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| PROFESSIONAL PARTNERSHIP |
| Preferred form of business activity |
| <ul style="list-style-type: none">• Business activity conducted solely by persons who have the right to practise a freelance profession (e.g. physician, architect, securities broker). Freelance professionals may choose another form of business activity as well.• May be formed for the purpose of practising more than one freelance profession. |
| Business name |
| <ul style="list-style-type: none">• Should contain the surname of at least one of the partners and an additional designation "i partner" (and partner) or "i partnerzy" (and partners) or "spółka partnerska" (professional partnership) and a specification of the freelance profession practised in the partnership.• The abbreviated designation "sp. p." may be used in business dealings.• A business name with designation "i partner" (and partner) or "i partnerzy" (and partners) or "spółka partnerska" (professional partnership) and the abbreviation "sp. p." may be used exclusively by a professional partnership. |
| Legal status of the partnership |
| Commercial partnership. |
| Legal personality |
| <p>It has no legal personality, but it does have:</p> <ul style="list-style-type: none">• legal capacity – may acquire rights and incur obligations on its own behalf (e.g. under agreements, as a result of acts of unfair competition, unjust enrichment, damage inflicted as a result of business operations),• judicial capacity (may be a party to court proceedings) and procedural capacity (may appear before a court independently to defend its interests). |
| Relevant register |
| Entrepreneurs' register of the National Court Register (KRS). |
| Competent registry court |
| District court competent for the registered office of the partnership. |
| Minimum capital requirement |
| There is no minimum capital requirement. |



Founders/Partners

- At least two natural persons who have the right to practise freelance professions specified in the legal provisions.
- The partners of a professional partnership are called "partnerzy".

Duration of the partnership

- Definite term (including the time required to perform a specific task) or indefinite term.
- It enters into effect upon entry into the National Court Register.

Articles of association of a professional partnership

- Must be prepared in writing or will be invalid otherwise. Furthermore, if a partner's contribution to the partnership is:
 - a) real property, the articles of association should be concluded in the form of a notarial deed,
 - b) a business (or its organised part), the articles of association should be concluded in writing, with notarised signatures.
- The articles of association should specify, as a minimum:
 - a) the specification of the freelance profession practised by the partners within the partnership,
 - b) the business name and registered office of the partnership,
 - c) the type of contribution made by each partner and its value,
 - d) the corporate purpose of the partnership,
 - e) duration of the partnership, if stated,
 - f) if the partnership is represented only by some of the partners, full names of those partners,
 - g) full names of the partners who bear unlimited liability for the obligations of the partnership, if the articles of association provide so.
- Amending the articles of association – also in writing or invalid otherwise, upon approval by all of the partners, unless the articles of association stipulate other terms of amending the articles of association (e.g. by a specified majority of votes).



Actions required to establish a professional partnership

- The partners conclude articles of association (in person or through authorised representatives).
- The partnership is submitted to the competent registry court by one of the partners. The application includes documents certifying each partner's authorisation to practise a freelance profession. After the partnership is registered, a submission must be made to the relevant tax office regarding so-called supplementary data which are not entered in the National Court Register.
- The registry court enters the partnership in the National Court Register – as of this moment the partnership is established.
- The contract of professional partnership is subject to tax on civil law transactions (transfer tax). The tax rate is 0.5% of the value of contributions to a partnership.

Average time required to register

- The average time required to register a professional partnership is approximately 2 – 3 weeks.
- Until it is entered in the National Court Register, the partnership does not formally exist and cannot conduct business activity.

Partners' contributions

- Partners may contribute:
 - a) property,
 - b) rights, e.g. economic copyrights,
 - c) services.
- A partner's share in the partnership's capital:
 - a) corresponds to the amount of the actual contribution made,
 - b) may be decreased upon approval by the remaining partners.
- Partners are neither authorised nor required to increase the agreed contribution.

