



HANDBOOK

on running an enterprise in Poland and Ukraine



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III
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POLSKO-UKRAIŃSKA RADA
WYMIANY MŁODZIEŻY

ПОЛЬСЬКО-УКРАЇНСЬКА РАДА
ОБМІНУ МОЛОДІЇ



Ministerstwo
Edukacji Narodowej

Projekt został sfinansowany ze środków
Polsko-Ukraińskiej Rady
Wymiany Młodzieży z dotacji MEN

ABOUT THE HANDBOOK

The project aims to foster the entrepreneurial skills of young people from Poland and Ukraine through the exchange of experiences and the collaborative creation of innovative business ideas. We place special emphasis on mutual learning and sharing experiences, as Ukrainian youth demonstrate strong initiative and creativity but face economic challenges, while Polish participants operate in a more stable environment yet often need greater motivation to engage in entrepreneurial activities.

As a result of our main activity, we have combined the strengths and knowledge of both groups to create a handbook containing up-to-date information on starting and managing a business in both countries, taking into account their respective legal frameworks. We believe this publication is a step toward understanding the economic conditions in these neighboring countries and will inspire young people to pursue economic cooperation between Ukraine and Poland in the future.

LEGAL ASPECTS OF SMALL BUSINESS OPERATIONS

Small businesses are a **fundamental part of modern economies**. They create jobs, support local communities, and drive innovation. For young entrepreneurs, success requires not only starting a business but also understanding management, promotion, and the legal environment.

Poland and Ukraine, while geographically and culturally close, have very different business conditions. Poland operates within the EU, with stable and standardized regulations. Ukraine, on the other hand, is rapidly reforming, facing challenges of post-conflict recovery and digital transformation. These differences affect taxation, registration, employment, consumer rights, and intellectual property.

This guidebook compares both countries to provide entrepreneurs with practical knowledge. It highlights best practices, risks, and lessons: Poland offers structured EU frameworks and strong enforcement, while Ukraine demonstrates fast digital registration and flexible approaches. By learning from both systems, entrepreneurs can make better decisions and adapt effectively in different business environments.

BUSINESS REGISTRATION AND LEGAL FORM

UKRAINE

When starting a business in Ukraine, one of the first and most important steps is choosing the **appropriate legal form of registration**. The decision largely depends on the scale of the activity, taxation preferences, and liability considerations.

The most common and simplest option is the sole proprietorship (FOP – фізична особа-підприємець). This form is particularly attractive for freelancers, small traders, and service providers because it is fast and straightforward to register. Thanks to the government's digital services, entrepreneurs can complete the registration process online through the Diia portal in just a few clicks. In most cases, it is free of charge, and the paperwork burden is minimal, which explains why the majority of microbusinesses choose this format.

FOP

BUSINESS REGISTRATION AND LEGAL FORM

For small and medium-sized companies with broader ambitions, the **limited liability company** (LLC – TOB, товариство з обмеженою відповідальністю) is the most popular structure. Unlike an FOP, an LLC allows several founders to share ownership and protect their personal assets, since liability is limited to the company's capital. Importantly, Ukrainian law does not require a minimum share capital, making this option accessible even for startups with limited resources. However, the registration process is more complex: it requires preparing a company charter, drafting founding documents, and undergoing official state registration.

In addition to these dominant forms, Ukraine also recognizes other legal entities such as **private enterprises, general partnerships, and cooperatives**. While these are less common in practice, they can serve specific business purposes depending on the activity type and organizational model.

Ultimately, the choice of legal form influences taxation, investor attractiveness, and the level of administrative responsibility. For individual entrepreneurs seeking simplicity, FOP remains the go-to option, whereas LLCs are better suited for growing businesses aiming for stability and collaboration.

BUSINESS REGISTRATION AND LEGAL FORM

POLAND

The choice of the legal form of a business in Poland has major consequences for taxation, liability, and administrative requirements.

