and structure of the organization and the type of expenditure.
- (3) More detailed provisions on the classification of expenditure will be issued by decree.

Section 6a (1056/2002) – *Allocation of revenue and expenditure to the financial year*

- (1) In the State budget, items of revenue or expenditure are allocated to the financial year to which they are applicable, that is, the budget for each financial year includes as estimated revenue all known revenue, plus appropriations for all known expenditure, for that financial year. Allocation will take into account the type and financial nature of the revenue or expenditure item, in particular the timing of surrender of a product or service or reception of a production factor constituting the basis for the revenue or expenditure item; or the timing of occurrence of liability to pay or payment of a revenue or expenditure item.
- (2) More detailed provisions on the allocation of revenue and expenditure can be issued by Government decree.

Section 7 (165/1992) – *Exceeding and transferring appropriations*

- (1) A fixed appropriation shall not be exceeded or transferred to a later financial year.
- (2) An estimated appropriation shall not be transferred to a later financial year. Permission to exceed an estimated appropriation may be granted, if the excess is based on a need prescribed by, or comparable to, law or some other compelling unforeseen need or a need that is difficult to estimate, or a higher than estimated rise in the general cost level, and if the need for an appropriation cannot be covered in any other way. Permission to exceed an estimated appropriation up to an amount equalling the accumulated revenue may also be granted in the case of a chargeable activity, or if the expenditure is related to the accumulated revenue.
- (3) Transferable appropriations shall not be exceeded. A transferable appropriation may, in accordance with what is decided in the budget, be carried over for use during a period not exceeding the two financial years following the financial year in question.

Section 7a (307/1992) – *Transferring appropriations for the use of another government agency*

- (1) Appropriations granted for the activities of one government agency may be transferred for a reallocation of personnel resources, as provided in more detail by decree, for use as similar expenditure arising from the activities of another government agency.
- (2) The decision to transfer appropriations to another government agency within the administrative sector of one ministry shall be made by the ministry concerned, and the decision to transfer appropriations to an agency within the administrative sector of

another ministry shall be made by the Government at the submission of the Ministry of Finance.

Section 7b (978/1995) – Transferring appropriations in a sectoral adjustment of operations between ministries

Where a sectoral adjustment of operations takes place between ministries during the financial year, but this does not have an impact on the essential nature of the activities of those ministries, the Government may, at the submission of the Prime Minister's Office, transfer the relevant appropriation for the use of another ministry in accordance with the sectoral adjustment, for use as similar expenditure, as provided in more detail by decree.

Section 7c (689/2001) – Provisions concerning the use of appropriations

- (1) More detailed provisions concerning the use of appropriations in accordance with the budget may be issued by Government decree.
- (2) The Act on Discretionary Government Transfers (688/2001) contains provisions on the use of appropriations granted as discretionary government transfers in accordance with the budget.

Section 8 – Budget justifications

Approval of the State budget shall also include the justifications given in the budget proposal, intended to represent the views of Parliament, unless Parliament decides otherwise about said justifications.

Section 9 (1056/2002) – Allocation plan

- (1) The justifications referred to in section 8 above may include an allocation plan. The allocation plan assesses how the expenditure budgeted for the appropriation under the item will be distributed between various purposes or, in applying the net budgeting system referred to in section 3a, how the net revenue and expenditure included in the revenue estimate is distributed.
- (2) Unless otherwise indicated in the justifications mentioned in section 8, amounts of expenditure given in allocation plans may be exceeded within the scope of the purposes stated under the entries in the plan, within the appropriation under the item or, in applying the net budgeting system, within a net revenue estimate as provided by Government decree.

Section 10 – Authorization procedure

- (1) In connection with the State budget procedure, an authorization limited in amount and purpose may be granted for the making of contracts and the provision of commitments in the case of which the appropriations for the expenditure incurred are entirely, or to the missing amount, entered in later budgets. The authorization may be used during the financial year covered by the budget in which it is included.
- (2) If the justifications in the budget include size and cost estimates for a State building project, building contracts may be concluded during the financial year for which the appropriations required to cover resulting expenditure are either entirely, or to the missing amount, entered in later budgets. If the size and cost estimates for a building project are included in the justifications for a transferable appropriation, this right to enter into contracts shall be in force as long as the transferable appropriation is available. Commitments concerning projects that exceed the size or cost estimates may be undertaken only if adjustment of the size or cost of the project caused by a

revision of the planning data, a change in circumstances or some other similar reason mean that the estimate has to be exceeded and the costs are reasonable.

