

Legal Implications of the Job Creation Law on the Concept and Liability of Individual Companies in Indonesia

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ABSTRACT

In the background of globalization and economic competition dynamics, efforts to strengthen the legality of Micro and Small Enterprises (MSEs) are realized through the reformulation of business entity policies, particularly with the introduction of the concept of Sole Proprietorship. This study uses a normative legal method to analyse fundamental changes in the national corporate legal system following the enactment of Law No. 11 of 2020 on Job Creation. The results of the study show that this reform opens up more inclusive legal access for MSME actors, provides a formal mechanism for establishing sole proprietorships, and introduces significant simplification of administrative procedures. However, there are challenges in terms of legal certainty due to the disharmony between the principle of capital association in the Limited Liability Company Law and the concept of sole proprietorships. Legal implications also arise regarding the limitations of limited liability and the potential for abuse of single legal entities. Therefore, it is necessary to strengthen internal control mechanisms and harmonize regulations to ensure that legal protection and accountability remain guaranteed for all parties involved. These findings are expected to serve as a reference in the development of adaptive and competitive corporate regulations in Indonesia.

INTRODUCTION

In this era of globalization and increasingly intense market competition, private companies play an important role as one of the elements that support the dynamics of the national economy. However, businesses that have legal entity status are considered to provide stronger guarantees for the sustainability of the company and ensure legal certainty in the relationship between businesses and their consumers. The existence of a legal entity reinforces the legality of a business entity and provides a foundation for the creation of more structured legal responsibilities and protections for the parties involved. The implementation of clear regulations and consistent legal protection are key factors in maintaining fairness and healthy business competition in the market (Mardikaningsih & Arifin, 2021).

The general public, including consumers, has long been familiar with legal entities such as limited liability companies (PT). Limited liability companies are seen as a key instrument in driving the national economy and an effective vehicle for conducting business activities professionally. The number of limited liability companies in Indonesia continues to grow on a micro, small, medium and large scale,

indicating that this form of business entity has become an integral part of the modern economic system in Indonesia (Kusmanto & Warjio, 2022).

One of the main reasons people choose the limited liability company form of business is the guarantee of protection for the personal assets of the capital owners. In the corporate legal system, the liability of shareholders is limited to the amount of capital they have contributed. Thus, if the company faces legal problems or suffers losses, the personal assets of the owners cannot be sued as part of the company's liability. This condition makes limited liability companies a form of business that is considered safer, more measurable, and based on the principle of strong legal certainty for business actors.

The concept of asset separation in the company structure has fundamental significance in confirming its status as an independent legal entity with the authority to conduct business activities legally under the protection of the national legal system. This separation forms the basis for the legal character of a company as an entity with a legal personality separate from its owners, enabling it to act as an independent legal subject in various business transactions and legal relationships.

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A limited liability company is understood as a legal entity that functions as a separate entity within the legal system, parallel to the position of individuals as legal subjects. The establishment of this legal entity, according to this view, is a consequence of the state's recognition of the existence of organizations consisting of groups of people who aim to carry out certain activities and have their own legal capacity. Thus, legal entities play an important role in facilitating legal transactions and ensuring certainty in all economic and business activities (Darmawan, 2021).

In the background of modern legal practice, recognition of limited liability companies also reflects the state's efforts to create a more orderly and accountable economic system. Through their legal entity status, companies obtain formal legitimacy to participate in legal relationships, enter into contracts, and have institutionally accountable legal responsibilities. This not only strengthens the position of companies in the eyes of the law, but also increases public and market confidence in the stability and transparency of the business world.

In the general doctrine of legal entities, an entity can be recognized as a legal subject if it fulfils a number of key elements. These elements include ownership of assets that are separate from the personal assets of the shareholders, having independent objectives and interests, and being supported by a well-organized structure. The existence of these elements is the main distinction between legal entities and other forms of business that do not have their own legal personality.

Based on this thinking, the main characteristic of a legal entity lies in the separation between company assets and the personal wealth of capital owners. Legal entities also function as a means of pooling capital from shareholders, where the liability of each party is limited to the amount of investment contributed (Kasih, 2022). This concept of limited liability makes limited liability companies fundamentally different from individual business forms that do not have similar legal protection.

However, regulatory developments in Indonesia have undergone significant changes following the enactment of Law Number 11 of 2020 concerning Job Creation, which revises the provisions of Law Number 40 of 2007 concerning Limited Liability Companies. This legal reformulation introduced a new concept of Individual Legal Entities for Micro and Small Enterprises (MSEs). This innovation has complex legal implications, as it changes the traditional

understanding of the boundaries between individual entities and legal entities in the Indonesian corporate system, while also expanding legal access for small businesses to obtain more formal and equal legal recognition.

