

The Conformity of the Legal Concept of a Sole Shareholder Limited Liability Company with That of a Limited Liability Company as a Legal Entity

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Abstract

This research is motivated by the current legal phenomenon with the Omnibus Law on Job Creation, which allows the establishment of Limited Liability Companies with only one person, known as a sole proprietorship (as referred to in this law). This business is established by electronically completing the necessary paperwork with the Ministry of Law and Human Rights. (Article 13 of Minister of Law and Human Rights Regulation Number 21 of 2021 concerning the Requirements and Procedures for the Registration of Establishment, Changes, and Dissolution of Limited Liability Companies). In this context, the individual acts as the founder, shareholder, and concurrently as the director of the sole proprietorship. One of the main differences in the form of a company lies in the aspect of liability. In the legal context, both the Limited Liability Company as a sole proprietorship and the Limited Liability Company as a corporate legal entity are recognized as legal entities with rights and legal obligations. Therefore, the conformity of the legal concept of the Limited Liability Company as a sole proprietorship with the Limited Liability Company as a corporate legal entity depends on compliance with the requirements and legal provisions applicable to each form of the Limited Liability Company, taking into account the business and financial needs of the company owner. The two issues addressed in this research are the nature of the Limited Liability Company as a Legal Entity and the conformity of the legal concept of the Limited Liability Company as a sole proprietorship with the Limited Liability Company as a Corporate Legal Entity. In line with the focus and issues raised, this research employs a normative method that considers law as a normative system. The research relies on documents, primarily regulations in Civil Law, Commercial Law, and Law Number 40 of 2007 concerning Limited Liability Companies to explain and address the conformity of the legal concept of the Limited Liability Company as a sole proprietorship with the Limited Liability Company as a corporate legal entity.

Keywords: Legal Entity; Sole Proprietorship; Limited Liability Company; Legal Concept

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INTRODUCTION

A nation's classification as developing or developed can be measured by the vitality of its economic activity and the comprehensiveness of its legal framework supporting such economic endeavours. The economic system of a nation is regulated and adapted according to spatial, temporal, and societal dynamics. Article 33 paragraph (1) of the 1945 Constitution of the Republic of Indonesia provides that

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“The economy shall be organized as a common endeavour based upon the principle of the family system.” This constitutional provision reflects the economic philosophy and structural choice adopted by the Indonesian state.

The historical emergence of legal entities across the world varies widely, shaped by each nation’s history and its respective legal system. In countries adhering to the Continental European legal system, the concept and form of a legal entity differ substantially from those found in the Anglo-Saxon (Common Law) system. Each legal tradition possesses distinctive characteristics in determining the sources of law that serve as the foundation for establishing a legal entity.

In Civil Law jurisdictions, statutory law serves as the principal source of regulation, while in Common Law jurisdictions, jurisprudence or judicial precedents constitute the primary basis of the legal system ([Jamaludin Ghafur, 2023](#)).

The concept of a legal entity varies across different legal systems, both in form and in regulatory framework. The regulation of Limited Liability Companies (LLCs) likewise differs whether in terms of their establishment procedures or the governance of their internal organs. Such variations are profoundly influenced by the legal system under which the company is incorporated.

Various theories and legal doctrines concerning legal entities demonstrate that corporations possess diverse characteristics and forms (Asyadie, 2012). A corporation may be identified from the moment of its establishment beginning with the agreement among individuals who share a common purpose, continuing through the arrangement of share ownership, and extending to the designation of those entitled to serve as members of the Board of Directors, the Board of Commissioners, and the General Meeting of Shareholders (GMS). All of these foundational aspects are contained within the Deed of Establishment and Articles of Association of the company.

The Limited Liability Company as commonly recognized in Indonesia is governed by the provisions of Law Number 40 of 2007 on Limited Liability Companies. Additionally, the Sole Shareholder Legal Entity (*Badan Hukum Perorangan*) has been introduced through Law Number 6 of 2023, which ratified Government Regulation in Lieu of Law Number 2 of 2022 on Job Creation. The State plays a vital role in determining the policies governing the form and nature of legal entities. Such policies are shaped by the legal system adopted, the socio-economic development of society, and the prevailing legal needs of the community (Chidir, 1993). The State acts both as a regulator (*sturine*) and as an arbiter (*jury*), performing functions that include the provision of information and the making of policy decisions aimed at fulfilling the civil and economic needs of its citizens ([Suparji, 2014](#)).

