



Limited liability company
Preferred form of business activity
<ul style="list-style-type: none">• Business activity conducted by a limited number of shareholders.• Shareholders who want:<ul style="list-style-type: none">a) to have direct supervision over the company's business,b) to limit their risk (liability) to assets involved in the company as contributions (lack of shareholder's liability for the company's obligations with his personal assets).• Smaller scale of business.
Business name
<ul style="list-style-type: none">• Can be chosen freely, however should contain an additional designation „spółka z ograniczoną odpowiedzialnością”.• The abbreviated designations „spółka z o.o.” or „sp. z o.o.” may be used in business dealings.
Legal status of the company
Commercial company.
Legal personality
It has legal personality.
Relevant register
Entrepreneurs' register of the National Court Register (KRS).
Competent registry court
District court competent for the registered office of the company.
Shareholders
<ul style="list-style-type: none">• One or more entities from among:<ul style="list-style-type: none">a) natural persons,b) legal persons,c) organizational units without legal personality to which the applicable laws have granted legal capacity.• A limited liability company may not be formed solely by another single-shareholder limited liability company. However, a single-shareholder limited liability company may become a sole shareholder of a limited liability company by acquisition of all of the shares therein.



Duration of the company

- Definite term (including the time required to perform a specific task) or indefinite term.
- It becomes a separate legal entity from the moment of conclusion of the articles of association – so called limited liability company in organization. It gains legal personality upon entry into the National Court Register.

Articles of association of the company

- Must be prepared in a form of a notarial deed or will be invalid otherwise.
- The articles of association should specify, as a minimum:
 - a) the business name and registered office of the company,
 - b) the corporate purpose of the company,
 - c) the amount of the share capital,
 - d) whether the shareholder may hold more than one share,
 - e) the number and nominal value of shares taken up by individual shareholders,
 - f) duration of the company, if definite.
- Amending the provisions of the articles of association requires the resolution of the shareholders' meeting taken by a 2/3 majority, unless the articles of association provide for stricter requirements. A resolution which would result in broader scope of shareholders' duties or a restriction of rights attached to shares or rights conferred upon particular shareholders requires the consent of all shareholders concerned.
- The articles of association may also be concluded using the articles of association form available in the IT system (<https://ems.ms.gov.pl>). Conclusion of the articles of association using the form requires the articles of association form to be filled, after prior registration (creation of account), in the IT system of the Ministry of Justice.

Actions required to establish a company

- Adopting the articles of association in a form of a notarial deed.
- The contributions by shareholders of the entire share capital and the share premium (difference between the price at which the shares are acquired and their nominal value).
- The appointment of a management board.
- The appointment of a supervisory board or auditors' committee – obligatory only when all of the following circumstances occur jointly:
 - a) share capital exceeds PLN 500,000,
 - b) number of shareholders exceeds 25.
- Registration in the entrepreneurs' register of the National Court Register (KRS) within 6 months from the conclusion of the articles of association.
- It is also possible to file an electronic application to register the limited liability company through the Internet (e-registration) – the articles of association are concluded using the electronically available articles of association form (it is not necessary to conclude articles of association in a form of notarial deed).
- The contract of limited liability company is subject to tax on civil law transactions (transfer tax). The tax rate is 0.5% of the company's share capital.



Company in organization (prior to registration in KRS)
Represented by the management board or by a proxy appointed by a unanimous resolution of the shareholders.
Average time required to register
The average time required to register a limited liability company is approximately 3 weeks.
Shareholders' contributions
<ul style="list-style-type: none">• A non-transferable right or performance of work or services cannot be the object of a contribution.• In the event that a shareholder made a defective in-kind contribution, he shall compensate the company for the difference between the value assumed in the articles of association and the sales value of the contribution. The articles of association of the company may provide that, in such circumstances, the company shall also have other rights.• Where a shareholder pays for his shares in the company fully or partially with an in-kind contribution, the articles of association shall specify in detail the object of the in-kind contribution and the identity of the shareholder making such contribution, as well as the number and nominal value of shares taken up in exchange for the contribution.
Shareholders' share in profits and losses
<ul style="list-style-type: none">• A shareholder shall have the right to participate in profit shown in the annual financial statements and intended for distribution according to a resolution of the shareholders' meeting.• Profit attributable to shareholders shall be distributed in proportion to the number of shares held. The articles of association may provide for a different method of profit distribution.• Shareholders do not participate directly in covering the losses of the company. However, profit to be paid to shareholders in a given year shall be diminished by uncovered losses.
Share capital
<ul style="list-style-type: none">• The minimum share capital is PLN 5,000.• The nominal value of a share may not be lower than PLN 50.• The company's share capital:<ul style="list-style-type: none">a) is divided into shares of equal or unequal nominal value – determined by the articles of association,b) if a shareholder may hold more than one share, all shares in the share capital are equal and indivisible,c) shall be fully paid prior to the registration of the company in the National Court Register.
Increase of the share capital



- Modes of increasing the share capital:
 - a) under the unchanged provisions of the articles of association (statement on subscription of new shares in writing; subscription of shares only by the existing shareholders in proportion to the shares held),
 - b) by amendment of the articles of association (form of a notarial deed; in this mode the shareholders may subscribe for shares disproportionately to the number of the shares held and a new shareholder may enter the company).
- Manners of covering the increased share capital:
 - a) making new contributions by the shareholders,
 - b) employing the company's funds (accumulated on spare or reserve capital created from the profit of the company) – new shares attributed only to the existing shareholders in proportion to the shares held; new shares do not need to be subscribed for.