Section 10a (217/2000) – *Preparation of budget proposal*

Provisions concerning the stages of and procedures to be followed in the preparation of the budget proposal may be issued by Government decree.

Section 10b (217/2000) – *Implementation of the budget*

Provisions necessary for the implementation of the budget and for the organization of financial and accounting administration may be issued by Government decree.

Section 11 – *Supplementary budget proposals*

When a proposal concerning additions and amendments to the State budget is submitted to Parliament, funds shall be allocated in the same proposal to cover the proposed increase in expenditure and reduction in revenue. This proposal shall also include a forecast of essential changes in the revenue amounts included in the State budget. The supplementary proposal may also include cuts in the appropriations granted in the State budget.

Section 12 (1216/2003) – *Operational and financial planning*

- (1) Government agencies shall plan their operations and finances, and their performance, several years ahead. Ministries shall plan the effectiveness of operations and operative performance in their sector several years ahead.
- (2) Further provisions about said planning can be issued by Government decree.

Chapter 2 – Cash management, bookkeeping and annual accounts of the State

Section 13 (384/2000) – *Cash management*

- (1) The cash management of the State must be carried out economically and taking account of payment transaction security. An agreement can be made on the management of State payment transactions with a credit institution or another corporate body engaged in carrying out payment transactions. Otherwise, provisions on the arrangements for State cash management are issued by Government decree.
- (2) If an agreement has been made on carrying out State payment transactions, the Ministry of Finance has the right to supervise the performance of functions within the sphere of the agreement and to be given the information necessary for this by the contracting parties. The contracting parties are liable for any loss caused by them as agreed in the agreement on carrying out State payment transactions.

Section 13a (384/2000) – *Time of payments made*

- (1) Funds paid to the State by giro transfer are considered paid when they have been paid to the account of a corporate body managing State payment transactions, unless otherwise provided by law or decree. If the funds are paid to an agency cashier, the payment is considered paid when the payer has received a receipt for the payment.
- (2) Payments via giro transfer deriving from State payment liability are considered paid when the payment is in the account of the corporate body representing the recipient, unless otherwise provided by law or decree.

Section 14 – *Bookkeeping*

The State accounts shall be kept according to generally accepted accounting practice.

Section 15 (165/1992) – *The level of detail of bookkeeping*

- (1) The accounts shall be arranged so that it is possible to follow up the outcome of the budget at least at the level of detail of budgetary items. The bookkeeping shall include all revenue, expenditure and financial transactions gross, and related adjustments and transfers.
- (2) Government agencies shall arrange to monitor the profitability of chargeable activities so that their annual results can be presented in connection with the annual accounts, unless the chargeable activity is insignificant.
- (3) Separate provisions apply to the bookkeeping of State public enterprises.

Section 16 (1216/2003) – *Accounting*

In order to monitor their operating costs, operative performance and effectiveness and to meet other needs in implementing direction, management and accountability, Government agencies shall arrange their accounting of performance, management accounting and other monitoring systems as further provided for by Government decree.

Section 17 (1216/2003) – *Report on the State annual accounts*

- (1) As the report provided for in section 46 of the Constitution states, the Government shall submit to Parliament a report on the State annual accounts for each financial year dealing with management of the central government finances and compliance with the State budget.
- (2) The report on the State annual accounts shall include the State annual accounts and all necessary other information on management of the central government finances and compliance with the State budget, together with information on the most important factors in terms of trends in the social effectiveness and operative performance of the State's operations, and the most important information on trends in social effectiveness and operative performance in the sectors covered by the various ministries. The report shall also incorporate income statements and balance sheets on State public enterprises, income and expenditure statements or income statements and balance sheets on extraordinary State funds, and information on the most important factors in terms of the operations, finances and performance of said public enterprises and funds, and their future development.
- (3) Further provisions concerning compilation of the report on the State annual accounts may be issued by Government decree.