The current legal phenomenon brought about by the Omnibus Law on Job Creation (*Undang-Undang Cipta Kerja UUUCK*) allows the establishment of a Limited Liability Company by only one individual, referred to in the law as a Sole Shareholder Legal Entity (*Badan Hukum Perorangan*). Such a company may be established electronically by completing the prescribed forms through the Online Legal Entity Administration System (AHU), as regulated under Article 13 of the Minister of Law and Human Rights Regulation No. 21 of 2021 concerning the *Requirements and Procedures for the Registration of Establishment, Amendment, and Dissolution of Limited Liability Companies*.

In this arrangement, a single individual simultaneously assumes the roles of founder, shareholder, and director of the Sole Shareholder Legal Entity. The establishment of such an entity does not require a notarial deed, which marks a significant departure from the conventional understanding of a Limited Liability Company under Commercial Law (*Hukum Dagang*). According to Article 1 of the Commercial Code (KUHD) which serves as *lex specialist* to the Civil Code (*KUHPerdata*) corporate law constitutes a specialized body of private law governing contractual relations or agreements specifically arising within the domain of corporate activities (Bayu Aryanto, 2025).

In contrast, the Indonesian Civil Code (*KUHPerdata*), serving as *lex generalis*, regulates the law of obligations found in Book III, which governs legal relations between individuals in various areas of business and civil affairs, in accordance with the contractual needs of the parties who bind themselves under an agreement (Salma & Adjie, 2023).

Both forms of Limited Liability Companies (LLCs) share several similarities, such as possessing the capacity to acquire rights and obligations under law, having share ownership structures, and existing

as entities separate from their owners. However, there are also significant differences between the two forms of companies. One of the primary distinctions between a Sole Shareholder Limited Liability Company and a conventional Limited Liability Company lies in the aspect of liability (Asyadie, 2012).

In a Sole Shareholder Limited Liability Company, the sole owner bears full personal responsibility for all the company's obligations. In contrast, in a conventional Limited Liability Company, the liability of shareholders is limited to the amount of their share ownership. Furthermore, a conventional Limited Liability Company enjoys advantages in terms of resources and access to capital, as it could issue shares and obtain loans using its shares as collateral (A. Muhammad, 2003).

Conversely, a Sole Shareholder Limited Liability Company may face challenges in this regard, as the single owner must bear all financial burdens and cannot distribute risk among multiple shareholders.

From a legal perspective, both the Sole Shareholder Limited Liability Company and the conventional Limited Liability Company are recognized as legal entities (juridical persons) possessing rights and legal obligations (Purwosutjipto, 1995). Therefore, the conformity of the legal concept between these two forms of Limited Liability Companies lies in their compliance with the applicable legal requirements and provisions governing each form, while also considering the business and financial needs of the company owner.

DISCUSSION

The Nature of the Limited Liability Company Under Law Number 40 of 2007 on Limited Liability Companies

The concept of a legal entity in Indonesian legislation can be found in the Commercial Code (KUHD), particularly in Article 16, which states that "*A partnership (firm) is a company established to conduct business under a single common name.*" Over time, this concept evolved through the enactment of Law Number 1 of 1995 on Limited Liability Companies and was later refined under Law Number 40 of 2007 on Limited Liability Companies. A Limited Liability Company (*Perseroan Terbatas*) is a capital association that is granted legal entity status by law. According to Law No. 40 of 2007, a Limited Liability Company, hereinafter referred to as a "Company," is defined as "*a legal entity constituting a capital association, established based on an agreement, conducting business activities with authorized capital divided into shares, and fulfilling the requirements stipulated by this Law and its implementing regulations.*"

In addition to this statutory definition, several legal scholars have provided their own perspectives. H.M.N. Purwosutjipto argues that a Limited Liability Company is "*a partnership in the form of a legal entity. This entity is not called a 'partnership' but a 'company,' since its capital consists of shares (sero or saham). The term 'limited' refers to the limitation of shareholders' liability to the nominal value of the shares they own* (Purwosutjipto, 1979). Meanwhile, Abdulkadir Muhammad defines a Limited Liability Company as "*a company based on the accumulation of capital divided into shares, in which each shareholder's liability is limited to the amount of shares owned.*" Thus, the essence of a Limited Liability Company as a legal entity can be seen clearly in Article 1 of Law Number 40 of 2007, which reiterates that it is a legal entity constituting a capital association, established by agreement, conducting business activities with authorized capital divided into shares, and fulfilling the requirements stipulated by the law and its implementing regulations (Yahya Harahap, 2023).