The main objective of establishing Individual Companies is to provide more adaptive legal means for Micro and Small Enterprises (MSEs) to develop their business activities through the establishment of legal entities in the form of Limited Liability Companies. This initiative stems from the government's commitment to expand legal access for the MSE sector, which has faced administrative and structural barriers. As stated by Arifin and Darmawan (2022), an adaptive approach to economic and institutional policy is key to dealing with uncertainty and promoting organizational resilience amid fluctuating economic dynamics. Through revisions to a number of provisions in the Limited Liability Company Law (UU PT), the government is seeking to create a more inclusive legal framework, so that small businesses can obtain legal protection and advantages similar to those of conventional limited liability companies, particularly in terms of legal liability and the separation of personal assets from company assets.

This legal reformulation is explicitly regulated in Article 109 paragraph 1 of Law Number 11 of 2020 concerning Job Creation, which amends Article 1 paragraph 1 of the Limited Liability Company Law. Previously, the definition of a limited liability company was defined as a legal entity in the form of a capital partnership established based on an agreement and having a divided capital stock, with the requirement that it must meet the conditions stipulated in the law and its implementing regulations. The Job Creation Law expands the scope of this definition by introducing the concept of a Sole Proprietorship Limited Liability Company, which is a legal entity that can be established by a single founder through a Statement of Establishment, provided that the founder meets the criteria as a Micro and Small Business operator. Such updates to business law signify the integration of the concepts of legal protection and economic efficiency, which is similar to the integrative approach to intellectual property rights management in the background of modern business (Mardikaningsih & Darmawan, 2021).

This change reflects a significant paradigm shift in corporate law doctrine in Indonesia. Whereas previously a limited company was understood as a form of capital cooperation between at least two shareholders, the new concept now recognizes the existence of single shareholder companies as legal

entities. However, this change raises potential legal dilemmas, as it could blur the fundamental principle of legal entities, namely the strict separation between personal ownership and company assets. This shift has the potential to cause conceptual confusion in the future if this basic principle is not consistently upheld in corporate legal practice.

Within the traditional legal framework, the establishment of a limited liability company has legal consequences in the form of the separation of the capital owner's assets from the business entity's assets, so that the legal liability of shareholders is limited to the amount of capital invested. This principle of limited liability is a key pillar that guarantees security and legal certainty for shareholders. However, the emergence of sole proprietorship companies, which allow for establishment by a single individual as the sole shareholder, raises fundamental questions about the extent to which the principle of limited liability can be effectively applied. This is relevant because the concept of a legal entity is theoretically based on the separation of the legal entity from the individual who established it (Putri & Tan, 2022).

Thus, there are two main issues arising from this legal reform. First, how to guarantee legal certainty regarding the existence and regulation of Sole Proprietorships in the Indonesian corporate legal system. Second, what form of legal liability is attached to Sole Proprietorships as regulated in the Job Creation Law, particularly regarding the application of the principle of limited liability in relation to sole ownership. These two issues are crucial in assessing the effectiveness and legitimacy of the concept of Sole Proprietorships as a new legal instrument in the national economic order.

RESEARCH METHOD

This study applies a normative juridical method, which is an approach that examines law as a structured and interrelated system of norms. This system includes various elements such as principles, rules, regulations, legislation, and legal doctrines that are directly relevant to the legal issues that are the focus of the study. Thus, this study seeks to understand law not only as text, but also as a normative device that regulates behavior and legal relationships in society.

The approach used in this study includes a statute approach with the use of primary legal materials as the basis for analysis. The main sources of law used as references include the 1945 Constitution of the Republic of Indonesia, Law

Number 40 of 2007 concerning Limited Liability Companies, Law Number 11 of 2020 concerning Job Creation, and Government Regulation Number 8 of 2021 concerning the Authorized Capital of Companies and the Registration, Establishment, Amendment, and Dissolution of Companies that Meet the Criteria for Micro and Small Businesses.

The data analysis process was conducted qualitatively, namely through descriptive-analytical legal interpretation and reasoning. In this method, the validity of the findings is not measured based on numbers or statistics, but rather through the strength of the arguments and consistency of the legal logic constructed by the researcher. Therefore, the final truth in this study is determined by the researcher's ability to integrate various legal norms to answer the issues being studied in a systematic and rational manner.

RESULT AND DISCUSSION

The Theory of Legal Certainty

Legal certainty is a fundamental element in modern legal systems that serves to guarantee the application of the principle of equality before the law without discrimination. The existence of this principle ensures that every individual receives fair, predictable legal treatment based on valid norms. The concept of legal certainty is closely related to the principle of normative truth in positive law. Within the framework of legal formalism, legal certainty is an important instrument that affirms that every legal action must be based on established rules. As explained by Zahid and Darmawan (2022), the application of the principle of equality in law is also closely related to efforts to eliminate social stereotypes that can affect relations between groups in society, thereby ensuring the creation of substantive social justice and equality. Through legal certainty, society obtains clear guidelines for assessing the legality of an action. Without it, individuals would lose their bearings in regulating their behavior in accordance with applicable legal norms.

