

Law N. 112 of 20 December 2002

REPUBLIC OF SAN MARINO

2003 BUDGET

AND

2003-2005 MULTIYEAR BUDGET FOR THE OVERALL GENERAL GOVERNMENT

We, the Captains Regent

of the Most Serene Republic of San Marino

promulgate and order the publication of the following law passed by the Great and General Council in its sitting of 20 December 2002.

TITLE I

(Provisions on budget compilation and management)

Art. 1

According to Art. 18 of Law N. 30 of 18 February 1998, the State Budget for the 2003 fiscal year (Annex "A") has been approved on an accrual basis:

Budgeted Revenue

Title 1 – Tax revenue	€ 427,747,050.00
Title 2 – Non-tax revenue	€ 56,341,940.00
Title 3 – Alienation, depreciation of state property and credit reimbursements	€ 1,659,810.00
Title 4 – Revenue from borrowing	€ 19,592,342.00
Title 5 – Clearing entries	€ 25,699,000.00
Total Revenue	€ 531,040,142.00

Budgeted Expenditure

Title 1 – Current expenditure	€ 478,321,019.00
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Title 2 – Capital expenditure	€ 23,838,880.00
Title 3 – Loan reimbursements	€ 3,181,243.00
Title 4 – Clearing entries	€ 25,699,000.00
Total expenditure	€ 531,040,142.00

Art. 2

According to Art. 18 of Law N. 30 of 18 February 1998, the Budget of the Philatelic and Numismatic State Corporation (AASFN) for the 2003 fiscal year (Annex “B”) has been approved on an accrual basis:

Budgeted Revenue

Title 1 – Current revenue	€ 6,597,500.00
Title 2 – Extraordinary revenue	€ 5,500.00
Title 3 – Capital movements	€ -
Title 4 – Special accounts	€ 20,490,000.00
Title 5 – Clearing entries	€ 536,700.00
Total revenue	€ 27,629,700.00

Budgeted Expenditure

Title 1 – Current expenditure	€ 4,110,913.00
Title 2 – Capital expenditure	€ 140,000.00
Title 3 – Capital movements	€ 2,352,087.00
Title 4 – Special accounts	€ 20,490,000.00
Title 5 – Clearing entries	€ 536,700.00
Total expenditure	€ 27,629,700.00

Art. 3

According to Art. 18 of Law N. 30 of 18 February 1998, the Budget of the Public Works State Corporation (AASP) for the 2003 fiscal year (Annex “C”) has been approved on an accrual basis:

Budgeted Revenue

Title 1 – Current revenue	€ 18,699,027.07
Title 2 – Asset revenue	€ 10,000.00
Title 3 – Special accounts	€ 1,000,000.00
Title 4 – Clearing entries	€ 12,852,700.00
Total revenue	€ 32,561,727.07

Budgeted Expenditure

Title 1 – Current expenditure	€ 14,000,000.00
Title 2 – Extraordinary expenditure	€ 4,554,027.07
Title 3 – Capital expenditure	€ 155,000.00
Title 4 – Special accounts	€ 1,000,000.00
Title 5 – Clearing entries	€ 12,852,700.00
Total expenditure	€ 32,561,727.07

Art. 4

According to Art. 18 of Law N. 30 of 18 February 1998, the Budget of the Public Utilities State Corporation (AASS) for the 2003 fiscal year (Annex “D”) has been approved on an accrual basis:

Budgeted Revenue

Title 1 – Current revenue	€ 47,040,106.00
Title 2 – Capital movements	€ 5,164,516.00
Title 3 – Special accounts	€ 476,175.00
Title 4 – Clearing entries	€ 964,223.00
Total revenue	€ 53,645,020.00

Budgeted Expenditure

Title 1 – Current expenditure	€ 34,436,296.00
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Title 2 – Capital movements– Capital expenditure	€ 9,694,576.00
Title 3 – Special accounts	€ 2,941,757.00
Title 4 – Clearing entries	€ 964, 223.00
Total expenditure	€ 48,036,852.00

Art. 5

According to Art. 18 of Law N. 30 of 18 February 1998, the Budget of the San Marino National Olympic Committee (CONS) for the 2003 fiscal year (Annex “E”) has been approved on an accrual basis:

Budgeted Revenue

Title 1 – Ordinary revenue	€ 4,180,000.00
Title 2 – Extraordinary revenue	€ 280,000.00
Title 3 – Other revenue	€ 160,700.00
Title 4 – Clearing entries	€ 214,000.00
Total revenue	€ 4,834,700.00

Budgeted Expenditure

Title 1 – Current expenditure	€ 4,198,900.
Title 2 – Extraordinary expenditure	€ 250,000.00
Title 3 – Non shareable expenditure	€ 59,500.00
Title 4 – Capital expenditure	€ 17,300.00
Title 5 – Loan reimbursements	€ 95,000.00
Title 6 – Clearing entries	€ 214,000.00
Total expenditure	€ 4,834,700.00

Art. 6

According to Art. 18 of Law N. 30 of 18 February 1998, the Budget of the Social Security Institute (ISS) for the 2003 fiscal year (Annex “F”) has been approved on an accrual basis:

Budgeted Revenue

Title 1 – Current revenue	€ 210,229,000.00
Title 2 – Capital revenue	€ 10,000.00
Title 3 – Clearing entries	€ 13,466,000.00
Total revenue	€ 223,705,000.00

Budgeted Expenditure

Title 1 – Current expenditure	€ 209,275,000.00
Title 2 – Capital expenditure	€ 1,887,000.00
Title 3 – Clearing entries	€ 13,466,000.00
Total expenditure	€ 224,628,000.00

Art. 7

According to Art. 18 of Law N. 30 of 18 February 1998, the Budget of the San Marino University for the 2003 fiscal year (Annex “G”) has been approved on an accrual basis:

Budgeted Revenue

Title 1 – Ordinary revenue	€ 2,150,000.00
Title 2 – Extraordinary revenue	€ 820,120.00
Title 3 – Capital revenue	€ 1,817,220.00
Title 4 – Clearing entries	€ 310,000.00
Total revenue	€ 5,097,340.00

Budgeted Expenditure

Title 1 – Current expenditure	€ 4,612,380.00
Title 2 – Capital expenditure	€ 174,960.00
Title 3 – Clearing entries	€ 310,000.00
Total expenditure	€ 5,097,340.00

Art. 8

According to Art. 18 of Law N. 30 of 18 February 1998, the Budget of the San Marino Dairy Corporation for the 2003 fiscal year (Annex “H”) has been approved on an accrual basis:

Total expenditure	€ 2,519,275.00
Total revenue	€ 2,547,770.00
Expected operating profit	€ 28,495.00

Art. 9

Under Articles 2 and 34 of Law N. 30 of 18 February 1998 the following 2003-2005 multiyear budgets have been approved on an accrual basis:

- 1) Multiyear State Budget (Annex “I”);
- 2) Multiyear Budget for the Philatelic and Numismatic State Corporation (Annex “L”);
- 3) Multiyear Budget for the Public Works State Corporation (Annex “M”);
- 4) Multiyear Budget for the Public Utilities State Corporation (Annex “N”);
- 5) Multiyear Budget for the San Marino National Olympic Committee (Annex “O”);
- 6) Multiyear Budget for the Social Security Institute (Annex “P”);
- 7) Multiyear Budget for the San Marino University (Annex “Q”).

Art. 10

Any commitment, payment and disbursement of expenditure corresponding to each expenditure chapter in the State Budget are hereby authorised.

Under articles 10 and 34 of Law N. 18 of 18 February 1998, non regular or recurrent multiyear expenditure, without prejudice to the annual appropriation ceilings, may be authorised with regard to future fiscal years.

Following the approval of the Budget, compulsory expenditure related wages and salaries, loan reimbursement quotas, connected interests and charges deriving from the execution of contracts or law provisions, as per Annex “R”, are to be considered automatically authorised and committed.

Art. 11

The assessment, collection and payment to the State Treasury of duties, taxes, proceeds, contributions and any other claim by the State, with possible adjustments, are hereby authorised.

Art. 12

The Congress of State has the faculty to allocate, by its own decision, the appropriations referred to in chapters 1-3-2470 "Reserve for contingencies", 1-3-2480 "Provision for compulsory expenditure" and 1-3-2490 "Intervention fund" among and across said chapters and funds and to commit unused balances for subsequent fiscal years, provided that their destination is specified.

