

## ACCOUNTING AND TAXATION OF JOINT VENTURES

**POPOVICI DANIELA MARIOARA, POPOVICI FLORIN, POPOVICI DUMITRU**

TIBISCUS UNIVERSITY, FACULTY OF ECONOMICS, Timisoara, THE ROMANIAN COURT OF ACCOUNTS. THE CHAMBER OF ACCOUNTS OF TIMIS COUNTY, TIBISCUS UNIVERSITY, FACULTY OF ECONOMICS  
[haidana@yahoo.com](mailto:haidana@yahoo.com), [popovici.florin@gmail.com](mailto:popovici.florin@gmail.com), [mitrupopovici@yahoo.com](mailto:mitrupopovici@yahoo.com)

**Abstract:**

*The joint venture involves the sharing by several natural or legal persons of the means, assets at their disposal in order to achieve an objective, the form of organization which, according to the provisions of the New Civil Code, does not lead to a structure with legal personality, but which aims to satisfy the interests of those who compose it. The association can be made for a specific project, but it can also be created as a continuous business partnership. The accounting of joint ventures is organized and managed separately by one of the co-participants according to the contractual agreements between the parties.*

**Key words:** joint venture, accounting, agreement, taxation

**JEL classification:**

[http://www.aeaweb.org/journal/jel\\_class\\_system.html](http://www.aeaweb.org/journal/jel_class_system.html)

### LEGAL ASPECTS OF THE JOINT VENTURE AGREEMENT

The joint venture agreement has always been a commercial contract, as it was concluded for the obvious purpose of sharing the profits and losses of a commercial business. For this reason, the main regulation of the joint venture was the Commercial Code. The commercial code regulates the joint venture contract in art. 251-256<sup>1</sup>.

In the current legislative context, the joint venture is regulated by the Civil Code, which dedicates to this contract art. 1949-1954<sup>2</sup>. The Civil Code essentially preserves the principles of joint venture enshrined in the Commercial Code. One of the characteristics that kept and in the current regulation is that regarding the lack of legal personality of the joint venture. Consequently, being an association without legal personality, in addition to the express provisions reserved to it by law, the joint venture will also be governed by the provisions of the Civil Code regarding simple civil society.

Also, regulations regarding the joint venture agreement can be found in the Fiscal Code, the Fiscal Procedure Code, as well as in the methodological norms for its application.

---

<sup>1</sup> Codul comercial din 10 mai 1887 actualizat

<sup>2</sup> Legea 287 din 17 iulie 2009 privind Codul Civil

The legislator also gives a definition of the joint venture agreement, in the content of art. 1,949<sup>3</sup> The new Civil Code, according to which the joint venture agreement is the contract by which a person grants to one or more persons a participation in the profits and losses of one or more operations which he undertakes.

The joint venture has substantial similarities with the company, because, as in the latter, the associations agree and share various goods for the exercise of lucrative activities, in order to achieve and share the resulting profit. Also, the joint venture has strong similarities with the civil society, in that both associations do not benefit from legal personality, but remain only in the contractual form. However, there are several differences between the joint venture, the commercial company and the civil society.

Due to the synallagmatic character, the joint venture agreement gives rise to rights and obligations for all contracting parties (associates). One of the main obligations of the members is the contribution to the association. Therefore, the contributions of the associates may consist of sums of money, various movable or immovable property, tangible or incorporated goods, such as brands, inventions, innovations, know-how or even a whole goodwill or a patrimony of affectation. Contribution to "specific knowledge" may consist of the intellectual, managerial or other skills of the participating partners. The goods brought into the association must not be of the same nature or value, and the sums of money must not be equal for all the associations. Equality of participation is not the essence of joint venture. It is understood that, the extent of the participation of each associate is an essential criterion for sharing the benefits and bearing the losses resulting from the association.