According to Gustav Radbruch's thinking in Mulyatno (2022), law must be understood as a positive entity that functions to regulate human interests in society. Law, in Radbruch's view, must be respected even though in practice it is sometimes considered not entirely fair. For Radbruch, legal certainty reflects conditions that are measurable, stable, and clearly stated in regulations established by the competent authorities. Thus, legal certainty serves to maintain social order through the application of norms that are reliable and interpreted consistently.

According to Jan M. Otto, legal certainty can be achieved if a number of normative and institutional prerequisites are met (Bedner & Oomen, 2018). First, legal rules must be clear, transparent, consistent, and easily accessible, and must be issued by legitimate institutions with state legitimacy. Second, government institutions must apply the law consistently and comply with applicable norms. Third, the public must accept and adjust their behavior to legal provisions. Fourth, judicial institutions must be independent and impartial in order to interpret the law objectively. Finally, court decisions must have real executive power as proof of the rule of law. Furthermore, Otto states that legal certainty can only be realized if the substance of the law is in line with the needs and expectations of society (Kusuma, 2022). This means that the law must not only be normative, but also responsive to developing social and political dynamics in order to create sustainable legal stability.

The law has a universal and impersonal character, binding all citizens without distinction, while justice is subjective, individual, and contextual. Therefore, although the two concepts are often linked, law and justice do not always run parallel. Legal certainty is defined as the implementation of norms in accordance with the text of legislation. With this certainty, the community has confidence that the law can be enforced consistently and that the results are predictable.

The value of legal certainty is closely related to the existence of positive law and the role of the state as the enforcer of the rule of law. Consistent implementation of the law based on written norms provides a sense of security, clarity, and public trust in the legal system itself. Therefore, legal certainty is not only a normative aspect, but also a prerequisite for the realization of social stability and the legitimacy of the rule of law.

Legal Entity Theory

In the Indonesian legal system, legal subjects are generally classified into two main categories, namely individuals and legal entities. Both have equal standing in terms of legal rights and obligations. Legal entities (*Recht Persoon*) are recognized as legal entities that have their own legal personality, regardless of the existence of their members. Thus, legal entities have the ability to own property, perform legal acts, and be parties in court proceedings, just like individuals.

The existence of legal entities is a real social and legal phenomenon. Although they do not have a physical form like humans, their existence can be

observed through their activities and legal relationships in society. The importance of recognizing legal entities lies in the separation of their assets from the personal assets of their members. In the economic sphere, especially in commercial activities, this separation serves as a legal protection mechanism for the parties involved.

Legal entities are essentially organizations or entities that have the capacity to perform legal actions independently, own assets, and can sue or be sued before a court of law. For this entity to be legally recognized, a normative basis is required to legitimize its rights and obligations. Various theories have been put forward to explain the basis for the existence and ability of legal entities to perform their roles in the legal sphere.

First, the Fiction Theory, pioneered by Friedrich Carl von Savigny, departs from the view that only humans have true will. In this perspective, legal entities are considered to have no will or consciousness of their own; their existence is merely a symbolic construction created by law to explain certain social relationships. Thus, legal entities are seen as abstract representations of a group of people or entities recognized by the state as legal subjects. The government grants formal recognition so that legal entities can operate within the legal system, but in essence, legal will still originates from the humans who represent them.

Second, Otto von Gierke's Organ Theory rejects this fictitious view. According to him, legal entities are living organisms that have structures and functions similar to humans. Within this framework, legal entities are not merely normative abstractions, but real entities that have "organs" or devices that form a collective will and are capable of acting in legal relationships. Each part of a legal entity acts as an organ that works synergistically to achieve common legal objectives. Therefore, legal entities are recognized as autonomous legal subjects, not merely extensions of individual will.

Third, the Theory of Assets due to Position, this theory argues that the existence of a legal entity is based on the management of independent assets and is managed by administrators due to the positions they hold. In this view, a legal entity is considered a collective vessel formed for the common interests of all its members. The rights and obligations of a legal entity are a shared responsibility, while the assets owned are collectively owned by the members, not specific individuals. Therefore, legal entities are not viewed as autonomous legal entities, but rather as legal constructs that arise from organizational needs.