Section 17a (1216/2003) – *State annual accounts*

- (1) The State annual accounts comprise:
 - 1) a budget implementation statement on implementation of the budget, specified per section or main division by chapter and item;
 - 2) an income and expenditure statement on revenues and expenditure;
 - 3) a balance sheet illustrating the financial position on the final date of the financial year;
 - 4) a cash flow statement illustrating cash flows;
 - 5) the notes to the accounts needed to provide the true and fair information referred to below in section 18.

- (2) The surplus or deficit for the financial year shown in the State annual accounts shall be presented in the budget implementation statement, which also shows the cumulative surplus or deficit from previous financial years. Information on exercise of the authorizations referred to in section 10 shall also be given in the budget implementation statement.
- (3) Further provisions concerning the compilation and content of the State annual accounts may be issued by Government decree.

Section 18 (1216/2003) – *True and fair information*

The State annual accounts and information on the central government finances and the State's financial management and operative performance included in the report on the State annual accounts shall provide true and fair information on compliance with the budget, State revenues and expenditure, the State's financial position, and performance (*true and fair view*).

Section 19 – *Revenue and expenditure arrears* (1056/2002)

- (1) Revenues which belong to a financial year but could not be collected during that year shall be carried over to the following year as a revenue arrear. If an expense, the exact amount of which is known, has not been payable from a fixed appropriation or an estimated appropriation included in the budget for the financial year for that purpose before the end of that year, the amount needed for the payment may be carried over to the following year as an expenditure arrear when the annual accounts are closed. An expenditure arrear that has not been paid out during the year immediately following the financial year shall lapse, unless the ministry concerned decides otherwise. What is provided concerning the ministries above shall also apply to the Prime Minister's Office.
- (2) Repealed by Act 1056/2002.
- (3) If a transferable appropriation that is wholly or partly unused may no longer be carried over when the annual accounts are closed, the unused amount shall lapse. Transferable appropriations and expenditure arrears that lapse shall be entered as revenue.

Section 20 – *Payment of expenditure belonging to earlier years from appropriations for the current year*

If expenditure belonging to a year prior to the financial year is to be paid during the financial year, but the appropriations necessary for the payment have not been carried over as an expenditure arrear, the expenditure may, with permission from the Ministry of Finance, be paid from an appropriation available for a similar purpose during the current financial year. The Ministry of Finance may decide, however, that the accounting agency may decide on the payment of such expenditure without permission from the Ministry of Finance, on conditions specified in the decision.

Section 21 (1216/2003) – *Annual accounts and reports on operations of government agencies*

- (1) In their annual accounts and reports on operations compiled in order to implement accountability, government agencies shall provide true and fair information on their compliance with the budget, their revenues and expenditure, their financial position and their operative performance (*true and fair view*).
- (2) Further provisions on the annual accounts and reports on operations of government agencies, and on their processing and approval, and on the statement that must be

provided on them by the ministry in the relevant sector of administration, will be issued by Government decree.

Section 21a (1216/2003) – *Application of the Act to the annual accounts, bookkeeping and accounting of State funds*

What is provided in or by virtue of this Act applies to the bookkeeping, accounting and annual accounts of extra budgetary State funds, unless provided otherwise elsewhere in the law.

Chapter 3 – **State asset and debt management** (1216/2003)

Section 22 (165/1992) – *State assets*

- (1) State assets shall be used in a profitable way, taking account of their purpose.
- (2) The appropriations included in the State budget for the activities of government agencies shall not be used to purchase more commodities than are needed to ensure that work is carried on without interruption.

Section 23 – *Commitment of monies in stocks of supplies*

The Ministry of Finance shall specify the government agencies permitted to commit monies in advance in stocks of supplies in such a manner that the appropriation in the expenditure budget is debited only when the supplies are put to use. The Ministry of Finance shall also decide the limits up to which the agencies may commit monies in their stocks of supplies.