As stipulated by law, a Limited Liability Company (PT) must be established based on an agreement. Therefore, the first step in forming a Limited Liability Company is the execution of a deed of establishment between the founders or initial investors. According to the Commercial Code (KUHD), the incorporation of a company must be executed through an authentic deed. This authentic deed of establishment must then be submitted to the Minister of Law and Human Rights for approval. Such approval is granted only if the provisions contained in the company's Articles of Association do not conflict with public interest or morality.

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Law Number 40 of 2007 on Limited Liability Companies serves as the principal legal foundation governing the nature of the Limited Liability Company as a legal entity. In Indonesia, the formation, regulation, and operation of a Limited Liability Company are comprehensively governed by this law. A Limited Liability Company is a legal entity whose capital is divided into shares, and its shareholders are the holders of those shares. The company has a legal existence distinct from its shareholders and management, and thus the liability of shareholders is limited to the nominal value of the shares they own. Based on Law Number 40 of 2007, the principal characteristics of a Limited Liability Company can be summarized as follows:

1. **Authorized Capital**
A Limited Liability Company must have authorized capital divided into shares. This amount is stipulated in the deed of establishment.
2. **Shares**
The company issues share to its shareholders, representing ownership interests in the company. These shares may be transferred or traded in accordance with applicable law.
3. **Limited Liability**
Shareholders have limited liability, meaning they are not personally liable for the debts or obligations of the company beyond the value of the shares they hold.
4. **Corporate Organization**
A Limited Liability Company has an organizational structure comprising shareholders, a Board of Directors, and a Board of Commissioners. The Board of Directors manages the daily operations of the company, while the Board of Commissioners supervises the directors' activities.
5. **Dissolution**
A Limited Liability Company may be dissolved in accordance with the law, either by a court decision or by a resolution of the shareholders.
6. **Profit Distribution and Dividends**
A Limited Liability Company may distribute profits to its shareholders in the form of dividends, as determined by the resolution of the General Meeting of Shareholders (GMS). These fundamental aspects illustrate the essence of the Limited Liability Company as a legal entity as regulated under Law Number 40 of 2007, emphasizing its distinct legal personality, limited liability, and structured governance framework.

The Law Number 40 of 2007 on Limited Liability Companies (Company Law) in Indonesia does not specifically regulate Sole Shareholder Limited Liability Companies (*Perseroan Terbatas Perseorangan*). However, in practice, a sole shareholder company is often regarded as a business entity operated by a single individual without the involvement of other shareholders or business partners. In this regard, there are several advantages and disadvantages associated with such companies.

1. The advantages of a Sole Shareholder Limited Liability Company include:
 - a. As the sole owner, the individual has full control over decision-making and company operations without the need for consultation with others.
 - b. Decisions can be made swiftly, as the owner does not need to undergo lengthy approval or consultation processes.
 - c. Tax obligations are generally simpler, as the company's income is taxed as personal income, avoiding the more complex tax filing procedures applicable to multi-shareholder companies.
 - d. The structure allows for business continuity, as the company's existence does not depend on the involvement of other parties, giving the owner complete independence in business operations.
2. Meanwhile, the disadvantages of a Sole Shareholder Limited Liability Company are as follows:
 - a. The sole owner bears full personal responsibility for the company's debts and obligations. If the company suffers losses or becomes insolvent, the owner's personal assets may be used to settle those liabilities.

- b. The company generally has limited resources compared to entities with multiple owners, which may hinder its potential for growth and expansion.
- c. Access to external financing can be more difficult, as financial institutions may be reluctant to lend to sole shareholder companies due to higher risk and limited collateral.
- d. The sole owner must possess diverse managerial and technical skills to handle all aspects of the business. A lack of expertise or experience in certain areas may pose challenges in managing complex business operations.