- **Sole proprietorship** (jednoosobowa działalność gospodarcza, JDG) – the simplest and most common form. The entrepreneur is the sole owner, decision-maker, and taxpayer. However, the owner is personally liable for all debts and obligations of the business, which can be risky in case of financial difficulties.
- **Limited liability company** (Spółka z ograniczoną odpowiedzialnością, Sp. z o.o.) – a separate legal entity providing significant protection for its owners, as liability is generally limited to the company's assets. The structure requires more formalities, including full accounting obligations, but it is a safer option for entrepreneurs wishing to protect their personal assets.
- **Civil partnership** (spółka cywilna) – a contractual agreement between two or more entrepreneurs, often operating as sole proprietors, who decide to cooperate. It is relatively easy to establish and flexible in management. However, partners remain personally liable for the partnership's obligations, which may be a drawback in higher-risk ventures.

In practice, many Polish entrepreneurs begin as sole proprietors due to the low entry barrier and later transition to a limited liability company as their business grows and stronger asset protection becomes necessary.

BUSINESS REGISTRATION AND LEGAL FORM

POLAND

LEGAL FORM	KEY FEATURES	LIABILITY
Sole proprietorship (JDG)	Simple, common, easy to manage	Full personal liability
Limited liability company (Sp. z o.o.)	Separate legal entity, safer for owners, more formalities	Liability limited to company assets
Civil partnership (spółka cywilna)	Flexible for small teams, contractual cooperation	Partners personally liable

TAXES AND ACCOUNTING

UKRAINE

An essential aspect of running a business in Ukraine is compliance with the tax system and accounting regulations. The framework offers several options depending on the chosen legal form and the scale of business operations.

Businesses operating under the general tax system are subject to a corporate income tax of **18%** and, if applicable, value-added tax (VAT) at a standard rate of **20%**. This regime is mostly relevant for medium and large enterprises or companies engaged in activities requiring VAT registration. While it allows for deducting certain expenses, it also comes with more complex reporting and bookkeeping requirements.

In contrast, the simplified tax system (**Unified Tax**) is designed to ease the burden on sole proprietors (FOPs) and small businesses. It consists of three groups, differentiated by the level of income and type of activity. This system offers reduced tax rates, simplified reporting, and lower administrative costs, making it the most popular option among freelancers, small traders, and service providers. However, once a business grows beyond the income limits of the chosen group, it must either move to a higher group or switch to the general taxation system.



TAXES AND ACCOUNTING

POLAND

The progressive **personal income tax (PIT)** applies at two rates: **12%** for annual income up to a certain threshold, and **32%** for income above it. This system is advantageous for smaller businesses with modest profits, as it allows for lower effective taxation at the early stages.

Alternatively, businesses may opt for a **flat tax at 19%**. This option is often chosen by entrepreneurs with higher incomes, as it allows for predictable tax planning without the steep jump to 32%.

A third option is the lump-sum tax (ryczałt), which applies fixed rates depending on the type of activity. For example, certain service sectors or freelance professions can pay **between 2% and 17% of revenue**, with no possibility of deducting costs. This method simplifies accounting but may be less favorable for businesses with high expenses.

In addition to income taxes, Poland applies the Value Added Tax (VAT) system. The standard rate is 23%, but reduced rates of 8% and 5% apply to specific goods and services, such as food, books, and pharmaceuticals. Businesses with turnover below a certain threshold may apply for VAT exemption, which is often beneficial for microenterprises.



EMPLOYMENT LAW

UKRAINE

Employment relations in Ukraine are regulated primarily by the Labour Code of Ukraine, which establishes the rights and responsibilities of both employers and employees. While the framework is generally aligned with European practices, it is considered more flexible in terms of hiring and termination procedures. At the same time, enforcement mechanisms remain weaker compared to EU countries, which can create gaps in practical application.