Art. 13

The Congress of State is authorised to make, by its own decision, the necessary adjustments to the Clearing Entries expenditure chapters, in close relation with the assessments on the corresponding revenue chapters and strictly within the limits of such assessments.

Art. 14

The Congress of State has the prerogative to establish extraordinary maintenance works and the execution of public works to be carried out, directly or indirectly, by the Public Works State Corporation.

Moreover, the Congress of State provides for the disbursement of monthly amounts from the Endowment Fund for manpower to which the above mentioned Corporation is entitled under chapter 1-3-2590.

Art. 15

The Congress of State is authorised to grant the AASFN advances to be accounted for at a later stage on the basis of an ad-hoc annual agreement, which shall indicate the stamp and coin issue programme for 2003, the relevant budgeted cost, as well as the agreed collecting commission for the sale of philatelic and numismatic values.

The AASFN is authorised to collect on behalf of the State Treasury Service and of the Post Administration the proceeds from the sale of circulating coins and postage stamps at face value, with the obligation to pay to the Treasury - at least on a quarterly basis - the collected sums, to be attributed to chapters 940 and 950 of the State Budget.

For 2003 the AASFN remains entrusted with the issuing of telephone cards, including all related inventory and accounting operations.

Art. 16

The Congress of State is authorised to allocate to the CONS, as advances, the annual contribution referred to in Art. 8 of Law N. 32 of 13 March 1997.

Art. 17

The Congress of State is authorised to make agreements, for 2003, with credit institutions ready to grant subsidised loans under Laws N. 22 of 11 March 1981 and N. 96 of 20 September 1989, up to a total amount of € 1,550,000.00. Charges to be paid by the State, also related to previous loans, shall be attributed to the relevant expenditure chapters.

Art. 18

Under Art. 6 of Law N. 118 of 29 September 1987 and Law N.13 of 28 January 1993, as subsequently amended and supplemented, the Congress of State is authorised to make agreements, for 2003, with credit institutions ready to grant subsidised loans to companies, up to a total amount of € 11,878,500.00. Interests to be paid by the State, also related to previous loans, shall be attributed to chapter 2-5-7220.

The Regency Decree envisaged by Law N. 13 of 28 January 1993, as subsequently amended and supplemented, shall also provide, by 31 March 2003, for the modification of the eligibility criteria for subsidised loans and relevant granting conditions, with a view to effectively implementing the economic recovery and development project discussed in the sitting of the Great and General Council of 29 October 2002.

Art. 19

Under Decree N. 8 of 11 February 1988, the Congress of State is authorised to make agreements, for 2003, with credit institutions ready to grant unsecured loans for students up to a total amount of € 155,000.00. The State shall contribute to the payment of interests, also for previous loans, to be attributed to chapter 1-10-5130.

Art. 20

Under Law N. 110 of 15 December 1994, as subsequently amended and supplemented, the Congress of State is authorised to make agreements, for 2003, with credit institutions ready to grant the loans indicated in the above mentioned Law, for a total amount of € 15,495,000.00. The State shall contribute to the payment of interests, also for previous loans, to be attributed to chapter 2-8-7450.

By 31 March 2003, the above-mentioned Law shall be amended, by means of a Regency Decree, in order to reach the objectives pursued by the State by providing economic support to households in real need and correlate public intervention, in terms of housing typology, to the objectives of the State.

Art. 21

The Congress of State is authorised to make agreements, for 2003, with credit institutions ready to grant subsidised loans under Art. 154 of Law N. 87 of 19 July 1995, for a total amount of € 250,000.00. The State shall contribute to the payment of interests, also for previous loans, to be attributed to chapter 1-8-7465.

Art. 22

The Congress of State is authorised, upon reasoned proposal of the Secretary's Office of the Great and General Council, to allocate funds among chapter 1-1-1470 "Autonomous Fund of the Captains Regent", chapter 1-1-1480 "Autonomous Fund of the Great and General Council", and chapter 2-1-6100 "Autonomous Fund of the Captains Regent and of the Great and General Council for the purchase of property".

