

Trading Companies in Romania

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Abstract

The company is seen as a collaboration between two or more people, who agree to share certain assets in order to carry out a certain activity together and share the benefits arising from this collaboration.

To carry out economic activities, natural persons and legal persons can come together and set up companies, in compliance with the provisions of Law 31/1990 - Law on the establishment of trading companies and the reorganization of state economic units as Autonomous Administrations and national companies.

Key word: General Partnerships, Limited Partnerships, Partnerships Limited by Shares, Joint-Stock Companies, Limited Liability Companies

J.E.L classification: M13

1. Introduction

The purpose of this article is to analyse the situation of the setting up of commercial companies in Romania in the last years. We will investigate the statistical data provided by the National Trade Register of Commerce to establish the influence of the latest events regarding the establishment of trading companies in our country.

We will focus on the situation in the South-East Economic Development Area formed by the cities: Constanta, Tulcea, Braila, Galati, Buzau and Vrancea. We will provide a statistic evolution of trade companies registered in this area of economic development, in comparison with the whole country.

2. Conceptual delimitations

Trading companies are Romanian legal persons/entities with headquarters in Romania, grouped into two categories:

I. Partnerships (unincorporated companies):

- a. General Partnerships (in Ro- Societatea în Nume Colectiv - S.N.C.);
- b. Limited Partnerships (in Ro – Societatea în Comandită Simplă - S.C.S.).

II. Corporations (incorporated companies):

- a. Partnerships Limited By Shares (in Ro - Societatea în Comandită pe Acțiuni - S.C.A.);
- b. Joint-Stock Companies (in Ro – Societatea pe Acțiuni - S.A.);
- c. Limited Liability Companies (in Ro- Societatea cu Răspundere Limitată -S.R.L.).

Table. no. 1. Minimum criteria for setting up companies in Romania

Minimum establishment criteria	Partnerships		Corporations		
	The General Partnership	The Limited Partnership	Partnership limited by Shares	Joint Stock Company	Limited Liability Company
No. of founders	Min. 2	Min. 2	Min. 2	Min. 2	Min. 1- Max. 50
Share Capital	-	-	Minimum 25.000 euros, but no less than 90.000		Min. 200 lei
The liability of the founders to the patrimonial obligations of the company	Unlimited joint liability	Unlimited joint liability for active partners and within the limit of the contribution to the share capital for silent/dormant partners		Within the limit of the subscribed share capital	

Source: Own processing

2.1 The General Partnership

The General Partnership is a form of business organization that arises from the association of at least two natural or legal persons. Historically, it represents the first form of trading company. This type of company is suitable for conducting small businesses, in which the business partners/associates know each other well (relatives, friends). The business partners are unlimitedly and jointly liable for the company's social obligations. The share capital knows no restrictions and is formed as a result of the contribution of the business partners (money and / or goods in kind); it can be any asset with an economic value that is of interest for the activity of the company.

In the essential matters concerning the activity of the company, the decisions within the company are taken by the business partners according to the principle of the majority of the votes cast. The name of such a company must include at least the name of one of the business partners and the words S.N.C. The General Partnership is managed by one or more admins. They may be appointed from among the business partners or may be natural or legal persons from outside the company. In general, the admin may perform all those managerial acts in the interest of the company. In the case of the existence of several admins, the limits within which they may act shall be set for each of them.

2.2 The Limited Partnership

The Limited Partnership is a partnership with at least 2 business partners, in which the minimum share capital limit is not imposed. Within the Limited Partnership there are two categories of business partners: active partners and limited partners. The limited partners do not manage the company and are liable only within the limit of their contribution to the share capital. On the other hand the active partners run the company and they are unlimitedly and jointly liable for the company's obligations.

The management of the Limited Partnership will be entrusted to the business partners who represent the absolute majority of the share capital, respectively to one or more active partners. The name of a Limited Partnership must include at least the name of one of the active partners followed by the words "Limited Partnership".

2.3 Partnership Limited by Shares

The Partnership Limited by Shares comprises also the two categories of business partners mentioned above: active partners and limited partners, each with different responsibilities: the active partners manage the company, and the limited partners participate mainly with capital, receiving shares in exchange for the payments made to the company's assets.