Employers in Ukraine bear several key financial obligations when hiring staff. First, they must pay the **Unified Social Contribution (USC)**, which amounts to **22%** of the employee's gross salary and is directed toward the state's social insurance system. In addition, employers are responsible for withholding and remitting Personal Income Tax (PIT) at 18% and a Military Tax of 1.5% from employees' wages. These combined deductions form a significant part of employment-related expenses and must be taken into account when planning payroll budgets.



EMPLOYMENT LAW

UKRAINE

The government also sets a mandatory minimum wage, which as of 2025 stands at approximately 8,000 UAH per month. This benchmark influences not only wage policy but also calculations for certain social benefits and contributions.

Although Ukrainian labour law provides employees with protections such as regulated working hours, paid leave, and safe working conditions, the system leaves employers with relatively greater flexibility compared to stricter EU labour markets. For example, employment contracts can be tailored more freely, and small businesses often benefit from reduced bureaucratic hurdles. However, due to weaker enforcement, issues such as informal employment and non-compliance with labour standards remain common, particularly in small enterprises.

In conclusion, Ukraine's employment law framework balances formal worker protections with flexibility for employers, but businesses must carefully observe their tax and social contribution obligations to remain compliant.

TAXES AND ACCOUNTING

POLAND

Employment law in Poland is highly regulated and based on the Labour Code. Employers must comply with numerous obligations, which can be particularly challenging for small businesses.

One of the key obligations is the payment of social security contributions (ZUS). These contributions finance retirement pensions, disability pensions, sickness benefits, and accident insurance. In addition, employers must ensure that employees are covered by health insurance contributions, which give access to the public healthcare system.

Obligation	Details
Social Security (ZUS)	Pension, disability, sickness, and accident insurance
Health insurance	Mandatory, deducted and transferred by employer
Minimum wage (2025)	~4,600 PLN gross
Employer's additional costs	~20-22% on top of gross salary
Labour Code rules	Overtime, working hours, paid leave, safety regulations

COMMON LEGAL CHALLENGES

UKRAINE

Operating a business in Ukraine often involves navigating a set of recurring legal challenges that can undermine predictability and stability. One of the most pressing issues is the frequent changes in legislation and regulatory instability. Laws on taxation, reporting, and licensing are revised regularly, sometimes without sufficient transitional periods. This makes long-term strategic planning difficult, particularly for small and medium-sized enterprises that lack extensive legal resources.

Another challenge is the persistence of corruption risks in certain state authorities. Although recent digitalization initiatives – such as the Diia portal – have reduced direct interactions with officials, cases of administrative pressure and informal practices remain. Such risks can slow down registration procedures, licensing approvals, or inspections, placing an additional burden on entrepreneurs.

COMMON LEGAL CHALLENGES

UKRAINE

In practice, there is also weak protection of consumer and business rights. While Ukraine's legal framework is broadly aligned with international standards, enforcement is often inconsistent or ineffective. Entrepreneurs may face difficulties in defending contractual rights, recovering debts, or ensuring compliance with consumer protection laws, especially in disputes with larger market players.

The ongoing war in Ukraine adds an additional layer of challenges. Businesses face risks from infrastructure damage, disrupted supply chains, forced relocation, and security concerns for employees and assets. SMEs in conflict-affected regions often struggle to maintain operations, and some experience temporary or permanent closure. The uncertainty caused by the war exacerbates financial and legal risks, making it harder to plan investments, secure loans, or comply with regulatory deadlines.



COMMON LEGAL CHALLENGES

UKRAINE

Finally, businesses frequently encounter uneven enforcement of laws across regions. Urban centers like Kyiv, Lviv, or Dnipro tend to benefit from more transparent institutions and better access to justice, whereas smaller towns, rural areas, and conflict-affected zones can experience outdated bureaucratic practices and selective enforcement. This regional disparity creates additional uncertainty for companies seeking to expand their operations nationwide.

Overall, while Ukraine has made significant progress in reforming its business environment, these systemic challenges—now amplified by the effects of war—remain. For many entrepreneurs, success depends not only on legal compliance but also on adopting risk management strategies, such as seeking professional legal advice, using e-government platforms, implementing flexible contractual arrangements, and preparing contingency plans for operational disruptions.

