

Liquidation of a limited liability company in Poland - available options for closing the business

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Closing a limited liability company (sp. z o.o.) is a process that requires adherence to strict commercial law regulations, primarily the Commercial Companies Code (KSH). This does not always have to mean classical liquidation – depending on the situation of the company, there are various options for ending its operations. The choice of the appropriate method depends on the financial condition of the company, the presence of assets, debts, and the goals of the partners.

Below, we discuss the main options, taking into account their characteristic features, advantages, and disadvantages. Remember that each case is individual, so it is advisable to consult a lawyer and an accountant before making a decision.

1. Voluntary liquidation (classical liquidation procedure according to KSH)

This is the most common and formal way to close a company, used when the partners decide to end the business and the company is solvent (has sufficient assets to cover its liabilities).

The process includes:

- The partners' resolution to dissolve the company and open liquidation (usually by a qualified majority of votes, notarial protocol).
- Appointment of liquidators (usually members of the management board).
- Notification of the opening of liquidation to the National Court Register (KRS) and announcement in the Court and Commercial Gazette (MSiG), calling on creditors to submit claims within three months.
- Concluding current matters, settling debts, selling assets.
- After a minimum of six months from the announcement – distribution of remaining assets among the partners.

- Preparation of a liquidation report and application for deletion from KRS.

Duration: usually 8–18 months (minimum 6 months due to creditor protection).

Costs: court fees, announcement in MSiG, accounting and legal services.

Advantages: orderly closure, protection of creditors and partners.

Disadvantages: lengthy and costly process, obligation to maintain full accounting during liquidation.

This option is mandatory when the company has assets or liabilities requiring settlement.

2. Dissolution of the company without liquidation (deletion from KRS based on articles 25a-25d of the KRS Act)

If the company has no assets and has not conducted actual business activity (or the activity was minimal), it is possible to delete it from the register directly without a full liquidation procedure.

Conditions:

- The partners declare that the company has no assets, no enforcement proceedings are pending, and all known liabilities have been satisfied.
- Application to KRS with the appropriate declarations and a zero balance sheet.

Duration: a few months (significantly shorter than classical liquidation).

Advantages: fast and inexpensive process, no need for announcement in MSiG and waiting for creditors.

Disadvantages: the court verifies the declarations closely – a false statement risks criminal liability for the partners and management.

This option is ideal for "empty" companies established, for example, for a specific project that was not implemented.

3. Bankruptcy proceedings (liquidation bankruptcy)

Used when the company is insolvent (not paying due obligations or its obligations exceed the value of its assets).

The process:

- The management, partner, or creditor submits a bankruptcy application.
- The court appoints a trustee who takes over the management of the assets.
- The assets are liquidated, and the proceeds are distributed among creditors in order of satisfaction.
- After completion – the company is deleted from KRS.

Duration: from a few months to several years, depending on the complexity of the case.

Advantages: allows for restructuring of debts or orderly closure in case of insolvency; protects against subsidiary liability for the management (if the application was filed on time).

Disadvantages: loss of control over the company, public nature of the proceedings, court and trustee fees.

This solution is necessary when voluntary liquidation is not possible due to a lack of funds to settle debts.

4. Alternative methods of ending business activity (without formal liquidation)

In some situations, partners may avoid liquidation by choosing other forms:

- Transformation into a partnership (e.g., a general or limited partnership) – allows continuing business in another legal form without liquidating assets.

- Merger or acquisition by another company – the acquired company disappears without liquidation.
- Sale of the business or shares – transfer of assets to another entity, followed by potential deletion of the "empty" company.
- Suspension of activity – a temporary solution, does not lead to closure.

These methods are faster and often cheaper, but require tax analysis (may generate tax liability from inventory differences or profits from transactions).

Summary - which option to choose?

Voluntary liquidation is a safe solution for operating companies with assets.

Dissolution without liquidation works for "dead" entities without assets.

Bankruptcy is necessary in the case of insolvency.

Alternative forms (transformation, sale) allow avoiding a lengthy process if the goal is to continue the business in another form.

In every case, it is crucial to correctly account for tax matters (PIT/CIT from asset division, VAT) and to notify ZUS and CRBR. Errors can lead to personal liability for members of the management or partners.

If you run a company and are considering closing it, please contact our accounting office – we will help you assess the situation, prepare the documents, and carry out the process efficiently and according to current regulations.