The Legal Concept of the Sole Shareholder Limited Liability Company and the Limited Liability Company as a Legal Entity

The Sole Shareholder Limited Liability Company (*Perseroan Terbatas Perseorangan*), which has recently emerged as a new phenomenon in the field of corporate law, deserves careful examination from the perspective of established legal concepts and doctrines, so that its regulation and legal recognition can be clearly understood both in terms of classification and its legal implications, particularly regarding liability before the law. A sole proprietorship is a business carried out by a single entrepreneur, in which all ownership and capital belong exclusively to one person. Although several individuals may work for such a business, they serve merely as employees or agents, bound by employment contracts or powers of attorney granted by the business owner ([Desak Kasih, 2022](#)).

A Sole Shareholder Limited Liability Company (*PT Perseorangan*) represents a new form of legal entity now available to individual micro and small entrepreneurs (*UMK*) seeking to manage their businesses formally. The rationale behind the establishment of this legal form is to facilitate small business actors who wish to formalize their enterprises while retaining full ownership and control, or who find it difficult to identify reliable partners to establish a conventional Limited Liability Company, which legally requires at least two founders.

In terms of compliance with prevailing legislation, the legal concepts of a Sole Shareholder Limited Liability Company and a Limited Liability Company as a legal entity differ substantially. A Sole Shareholder Company is a business in which the owner bears full personal responsibility for the company's obligations. In this special arrangement, the concept of a "limited liability" organization does not align with the traditional doctrine of corporate limited risk as a recognized legal entity.

Conversely, a Limited Liability Company as a legal entity constitutes a business structure that is legally distinct from its owners and possesses independent legal status. Except within the boundaries explicitly set by law, the owners (shareholders) of such a company are not personally liable for corporate debts and obligations. This legal framework allows multiple entities or individuals to hold equitable interests in a company and affords legal protection to shareholders.

Therefore, a Limited Liability Company as a legal entity is more consistent with statutory corporate law provisions, as it is expressly regulated under the Company Law (Law No. 40 of 2007). Although sole shareholder companies are permitted in some jurisdictions, they typically face legal limitations, as their existence is inconsistent with the principle of corporate separateness fundamental to the legal entity doctrine. As a result, Sole Shareholder Limited Liability Companies may not fully conform to the legal concept of the Limited Liability Company as a legal entity, because they do not provide the same degree of legal protection and structural safeguards as the latter ([Adrian Sutedim, 2015](#)).

In Indonesia, there is a fundamental legal distinction between a Sole Shareholder Limited Liability Company (*PT Perseorangan*) and a Limited Liability Company (*PT*) as a Legal Entity. A Sole Shareholder Company is a business operated by a single individual who acts as the sole owner of the enterprise. In this form, the law recognizes that the individual owner bears full responsibility for all aspects of the business, including legal and financial obligations. The owner is personally liable for the company's debts and liabilities, which results in minimal separation between the owner and the company itself.

In contrast, a Limited Liability Company (*PT*) as a Legal Entity possesses a distinct legal identity separate from its owners. Such a company has the authority to enter into legal transactions in its own name, including entering contracts, owning property, and initiating or defending legal actions in court.

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In this structure, there is a clear separation between the company and its shareholders, who are not personally liable for corporate debts or obligations beyond the value of the shares they own.

The Indonesian legal system therefore recognizes both the existence and differences between the Sole Shareholder Limited Liability Company and the Limited Liability Company as a Legal Entity. Generally, the Sole Shareholder Company is more suitable for small-scale or individually owned businesses, whereas the Limited Liability Company as a Legal Entity is commonly adopted for larger enterprises involving multiple shareholders. The legal requirements and establishment procedures for these two types of companies also differ, including the registration process with relevant authorities such as the Ministry of Law and Human Rights.

The Impact of Sole Shareholder Limited Liability Companies on Legal Protection and the Interests of Related Parties

Law Number 40 of 2007 on Limited Liability Companies regulates the legal protection and the interests of related parties concerning the Sole Shareholder Limited Liability Company (*PT Perseorangan*). A Sole Shareholder Limited Liability Company is a form of business entity that is owned and managed by a single individual, who bears full responsibility for all the company's obligations. The influence of this company structure on legal protection and stakeholder interests can be explained as follows.