The company's capital amounting to 25,000 Euro but no less than 90,000 lei is divided into shares, and the social obligations are guaranteed with the company's property and the unlimited and joint liability of the active partners.

This type of company is similar both to the limited partnership, both having two categories of partners (active partners and limited partners) and to the joint-stock company, given that the capital is divided into small units called shares.

The name of this type of company must include at least the name of one of the active partners followed by the words “Partnership Limited by Shares”.

2.4. The Limited Liability Company

The Limited Liability Company (L.L.C.) is the company whose obligations are guaranteed with its social assets, and the limited partners are liable only within the limits of the subscribed share capital, therefore the creditors cannot pursue the personal property of the business partners in order to cover the company’ debts. L.L.C. is the only form of trading company which can have a single owner, and a person can be a sole partner in a single L.L.C..

2.4.1 General characteristics of the Limited Liability Company

- is a legal entity established according to Law no. 31/1990;
- the name of the owners is business partners/associates;
- the minimum number of business partners who may establish an L.L.C. is 1 and the maximum number of business partners is 50 people;
- the minimum share capital required to establish an L.L.C. is 200 lei, and the maximum is unlimited; the share capital is divided into shares with a nominal value which cannot be less than 10 lei and each business partner has a number of shares in proportion to his contribution to the share capital;
- L.L.C.’s highest governing body is the General Assembly of Associates;
- the LLC is administered by one or more admins, natural or legal persons;
- the appointment of an auditor within an L.L.C. is mandatory if this form of association consists of at least 15 associates;
- the trade name of a Limited Liability Company consists of a name indicating the object of activity and will be accompanied by the fully written words "Limited Liability Company" or "L.L.C.“.

2.4.2 The General Assembly of Associates of the L.L.C. Main Characteristics

The General Assembly of Associates is a deliberation and decision-making body of the company. The admins are obliged to convene the General Assembly of the Associates, at least once a year or as many times as necessary. A business partner or a number of business partners/associates, who gather at least a quarter of the share capital may request the convening of the General Assembly. The summons must be made at least 10 days before the day set for the meeting, specifying the agenda. The meeting will be convened at the company's headquarters.

The Assembly shall act by a majority of the votes cast. An L.L.C. may be run by one or more admins. When there are several admins, they form a Board of Admins. The business partners who hold the absolute majority of the share capital can appoint the admins, establishing their powers, the duration of their mandate and, possibly, their remuneration.

2.4.3 The L.L.C.’s Board of Directors. Main Characteristics

The administrator of an L.L.C. can be both a natural person and a legal person. The admins of the company are obliged to submit their signatures to the Trade Register Office, within 15 days from the date of the registration of the company, if they were appointed by the articles of association, whereas those elected during the operation of the company, within 15 days from their appointment. Among the responsibilities of the administrators we can mention:

- fulfilling the tasks provided in the articles of association;
- fulfilling the decisions of the General Assemblies;
- drawing up and keeping the records required by law in the case of the Limited Liability Company;
- payment of dividends to the business partners.

2.4.4 The L.L.C.’s Audit Committee. Main Characteristics

The appointment of auditors in the case of the LLC is mandatory if the number of business partners is greater than 15. The auditors are appointed by the General Assembly of Associates. In the absence of auditors, control is exercised by the business partners who are not administrators. The

auditors oversee the way in which the company's activities are managed within the company. The auditors verify the correctness and legality of the financial statements drawn up within the company.

2.5 The Joint-Stock Company. Conceptual delimitations

The Joint-Stock Company is the company whose share capital is divided into shares and the social obligations are guaranteed with its social assets. The shareholders are liable only within the limit of their contribution.