Art. 23

Under Art. 5 of Law N. 59 of 20 May 1985, amended by Law N. 14 of 29 January 1987, the contribution to Parliamentary Groups, including parliamentary benefits, for 2003, is fixed at € 798,623.00 and attributed to chapters 1-1-1450 and 1-1-1460.

Art. 24

The Congress of State is authorised, on proposal of the Local Authorities, to allocate funds among chapters 1-6-3810 "Cheques to Local Authorities" and 2-6-7280 "Contribution to Local Authorities for the purchase of property".

Art. 25

Under Art. 29 of Law N. 22 of 24 February 1994, the AASP is authorised to allocate the sum of € 460,000.00 to the Local Authorities, to be attributed to the relevant chapters of the AASP's Budget.

Art. 26

For 2003 the Congress of State is authorised to allocate an endowment fund of € 50,000,000.00 for health assistance to the Social Security Institute, to be attributed to chapter 1-9-4590.

For 2003 the Congress of State is also authorised to transfer to the ISS and amount of € 12,000,000.00 for social and health services, , to be attributed to chapter 1-9-4610.

Partially amending Art. 1 of Law N. 156 of 20 December 1990, the State shall finance health services and social and health services only for the amounts allocated under this financial law.

By 31 March 2003 the Congress of State shall implement paragraph 3 of art. 15 of Law N. 156 of 20 December 1990. Moreover, by 31 December 2003 the Congress of State shall submit a plan on the self-sufficiency of pension funds.

By 30 June 2003 the Congress of State shall submit a law on the institutional reform of the Social Security Institute providing, in particular, for a distinction between Health and Social Security, each with a separate management and different social control.

Art. 27

The payment of a lump sum by the Social Security Institute in relation to pensions paid as reimbursements under Law N. 7 of 8 March 1927 and attributed to chapter 1080, shall be equal to 10% of the amount indicated in chapter 1-3-2670 of the Government Financial Statement for the previous fiscal year.

Art. 28

Any charges referred to in Decrees N. 48 and 49 of 20 May 1996 for 2003 shall be attributed to chapter 1-3-2490 or chapters 1-3-2470 and 1-3-2480.

Art. 29

The Congress of State has the faculty, by its own decision, to allocate among the relevant chapters the appropriation referred to in chapter 1-3-2650 “Wages and salaries and economic benefits for public employees and retirees”, and to commit unused balances for subsequent fiscal years, provided that their destination is specified.

Art. 30

The AASS is authorised, for 2003, to use its own reserves up to an amount of € 5,164,569.00 to cover budgeted investment expenditure, including expenditure related to investments made on behalf of the State.

Art. 31

The accounting of depreciation of tangible and intangible State property, subject to the favourable opinion of the Public Finance Control Commission, shall be postponed to the compilation of the fiscal and economic accounts for 2002 to be completed by 30 June 2003. Such deferral shall allow both the issue of Regency Decrees providing for the evaluation criteria of immovables, and the completion of cadastral registrations and notarisations of outstanding bills of sale and permutations.

By the same date an accounting assessment shall be conducted on the residual production and/or utilisation capacity of tangible and intangible property already depreciated or for which depreciation is under way.

Art. 32

The Congress of State, in agreement with the interested economic associations, shall elaborate, through the setting up of a Mixed Commission, a plan for the revitalisation and development of the tourist and commercial sectors. To this end, an endowment fund of € 500,000.00 is established within the Department of Tourism, Commerce and Sport.

Art. 33

The Congress of State shall complete the study on the pension reform. To this end, € 100,000.00 are allocated by means of an appropriate expenditure chapter.

Art. 34

A programmed borrowing requirement up to € 19,592,342.00 to finance the 2003 Budget deficit is hereby authorised.

Title II

(Measures to curb expenditure)

Art. 35

The freezing of temporary assignments and replacements of employees working both on a permanent and a contractual basis in any office and service of the overall general government is hereby enforced.

In order to ensure service continuity, the Congress of State may envisage reasoned exceptions to such freezing only with regard to replacements and assignments deemed essential and failing to recruit the necessary staff from among employees of the overall general government. Similarly, appropriate administrative provisions shall be enforced to take into account the need for special automatic mechanisms.

