

# SOME CONSIDERATIONS REGARDING ASPECTS OF THE ACCOUNTANCY SYSTEM OF THE ECONOMIC INTERESTS GROUP

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**Abstract:** *The economic interests group appears as a necessity in a market economy at the level of some secondary activities which influence the company's main activity that cannot be individually funded. The economic interests group will be set up through the association of one or more natural or legal entities for the purpose of achieving some activities necessary for the members of the group. Setting up the economic interests groups whose purpose is to obtain profit directly, using the products, works and services made by the group members, means making their activities more profitable in the sense of obtaining higher earnings or maintaining the entity on the market.*

**Key words:** *economic interests group, legal entity, tax liabilities, finance group entities.*

## 1. Association Methods between Legal Entity

It is known that in the market economy any association between natural and legal entities is free unless it produces negative effects at the economic function level.

The association between legal entities may have as purpose their financial consolidation or the possibility of financing the secondary activities needed to develop the main activity.

The financial consolidation will be accomplished through financial investments made in the capital stock of other companies, the owner of these securities having the possibility of exercising his rights of administration or having an important influence on the company.

Through financial investments there will be set up holding companies with the

purpose of processing or holding participation shares of another company, in order to monitor and manage their business activity.

On the basis of financial investments there are established societies groups that may be analyzed both financially and in terms of performances derived from the consolidated accounts.

Not all trading companies have the possibility to belong to a group taking in consideration the financial investments. Taking into account that in the market economy there exists the right of free association, the economic interest groups that were created on basis of economic interests will keep the independence of each and every member of the group.

If the group is based on financial investments there will be a control activity

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made by the parent company over other affiliated companies and the independence of the members of the economic interests group will be maintained.

Among these activities we can mention:

- the market survey;
- the program of nature protection;
- the patents;
- the setting up of access ways;
- the heating system;
- the manufacturing process.

## 2. The Tax Liabilities of the Economic Interests Group

The organization form of the economic interests group will influence the way of organizing the accounting records, namely:

a). if an interest group works in the form of an association without creating a legal entity, then the accountancy will be organized by one of the group's members, distinctively from its activity.

In order to highlight the discounts between the members of the group there will be used account 451: "Discounts within the group" which is a double – functional account:

- in the debit column we will register the amounts transferred to other entity within the group;
- in the credit column we will register the amounts received by other entity within the group.

The account can be:

- debtor balance, representing the amounts which have to be received by other entities within the group;
- credit balance, representing the amounts

owed to other entities within the group.

The account may develop like this:

- 4511 "Settlements within the group" – double-functional account used for setting the amounts transferred to other accounts or the received amounts between the entities within the group;
- 4518 "Interests related to discounts within the group" – double-functional account used for establishing the owed interests or the interests which have to be received from the operations within the group.

These accounts have to exist in the accountancy of each and every member of the group and they reflect the discount relations among them.

We can take into account the possibility of an association between three trading companies in order to create an economic interests group without generating a legal person. The A trading company has to organize the accounting. The purpose of the group is to conduct a market research.

The specific operations of the group that have to be registered are:

- a company has to receive the amounts from the other two trading companies owed by the group;
- a company has to cede the intangible asset and the other two trading companies have to get discharged of the goods according to the amounts paid;
- the interests to be paid and the interests to be received from the operations within the group have to be booked;
- the debt between the members of the group has to be redeemed.

Trading company A	Trading company B	Trading company C
512 = 4511	4511 = 512	4511 = 512
4511 = 758	201 = 4511	201 = 4511
666 = 4518	4518 = 766	4518 = 766
4511 = 512	512 = 4511	512 = 4511
4518 = 512	512 = 4518	512 = 4518

b). the interests group works as a legal entity which may be set up by means of subscribing the contribution of capital or without capital.

In Romania, according to Law no. 161/2003, the economic interests group of legal entities has the obligation to organize the accounting system taking in consideration the Accountancy Law no. 82/1991, with the subsequent modifications and completions.