In terms of legal protection, a Sole Shareholder Limited Liability Company provides a distinct advantage in relation to legal liability. Since the company is recognized as a separate legal entity from its owner, the owner is not personally liable for the debts and obligations of the company. This means that if the Sole Shareholder Limited Liability Company faces financial or legal difficulties, the owner's personal assets cannot be used to pay for the company's obligations. Thus, the Sole Shareholder Limited Liability Company grants legal protection to its owner by clearly separating corporate liabilities from personal liabilities ([Anggraeny and Rizki, 2021](#)). However, this legal protection also has implications for the interests of other parties involved. Because the Sole Shareholder Limited Liability Company (*PT Perseorangan*) is wholly owned by a single individual, that owner exercises full control over the company without the need to consult or take into account the interests of others, such as shareholders or employees. This can create a weakness in corporate transparency and accountability, since important decisions may be made unilaterally without broader consideration.

In addition, Sole Shareholder Companies face limitations in growth and access to financial resources. Owing to the limited capital held by a single proprietor, such companies may encounter difficulties in expanding their business, scaling up operations, or obtaining loans from financial institutions. These constraints can restrict business growth opportunities and affect the interests of related parties, such as employees, who may not benefit from economies of scale or from comprehensive corporate-development policies.

Overall, the Sole Shareholder Limited Liability Company has a notable impact on legal protection and stakeholder interests. While it provides legal protection to the owner by separating the company's obligations from personal liabilities, it may simultaneously limit corporate transparency, accountability, and growth potential. It is therefore essential to understand these implications and to ensure that the interests of all stakeholders are duly considered in the operation of a Sole Shareholder Company.

Comparative Analysis of Sole Shareholder Limited Liability Companies and Other Business Forms

A Sole Shareholder Limited Liability Company (*PT Perseorangan*) has several advantages and disadvantages when compared with other forms of business entities, such as sole proprietorships, partnerships (*firm*), limited partnerships (*CV*), and conventional Limited Liability Companies (*PT*). The comparison can be summarized as follows:

- a. Legal Entity Status and Liability Separation, A Sole Shareholder Limited Liability Company possesses the status of a legal entity, which enables a separation between personal assets and corporate assets and liabilities. This differs from sole proprietorships or partnerships, where the owners' liability is unlimited and extends beyond their capital contribution. In such non-

- incorporated forms, owners are personally liable for all business debts and obligations, while in a Sole Shareholder Company, the owner enjoys limited liability protection.
- b. Simplified Establishment, Amendment, and Dissolution Procedures, the Sole Shareholder Limited Liability Company offers procedural simplicity in establishment, modification, and termination. Unlike conventional PTs, its formation does not require a notarial deed; it is sufficient to have a declaration of establishment approved by an authorized official, such as the Land Deed Official (PPAT).
 - c. Streamlined Legal Registration Process, the establishment of a Sole Shareholder Limited Liability Company also does not require ministerial approval from the Ministry of Law and Human Rights. Registration through the Legal Entity Administration System (SABH) is sufficient. Likewise, dissolution can be affected through a termination declaration authorized by the PPAT. This differs from CVs or conventional PTs, which require a notarial deed, ministerial approval, and public announcement in the State Gazette of the Republic of Indonesia.
 - d. Taxation Flexibility and Microenterprise Incentives, Sole Shareholder Limited Liability Companies enjoy simplified taxation mechanisms. They may choose to be subject to a final income tax rate of 0.5% of turnover or to general income tax under prevailing tax laws. In addition, *PT Perseorangan* entities may benefit from micro and small enterprise (UMK) tax facilities such as exemptions or reductions in land and building tax, vehicle ownership transfer fees, stamp duties, and other fiscal incentives. This differs from conventional PTs, which are subject to corporate income tax rates ranging from 22% to 25% of net profit.
 - e. Capital and Scale Limitations, A Sole Shareholder Limited Liability Company faces limitations in capitalization and business scale. It can only be founded by one individual, making its capital dependent on the owner's financial capacity. Furthermore, it may only operate within the micro and small business categories, defined as having a maximum capital of IDR 5 billion or maximum annual turnover of IDR 15 billion. Should it wish to expand into a medium or large enterprise, it must convert into a conventional Limited Liability Company or another business form. In contrast, CVs or conventional PTs may be established by two or more founders and are not restricted by capital or turnover threshold
 - f. Managerial and Supervisory Limitations, The Sole Shareholder Limited Liability Company has inherent limitations in corporate governance and oversight mechanisms. It consists of only one organ the Director who simultaneously serves as the sole shareholder. Consequently, it lacks a Board of Commissioners and a General Meeting of Shareholders (GMS), which ordinarily function as supervisory and control organs in a conventional PT. This structure increases the risk of abuse of power or managerial misconduct. Conversely, a conventional Limited Liability Company has at least two organs, the Board of Directors and the Board of Commissioners, which provide mutual checks and balances within the corporate governance framework (Yani, 2018).