Fourth, the Purpose-Oriented Wealth Theory. This theory asserts that the true subjects of law are only humans, while legal entities are merely instruments created to achieve certain objectives. The assets of a legal entity are separated from the personal rights of human beings because they are intended for the achievement of predetermined legal objectives. Thus, a legal entity is not a holder of rights in a personal sense, but rather a manager of assets directed towards achieving collective objectives. The focus of this theory is not on who owns the assets, but on the objectives underlying its existence (Raharjo, 2012).

Overall, these theories show that the concept of legal entities has evolved from an initially symbolic understanding to recognition of their legal autonomy. This recognition forms the basis for the legitimacy of legal entities in the modern legal system, which places them on an equal footing with humans as legal subjects with independent rights and obligations.

Theory of Legal Protection

As a country based on the values of Pancasila, Indonesia has a constitutional obligation to guarantee legal protection for all its citizens. This protection reflects the implementation of the principles of social justice and is a concrete manifestation of the recognition of human rights as rights inherent to every individual, both as private and social beings within the framework of the Unitary State of the Republic of Indonesia. The implementation of sustainable policies that are relevant to local cultural values is an important foundation for strengthening the principles of humanity and social justice in the background of national development (Aprita et al., 2022). The ultimate goal is to achieve mutual prosperity in line with the spirit of kinship and universal human values. To actualize this, state institutions must align regulatory frameworks with inclusive policies that promote fairness across all sectors of society. Legislative reform must be directed toward eliminating systemic discrimination and ensuring that marginalized groups receive equitable treatment in legal and administrative processes. Moreover, the integration of local wisdom into national governance serves as a bridge between formal state mechanisms and community-based traditions. In doing so, the state not only safeguards civil rights but also fosters national cohesion through participatory legal culture. Social justice becomes measurable when public services are accessible, rights are enforceable, and the legal

system is perceived as impartial. The emphasis on solidarity and equitable resource distribution must guide state programs in education, health, and economic empowerment. Ultimately, national progress cannot be separated from the assurance of legal certainty and fairness that affirms the dignity of every citizen.

Law is understood as a set of norms, both written and unwritten, which are binding and enforceable in order to regulate human behavior in society and the state. The law is oriented towards two main principles, namely justice and benefit, with the aim of creating order and social peace. Thus, legal protection is a manifestation of the role of law in maintaining a balance between individual rights and collective interests, in order to achieve social order and harmony.

Conceptually, protection is an effort to shield against threats or losses, both material and immaterial. Legal protection means the state's protection through its legal apparatus for the weak in order to create social balance and guarantee a sense of security, justice, and legal certainty for citizens. Furthermore, the concept of legal protection involves a series of conscious actions, whether by individuals, institutions, or the state, to ensure the fulfilment of basic human rights in accordance with the provisions stipulated in Law No. 39 of 1999 on Human Rights. These efforts include preventive and repressive legal processes aimed at protecting, monitoring, and enforcing the human rights of every individual without discrimination. The principle of equality is essential in the application of this legal protection, whereby all subjects of law are treated equally before the law.

Thus, legal protection serves as a juridical mechanism to guarantee legal certainty, and as a moral and social instrument that reflects the values of humanity, justice, and the state's responsibility towards its citizens. As stated by Darmawan (2022), the application of moral and ethical principles in the legal system also plays an important role in strengthening social accountability and environmental responsibility, which are the basis for sustainable and equitable legal development. Within the framework of national law, this emphasizes that the rule of law is the main foundation for building a just and civilized legal system.

Based on the results of an analysis of the issues and legal theories used, this study shows that there are fundamental differences in terms of legal certainty between sole proprietorships and limited liability companies as legal entities. The factors that distinguish the two lies primarily in the elements of

their formation and the underlying mechanisms of legality. Sole proprietorships generally have greater flexibility in management, but the level of legal protection for their owners is relatively low due to the absence of separation between personal and business assets. In contrast, limited liability companies provide stronger legal certainty through their status as legal entities separate from their owners, thereby limiting legal liability (Johan & Ariawan, 2022). This condition shows that the form of legal entity has direct implications for the level of legal protection, business continuity, and public trust in the business entity.

Normatively, the legal basis for the formation of a sole proprietorship shows significant differences compared to a conventional limited liability company. One of the main differences lies in the establishment procedure, whereby a sole proprietorship can be established by one person without requiring an agreement or consensus between two or more parties as stipulated in the traditional limited liability company model. The legality of its establishment does not require an authentic deed issued by a notary, but rather through an administrative registration mechanism regulated by laws and regulations. The requirements for establishing a company are that it may only be established by: 1. Indonesian citizens; foreign nationals are not permitted to establish a sole proprietorship; 2. A minimum age of 17 (seventeen) years; 3. Legally competent, a sole proprietorship obtains legal entity status after being registered with the minister and obtaining an electronic registration certificate (Hartono, 2022).