The hiring of wage-earners by the AASP, both in the ordinary forms and in those set forth in Law N. 151 of 27 November 1985 and regulated by Regency Decree N. 153 of 3 December 1985, is also frozen.

Law N. 151 of 27 November 1985 shall be reformed by 30 June 2003 in order to rule out the current automatic mechanisms and adapt access to labour to the new employment situation and changed social conditions.

The project for the restructuring of public employment shall envisage special and suitable forms to better exploit disabled workers in the public sector.

Art. 36

In the framework of the measures to curb expenditure and better exploit professional and material resources, in line with the general reform of the Public Administration, and without prejudice to the priority objective of qualification of the school system, the Congress of State shall adopt, by 31 March 2003, appropriate legislative and/or administrative provisions concerning schooling and providing for:

1. the unification of the Middle School headmastership and related secretary's office of the first and third districts;
2. the reconsideration of criteria for classroom composition with regard to the minimum and maximum number of pupils per classroom;
3. a survey on school infrastructures;
3. the redefinition of the role of teachers and of their competences, including examiners' fees.

The relevant provisions shall take into consideration the results of negotiations with the Trade Unions.

Art. 37

Art. 30 of Law N. 130 of 12 December 2001 is repealed.

In the new labour contracts for all public employees of the overall general government, the measures devised to reduce current expense shall be taken into account.

Art. 38

The Congress of State is entrusted with the renegotiation of the following agreements, with a view to reducing the relevant economic burden:

- transport agreements;
- parking agreements;
- the agreement with San Marino television broadcasting company (San Marino RTV), fixing, in the same context, the contribution referred to in chapter 1-6-2280, for 2003, at € 310,000.00;
- the agreement with the San Marino Central Bank (ICS) on the treasury service. In the meantime, the Secretary of State for Finance and Budget shall conclude the 2002 agreement with the ICS, keeping in mind the need for a cost reduction of the service. In the same context, the Congress of State shall negotiate the assignment of the "tax collection service" to the ICS.

- all agreements stipulated under Law N. 44 of 18 March 1993 showing deficiencies, anomalies and/or non-fulfilment of commitments taken.

TITLE III

(Provisions governing employment in the overall general government.)

Art. 39

The provisions of this Title shall apply to all offices and services of the overall general government and are aimed at fully implementing job mobility in order to:

- guarantee efficiency and cost-effectiveness in the public administration;
- rationalise and make a better use of all available professional resources;
- reduce State payroll as indicated in this financial law.

Art. 40

The employment relationship between the employee and the State shall not entail a definitive and unchangeable assignment of the employee to a given Department or Office.

Employees shall fill in positions, as necessary, according to the qualification and professional profile corresponding to their assignment.

Staff assignments shall be established according to similar professional fields and/or functions and related qualifications and compensation levels.

The provisions referred to in the preceding paragraphs shall be implemented by means of legislative provisions, which shall also concern the reorganisation of offices and services and the minimum staff requirement necessary to their proper functioning, as well as their possible merging, subject to prior negotiations with the trade unions.

Special mobility lists shall include redundant employees, who may result from the restructuring, and other employees waiting to be posted elsewhere either on request or for health reasons.

Art. 41

In case of vacancies (without prejudice to the provisions in Art. 25 of the Public Employment Law, as subsequently amended and supplemented), temporary vacancies or in order to meet staff requirements due to extraordinary working burden, posts shall be filled in resorting to the mobility list. Such employees shall maintain their compensation level and perform functions compatible with their previous qualification.

Moreover, provided that the necessary qualifications and professional requirements envisaged by law are satisfied, higher-ranking posts may be equally assigned by resorting to mobility of employees with identical or similar functions.

The Administration shall prepare a staff requirement list to be periodically updated.

Art. 42

With regard to the previous Article, the following lists shall be prepared:

- list of redundant employees;
- list of workers in excess;
- list of employees waiting for a different assignment for health reasons and/or reduced working capacity;
- list of voluntary mobility.

The Advisory Commission shall draft the above-mentioned lists according to the criteria agreed upon with the Trade Unions.

Failing to recruit personnel from the lists referred to above, the principle of free internal mobility shall be applied, except where special educational attainments or professional skills are required.