Partners' share in profits and losses

- Distribution of profits among partners:
 - a) may be set forth in the articles of association,
 - b) in the absence of relevant contractual provisions – each partner has an equal share, regardless of the type and value of their contribution.
- A partner cannot be fully excluded from participating in the partnership's profits.
- Partners have the right to demand distribution and disbursement of all of the profits at the end of each financial year.
- Partners have the right to demand annual disbursement of 5 per cent interest (or any other amount of interest, as specified in the articles of association) on their share in the capital:
 - a) even if the partnership has incurred a loss,



- b) the articles of association may eliminate this right.
- The partnership's loss, which leads to decreasing the current carrying amount of contributions – profit is first allocated towards supplementing a partner's depleted share.
- The articles of association may exempt a partner from participating in losses.

Right to represent the partnership

- Each partner may represent the partnership individually.
- Restriction of the right of representation pursuant to articles of association – partner may represent the partnership only acting jointly with another partner or commercial proxy.
- A partner may be deprived of the right to represent the partnership only for important reasons:
 - a) pursuant to a resolution adopted by a majority of $\frac{3}{4}$ of votes, in the presence of at least $\frac{2}{3}$ of the total number of partners, while the articles of association may provide for more stringent requirements for adopting the resolution, or
 - b) pursuant to a final and non-appealable court decision.
- Commercial proxy (specific commercial authorisation):
 - a) approval by all partners authorised to run the partnership's affairs is required to establish a commercial proxy,
 - b) a decision of one partner authorised to run the partnership's affairs is required to revoke it.
- Articles of association may provide that the conduct of the affairs and representation of the partnership shall be exclusively entrusted to the management board:
 - a) to which provisions on the management board in the professional company shall accordingly apply,
 - b) which is composed of one or more members.
- Members of the management board:
 - a) persons appointed from among the partners or from other persons,
 - b) appointed and removed by a unanimous resolution of partners or in a different manner provided for in the articles of association.
- Mandate of a member of management board expires upon the lapse of period the member was appointed for, upon death, resignation or removal from the management board.
- If the articles of association provide for a common term of office of members of the management board – the mandate of a member of the management board appointed prior to the lapse of a given term of office of the management board expires at the same time as mandates of the remaining members of the management board unless the articles of association provide otherwise.
- In case of professional partnerships that prepare financial statements and the articles of association do not provide otherwise:
 - a) a mandate of a member of the management board expires on the date of approval of the financial statement for the first full financial year in which the person served on the management board,
 - b) in the event of appointment of a member of the management board for a term of office longer than one year, the mandate of such member expires on the date of approval of the financial statement for the last full financial year in which the person served on the



management board.

- The power of a member of the management board to conduct the affairs of the company and represent the company:
 - a) embraces all actions of the company, whether in court or out of court,
 - b) may not be restricted with a legal effect with respect to third parties.
- Where the management board is composed of more than one member:
 - a) manner of a representation of the professional partnership is set forth in the articles of association,
 - b) where the articles of association do not incorporate any provisions to that effect, two members of the management board acting jointly or one member of the management board acting together with a commercial proxy shall be authorized to make statements on behalf of the partnership.
- Members of the management board are bound by the statutory prohibition of conduct of a business competitive to business activity of the partnership, in particular (without consent of the partnership's partners) they are not allowed to be partners in other competitive partnerships.

Running the partnership's affairs

- The partnership's affairs cannot be entrusted solely to parties other than the partners, except when the management board is appointed (management board is described in the column above).
- The right and obligation of each partner to conduct the partnership's affairs.
- Partners are not compensated for running the partnership's affairs.
- Conduct of the partnership's affairs may be entrusted to one or more partners (to the exclusion of others):
 - a) under the articles of association,
 - b) pursuant to a resolution of the partners.
- A partner authorised to run the partnership's affairs does not require a resolution to perform an urgent action, which, if omitted, could result in serious damage for the partnership.
- Scope of authorisation to run the partnership's affairs:
 - a) day-to-day management – may be conducted by any partner not excluded from running the partnership's affairs, with the stipulation that the articles of association may state that a resolution of the partners is required,
 - b) activities beyond day-to-day management – approval by all partners, including partners prevented from running the partnership's affairs, is required.
- Before an individual partner handles a matter falling within the scope of day-to-day management, any of the remaining partners may oppose its handling – in such cases, a prior resolution of the partners is required.
- If a resolution is required in matters not exceeding the partnership's ordinary activities, a unanimous vote by all partners authorised to run the partnership's affairs is required.
- The right to run the partnership's affairs (and a partner's exemption from that obligation) may be taken away from a partner for valid reasons, under a binding court decision.