This provision gained legitimacy through the enactment of Law No. 11 of 2020 on Job Creation, which presented a conceptual breakthrough in the corporate law paradigm in Indonesia. The enactment of this law marked a shift from the classic concept of a limited liability company, which had been based on a partnership of two or more persons, with ownership divided into shares. As a legal entity, limited liability companies have traditionally been recognized as having the ability to act in legal transactions with liability limited to the amount of capital contributed by the shareholders (Safitri & Hariyani, 2022).

Historically, the concept of a limited liability company (PT) was adopted from the Dutch legal system introduced during the era of the Revenged Standishes Compagnie (VOC). This legal form later developed into the Anamoose Enoteca (NV), an entity that was born out of a large capital partnership to support expedition and inter-island

trade activities in the Dutch East Indies. This historical evolution shows that the form of a company has always been related to the economic needs and legal systems that prevailed at the time (Kasih, 2022).

Along with the development of the economy and the national legal system, the concept of limited liability companies in Indonesia has undergone a significant adaptation process to respond to the increasingly complex needs of the business world. The corporate form, which was originally designed to raise large amounts of capital on a colonial scale, now faces demands for flexibility in ownership structure and governance. Therefore, modern legislation has begun to review the classical limitations that previously placed companies as entities based solely on capital partnerships. The increasing participation of micro and small businesses in the national economy has encouraged the emergence of ideas regarding a more inclusive and adaptive company model in response to socio-economic changes. Adjustments to corporate legal norms in Indonesia need to take global dynamics into account in order to provide legal protection that is in line with international practices and cross-border trade challenges. Indonesia's integration into the global trading system requires adjustments to corporate legal norms to align with international practices. In line with this, corporate law reform has become a strategic step to create a more efficient and competitive business climate. Thus, the need for a new legal framework that can accommodate sole ownership has become increasingly urgent, which was then realized through the reformulation of provisions in the Job Creation Law (Rasyidi, 2022).

However, with the enactment of the Job Creation Law, the provisions in Law Number 40 of 2007 concerning Limited Liability Companies have undergone substantial adjustments. The new regulation allows for the establishment of a limited liability company by a single person, which was previously considered contrary to the principle of capital association. Consequently, new legal implications have arisen that differ from the basic concept of a limited liability company with two or more persons, in terms of legal liability, the validity of the deed of establishment, and legal protection for capital owners. This shift marks a structural transformation in Indonesia's corporate legal system, which is now seeking to adapt to the dynamics of the modern economy without neglecting the basic principles of legal certainty and protection for business actors.

The Aspect of Legal Certainty in the Regulation of Sole Proprietorships as Legal Entities

The concept of a sole proprietorship is closely related to a limited liability company (PT) as regulated in the Limited Liability Company Law (UUPT), which has been amended through the Job Creation Law. Therefore, the general principles applicable to Limited Liability Companies must also be adapted and implemented in the provisions governing Sole Proprietorships, unless there are specific provisions that are explicitly regulated differently in the UUPT. The existence of Sole Proprietorships is regulated in Law Number 11 of 2020 concerning Job Creation (Omnibus Law) and Government Regulation Number 8 of 2021 concerning Company Capital and Registration of Establishment, Changes, and Dissolution of Companies that Meet the Criteria for Micro and Small Businesses (Putra et al., 2022).

There are a number of characteristics that distinguish a Limited Liability Company from a Sole Proprietorship. Based on legal entity theory, a Limited Liability Company has characteristics that other legal entities do not have. These characteristics include the pooling of capital divided into shares, limited liability between shareholders and directors, and the existence of a board of commissioners that performs a supervisory function. Thus, the provisions in the UUPT stipulate that the establishment of a PT must be carried out by two or more persons through a notarial deed as a legal instrument to ensure legal certainty. If these provisions are not met, the legal consequence is the loss of the principle of limited liability, so that legal liability becomes personal and unlimited liability.

Unlike a Limited Liability Company, which requires at least two founders, a Sole Proprietorship can be formed by one person alone. However, this entity is still required to comply with all procedures, requirements, and legal provisions stipulated in the legislation in order to obtain the status of a legal entity. This legality is the basis for the entity to carry out all its business activities formally and responsibly. Legal recognition ensures that the business can enter into binding contracts, open corporate bank accounts, and be eligible for government incentives and protection. Without this formal status, the proprietorship may face constraints in accessing credit, participating in procurement processes, or expanding its operations beyond informal networks. Legal incorporation also provides greater clarity in taxation, allowing the state to regulate revenue streams transparently

while providing entrepreneurs with a predictable regulatory framework. Furthermore, adherence to legal standards fosters consumer confidence, as clients are more inclined to engage with businesses that demonstrate procedural compliance. In sectors where regulatory certification is mandatory, the absence of legal status may lead to sanctions or business cessation. As entrepreneurship grows, particularly among micro and small enterprises, institutional support for easing legal formalities becomes crucial to incentivize registration. Ultimately, establishing legal entity status is not merely administrative but a strategic foundation for business legitimacy and long-term viability.