Evaluation of Government Policy on Sole Shareholder Limited Liability Companies in Supporting Micro and Small Enterprises

The government's policy to regulate the Sole Shareholder Limited Liability Company (*PT Perseorangan*) under the Job Creation Law (*UU Cipta Kerja*) can be evaluated from several perspectives legal, economic, social, and political. The following analysis focuses on the legal and economic aspects:

a. Legal Perspective

The government's initiative to regulate Sole Shareholder Limited Liability Companies under the Job Creation Law provides legal certainty for micro and small enterprises (UMK) wishing to adopt this business form. As a recognized legal entity, the Sole Shareholder Limited Liability Company enjoys rights and obligations as a juridical subject, granting UMK actors stronger legal standing in contracts, financing, and commercial relationships.

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This form also offers procedural efficiency in establishment, amendment, and dissolution reducing both time and cost. Moreover, it ensures limited liability protection, shielding owners from unlimited personal responsibility and thereby mitigating potential financial losses. However, this policy also presents several legal weaknesses (Prasetyo, 2022). The lack of oversight and control mechanisms within Sole Shareholder Companies creates the potential for abuse of authority or fraud by directors. Furthermore, the implementation of this policy is hampered by the absence of comprehensive implementing regulations, leading to uncertainty and inconsistencies in legal practice.

b. Economic Perspectives

From an economic standpoint, the regulation of Sole Shareholder Limited Liability Companies under the Job Creation Law provides incentives and facilities for micro and small enterprises seeking to formalize their operations. This legal form simplifies taxation, reducing the fiscal burden through access to final income tax rates or other UMK-specific incentives such as reductions or exemptions on land and building taxes, vehicle transfer fees, stamp duties, and similar charges (Li et al., 2019). The legal entity status of *PT Perseorangan* can also improve access to capital and credit, as financial institutions are more likely to lend to a formally registered legal entity capable of offering collateral. Additionally, the simplified organizational structure allows for greater operational efficiency and competitiveness among UMK actors. Nevertheless, several economic challenges remain. The company's limited capital base and scale of operations can restrict business growth and expansion. *PT Perseorangan* is also constrained by sectoral limitations, which can hinder diversification and innovation within the micro and small enterprise sector (F. Muhammad, 2018).

c. Social Perspective

The government's policy to regulate Sole Shareholder Limited Liability Companies (*PT Perseorangan*) under the Job Creation Law (UU Cipta Kerja) has the potential to produce several positive social impacts for micro and small enterprises (UMK) and society at large. This regulation can enhance the welfare and self-reliance of small business actors by enabling them to increase income and accumulate assets through a formalized and legally recognized business structure. Furthermore, it encourages greater participation and contribution of UMK in the national economy, as it supports the production and consumption of goods and services, thereby stimulating local economic activity. The establishment of *PT Perseorangan* may also create more employment opportunities and foster entrepreneurship, as it allows UMK to absorb labour and operate on a formal legal basis. However, the policy is not without social risks. One key concern is the potential for social inequality and unfair competition between UMK that adopt the *PT Perseorangan* structure and those that do not. The latter may face disadvantages in terms of market access, financing, or recognition. Additionally, the emergence of *PT Perseorangan* could lead to unhealthy competition and conflicts among UMK actors, as newer formalized entities might threaten the existence and market dominance of established businesses.

d. Political Perspective

From a political standpoint, the regulation of Sole Shareholder Limited Liability Companies under the Job Creation Law can have significant implications for both UMK and the government. The introduction of *PT Perseorangan* can strengthen political trust and support from the UMK community toward the government, as entrepreneurs may directly experience the benefits and conveniences provided by this legal framework. It may also enhance the political participation and representation of small business actors in the policymaking process by expanding their institutional capacity and legitimacy. Moreover, it can foster partnerships and collaborative relations between UMK and the government, promoting improved

communication and coordination in economic governance. Nonetheless, this policy carries political implications as well. It may generate political dependence among small business actors on the government, potentially reducing their autonomy and critical capacity. As entrepreneurs become increasingly reliant on government facilitation and protection, their ability to act as independent critics or reform agents may weaken. Furthermore, the regulation could result in increased political demands and pressures on the government, as UMK actors may develop heightened expectations and aspirations for continued support, subsidies, or regulatory privileges.