Art. 43

Any vacancy, either definitive or temporary or staff requirement due to extraordinary working burden, shall be filled in by resorting first of all to staff already in service, according to the following criteria:

- definitive vacancy:

Having unsuccessfully exhausted the procedures set forth by the provisions in force (redundancy, vacancy notice, voluntary mobility), the vacancy shall be filled in by a person already employed in the same Department or, failing this, in another Department with the same level, qualification and professional profile, provided that he/she meets the necessary educational requirements and has a shorter length of service.

- temporary vacancy or staff requirement due to extraordinary working burden:

Having failed to recruit personnel in the lists referred to in the preceding article, the post shall be covered by an employees with the same qualifications and a shorter length of service.

If personnel with the same professional profile are not available, vacancies may also be filled in by employees with a lower level, provided that they meet the necessary educational and other law requirements.

Art. 44

The Head of an Office who needs staff due to definitive or temporary vacancy, or to extraordinary working burden, shall address a reasoned request both to the Head of Personnel and the Coordinator of the Department concerned.

The Coordinator shall check whether there is staff available within his/her own Department according to the following lists:

- 1) redundant workers;
- 2) workers resulting in excess from periodical reviews;
- 3) voluntary mobility.

If there is staff available, the Coordinator shall inform and ask the Head of Personnel to take measures accordingly.

In case of failure, the Coordinator shall inform the Head of Personnel who shall recruit staff from among employees of the overall general government according to the following lists:

- 1) redundant workers;
- 2) workers in excess;
- 3) employees waiting to be posted elsewhere for health reasons and/or reduced working capacity;
- 4) voluntary mobility.

In case of equivalent educational attainments and qualification, employees with a shorter length of service shall be preferred.

Failing to recruit staff from the above-indicated lists, mobility shall be applied *ex officio* first within the same Department upon indication of the Department Council and of the Head of Personnel. Should this procedure be also unsuccessful, mobility shall be applied *ex officio* within the overall general government upon indication of the Departmental Coordinating Office and upon order of the Head of Personnel.

Mobility *ex officio* shall be applied according to the following criteria:

- qualification;
- educational attainments;
- shorter length of service.

Employees of lower rank but meeting the necessary educational requirements may be also recruited. In this case, length of service is a preferential criterion.

Art. 45

The criteria, modalities and procedures concerning the implementation of mobility provisions may be reviewed by Regency Decree, to be issued by 28 February 2003, due account being taken of the results of negotiations with the Trade Unions.

Art. 46

The permanent hiring of precarious workers shall take place compatibly with the financial recovery measures and on the basis of negotiations with the Trade Unions.

TITLE IV

(Measures for the consolidation and collection of new receipts)

Art. 47

The Congress of State shall make a systematic review of the tax legislation in income tax matters in order to adjust it to the new international taxation, if necessary through a reduction of tax rates. In this context, the current tax relief policy may be also reconsidered. In the meantime, the Congress of State shall start the review of the collegial Bodies set forth by the Tax Law in force, in order to reconcile more effective tax assessment with the safeguard of taxpayers' confidence.

Art. 48

Art. 27 bis of Law N. 91 of 13 October 1984, as subsequently amended and supplemented, is superseded by the following:

“Taxpayers who are natural persons owning a licence granted under Law N. 10 of 25 January 1990 and Law N. 65 of 25 July 2000, with an overall sales turnover, obtained in the previous year, not exceeding an amount to be fixed with a subsequent Regency Decree, may file an application to the Tax Office, by September of each year, for a lump sum taxation of their income for the following year.

The lump sum taxation is based on indicators of the taxpayer's capacity.

Such indicators differ according to categories and take into account all the elements annually specified by the Secretariat of State for Finance and Budget and enforced by Regency Decree.

By way of derogation from other provisions in this law and without prejudice to what specifically provided for in other laws, the subjects entitled to lump sum taxation shall keep only the sales book, maintain related documents and file a tax return under the terms specified”.

Art. 49

Under Art. 27 bis, as modified by the preceding Article, of Law N. 91 of 13 October 1984, as subsequently amended and supplemented, subjects entitled to lump sum taxation for 2003 who, meeting the requirements, intend to apply for lump sum taxation for 2004, are required to record revenues as from 1st January 2003.