The legal status of a Sole Proprietorship is only recognized after the issuance of a decree by the Minister of Law and Human Rights regarding the legal entity's ratification. Based on Article 7 paragraph (4) of the UUPT, after obtaining this ratification, the company is considered a valid legal entity with its own legal position. From that moment on, the founder no longer bears personal responsibility for obligations made on behalf of the company, and their responsibility is limited to the value of the shares they own.

The recognition of the legal entity status of a Sole Proprietorship has implications for its institutional structure and accountability system. With independent legal status, this entity is required to implement accountable and efficient governance in accordance with the principles of corporate prudence. The separation of responsibilities between owners and businesses requires proportional internal supervision, while the simplification of the structure makes it easier for MSME players to access legality without administrative burdens. This regulation seeks to balance legal protection and ease of doing business, as the main difference from conventional limited liability companies.

In principle, sole proprietorships have fundamental similarities with limited liability companies, although there are differences in their structure and governance. As legal entities, both have corporate organs that function to carry out business activities. In the structure of a Limited Liability Company, these organs consist of the Board of Directors, the General Meeting of Shareholders (GMS), and the Board of Commissioners. These three organs carry out managerial, supervisory, and strategic decision-making functions separately. However, in a Sole Proprietorship, the organizational structure is simpler as it only includes the Board of Directors

and the GMS, while the function of the Board of Commissioners is eliminated. This simplification reflects the character of a Sole Proprietorship as a more flexible and efficient form of business entity that suits the needs of small-scale business actors without neglecting the principle of legal responsibility (Kornelis, 2022).

Provisions regarding changes to limited liability companies in the CK Law are reaffirmed in Government Regulation No. 8 of 2021 concerning Authorized Capital of Companies and the Registration of Establishment, Changes, and Dissolution of Companies that Meet the Criteria for Micro and Small Businesses (Arief & Ramadani, 2021). In a Sole Proprietorship, the founder plays a dual role as the main controller and policy director of the company as stipulated in Articles 153D and 153F of the UUPT. Because it is established by only one person, the GMS mechanism is adjusted. Based on Government Regulation Number 8 of 2021 Article 8 paragraph (5), the decision of a sole shareholder has the same legal force as a GMS decision in a conventional Limited Liability Company.

From a legal certainty perspective, the existence of a Sole Proprietorship formed by only one individual raise conceptual debate regarding its validity as a legal entity. This is because the UUPT normatively stipulates that a legal entity can only obtain legal status if it is established by two or more parties who are bound by a legal agreement. Thus, the emergence of new provisions through the Job Creation Law that allow the establishment of a company by one person is considered to create potential conflicts between the provisions of the UUPT and the derivative regulations of the Job Creation Law.

Legal certainty is a fundamental principle that determines the validity of a legal system. Fuller asserts that law can only be considered valid if it meets a set of specific requirements, one of which is the absence of contradictions between rules within the legal system itself. Thus, if there are two conflicting norms, such as the principle of establishment by two parties in the UUPT and the provision of single establishment in the Job Creation Law, this condition can be considered to reduce the level of legal certainty, which is the foundation of the legitimacy of the law (Puspawati, 2022).

Theoretically, this issue opens up space for academic debate regarding the synchronization of the hierarchy of legislation and the harmonization of corporate law principles in Indonesia.

Therefore, further study is needed to assess the extent to which the establishment of Sole Proprietorship Companies remains in line with the principle of legal certainty, which is a key pillar of the national legal system.

Liability of Sole Proprietorships under the Job Creation Law

Indonesia has adopted a new form of legal entity known as a Sole Proprietorship, as stipulated in Article 109 of the Job Creation Law, which revises the provisions of Law No. 40 of 2007 on Limited Liability Companies. This corporate model is similar to the Common Law system, particularly the concept of sole trader or sole proprietorship, where one individual act as both the owner and manager of the business. Generally, the capital used in this type of business comes from the owner's personal wealth, either in the form of savings or loans from financial institutions (Aziz & Febrianingsih, 2020).

Based on the theory of legal entities, sole proprietorships have fulfilled the legal requirements regarding the principle of limited liability. which makes sole proprietorships independent legal subjects, with responsibilities and rights and obligations for their own legal actions (Siregar et al., 2022). In practice, a sole proprietorship is the simplest form of business in terms of establishment and operation. This entity is managed entirely by one individual who is responsible for all business activities and financial obligations. Conceptually, this form is equivalent to a Trading Company (PD) or Trading Business (UD) in the Indonesian legal system.