Juridical Review of Sole Shareholder Limited Liability Companies within the Framework of Indonesian Law

The Sole Shareholder Limited Liability Company (*Perseroan Terbatas Perseorangan*) represents a new form of legal entity introduced under Law Number 6 of 2023 concerning the Enactment of Government Regulation in Lieu of Law Number 2 of 2022 on Job Creation into Law (the Job Creation Law). This regulation provides legal recognition, convenience, and protection for micro and small enterprises (UMK) seeking to establish a limited liability company with authorized capital divided entirely into shares and owned by a single individual.

This legal innovation signifies a progressive step in Indonesia's corporate law framework, aiming to simplify business formalization, strengthen legal certainty, and promote inclusivity for small-scale entrepreneurs. Through the recognition of *PT Perseorangan* as a distinct legal entity, the government seeks to facilitate business scalability, access to financing, and entrepreneurial empowerment within Indonesia's evolving economic landscape ([Andreartha Kusmadana, 2022](#)). A juridical review of the Sole Shareholder Limited Liability Company (*Perseroan Terbatas Perseorangan*) can be conducted from several dimensions, including establishment, legal status, liability, bankruptcy, and comparative aspects with other forms of business entities. The main points of analysis are as follows:

- a. Establishment Aspect, A Sole Shareholder Limited Liability Company may be established in a simpler and faster manner compared to a conventional Limited Liability Company. Its establishment does not require a notarial deed; instead, it is sufficient for the founder to prepare a statement of establishment approved by the competent authority. Unlike regular PTs, a *PT Perseorangan* is not required to have Articles of Association (*Anggaran Dasar*); a basic founding agreement containing the company's essential provisions is adequate. Furthermore, it does not require a Board of Directors or Board of Commissioners a single manager or administrator appointed by the founder is sufficient to carry out management functions.
- b. Legal Status Aspect, A Sole Shareholder Limited Liability Company is recognized as a separate legal entity from its founder, thereby possessing its own rights and obligations in legal relations. It also has a registered name and domicile as determined by its founder. In addition, a *PT Perseorangan* may change its form into a conventional Limited Liability Company or another type of business entity in accordance with the applicable laws and regulations.
- c. Liability Aspect, A Sole Shareholder Limited Liability Company provides limited liability protection to its founder, meaning that the founder is responsible only up to the amount of capital contributed. However, this limited liability may be revoked if the founder engages in unlawful acts, abuses authority, or commits actions detrimental to the company or third parties. The limitation of liability may also be lost if the founder fails to meet the criteria of a micro or small enterprise (UMK), fails to separate personal and corporate assets, or fails to report corporate assets accurately.
- d. Bankruptcy Aspect, A Sole Shareholder Limited Liability Company may be declared bankrupt if it is unable to pay due and collectible debts. Bankruptcy proceedings for *PT Perseorangan* are governed under Law Number 37 of 2004 on Bankruptcy and Suspension of Debt Payment Obligations (*UU Kepailitan*), with certain adjustments. One notable adjustment is that the founder of a Sole Shareholder Company cannot file for a suspension of debt payment (PKPU)

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with the court, as such companies typically lack multiple creditors necessary for debt restructuring negotiations.

- e. The Sole Shareholder Limited Liability Company (*PT Perseorangan*) has several differences and similarities compared to other forms of business entities, such as a conventional Limited Liability Company (*PT*), partnership (*Firma/Fa*), limited partnership (*Commanditaire Vennootschap/CV*), or sole proprietorship (*Usaha Dagang/UD*). The main differences lie in the number of owners, authorized capital, scope of liability, and establishment process. Meanwhile, the main similarities can be found in their objectives, business activities, and status as legal entities.