2.5.1 General characteristics of the Joint-Stock Company (J.S.C.).

- is a legal entity established according to Law no. 31/1990;
- the name of owners: shareholders;
- the maximum number of shareholders required to set up a J.S.C. is unlimited, and the minimum number is 2 shareholders;
- the minimum share capital required to establish a J.S.C. is the equivalent in lei of 25,000 Euro, but no less than 90,000 lei;
- J.S.C.'s highest governing body is the General Assembly of Shareholders;
- the company may be managed by one or more administrators (shareholders or not, natural or legal persons). If more than one administrator is appointed, they will form a Board of Directors;
- the supervision of the company's management is the responsibility of the Audit Committee;

2.5.2 The General Assembly of Shareholders. Main Characteristics

The General Assembly of Shareholders is the highest governing body of the Joint-Stock Company. The General Assembly of Shareholders convenes at the company's headquarters. The meeting will be convened by the admins as many times as necessary, in accordance with the provisions from the articles of association. Each paid share entitles to one vote within the assembly. The decisions of the General Assembly will be submitted within 15 days to the Trade Register Office, to be mentioned in the register and published in the Official Gazette. General Assemblies are ordinary and extraordinary. The difference between ordinary and extraordinary General Assemblies lies in the different competencies granted to each one by law.

Ordinary General Assemblies deal with issues relating to the normal operation of the company, such as:

- the appointment of the administrators and the auditors, establishing their tasks and due remuneration
- the establishment of their revenue and expenditure budget, the approval of the financial statements, such as the balance sheet, the profit and loss account, etc.

The exclusive competences of the extraordinary General Assembly include tasks such as:

- changing the legal form of organization of the company;
- the merger with other companies, the division of the company, the anticipated dissolution of the company;
- any major change to the articles of association.

2.5.3 J.S.C.'s Board of Director/Admins

Joint-Stock companies can be managed both by a natural person administrator and by a legal person administrator. When there are several administrators, a Board of Directors is formed.

The administrators are obliged to submit their signatures to the Trade Register Office, within 15 days from the date of the registration of the company, if they were appointed within the articles of association, whereas those elected during the operation of the company, within 15 days from their appointment.

The admins will be able to use assets from the company's patrimony in various legal acts (sales, purchases, rents), for as long as the value does not exceed half of the book value of the company's assets. Above this threshold they need the approval of the Extraordinary General Assembly of Shareholders.

2.5.4 J.S.C.’s Audit Committee

The auditors control the way in which economic activities are managed within the company. An auditor of a Joint-Stock Company can be appointed both from inside and from outside the company.

The Joint-Stock Company will have 3 auditors and 3 substitutes. The number of auditors must be odd. The auditors are elected by the General Assembly of Shareholders for a period of 3 years and may be re-elected. The auditors must personally exercise their mandate (they cannot delegate someone else on their behalf).

Relatives of the administrators (up to the fourth degree) and persons who, during their term in office, have control responsibilities within the Ministry of Public Finance.

3. Research methodology

In this paper we will provide a statistic analysis of the evolution of the General Partnerships, Limited Partnerships, Partnerships Limited by Shares, Joint-Stock Companies, Limited Liability Companies in the latest 5 years. The main source for this analysis is The National Trade Register of Romania.

Our analysis is based on presenting statistics regarding the number of registered General Partnerships, Limited Partnerships, Partnerships Limited by Shares, Joint-Stock Companies, Limited Liability Companies at country level, and on two regions of economic development, namely the South-East and the Central areas. Also we will study the structure of this type of companies taking into account the gender and groups of age of the holders/members of the analysed companies.

4. Findings

Through this paper we have conducted a statistic analysis of the process of registering Joint Stock Companies, Partnerships Limited by Shares, Limited Partnerships, General Partnerships, Limited Liability Companies in Romania between 2017 and 2021. If we take a look at table no.2 and figure no. 1 we will remark that 99.9% from total legal forms of organization analysed are Limited Liability Companies.