TAXES AND ACCOUNTING

POLAND

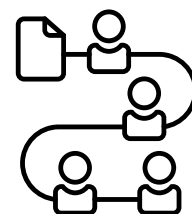
Small businesses in Poland often face recurring legal challenges. One of the most significant is the high cost of employment due to social security contributions. This discourages hiring and may limit business growth.



Another challenge is the complexity of the tax system. Frequent changes in tax regulations, combined with intricate reporting requirements, create uncertainty for entrepreneurs. Many businesses rely heavily on accountants or tax advisors to avoid mistakes.



Bureaucracy is also a notable obstacle. While digitalization of services has improved in recent years, registering changes in company data, applying for permits, or complying with reporting obligations can still be time-consuming.



Additionally, Polish businesses must comply with detailed EU standards, including product labeling, health and safety requirements, and data protection. While these rules create a high level of consumer protection, they also impose significant administrative burdens on small firms.



COMMON LEGAL MISTAKES OF SMALL BUSINESSES

UKRAINE

Many small businesses in Ukraine face legal difficulties not because of complex disputes, but due to avoidable mistakes in everyday operations. One of the most frequent errors is choosing the wrong taxation system. Entrepreneurs who fail to analyze income levels and business models may end up paying higher taxes or face unnecessary reporting burdens. For example, registering as a sole proprietor under the general system instead of the simplified regime can significantly increase costs.

Another common mistake is conducting business without formal contracts. Verbal agreements with clients or partners may seem faster and more flexible, but they leave businesses vulnerable in case of disputes over payments, quality, or delivery terms. Written contracts provide legal protection and are often essential for building trust with larger partners.



COMMON LEGAL MISTAKES OF SMALL BUSINESSES

UKRAINE

In the field of employment, hiring staff without official labor contracts is widespread among small businesses. While this practice may reduce short-term costs, it exposes employers to fines, disputes, and reputational damage. Moreover, without formal registration, employees are deprived of social protections, which can lead to legal claims against the employer.

With the growth of online trade, ignoring personal data protection and e-commerce requirements has become a serious risk. Businesses that collect customer information must comply with data protection regulations and ensure transparency in online transactions. Failure to do so can result in penalties and loss of consumer trust.

Finally, many entrepreneurs struggle with missing deadlines for tax and social contribution payments. Even small delays can result in fines and penalties, undermining financial stability. Regular monitoring of deadlines and using digital reporting tools can help avoid such issues.

In summary, most legal mistakes made by small businesses are preventable. By carefully choosing the tax system, formalizing relationships with clients and employees, respecting digital regulations, and maintaining discipline in tax reporting, entrepreneurs can minimize risks and build a stronger foundation for sustainable growth.

TAXES AND ACCOUNTING

POLAND

Many legal problems faced by small businesses in Poland result not from deliberate misconduct, but from mistakes or neglect. A frequent issue is failure to update company data in CEIDG or KRS. Polish law requires prompt updates to information such as company address, scope of activity, or management structure. Delays can lead to fines or administrative complications.

Another mistake is mixing personal and business finances. Sole proprietors in particular sometimes use personal accounts for business transactions, which complicates accounting and can lead to disputes with tax authorities.



TAXES AND ACCOUNTING

POLAND

Late or incorrect payment of ZUS contributions is another widespread problem. The contribution system is complex, and even small errors may accumulate into significant liabilities.

Some entrepreneurs also attempt to employ workers without formal contracts in order to reduce costs. However, this practice carries high legal risks, as inspections may result in severe penalties.

Finally, many small businesses, especially in e-commerce, underestimate the importance of EU consumer protection and GDPR compliance. Failure to provide the required withdrawal rights or to secure personal data can quickly escalate into financial penalties and loss of consumer trust.