Another obligation of the partners is to share the profits and bear the losses resulting from the exercise of the trade within the joint venture. The distribution of benefits and the bearing of losses shall be made in accordance with the agreements of the Contracting Parties.

## **TAX ASPECTS REGARDING THE JOINT VENTURE AGREEMENT**

From a fiscal point of view, several rules must be observed, the most important being:

From the VAT point of view, the provisions regulated by art. 321 para. (5)<sup>4</sup> of the Fiscal Code which specifies that the legal obligations regarding the tax belong to the partner who accounts for the income and expenses, according to the contract concluded between the parties. For all purchases of goods and services made within the association, this partner exercises the right to deduct the amount of deductible VAT entered in the invoices received from various suppliers. The amounts (income and expenses realized in the association) distributed through the statement of the association are not subject to VAT because the amount distributed does not represent a provision of services or a delivery of goods within the scope of VAT.

With regard to the tax implications and declaratory obligations of the co-participating company, the income generated within the association shall be subject to income tax or profit tax, as the case may be. This company reports, quarterly, through the

---

<sup>3</sup> Legea 287 din 17 iulie 2009 privind Codul Civil

<sup>4</sup> Legea 227 din 8 septembrie 2015 privind Codul fiscal, actualizat 2020

declaration of code 100, the income or profit tax due both for the income from its own activity and for the income obtained within the association.<sup>5</sup>

## ACCOUNTING ASPECTS OF THE JOINT VENTURE AGREEMENT

The accounting of joint ventures is organized and managed separately by one of the co-participants according to the contractual agreements between the parties. Items of the nature of income and expenses arising from the operations of joint ventures shall be accounted for separately by the associate designated by the association agreement and, at the end of the reporting period, expenses and income recorded by nature shall be transmitted on a cash basis, percentage according to the participation quota, to each partner in order to register them in their own accounting in accordance with the applicable accounting regulations.

According to Order 1802/2014, the record of the joint venture is organized both at the level of the partnership and in the accounting of each co-participant with the help of account 458 “Settlements from joint operations”, analytically distinct on each co-participant.<sup>6</sup> The credit balance of the account represents the amounts due to the co-participants as a favorable result (profit) from joint operations, as well as the amounts owed by the co-participants to cover the eventual losses registered from joint operations. The debit balance of the account represents the amounts receivable from the co-participants to cover the eventual losses registered from joint operations, as well as the amounts to be collected by the co-participants from joint operations as a favorable result (profit).<sup>7</sup>

The accounts of class 6 “Expenditure accounts” may be credited during the period, for joint operations, with the amounts sent on the basis of the statement, and the accounts of class 7 “Income accounts” may be debited, during the period, with the realized income from participation operations transferred to the co-participants. The company that keeps the records of the joint venture keeps records and draws up a balance sheet separate from those corresponding to its own activity. As for the tangible and intangible assets made available to the association, they are included in the accounting records of the owner. The expenses and incomes determined by the operations of the joint ventures are accounted separately by one of the associates, according to the provisions of the association contract.

At the end of the reporting period, the expenses and income recorded by nature are sent on the basis of a statement to each partner, in order to record them in their own accounts. At the balance sheet date, assets such as inventories, receivables, cash and liabilities, as well as liabilities of the joint venture, they are entered in the annual financial statements of the associate who keeps the records of the association.

---

<sup>5</sup> <https://www.fiscalitatea.ro/asociere-in-participatie-ce-implicatii-de-plata-si-declarative-vor-avea-asociatii-14757/>

<sup>6</sup> OMFP 1802 pentru aprobarea Reglementărilor contabile privind situațiile financiare anuale individuale și situațiile financiare anuale consolidate publicat în MO 963 din 30 decembrie 2014

<sup>7</sup> <https://www.contzilla.ro/contabilitatea-operatiunilor-realizate-in-cadrul-contractelor-de-asociere-in-participatie/>