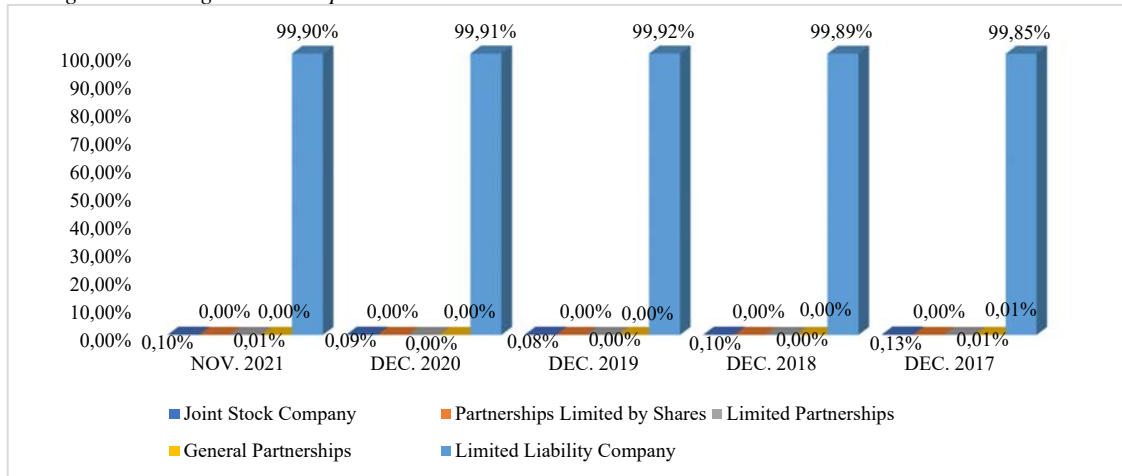
The other four types of legal forms of organization registered in Romania between 2017 and 2021 cumulate only 0.1%. In this period, Romania registered only 470 Joint Stock Companies. The absolute number of Limited Liability Companies registered in the last five years was maintained over 94.000, the only exception was 2020, the year when the pandemic started and many business sector have suffered losses. We can observe a decrease of total trading companies established between 2020 and 2021 with around 18%.

Table no. 2 Registered companies in Romania between dec. 2017 – nov. 2021

Year	Joint Stock Company	Partnerships Limited by Shares	Limited Partnerships	General Partnerships	Limited Liability Company	TOTAL
NOV. 2021	94	0	6	1	96,421	96,522
DEC. 2020	69	0	3	0	78,419	78,491
DEC. 2019	76	0	2	1	94,869	94,948
DEC. 2018	99	0	3	0	94,244	94,346
DEC. 2017	132	1	6	6	98,405	98,550

Source: Own processing from the statistics provided by the National Trade Register of Romania, (<https://www.onrc.ro/index.php/ro/statistici>)

Figure no. 1 Registered companies in Romania between dec. 2017 – nov.2021



Source: Own processing from the statistics provided by the National Trade Register of Romania, (<https://www.onrc.ro/index.php/ro/statistici>)

Table no. 3 Registered companies in Romania in the South-East Economic Development Region between dec. 2017 – nov. 2021

Year	Joint Stock Company	Partnerships Limited by Shares	Limited Partnerships	General Partnerships	Limited Liability Company	TOTAL
NOV. 2021	2	0	1	0	9,845	9,848
DEC. 2020	2	0	0	0	8,135	8,137
DEC. 2019	3	0	0	0	10,277	10,280
DEC. 2018	6	0	0	0	10,037	10,043
DEC. 2017	7	0	0	0	10,146	10,153

Source: Own processing from the statistics provided by the National Trade Register of Romania, (<https://www.onrc.ro/index.php/ro/statistici>)

Figure no. 2 Registered companies in Romania in the South-East Economic Development Region between dec. 2017 – nov. 2021



Source: Own processing from the statistics provided by the National Trade Register of Romania, (<https://www.onrc.ro/index.php/ro/statistici>)

Table no. 3 and figure no. 2 allow us to see the numbers registered by the South-East Economic Development Region. We can remark that over 97,93 % of total trading companies registered in the last years, are Limited Liability Companies. Even though 2020 was the year when the pandemic started, over 8000 of Limited Liability Companies were established in the South-East Region, this means almost 10% of total LLC’s established in the whole country.

The South-East Area registered before the pandemic, around 10.000 LLC’s companies per year. In 2020 this number decreased by 2000, this means that the average number of LLC’s decreased with 20%. Despite the current economic climate, in 2021 we can see that in the analysed area the situation has recovered, because almost 10.000 firms were established and almost 10% of the total trade companies established in Romania activate in the South-East Economic Development Region.

