



<b>CIVIL LAW PARTNERSHIP</b>
<b>Preferred form of business activity</b>
Relatively small-scale business activity conducted by at least two entities.
<b>Business name</b>
Does not act under business name within the meaning of civil law. Partners may determine in the civil law partnership agreement the name, which shall be disclosed in the Central Business Activity Record and Information (CEIDG).
<b>Legal personality</b>
<ul style="list-style-type: none"><li>• Civil law partnership is not a separate legal entity. Only its partners are such entities.</li><li>• However, civil law partnership is subject to VAT and excise tax as if it were a separate entity.</li></ul>
<b>Relevant register</b>
Civil law partnership is subject to disclosure in the register of national economy entities (REGON base). Partners being natural persons disclose the civil law partnership agreement in the Central Business Activity Record and Information (CEIDG), and partners subject to an entry in the National Court Register (KRS) – in the commercial register for the KRS.
<b>Minimum capital requirement</b>
There is no minimum capital requirement.
<b>Founders/Partners</b>
<ul style="list-style-type: none"><li>• At least two founders from among:<ul style="list-style-type: none"><li>a) natural persons,</li><li>b) legal persons,</li><li>c) organisational units without legal personality to which the applicable laws have granted legal capacity.</li></ul></li><li>• Partners are entrepreneurs within the scope of business activity conducted in civil law partnership.</li></ul>
<b>Duration of the partnership</b>
<ul style="list-style-type: none"><li>• Definite term (including the time required to perform a specific task) or indefinite term.</li><li>• Formed upon conclusion of the civil law partnership agreement; the agreement may specify different moment for commencement of the civil partnership activity.</li></ul>
<b>Civil law partnership agreement</b>



- Written form for evidential purposes.
- Civil law partnership agreement should specify, as a minimum:
  - a) common economic purpose, for which the partnership is established,
  - b) indication of each partner's actions serving the intended purpose.
- Amending the civil law partnership agreement upon consistent statements of intent of all of the partners.

#### **Actions required to commence an activity**

- Conclusion of the civil law partnership agreement in a written form.
- Submission of the agreement to:
  - a) competent tax office,
  - b) Central Statistical Office and
  - c) if the partnership is to have employees – ZUS Social Security Office.
- Filing an update to the relevant register for a partner (CEIDG or KRS), disclosing the conclusion of the civil law partnership agreement (together with the NIP (tax) and REGON (statistical) numbers assigned to the civil law partnership).
- The civil law partnership contract is subject to tax on civil law transactions (transfer tax). The tax rate is 0.5% of the value of contributions to the partnership. The tax is due from the partners, who are bound to file the tax declaration and pay the tax within 14 days of conclusion of the contract.

#### **Average time required to register**

Up to 1 month (including tax, Central Statistical Office and Social Security Office registrations).

#### **Civil law partnership's assets**

- The civil law partnership's assets – movables, immovables and economic rights:
  - a) contributed by partners as a contribution,
  - b) acquired by partners within the civil law partnership.
- The civil law partnership's assets:
  - a) constitute a joint co-ownership between partners,
  - b) cannot be divided in the course of the civil law partnership duration.

#### **Partners' share in profits and losses**

- Distribution of profits among partners:
  - a) may be set forth in the civil law partnership agreement,
  - b) in the absence of relevant contractual provisions – each partner has an equal share, regardless of the type and value of his/her contribution.
- The civil law partnership agreement may exempt a partner from participating in losses.
- A partner cannot be fully excluded from participating in the partnership's profits.



- A partner's share in profits provided for in the agreement sets, in the case of doubt, also his/her share in losses.

#### Representation of the partnership

- Unless otherwise agreed each partner may represent the partnership individually.
- Partner's deprivation of a right to represent:
  - a) under the civil law partnership agreement,
  - b) pursuant to a resolution of partners.

#### Running the partnership's affairs

- The right and obligation of each partner to conduct the partnership's affairs.
- Scope of authorization to run the partnership's affairs:
  - a) day-to-day actions of partnership,
  - b) every urgent action, which, if omitted, could result in a serious damage for the partnership (regardless of its scope, even without a prior resolution of partners).
- 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.

#### Tax

- The civil law 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 civil law partnership, who generate income from a transparent entity without legal personality. The applicable tax rate depends on the individual situation of the partner.
- A civil partnership may be subject to VAT and excise duties. Still, the partners may be held liable for payment of VAT and excise duties.

#### Liability

- Joint and several liability of all partners for obligations arising within the partnership.
- Liability covers assets in joint co-ownership between partners, as well as personal assets of each partner.

#### A partner's accession to/exit from the partnership

- Accession to the partnership of a new partner – upon amending of the civil law partnership agreement and contributing by a new partner his contribution.
- Partner's termination of the civil law partnership agreement:
  - a) in case the agreement was concluded for an indefinite period of time – 3 months in advance at the end of the financial year (this term shall expire at the end of the financial year), the agreement may provide for a shorter notice period,
  - b) for important reasons – even without notice and regardless of whether the agreement



**FURTEK KOMOSA  
ALEKSANDROWICZ**

was concluded for definite or indefinite period of time, the agreement may not exclude the right to terminate thereof for important reasons.