Notwithstanding Art. 27 ter of the above-mentioned law, the subjects referred to in the preceding paragraph may file an application for lump sum taxation for 2004 by October of the following year; to this end, revenues obtained as of 30 September of the same year shall be calculated on the twelve-month scale, except for seasonal activities. In this latter case, the assessment Commission shall define by 30 June 2003 the relevant eligibility criteria

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Art. 50

The ordinary rate referred to in Art. 4 of Law N. 40 of 22 December 1972, as subsequently amended and supplemented, is raised to 17% as of 1 January 2003.

The Congress of State shall start a study on the possible effects of the transition from a “single stage” to a value added taxation system on imports.

By 30 June 2003, the Congress of State shall also:

- reform the regulation on import tax reimbursements set forth in Art. 9 of Law N. 40 of 22 December 1972, in order to base such reimbursements on a tax self-settlement system and define the new criteria for reimbursement entitlements,
- review Art. 4 of Decree N. 126 of 21 December 1999 on producer's vehicles;
- extend the application of the first paragraph of Art. 2 of the above-mentioned Decree to hotels and catering facilities.

In order to increase revenues along with the development of business activities, the Congress of State shall make an analysis and an assessment of the whole existing business sector, with a view to devising an ad-hoc project to boost such sector through short-, medium- and long-term measures in the framework of a wide-ranging re-launching plan of the entire economic and business sector of San Marino. To this end, a working schedule shall be agreed upon with business associations, so as to identify interventions and policies to strengthen and develop the country's social and economic structure.

Art. 51

As of 1 January 2003, paragraph 6 of Art. 39 of Law N. 91 of 13 October 1984, as subsequently amended and supplemented, is superseded by the following:

“The subjects referred to in the first paragraph paying a compensation in money or in kind or in any form denominated for the performing of independent or similar work to

subjects residing abroad shall apply a withholding tax of 15%. If recipients are natural persons residing abroad, such withholding tax shall be also levied on any other compensation for the termination of non-dependent work relationships, as set forth in letter b) of Art. 7.”

As of the same date, paragraph 7 of Art. 39 is repealed.

Art. 52

Paragraph 8 of Art. 39 of Law N. 91 of 13 October 1984, as subsequently amended and supplemented, is superseded by the following:

“The subjects referred to in the first paragraph paying compensations, in any form denominated, for agency, representation, commerce and similar services shall apply a withholding tax of 5%, to be calculated on the amount of the compensations when recipients reside abroad.”

The provision referred to above shall be applied on compensations paid from 1 January 2003.

Art. 53

For the purposes of Law N. 91 of 13 October 1984, as subsequently amended and supplemented, as of 1 January 2003 income from buildings shall be revaluated as follows:

- a) income from buildings intended for ordinary purposes shall be revaluated by multiplying by 45 the cadastral income adopted on the basis of Decree N. 31 of 24 August 1953.
- b) income from buildings intended for special purposes shall be revaluated by multiplying by 20 the cadastral income adopted on the basis of Decree N. 31 of 24 August 1953.

As from 1 January 2003, Decrees N. 49 and 50 of 20 April 1995 are repealed.

For the purposes of the above-mentioned Law, subjects engaging in leasebacks shall be treated in the same way as life renters.

From the date indicated in the first paragraph, the exemption referred to in letter n) of Art. 10 of Law N. 91 of 13 October 1984, as subsequently amended and supplemented, shall exclusively apply to buildings intended for principal residence of individuals.

By 31 December 2003, the Congress of State shall submit to the Great and General Council the cadastral reform and the merging of the Cadastral Office with the Registration Office within the Finance Department.

Art. 54

The service for the collection, treatment and disposal of wastewater through the public sewage system is hereby established and recognised as a public service.

Tariffs to be paid by users shall be fixed by means of an order in line with Art. 7 of Law N. 89 of 31 October 1994, account being taken of the contribution indicated in the State Budget.

The service shall be performed by the AASS, according to the provisions set forth in a special regulation to be issued by 31 March 2003 by means of a Regency Decree.

Art. 55

As from 1 January 2003, the note referred to item 19 quater of Art. 8 of Law N. 115 of 19 November 2001 is superseded by the following: “the tax shall be applied on the value of the whole financial transaction for each transfer”.