From the point of view of the supporting documents that will be used for the settlement of the amounts between the participants, the Statement for joint operations (code 14-4-14) will be used, approved by OMFP 2634/2015<sup>8</sup> regarding the financial-accounting documents. The statement for joint operations is used in all areas of activity in which joint operations are performed. It serves as a document on the basis of which the expenses and incomes realized from joint operations are settled, as well as the amounts transferred between the associates. It is drawn up by the entity that keeps the accounting of the joint venture, monthly, on each associate, with the incomes and expenses incumbent on him, for registration in its own accounting, according to the quotas provided in the concluded association agreements. Expenditures and incomes will be grouped into accounts in the expense and income account classes, according to the applicable chart of accounts. Other transfers are included in the statement, representing the value of the funds, of the realized profit, the amortization of the fixed assets and other amounts resulted from the joint operations.

## CASE STUDY

We analyze here the way of transmission and recording in accounting of the incomes and expenses of two commercial companies in case of a joint venture agreement that specifies the way of sharing the results of the common economic activities carried out. The distribution of the financial results will be made monthly proportionally with the participation quota of each partner, respectively 70% for SC A SRL and 30% for SC B SRL. According to the association agreement, the accounting is kept by the partner A, who is the main partner.

Companies A and B participate in the joint venture, in order to obtain income from a contract with the National Health Insurance House, for the provision of medical imaging services, according to the association agreement, as follows:

Company A - 70%: contribution in kind own fixed asset amounting to 482,000 p.m. , amortization period 9 years, used for the object of the joint venture agreement in percentage of 90%, contribution in kind, fixed asset rented, monthly expenses with rent 25,000 p.m. used for the purpose of the 80% joint venture agreement. Company A is the one that has concluded a contract with the National Health Insurance House, a contract in which is also mentioned an equipment owned by Company B.

Company B - 30% contribution in kind fixed asset 3,045,000 u.m., amortization period 10 years, used for the object of the joint venture agreement in percentage of 80%.

During the month, revenues were obtained from the contract with CNAS in the amount of 275,000 p.m.

Organization and management of accounting at company A:

Recording of the invoice issued to CNAS for the services provided:

411.01 "CNAS customers"	=	704.02 "Income from services rendered in association"	275.000
-------------------------	---	---	---------

<sup>8</sup> Ordin nr. 2.634 din 5 noiembrie 2015 privind documentele financiar-contabile

Reversal of the income from the association recorded according to the invoice issued to CNAS and their division between the two associates according to the percentages provided in the agreement:

458.A "Settlements from joint ventures - associate A"	=	704.02 "Income from services rendered in association"	-192.500
458.B "Settlements from joint ventures - associate B"	=	704.02 "Income from services rendered in association"	-82.500
458.A "Settlements from joint ventures - associate A"	=	704.01 "Income from services provided own activity"	192.500

Recording of the rent invoice for the rented equipment:

612.02 "Rent expenses - association"	=	401 "Suppliers"	20.000
612.01 "Rent expenses - own activity"	=	401 "Suppliers"	5.000

Reversal of rental expenses from the association recorded according to the invoice issued by the supplier and their division between the two partners according to the percentages provided in the agreement:

612.02 "Rent expenses - association"	=	458.A "Settlements from joint ventures - associate A"	-14.000
612.02 "Rent expenses - association"	=	458.B "Settlements from joint ventures - associate B"	-6.000
612.01 "Rent expenses - own activity"	=	458.A "Settlements from joint ventures - associate A"	14.000

Recording of depreciation expenses for equipment owned:

6811.02 "Expenditure on depreciation of tangible assets - association"	=	2813 "Depreciation of equipment"	4.017
6811.01 "Expenditure on depreciation of tangible assets - own activity"	=	2813 "Depreciation of equipment"	446

Reversal of depreciation expenses from the association recorded according to the fixed assets file and their division between the two associates according to the percentages provided in the agreement:

6811.02 "Expenditure on depreciation of tangible assets - association"	=	458.A "Settlements from joint ventures - associate A"	-2.812
6811.02 "Expenditure on depreciation of tangible assets - association"	=	458.B "Settlements from joint ventures - associate B"	-1.205
6811.01 "Expenditure on depreciation of tangible assets - own activity"	=	458.A "Settlements from joint ventures - associate A"	2.812

Taking over in association the depreciation of the equipment owned by company B:

6811.02 "Expenditure on depreciation of tangible assets - association"	=	458.B "Settlements from joint ventures - associate B"	20.300
--	---	---	--------

Reversal of depreciation expenses from the association recorded according to the statement and their division between the two associates according to the percentages provided in the agreement:

6811.02 "Expenditure on depreciation of tangible assets - association"	=	458.A "Settlements from joint ventures - associate A"	-14.210
6811.02 "Expenditure on depreciation of tangible assets - association"	=	458.B "Settlements from joint ventures - associate B"	-6.090
6811.01 "Expenditure on depreciation of tangible assets – own activity"	=	458.A "Settlements from joint ventures - associate A"	14.210

Payment to the associate B of the amount due from the activity in the association according to the statement:

458.B "Settlements from joint ventures - associate B"	=	5121 "Available at the bank in lei"	89.505
---	---	-------------------------------------	--------

Organization and management of accounting at company B:

Recording of income obtained from the association activity based on the statement:

458 "Settlements from joint ventures"	=	704 "Income from services rendered"	82.500
---------------------------------------	---	-------------------------------------	--------

Registration of rent expenses from the association activity based on the statement:

612 "Rent expenses"	=	458 "Settlements from joint ventures"	6.000
---------------------	---	---------------------------------------	-------

Recording of depreciation expenses from the association activity related to the equipment owned by company A based on the statement:

6811 "Expenses related to the depreciation of tangible assets"	=	458 "Settlements from joint ventures"	1.205
--	---	---------------------------------------	-------

Recording of depreciation expenses for equipment owned:

6811 "Expenses related to the depreciation of tangible assets"	=	2813 "Depreciation of equipment"	25.375
--	---	----------------------------------	--------

Reversal of amortization related to the joint venture agreement and transferred based on the statement of the main partner, company A:

6811 "Expenses related to the depreciation of tangible assets"	=	458 "Settlements from joint ventures"	-20.300
--	---	---------------------------------------	---------

Recording of depreciation expenses from the association activity related to own equipment based on the statement:

6811 "Expenses related to the depreciation of tangible assets"	=	458 "Settlements from joint ventures"	6.090
--	---	---------------------------------------	-------

Collection of the amount due from the activity in association according to the statement:

5121 "Available at the bank in lei"	=	458 "Settlements from joint ventures"	89.505
-------------------------------------	---	---------------------------------------	--------

## REFERENCES

### *a. Legislație*

1. \*\*\*, Ordinul nr. 2.634 din 5 noiembrie 2015 privind documentele financiar-contabile, actualizat 2020
2. \*\*\*, Ordinul nr. 1.802 din 29 decembrie 2014 pentru aprobarea Reglementărilor contabile privind situațiile financiare anuale individuale și situațiile financiare anuale consolidate, actualizat 2020
3. \*\*\*, Legea nr. 227 din 8 septembrie 2015 privind Codul fiscal, actualizat 2020
4. \*\*\*, Codul comercial din 10 mai 1887, actualizat 2020
5. \*\*\*, Legea nr. 287 din 17 iulie 2009 privind Codul civil

### *c. Internet*

6. <https://www.fiscalitatea.ro/asociere-in-participatie-ce-implicatii-de-plata-si-declarative-vor-avea-asociatii-14757/>
7. <https://www.contzilla.ro/contabilitatea-operatiunilor-realizate-in-cadrul-contractelor-de-asociere-in-participatie/>