However, the Sole Shareholder Limited Liability Company (*PT Perseorangan*) also raises several juridical issues, including the following:

1. The *PT Perseorangan* is inconsistent with the essence of a Limited Liability Company (*Perseroan Terbatas*) as a legal entity that constitutes a capital association, established based on an agreement, and conducting business activities with authorized capital divided entirely into shares, as stipulated in Article 1 paragraph (1) of Law Number 40 of 2007 on Limited Liability Companies, which states: “A Limited Liability Company, hereinafter referred to as a company, is a legal entity constituting a capital association, established based on an agreement, conducting business activities with authorized capital divided into shares, and fulfilling the requirements stipulated in this Law and its implementing regulations”. The Sole Shareholder Limited Liability Company does not fulfil the elements of a capital association or an agreement, as it consists of only one shareholder, who also serves as the director. Furthermore, the *PT Perseorangan* does not comply with the minimum authorized capital requirement of IDR 50 million, since its capital is limited to the micro and small enterprise threshold, which does not exceed IDR 500 million ([Portal Informasi Bisnis Terkini, 2023](#)).
2. The *PT Perseorangan* creates ambiguity in the legal status of the sole shareholder, who simultaneously acts as the director. The single shareholder possesses rights and obligations as both owner and manager, which may lead to conflicts of interest particularly regarding liability, oversight, and accountability in corporate governance (Yusuf, Gani, & Siddiq, 2024).
3. The *PT Perseorangan* potentially threatens the legal protection and interests of related parties, including creditors, employees, suppliers, consumers, and the state. Such companies may be susceptible to financial report manipulation, tax evasion, or violations of third-party rights. Additionally, they lack effective supervisory mechanisms, since there is no General Meeting of Shareholders (GMS) or Board of Commissioners to oversee management activities.
4. The *PT Perseorangan* does not align with international corporate law principles, such as the principles of equal treatment, transparency, accountability, and social responsibility. It also diverges from the broader legal purpose of company law, which is to promote collective welfare, strengthen the national economy, and protect public interests.

From the above juridical review, it can be concluded that the Sole Shareholder Limited Liability Company is incompatible with the legal concept of a Limited Liability Company as a legal entity. It is more accurately categorized as an individual business operating under the label of a limited liability company. Therefore, it is necessary to revise or repeal the provisions governing Sole Shareholder Limited Liability Companies in the Job Creation Law, to prevent potential legal ambiguities, conflicts, and violations.

CONCLUSION

The essence of a Limited Liability Company (*Perseroan Terbatas*) as a legal entity is that it possesses a legal identity distinct from its owner and enjoys its own legal status. A Limited Liability Company has authorized capital divided into shares, limited liability proportionate to the number of shares owned, and an organizational structure consisting of shareholders, a board of directors, and a board of commissioners. The legal concept of a Sole Shareholder Limited Liability Company (*PT Perseorangan*) is

not consistent with that of a conventional Limited Liability Company as a legal entity. This is because the Sole Shareholder Limited Liability Company contains several differences and limitations that deviate from the fundamental principles of a Limited Liability Company. These distinctions and limitations include the number of owners, authorized capital, scope of liability, establishment process, business field, scale of operations, and supervisory structure.

One of the government's efforts to support micro and small enterprises (UMK) is by regulating Sole Shareholder Limited Liability Companies through Law Number 6 of 2023 concerning the Enactment of Government Regulation in Lieu of Law Number 2 of 2022 on Job Creation into Law. The Sole Shareholder Limited Liability Company is a form of legal entity owned by only one individual and characterized by limited liability. To effectively realize this policy, the government should undertake several steps. First, issue clear and comprehensive implementing regulations on *PT Perseorangan* to ensure legal certainty and administrative ease for UMK actors seeking to adopt this business form. Second, provide guidance and socialization programs about *PT Perseorangan* so that UMK owners can understand their rights and obligations as both owners and managers of the company. Third, offer support and facilities to Sole Shareholder Companies to enhance their capital, scale, and business performance. Such support may take the form of subsidies, credit programs, technical assistance, and training. Fourth, establish effective supervision and control mechanisms to prevent and address any abuse of authority or fraudulent practices by company administrators. This may include audits, sanctions, and other regulatory measures.

Through these initiatives, the government can ensure stronger legal protection and empowerment for micro and small enterprises by means of the Sole Shareholder Limited Liability Company.

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