The financial statements have to be prepared according to the norms provided by the accounts regulations.

After the approval of the General Meeting of the Members, the financial statement will be submitted by the manager to the Tax Authorities in maximum 15 days. One copy of the annual financial statement will be submitted to the Chamber of Commerce.

If an economic interests group has to be similar to the trading companies regarding the way of operating, it means that the tax liabilities have to be identical, too.

If the economic interests group is created previous to the subscription of the capital than the following operations have to be registered:

- the subscription of the capital;
- the payment of the subscribed capital;
- the distribution of the dividends;
- the reduction and liquidation of the capital.

In order to register these operations according to Accountancy Law no. 82/1991 and OMFPM 306/2002 the following accounts are provided:

- 1011 “Capital subscribed and unpaid” – passive account used for registering the subscribed capital by the members of the group;
- 1012 “Capital subscribed and paid in” – passive account used for registering the subscribed and paid capital by the members of the group;

- 456 “Discounts with the shareholders/associates regarding the capital” – active account used for registering the discounts regarding the capital between the members of the group;

- 457 “Dividends to be paid” – passive account used for registering the dividends owed to the group members.

The specific operations of the group members will be registered using the accounts of the general account scheme approved by OMF 306/2002.

Others fiscal liabilities of the economic interests group are:

- the registration of economic operations will be based on accounting documents;
- maintaining the compulsory registers (the day book, the nominal ledger, the stock book);
- carrying out of the inventory;
- drawing up financial statements.

It may be possible that through the specifications of MFP there should be clarified two relations of discounts regarding the capital, which should be registered using the account 451 “Discounts within the group” or 456 “Discounts with the shareholders/associates regarding the capital”.

### 3. Tax Liabilities

Depending on the type of organization of the economic interests group there will be established the following tax liabilities:

- a). if the economic interests group is organized through association without generating a legal entity, then the tax liabilities belong to the trading company which has to carry out the specific operations of the group, with the obligation of keeping the accounts;
- b). if the economic interests group is organized as a legal entity, then it will be treated as a tax-payer with the

obligation of registering itself at the Tax Administration.

It also has the obligation of establishing the owed duties and taxes, preparing and submitting the declaration of taxes at the Tax Authorities.

Among the duties and taxes that have to be paid are:

- the profit tax if it gets profit as a result of carrying out the activities;
- the salary income tax (if it has employees);
- the value added tax – if it is a value added taxpayer;
- the dividend tax, if the dividends are distributed to the members of the group;
- the local duties and taxes, if there are taxable goods in their own patrimony (buildings, and others);
- the customs duties, if it makes imports;
- other contributions mentioned by fiscal legislation

The economic interests group with remunerated personnel also has to pay some other budgetary obligations:

- the social security contribution;
- the unemployment fund contribution;
- the health insurance contribution;
- other contributions mentioned by fiscal legislation.

The economic interests group has to be submitted to the Control Department of the national authorities and for not paying the budgetary obligations has to bear interests and penalties.

#### 4. Conclusions and Proposals

The economic interests group operating as a legal entity which will be assimilated to a trading company both from organizational point of view and considering its obligations towards the

members of the group and the creditors point of view.

However there are some differences, such as:

- does not have as the main purpose getting a profit, but achieving activities necessary to the group members;
- has a limited number of customers because the entire activity will be capitalized by the group members;
- the level of the price regarding capitalization of goods, services and performed works will be established by the CEOs (Chief executive Officers ) of the group.

There could be made a proposal regarding the elucidation of the following aspects:

- if the level of the price regarding the capitalization falls under the incidents of Law no. 414/2002 regarding the profit tax;
- if the fiscal losses are deductible;
- if the economic interests group benefits from the fiscal facilities specific to trading companies.

In the light of the above mentioned aspects, we consider that the operation of the economic interests group represents a necessity in Romania.

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