In terms of legal responsibility, the level of owner liability can be reviewed through the legal basis for establishment and the principles of legality that underlie the establishment of a company. The relationship between obligations and the law is inherent, where the concept of legal responsibility indicates that every individual can be held accountable for certain actions that violate legal norms. Thus, in the background of corporations, any violation of the principles or legal provisions of the establishment of a company has direct implications for the extension or transfer of the legal responsibility of the individual concerned.

The Job Creation Law introduces Individual Limited Liability Companies (PT Perorangan) for Micro and Small Enterprises (UMK). However, in principle, the establishment of a PT must be based on an agreement as stipulated in Book III of the

Civil Code, so ideally it must be carried out by at least two parties through a notarial deed. If this provision is not fulfilled, limited liability may turn into personal liability, which contradicts the essence of the "limited" principle in the concept of a Limited Liability Company.

From a corporate governance theory perspective, the application of the Limited Liability Company model by one person is considered to have the potential to negate the principle of checks and balances in strategic corporate decision-making. Normatively, the existence of more than one shareholder is necessary to ensure a healthy mechanism of supervision and distribution of authority. The absence of a second party in the ownership structure can lead to the risk of decision monopoly and weaken the principle of limited liability, which is the basis of the company system.

In a limited company, capital/shares have separate assets from those of the shareholders, shareholders have limited liability, there is a separation of functions between shareholders and managers or directors, there are commissioners who act as supervisors, and the highest authority lies with the General Meeting of Shareholders (GMS) (Islamiyah, 2021). Legally, the General Meeting of Shareholders (GMS) is a corporate body separate from its shareholders, together with the Board of Directors and the Board of Commissioners, as confirmed in Article 1 paragraph 2 of the UUPT (Setyarini et al., 2020). This provision is further reinforced in Article 8(5) and Article 13(1) of Government Regulation No. 8 of 2021, which states that changes to the articles of association or the dissolution of a Sole Proprietorship Limited Liability Company shall be carried out through a decision of the sole shareholder. This decision has the same legal force as a decision made through a GMS mechanism in a conventional limited liability company.

Thus, although this legal innovation is intended to expand legal access for small businesses, it also raises normative challenges regarding the compatibility between the principles of contract in civil law and the legal structure of modern corporations. In this case, the dynamics of implementing new regulations such as the Job Creation Law show that there's tension between economic efficiency and protecting constitutional rights, especially for micro businesses that don't fully understand the legal responsibilities that come with being a legal entity. Differences in interpretation between institutions regarding administrative standards and legal certainty also add to the complexity of its implementation. Therefore, comprehensive legal

oversight and education mechanisms are needed so that small businesses not only obtain legal legitimacy, but also understand the social and ethical implications of establishing a sole proprietorship. Further study is needed to assess the extent to which sole proprietorships can operate without violating the basic principles of establishing legal entities in Indonesia (Jaya, 2021).

Within the framework of the Job Creation Law, regulations concerning organs within a Sole Proprietorship are explicitly stipulated in Article 153D, which states that the Board of Directors is responsible for managing the company in the interests of the company, in accordance with its founding objectives. This provision grants discretionary authority to the Board of Directors to make managerial decisions as long as they are within the limits specified by law and the company's articles of association (Ritonga, 2022). The effectiveness of the Board of Directors' role also depends on their ability to apply the principles of accountability and transparency in managing a digital-based company in accordance with the principles of modern corporate governance (Darmawan et al., 2022). Thus, the Board of Directors acts as the main body that carries out operational activities and ensures compliance with the principles of good corporate governance.

Furthermore, Article 153F of the Job Creation Law requires the Board of Directors of a Private Company, particularly those categorized as Micro and Small Enterprises (MSEs), to prepare and report annual financial statements. This obligation aims to create transparency and accountability in financial management. The technical provisions regarding reporting are outlined in Article 10 paragraph (2) of Government Regulation Number 8 of 2021, which requires financial reports to be submitted to the Minister through an electronic system no later than six months after the end of the accounting period. The report includes a statement of financial position, a profit and loss statement, and notes to the financial statements, all of which can be prepared for the current period. In line with the development of digital law in Indonesia, the use of electronic systems in reporting must also take into account the validity and authenticity of electronic data, who emphasize the importance of legal certainty in technology-based contracts and transactions. If this obligation is not fulfilled, Article 10 paragraph (3) stipulates administrative sanctions in the form of written warnings, suspension of access to administrative services, and even revocation of legal entity status.