Section 24 (217/2000) – *Surrender of movable State assets*

- (1) Unless otherwise provided by law or decided in the budget, government agencies may surrender movable State assets in their possession, if the surrender can be considered financially justified and appropriate. Government agencies must obtain the assent of the Government if the value of the assets to be surrendered is significant or if the surrender must otherwise be considered significant, as provided by Government decree. Assets must not be surrendered at a price below their current value or without remuneration unless special reasons to proceed otherwise are provided in more detail by Government decree.
- (2) Shares, bonds and other securities owned by the State and acquired by virtue of an explicit decision of Parliament shall not be surrendered without the permission of Parliament, unless the surrender is considered to be insignificant according to more detailed provisions issued by decree.
- (3) Unless otherwise provided by law or by virtue of law, provisions on the management of shares, bonds and other securities owned by the State can be issued by Government decree.
- (4) The Act on the right to surrender State properties and real estate (973/2002) contains provisions on the surrender of shares pertaining to State properties and real estate. (974/2002)

Section 24a (217/2000) – *Debt servicing*

Provisions on arrangements for State debt servicing can be issued by Government decree.

Chapter 4 – Guidance and control of State financial management and internal control
(1216/2003)

Section 24b (217/2000) – *Internal control*

- (1) Government agencies must see to appropriate arrangements for internal control in their own activities and in activities for which they are responsible.
- (2) The arrangements for internal control are run by each agency's management, which is responsible for ensuring that it is appropriate and adequate.
- (3) More detailed provisions on internal control and its arrangement in government agencies are issued by Government decree.

Section 24c (1216/2003) – *Authorization to issue provisions*

The State Treasury can issue provisions on management of the bookkeeping, cash management and accounting of government agencies and extrabudgetary State funds, on drawing up financial statements and on other details pertaining to the activities and procedures of the accounting organization.

Section 24d (1216/2003) – *Collaboration and official assistance*

- (1) Government agencies shall free of charge provide other agencies with information, documents and reports needed for operational and financial planning and budget implementation, internal control, compilation of annual accounts and reports on operations, and other reporting on the central government finances required by the law.
- (2) Government agencies shall perform supervisory functions and inspections within their purview related to the State's financial management which are requested by another government agency performance if the supervisory function or inspection requested is justified from the viewpoint of the agency making the request.
- (3) The procedures to be followed and data to be given in supplying the information referred to in subsection 1, and details of the obligation to perform a supervisory function or an inspection for another agency as referred to in subsection 2, at the latter's request, and the procedures to be followed in the performance of such duties can be further provided for by Government decree.

Section 24e (1216/2003) – *Government financial controller's function*

The Ministry of Finance shall have a Government financial controller's function, with a Government Controller-General and a Government Deputy Controller-General as assistant and deputy, both appointed by the Government, for the purpose of ensuring and developing the quality and financial accountability of the system used to control and report on central government finances and operations. The qualification requirements for the posts of Government Controller-General and Deputy Controller-General will be laid down by Government decree.

Section 24f (1216/2003) – *Duties and powers of the Government financial controller's function*

- (1) It is the duty of the Government financial controller's function:
 - 1) to ensure, as an element in preparation of the report on the State annual accounts for submission to the Government, that said report provides the true and fair information laid down in section 18, and also to ensure that State annual account

information and the other most important information on central government finances and performance, are available and accessible in preparations and decision-making concerning said central government finances and guidance of operations;

- 2) to guide and co-ordinate, and to develop, State annual account reporting and other reporting and assessment concerning central government finances and performance, and the arrangement of internal control, as well as providing advice and observations and suggestions for action based on said observations, thereby ensuring and promoting the smooth functioning of guidance and reporting systems and procedures for central government finances and operations in a suitable and efficient way;
 - 3) to co-ordinate the internal and administrative control of European Union funds for which the Finnish State is responsible and draw up opinions and reports related to the supervision and audit of Union funds, errors in management of these funds, and misappropriations of funds, for European Union institutions and other bodies, unless these fall within the purview of some other authority;
 - 4) to contribute to Ministry of Finance preparation of matters that fall within the Ministry's purview, as laid down by Government decree or in the Ministry's own rules of procedure, or as ordered by the Minister of Finance, and also to take part in international cooperation in its own operating sector.
- (2) The Government financial controller's function can present a report on its observations and make any relevant proposals for action to the Government and Ministry, and to government agencies, public enterprises and funds. The function can also make its observations and proposals for action available to the State Audit Office and other authorities competent in the matter, for action on their part as appropriate.