TIPS ON SETTING UP A STARTUP

I IDENTIFY A MARKET NEED

- **Understand Your Audience:** Conduct thorough market research to identify a problem or gap in the market that your startup can address. Use surveys, focus groups, or social media platforms like X to gather insights directly from potential customers.
- **Validate Your Idea:** Test your concept with a minimum viable product (MVP) to confirm demand before investing significant resources. For example, create a simple prototype or landing page to gauge interest.
- **Local Context:** In Poland, leverage opportunities in stable sectors like IT or green tech, supported by EU funding. In Ukraine, focus on resilient, low-cost solutions that address local economic challenges, such as affordable tech or services for displaced communities.



TIPS ON SETTING UP A STARTUP

I DEVELOP A SOLID BUSINESS PLAN

- **Define Your Vision and Goals:** Create a clear mission statement and set short- and long-term objectives. Outline how your startup will generate revenue and achieve scalability.
- **Financial Planning:** Prepare a detailed budget, including startup costs, operational expenses, and revenue projections. In Poland, explore funding from programs like PARP (Polish Agency for Enterprise Development). In Ukraine, consider international grants or crowdfunding platforms due to economic constraints.
- **Legal Structure:** Choose the right legal form for your business (e.g., sole proprietorship, LLC). In Poland, a "spółka z o.o." (LLC) is popular for startups due to limited liability. In Ukraine, a "TOV" (LLC equivalent) is commonly used for its flexibility.



TIPS ON SETTING UP A STARTUP

I BUILD A STRONG TEAM

- **Assemble Complementary Skills:** Recruit co-founders and team members with diverse expertise (e.g., technical, marketing, financial). In Poland and Ukraine, tap into university networks or startup hubs like Kyiv IT Cluster or Campus Warsaw.
- **Foster Collaboration:** Encourage open communication and shared decision-making to align the team with the startup's vision. Cross-border partnerships between Polish and Ukrainian youth can bring unique perspectives, combining creativity and resilience.
- **Motivate Your Team:** Offer equity, flexible work arrangements, or professional development opportunities to retain talent, especially in competitive markets.



TIPS ON SETTING UP A STARTUP

NAVIGATE LEGAL AND REGULATORY REQUIREMENTS

- Poland: Register your business with the National Court Register (KRS) and obtain a NIP (tax identification number). Comply with EU regulations, such as GDPR for data protection, if your startup handles personal data. Seek advice from local chambers of commerce or legal advisors.
- Ukraine: Register with the State Registrar and obtain an EDRPOU code. Be aware of tax regimes (e.g., simplified tax system for small businesses) and consult with local experts to navigate regulations, especially in light of economic instability.
- Cross-Border Considerations: If operating in both countries, ensure compliance with international trade and tax agreements. Consider consulting with organizations like the Polish-Ukrainian Chamber of Commerce for guidance.