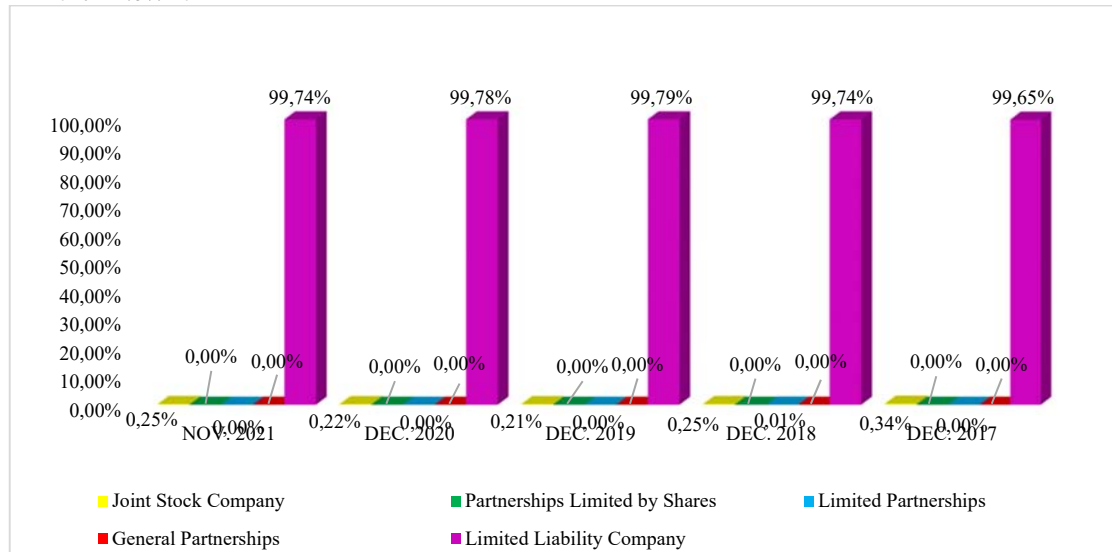
Table no. 4 Registered companies in Romania in the Central Economic Development Region between dec. 2017 – nov. 2021

Year	Joint Stock Company	Partnerships Limited by Shares	Limited Partnerships	General Partnerships	Limited Liability Company	TOTAL
NOV. 2021	63	0	1	1	24,853	24,918
DEC. 2020	45	0	1	0	20,752	20,798
DEC. 2019	44	0	0	0	20,556	20,600
DEC. 2018	59	0	3	0	23,911	23,973
DEC. 2017	86	0	1	1	25,236	25,324

Source: Own processing from the statistics provided by the National Trade Register of Romania, (<https://www.onrc.ro/index.php/ro/statistici>)

The Central Economic Development Region comprises the capital of Romania, Bucharest and Ilfov county. The data that we collected from the National Trade Register show us an interesting situation: in 2020, Bucharest and Ilfov county registered more companies than the year before the pandemic started. Around 25% of total trade companies established in 2021, were registered in this Economic Development Region.

Figure no. 3 Registered companies in Romania in the Central Economic Development Region between dec. 2017 – nov. 2021



Source: Own processing from the statistics provided by the National Trade Register of Romania, (<https://www.onrc.ro/index.php/ro/statistici>)

5. Conclusions

When two or more people agree to share certain goods in order to carry out an economic activity and share the risks and benefits arising from this agreement, we can name this collaboration with two words: trading company. In Romania, according to law 31/1990 operate the following trading companies: General Partnerships, Limited Partnerships, Partnerships Limited By Shares, Joint-Stock Companies, Limited Liability Companies.

Each one of these companies has specific characteristics regarding the number of founders, the minimum share capital at the establishment of the company, the liability of the founders regarding the patrimony of the company. The main bodies responsible for the good functioning of the trading companies are The General Assembly, The Board of Directors and the Audit Committee.

2020 was the beginning of the pandemic with a negative impact on the business sector. From the research conducted, we can observe a decrease of total trading companies established between 2020 and 2021 with around 18%. Meanwhile in Bucharest the situation was stable regarding the number of new trade companies established. In 2021, around 35% of total trade companies established in Romania activate in the South-East Economic Development Region and in the Central Economic Development Region.

We think that the numbers registered in 2021, shows us that the business sector doesn't want to give up and faces all the difficulties arising from the current economic and sanitary situation.

6. References

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