Section 24g (1216/2003) – *Right to information*

- (1) The Government financial controller's function has the right to obtain free of charge all information, documents and reports it needs to carry out its duties from government agencies, State public enterprises and extrabudgetary State funds.
- (2) Notwithstanding provisions on confidentiality, the Government financial controller's function has the right to obtain from government agencies, State public enterprises and extrabudgetary State funds information and documents concerning central government finances and operations, and concerning procedures applying or applicable to central government finances or funds or assets for which the State is responsible, if performance of a duty laid down in section 24f(1)(1-3) above makes this essential.

Section 24h (1216/2003) – *Status and decision-making power of the Government financial controller's function*

The Government financial controller's function is part of the Ministry of Finance and what is provided concerning the said Ministry and its civil servants applies to it. However, the Government Controller-General and Deputy Controller-General may independently decide matters concerning presentation of the function's observations and requests for and provision of information, on proper submission.

Chapter 5 – Miscellaneous provisions (1216/2003)

Section 25 (678/2000) – *Application of this Act to the management of Parliament's finances*

- (1) The provisions in this Act shall, as applicable, also be observed in the management of Parliament and State Audit Office finances. In the case of their appropriations, decisions on exceeding estimated appropriations are made by the Parliamentary Office Committee, which also grants the permission mentioned in section 19(1) and section 20.
- (2) Further stipulations about the management of Parliament and State Audit Office finances and bookkeeping shall be issued in the accounting regulations for Parliament, unless otherwise provided by law concerning the State Audit Office.

Section 26 – *Authorization to issue decrees*

- (1) More detailed provisions on the implementation of this Act will be issued by decree.
- (2) Provisions on matters concerning the State budget, bookkeeping, the annual accounts and the internal supervision of government agencies can be issued by decree, unless there is an explicit provision stating that these matters must be governed by an Act.
- (3) On those matters which are governed by decree, stipulations and instructions may also be issued by decision of the Ministry of Finance and in the standing orders for government agencies.

Section 27 – *Entry into force*

- (1) This Act comes into force on June 1, 1988, repealing the Act on the Bases for the State Budget and the Final Accounts of the State of April 24, 1931 (136/1931), and the Act on the Use of Postal Giro in the State Cash Management of July 12, 1940 (363/1940), the first mentioned including later amendments.
- (2) Measures needed to enforce this Act can be taken before it comes into effect.

Section 28 – *Transitional provisions*

- (1) The provisions in section 7 shall apply for the first time to transferable appropriations in the State budget for 1989. Until then, section 6 and section 9(2) of the Act on the Bases for the State Budget and the Final Accounts of the State shall apply.
- (2) This act shall apply for the first time to the annual accounts when the accounts for 1988 are closed. Until then, the Act mentioned in subsection 1 above shall apply.
- (3) Operating revenue and operating costs arising from the business activities of government agencies shall be included in the State budget for 1988 as provided in section 2(3) of the Act mentioned in subsection 1 above.

Entry into force of amendments and their application:

(1216/2003)

- (1) This Act came into force on January 1, 2004.
- (2) Sections 12, 16, 21 and 21a will be applied for the first time to operative and economic planning, accounting, bookkeeping and annual accounts, and to reports on operations, applicable to financial year 2005. Section 3b (3) and

sections 17, 17a and 18 will be applied for the first time to bookkeeping and annual accounts for financial year 2004.

- (3) Measures necessary for the implementation of this Act may be undertaken before the Act's entry into force.

(1111/2004)

This Act will inter into force on August 1, 2005.