TIPS ON SETTING UP A STARTUP

I SECURE FUNDING

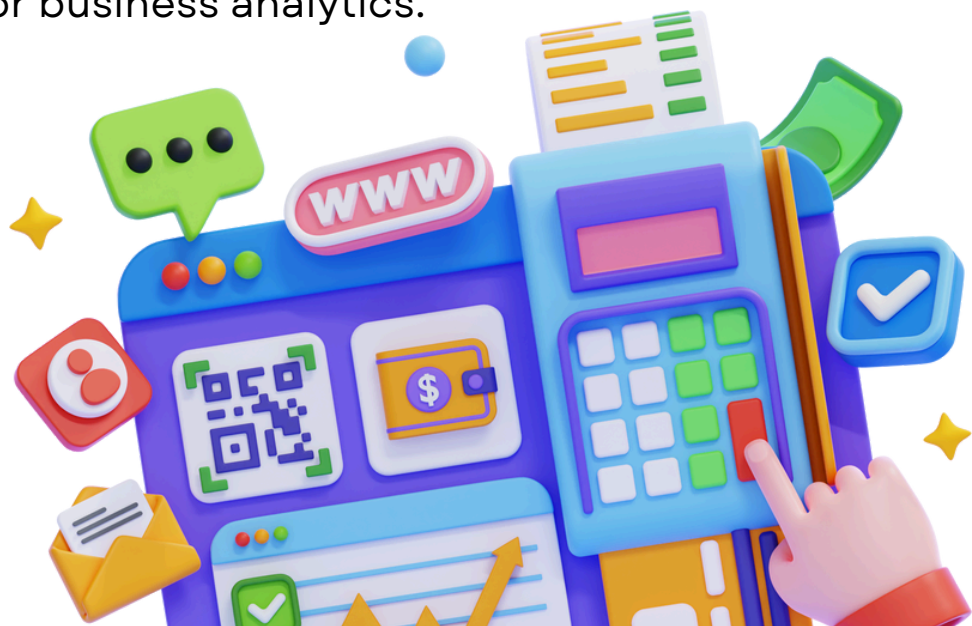


- **Bootstrapping:** Start with personal savings or small contributions from friends and family to maintain control in the early stages.
- **External Funding:** In Poland, apply for grants from EU programs or venture capital funds like PFR Ventures. In Ukraine, explore international investors or platforms like Kickstarter for crowdfunding.
- **Pitch Effectively:** Create a compelling pitch deck highlighting your value proposition, market opportunity, and financial projections. Practice pitching to local startup communities or at events like Startup Weekend.

TIPS ON SETTING UP A STARTUP

I LEVERAGE TECHNOLOGY AND DIGITAL TOOLS

- **Digital Presence:** Build a professional website and maintain active social media profiles to reach customers. Use tools like Canva for branding or Trello for project management.
- **Tech Solutions:** In Poland, capitalize on the strong IT sector to develop tech-driven startups (e.g., SaaS platforms, apps). In Ukraine, focus on cost-effective tech solutions, such as open-source software, to overcome resource limitations.
- **Online Learning:** Utilize free or affordable online courses (e.g., Coursera, Udemy) to upskill in areas like coding, digital marketing, or business analytics.



TIPS ON SETTING UP A STARTUP

I NETWORK AND COLLABORATE

- **Join Startup Ecosystems:** Engage with local startup hubs, such as Brain Embassy in Warsaw or iHUB in Kyiv, to connect with mentors, investors, and peers.
- **Cross-Border Collaboration:** Partner with organizations in Poland and Ukraine to exchange knowledge. For example, Polish startups can benefit from Ukrainian creativity in crisis-driven innovation, while Ukrainian startups can learn from Polish access to EU markets.
- **Attend Events:** Participate in pitch competitions, hackathons, or trade fairs like Wolves Summit (Poland) or IT Arena (Ukraine) to gain visibility and feedback.



TIPS ON SETTING UP A STARTUP

FOCUS ON SCALABILITY AND SUSTAINABILITY

- **Plan for Growth:** Design your business model to scale efficiently, whether through expanding product lines or entering new markets. Consider cross-border opportunities, such as exporting Polish products to Ukraine or vice versa.
- **Sustainability:** Incorporate eco-friendly practices, such as using sustainable materials or reducing energy consumption, to align with EU priorities and attract socially conscious customers.
- **Measure Impact:** Regularly track key performance indicators (KPIs) like customer acquisition cost, revenue growth, and user retention to ensure long-term viability.

FOCUS *Sustainability*
PLAN / IMPACT

TIPS ON SETTING UP A STARTUP

I STAY RESILIENT AND ADAPTABLE

- **Embrace Failure:** View setbacks as learning opportunities. Analyze what went wrong and iterate quickly to improve your product or strategy.
- **Stay Informed:** Keep up with market trends and regulatory changes in Poland and Ukraine. Follow platforms like X for real-time insights from entrepreneurs and industry leaders.
- **Mental Resilience:** Entrepreneurship can be stressful, so prioritize work-life balance and seek support from mentors or peer networks.