Shares

- Non-material nature - shareholders are entered in the share register kept by the management board.
- A share purchase agreement/pledge agreement:
 - a) in writing with signatures certified by a notary or will be invalid otherwise,
 - b) effective with respect to the company as of the notification by the seller or purchaser (providing the company with a proof of conclusion of the agreement is necessary).

Selected rights and obligations of shareholders

- The possibility of establishing preference shares with regard to:
 - a) the right to vote – a maximum of 3 votes per share,
 - b) the right to dividend – up to 150% of the dividend designated to non-preference shares,
 - c) the distribution of the company's assets in case of its liquidation.
- Additional payments of shareholders to the company:
 - a) have to be expressly provided for in the articles of association in order for the shareholders' meeting being able to adopt them,
 - b) imposed by the resolution of the shareholders' meeting in proportion to shares held by each shareholder, within the specified limits,
 - c) do not increase the company's share capital, but are transferred to the company's reserve capital,
 - d) may be returned to shareholders on the basis of the resolution of the shareholders' meeting.

Management board



- Consists of one or more members (only natural persons with full capacity for legal actions).
- Period of holding office – no time limits; the articles of association may provide for an appointment for an indefinite period of time; unless otherwise stated in the articles of association, the mandate of a management board member expires on the day of holding the shareholders' meeting approving the financial statements for the first full financial year of exercising the function of management board member.
- Non-competition obligation – by law.

Supervision

- Shareholder's right of individual supervision over the company:
 - a) conferred upon each shareholder,
 - b) in case the supervisory board is established, the right may be restricted or excluded by the articles of association,
 - c) the right of a shareholder (shareholders) representing at least one-tenth of the share capital to request that a registry court appoint an auditor to examine the accounts and operations of the company cannot be excluded.
- The supervisory board/auditors' committee:
 - a) obligatory (one of them) only when the share capital exceeds PLN 500,000 and the number of shareholders exceeds 25,
 - b) shall comprise at least 3 members,
 - c) is not entitled to issue binding instructions to the management board concerning running the company's affairs,
 - d) period of holding office – unless otherwise stated in the articles of association, the mandates of supervisory board (audit committee) members expire on the day of holding the shareholders' meeting approving the financial statements for the first full financial year of exercising the function of a member.

Shareholders' meeting

- Minutes of the shareholders' meeting:
 - a) as a principle – in writing,
 - b) amendment of the articles of association – a form of a notarial deed.
- The venue of the shareholders' meeting:
 - a) location where the company has its registered office,
 - b) other place within the territory of Poland – only if permitted by the articles of association.

Tax

The company is a taxpayer of the corporate income tax (CIT) - at the rate of 19% or 15% (depending on the scale of business and period of activity)

The company may be subject to VAT and excise duties.

Liability of the company



The company is liable for its debts and obligations with its whole property without any limitations.

Liability of the shareholders

Shareholders do not bear any liability for the company's obligations. Their risk is limited to funds involved in the company by virtue of contributions or additional payments.

Liability of the members of the management board for the company's obligations

Joint and several liability towards the company's creditors:

- due to submission of false information in the statement on coverage of share capital (if contributions made were incomplete, non-existent, in-kind contribution was overvalued, etc.) – for a period of 3 years following the registration of the company or registration of the increase of the share capital,
- due to ineffective execution from the assets of the company, unless:
 - a) in a proper time request from a declaration of bankruptcy was submitted or bankruptcy procedure is initiated,
 - b) the failure to file an application for declaration of bankruptcy or to initiate arrangement proceedings was not due to fault of a member of the management board,
 - c) despite failure to file an application for declaration of bankruptcy or to initiate arrangement proceedings the creditor has not incurred any loss.

Exclusion of shareholder

- Action (suit) for exclusion of a shareholder from the company:
 - a) principle: exclusion has to be claimed by all remaining shareholders, holding together more than 50% of shares,
 - b) the articles of association may provide that smaller number of shareholders (however holding always more than 50% of shares) may submit a demand for exclusion – all the remaining shareholders shall be sued in such a case.
- The court may order the exclusion only for valid reasons.

Transformation/merger/division



- The following actions must be taken to transform a civil partnership into a limited liability company:
 - a) convert the articles of association of a civil law partnership into the articles of association of a limited liability company (including a fulfilment of other requirements related to formation of a limited liability company),
 - b) enter the limited liability company in the National Court Register.
- A limited liability company:
 - a) may merge with another commercial company and partnerships,
 - b) may be divided into two or more companies,
 - c) may be converted into any other commercial partnership or corporation (general partnership, professional partnership, limited partnership, limited joint-stock partnership, joint-stock company).

Obligatory form

A capital company (LLC or JSC) is the obligatory form of conducting business activity for lending institutions.