One of the fundamental characteristics of a Limited Liability Company (PT) is the separation of liability between company assets and the personal assets of shareholders. However, the principle of limited liability is not absolute. Under certain circumstances, this principle may be set aside if there is bad faith, such as the use of the company's legal entity for personal gain or the mixing of personal assets and company assets. In such cases, the company's existence is merely a tool for shareholders to obtain personal gain, which is legally known as the concept of "piercing the corporate veil" (Harahap et al., 2021).

The concept of piercing the corporate veil is relevant in assessing the limits of shareholder liability, particularly in sole proprietorship companies that have only one owner. In this structure, the potential for abuse of corporate legal status for personal gain is greater. Therefore, regulations need to emphasise the conditions that negate the principle of separation of liability as a form of legal protection for third parties and prevention of abuse of legal entities. Thus, exceptions to limited liability serve not only a repressive function but also a preventive one in maintaining the integrity of the company (Alanazi, 2020).

Normatively, Article 153 J paragraph (2) of the Job Creation Law emphasizes the conditions under which the limited liability of shareholders in a sole proprietorship does not apply. This provision covers three situations, namely: (a) if the requirements for establishing a legal entity are not met; (b) when shareholders, directly or indirectly, use the company for personal gain; and (c) if there is evidence of misconduct or abuse of authority by shareholders.

Although Article 153J paragraph (2) places restrictions on the principle of limited liability, the provisions in paragraph (1) of the same article are often considered a structural weakness of the Sole Proprietorship model, especially for the Micro and Small Business sector. This is due to the increased potential for abuse of a single legal entity to commit unlawful acts or fraud. This is because a structure involving only one shareholder opens up opportunities for conflicts of interest and blurring the lines between ownership and management. In this case, it is important to uphold the principles of ethics and professional integrity in legal practice, as emphasized by Saktiawan et al. (2021), that the sustainability of the Indonesian legal system is highly dependent on the application of the principles of justice and ethical responsibility by

legal practitioners. Nevertheless, proving the existence of such fraud or abuse remains the prerogative of the court, a process that often requires complex and difficult legal evidence (Wahyuni & Delmonte, 2022).

Thus, it can be concluded that although sole proprietorships bring innovation to Indonesia's business law system by simplifying the establishment procedures for small businesses, the legal risks associated with the misuse of sole proprietorships remain a serious concern. Therefore, the enforcement of accountability principles and legal oversight is crucial to ensure that this legal flexibility is not misused as a means of violating the principles of sound corporate accountability.

CONCLUSION

The legal framework governing limited liability companies (PT) in Indonesia has undergone significant reconstruction through the implementation of Law No. 11 of 2020 on Job Creation, which amends various provisions in Law No. 40 of 2007 on Limited Liability Companies (UUPT). Although these regulatory reforms introduced fundamental changes in procedural and administrative aspects, the conceptual paradigm of PT as a capital association was essentially maintained. Thus, sole proprietorships remain categorized as a form of capital association as long as the sole founder separates their personal assets from the company's authorized capital, issued capital, and paid-up capital. This separation is a crucial element in maintaining the principle of limited liability as espoused in modern corporate law doctrine.

Substantial transformations in the regulation of companies can be identified in several key aspects. First, the previous requirement that a PT be established by two or more persons no longer applies to companies that meet the criteria for Micro and Small Enterprises (MSEs). Second, the provision regarding minimum capital has been removed and replaced by the freedom of the founder to determine the amount of capital according to their needs and financial capabilities. Third, the process of establishing a Sole Proprietorship Company now does not require an authentic deed, but only a statement of establishment submitted electronically to the competent authority. Fourth, ownership and control of shares in this type of company are held exclusively by one individual who also acts as the founder and sole shareholder.

In terms of legal liability, the principles applicable to Sole Proprietorship Companies are basically in line with the general principles of limited liability. Shareholders are only liable to the extent of the value of the shares they own, as stipulated in Article 153J paragraph (1) of the Job Creation Law. This means that personal liability for legal actions taken on behalf of the company or losses exceeding the value of the shares cannot be imposed on shareholders, except in certain circumstances as stipulated in Article 153J paragraph (2).

Exceptions to this principle may apply if there is bad faith on the part of the shareholders, such as the use of the company's legal entity for personal gain or the mixing of personal assets and company assets. In such circumstances, the legal entity status of the company may be disregarded because it is considered to function only as a legal instrument to obtain unlawful personal gain. In other words, if it is proven that a Sole Proprietorship Company was established solely as a means of concealing individual interests, the shareholders may be held personally liable.

Thus, although the Job Creation Law has provided great flexibility through the creation of the Sole Proprietorship as a legal innovation to encourage ease of doing business, the basic principles of accountability and separation of assets remain the main foundation in maintaining the integrity of the corporate legal system. Limitation of liability is not intended to grant impunity, but rather to ensure a balance between business efficiency and legal protection for parties transacting with the business entity.

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