Tax



- The professional partnership is not deemed a taxpayer of income tax, but is required to maintain tax ledgers which allow to calculate the income of the partnership.
- Income tax is paid by the partners of the partnership, who generate income from a transparent entity without legal personality. The applicable tax rate depends on the individual situation of the partner.
- A professional partnership may be subject to VAT and (in theory) to excise duties.

Liability of the partnership

The partnership bears unlimited liability for its obligations up to the full value of all of its assets.

Liability of the partners

- A partner's liability for the partnership's obligations – description:
 - a) personal – up to the full value of all of the partner's assets, limited to the partnership's obligations directly related to practising of a freelance profession by such partner, unless that partner agreed in the articles of association on his/her wider liability,
 - b) joint and several – a creditor may request that an entire claim be satisfied from one, several or all of the partners,
 - c) subsidiary – a creditor may enforce claims against a partner if enforcement from the partnership's assets proves ineffective. However, a lawsuit may be filed against a partner at an earlier time, i.e. before enforcement from the partnership's assets is found to be ineffective.
- Lack of a partner's liability:
 - a) for a partnership's obligations arising in connection with the practicing of a freelance profession within the partnership by the remaining partners or
 - b) for obligations of the partnership resulting from actions or omissions of persons employed by the partnership under an employment contract or on the basis of a different legal relationship, if those persons reported to another partner when performing services related to the objects of the partnership.
- The articles of association may provide the liability of a specified partner for without exemption all of the partnership's obligations, including those related to activity of other partners within their profession.
- Liability for obligations incurred before entering the partnership in the register:
 - a) is borne by all persons that acted on behalf of the partnership after it was founded but before it was entered in the register,
 - b) is unlimited,
 - c) is personal,
 - d) is joint and several,
 - e) is primary (not subsidiary).
- Any person acceding to a partnership is liable for the obligations of the partnership incurred before the date of accession.

Liability of the members of the management board



- Liability towards the partnership in case of fault for damage caused by an act or omission contrary to law or provisions of the articles of association.
- If the execution against the company carried out by creditors proves ineffective, members of the management board shall be jointly and severally liable for the company's liabilities.

A partner's accession to/exit from the partnership

- A new person may enter into all of the rights and obligations of a current partner provided that:
 - a) such an option is clearly stipulated in the articles of association, and
 - b) it is approved in writing by all the remaining partners (the articles of association may provide different provisions regarding partners' approval),
 - c) the new person has the right to practise a freelance profession.
- Joint and several liability of an exiting partner and acceding partner for:
 - a) the obligations of the exiting partner related to participating in the partnership,
 - b) the obligations of the partnership.
- Termination by a partner of the articles of association concluded for an indefinite term – six months before the end of the financial year.
- Accession to the partnership by a new partner is possible solely upon amending the articles of association:
 - a) unless the articles of association provide otherwise – upon approval by all existing partners,
 - b) if the articles of association eliminate the requirement to obtain unanimous approval from all partners – upon approval by the majority of the partners' votes as stated in the articles of association.
- Where a partner loses the authorization to practise a freelance profession – obligation to leave the partnership no later than at the end of the financial year in which such partner lost such authorization.

Transformation/merger

- The following actions must be taken to transform a civil partnership into a professional partnership:
 - a) convert the articles of association of a civil partnership into the articles of association of a professional partnership (including fulfilment of other requirements related to formation of professional partnership),
 - b) enter the professional partnership in the National Court Register.
- A professional partnership:
 - a) may be converted into any other commercial partnership or corporation (general partnership, limited partnership, limited joint-stock partnership, limited liability company, joint-stock company),
 - b) may merge with another partnership solely by forming a corporation,
 - c) may merge with corporations,
 - d) is not subject to division.