

8 things you must know about Joint Ventures

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One of the most popular types of business arrangements that are being used in the Tender environment by South Africans, is Joint Ventures.

There are **eight** things that you must know about Joint Ventures:

1. Definition

A Joint Venture is a strategic cooperation where two or more people and/or companies agree to contribute goods, services and/or capital to a common commercial enterprise for the purpose of a specific tender or request for proposal.

2. Difference between a Joint Venture and a Private Company

The moment two or more people and/or companies unite to do business together it can be construed of being a Joint Venture, but once these parties to this business register a formal private company then it is no longer a Joint Venture.

3. Difference between a Joint Venture and a Partnership

A Joint Venture often sounds much like a Partnership but the main difference between a Joint Venture and a Partnership is that the members of a Joint Venture have come together for a specific Tender or Request for Proposal, while a Partnership is usually formed between two or more people to run a business for an unlimited period.

4. Share expenses

Each member of a Joint Venture only shares the expenses of the specific Tender for which the Joint Venture was established.

5. Income Tax

Each member of a Joint Venture is liable for their own Income Tax. If the Joint Venture is profitable the net income of the Joint Venture will be distributed to each member of the Joint Venture according to their percentage contribution towards the Joint Venture. The members will then be tax in their individual capacity or if the member of the Joint Venture is company, then the gains of the Joint Venture will form part of the income of the company and will be taxed according to company tax legislation.

6. Ownership

Especially important to realize is that each member of the Joint Venture keeps ownership of their own personal fixed assets as well as their current assets.

7. Bank account

It is important to open a separate bank account for the Joint Venture. You do not want your private funds to get entangled with the funds of the Joint Venture.

8. Set of accounts

Always keep a separate set of accounts for the Joint Venture. You do not want the Joint Venture transactions to get mixed up with your own transactions or those of your company.

Remember, before you dismiss a Tender or Request for Proposal as undoable, think of teaming up with other businesses and/or people in the form of Joint Venture and bid through the Joint Venture.

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Contact us at estelle@howtotender.co.za should you need more information.