By 30 April 2003, the Congress of State shall submit to the Great and General Council a new regulation on financial leasing, as well as a set of provisions concerning the definition of capital income and the review of the obligation to collect withholding tax (sostituto d'imposta).

TITLE V

(Miscellaneous provisions)

Art. 56

The interest rate due in case of delayed payment of direct, indirect and state taxes is equal to the legal interest rate referred to in Law N. 36 of 27 October 1972, increased by 2 percentage points.

The interest rate referred to in the preceding paragraph shall apply to tax liabilities accruing after 1 January 2003 and to those deriving from tax obligations arising from the same date.

Any other provision conflicting with this Article is repealed.

The legal interest rate of the above-mentioned law is fixed at 5% starting from 1 January 2003 and may be changed by Regency Decree.

Art. 57

By way of derogation from the period set forth in Art. 3 of Law N. 49 of 27 March 2002, the conclusion of multi-year contracts for the provision of services shall be allowed whenever the fundamental principles of cost-efficiency and cost-effectiveness

of spending are met, subject to the favourable opinion of the Public Finance Control Commission.

The Public Finance General Directorate and the Office of the State Attorney shall constantly monitor the contractual commitments taken by the State, and the revenue assessments made by public Offices and Services, as well as the contractual obligations to be fulfilled by the counterparts in order to verify, according to their respective competences, budget compliance, collection procedures, and the fulfilment of obligations.

Art. 58

Paragraph 2 of Art. 12 of Law N. 115 of 19 November 2001 is amended as follows:

“The record and publication formalities shall be requested to the Registration Office by depositing the declarations concerning the contracts in force by 28 February 2003.

Within further three months, the Office shall proceed with the publication formalities”.

Art. 59

Art. 38 of Law N. 42/1955 is amended as follows:

“If the sums due are paid after the prescribed deadline a delay interest equal to the legal rate in civil matters increased by two percentage points shall be applied.

After 30 days from the day on which contributions had to be paid, the Social Security Institute shall notify, by registered mail, the non-payment and a settlement order within 30 days from notification. If the settlement occurs by such deadline, a penalty equal to one fourth of the sums due shall be applied in addition to the delay interest.

Failing settlement by such deadline, a penalty equal to the sums due shall be applied and the Social Security Institute shall collect the contributions, the delay interests and the penalties through the *Mano Regia* procedure (forced collection of tax and duties of public entities) and with privilege on all the debtor's property.

Notices to debtors impossible to find shall be published “*ad valvas palatii*” and such publication shall be considered as a notification.

Interests shall run from the first day following that on which contributions were due.

Debts arising from non paid contributions and for which forced collection procedures have not been started, shall become invalid by prescription after five years from the day on which they were due.

Anyone making false declarations or fraudulent acts in order to avoid payment of contributions shall be punished by terms of a fine ranging from € 500.00 to € 5,000.00, except where the fact constitutes a more serious offence.

As an extraordinary measure, the Board of Directors, on the basis of an ad hoc regulation drafted by the same body and approved by the Public Finance Control Commission, may authorise the deferred payment of the sums due subject to appropriate guarantees and prior to the starting of Mano Regia procedures.

Art. 60

The Congress of State shall rationalise public debt, better exploit public resources, find new financial resources for the implementation of modernization and development projects of the country, without prejudice to the relevant decisions of the Great and General Council.

Art. 61

The Congress of State shall propose, by 31 January 2003, the substitution of Title I of Law N. 127 of 10 December 2001 concerning the introduction of a tax on foreign financial assets.

Art. 62

The Congress of State shall start a study on the impact of a possible introduction of a stamp duty on services not subject to any indirect taxation in the Republic.

This study shall determine simple payment modalities for such duty.

The Congress of State may propose to the Great and General Council the introduction of the duty mentioned above during 2003, provided that the issue has been discussed with the economic associations.

Art. 63

The Congress of State shall implement the decisions and guidelines contained in Congress Decision N. 9 of 4 November 2002 (Annex "S"), concerning the administrative and organisational integration between the Office of Banking Supervision and the San Marino Central Bank, without prejudice to the operational autonomy of the OBS.

TITLE VI

(Final provisions)

This law shall enter into force on the fifth day following that of its legal publication.