ADDRESSING LEGAL GAPS IN INDONESIA'S INDIVIDUAL LIMITED LIABILITY COMPANY: CHALLENGES AND THE PATH TO REFORM

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Abstract

The establishment of the Individual Limited Liability Company in Indonesia presents several fundamental issues related to the validity of incorporation documents, ambiguity regarding the pre-approval period, and conceptual inconsistencies between Government Regulation No. 8 of 2021 and the Limited Liability Company Law. One of the main issues is the absence of a notarial deed, which is often the legal basis for establishing a legal entity in Indonesia, creating legal uncertainty for third parties. Additionally, the misalignment in the use of the terms "registration" and "approval" in this regulation contributes to confusion about when the legal entity status of the Individual Limited Liability Company can be obtained. Another issue is the organizational structure of the Individual Limited Liability Company, which combines the functions of shareholder and director in a single individual, eliminating the basic principles of power separation and fiduciary duty that underpin good governance. This also hinders the application of the Piercing the Corporate Veil doctrine and blurs the boundary between the owner and the company itself. The absence of a Supervisory Board in this structure further exacerbates the situation as there is no adequate oversight mechanism. Therefore, an update to Government Regulation No. 8 of 2021 is needed, which includes the obligation for a declaration of establishment before a notary, clarity on the personal responsibility of the founder before approval, and the regulation of a periodic reporting mechanism. In the long term, legislative reforms are necessary to create a new legal entity distinct from the Limited Liability Company Law, considering lessons from other jurisdictions and the values of Pancasila.

***Keywords**: Individual Limited Liability Company; Limited Liability; Piercing the Corporate Veil Doctrine; Notarial Deed; Legal Reform.*

A. Introduction

The regulation of business entities in Indonesia is fundamentally divided into two forms: legal entities and non-legal entities.[1] This dichotomy has been rooted since the enactment of the *Memorie van Toelichting* (MvT) in the Draft of the Commercial Code (*Wetboek van Koophandel*), which was later incorporated into the Civil Code and the Commercial Code.[2] Doctrinally, the

[1] Didi Sukardi et al., *Digital Transformation of Cooperative Legal Entities in Indonesia*, 24, no. 2 (2024): 68–86, https://doi.org/10.30631/alrisalah.v24i2.1563; Petra Mahy, "The Evolution of Company Law in Indonesia: An Exploration of Legal Innovation and Stagnation," *The American Journal of Comparative Law* 61, no. 2 (2013): 377–432, https://doi.org/10.5131/AJCL.2012.0023.

[2] I. G. Rai Widjaya, *Hukum Perusahaan* (Megapoin, 2002).

fundamental difference between the two hinges on the concept of legal personality, where a legal entity has a separate and independent legal existence from its founders or shareholders.[3]

In the history of modern corporate law, the Limited Liability Company (LLC) has become the most preferred business instrument, both in Indonesia and across various jurisdictions worldwide.[4] The main attraction of an LLC lies in its limited liability feature[5], which limits the financial risk of shareholders to the nominal value of their shares, as well as its status as a separate legal entity, enabling the company to act in its own name in legal transactions.[6] As stated by Reinier Kraakman et al.,[7] these features make the corporate legal entity one of the most significant innovations in business law history.

In Indonesia, the legal framework for Limited Liability Companies is governed by Law No. 40 of 2007 on Limited Liability Companies. In a broader context, the Limited Liability Company Law has been considered capable of accommodating the needs of business actors, in terms of establishment, management, accountability, and dissolution.[8] However, the fast-paced global dynamics and the need to accelerate inclusive economic growth, particularly for Micro, Small, and Medium Enterprises (MSMEs), have prompted the government to undertake massive regulatory reforms through the Omnibus Law concept.[9]

Law No. 6 of 2023 is the law that establishes the Government Regulation in Lieu of Law No. 2 of 2022 on Job Creation, which is the embodiment of this Omnibus Law strategy. Conceptually, the Job Creation Law integrates changes to over eighty laws into one legislative

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[3] Paddy Ireland, "Company Law and the Myth of Shareholder Ownership," *The Modern Law Review* 62, no. 1 (1999): 32–57, https://doi.org/10.1111/1468-2230.00190; Katsuhito Iwai, "Persons, Things and Corporations: The Corporate Personality Controversy and Comparative Corporate Governance," *The American Journal of Comparative Law* 47, no. 4 (1999): 583–632, https://doi.org/10.2307/841070; Murray A. Pickering, "The Company as a Separate Legal Entity," *The Modern Law Review* 31, no. 5 (1968): 481–511, https://doi.org/10.1111/j.1468-2230.1968.tb01206.x.

[4] David Tan, "Scrutinizing Perseroan Perorangan: The Brainchild of Societas Unius Personae in the Realm of Indonesian Company Laws," *Lex Scientia Law Review* 6, no. 2 (2022): 391–442, https://doi.org/10.15294/lesrev.v6i2.56059; Soonpeel Edgar Chang, *Indonesian Company Law* (Routledge, 2018); M. Hawin et al., "Evaluating Whether Indonesia Should Maintain or Revise Its Local Incorporation Requirement for Foreign Investors," *Jurnal Media Hukum* 31, no. 2 (2024): 280–99, https://doi.org/10.18196/jmh.v31i2.22122.

[5] James D. Cox, *Corporations* (Aspen Law & Business, 1997), 113.

[6] Ridwan Khairandy, *Perseroan Terbatas: Doktrin Peraturan Perundang-Undangan Dan Yurisprudensi* (Kreasi Total Media, 2009).

[7] Reinier Kraakman et al., *The Anatomy of Corporate Law: A Comparative and Functional Approach* (Oxford University Press, 2017), https://doi.org/10.1093/acprof:oso/9780198739630.001.0001.

[8] I Gusti Ngurah Parikesit Widiatedja and I. Nyoman Suyatna, "Job Creation Law and Foreign Direct Investment in Tourism in Indonesia: Is It Better than Before?," *Udayana Journal of Law and Culture* 6, no. 1 (2022): 62–82, https://doi.org/10.24843/UJLC.2022.v06.i01.p04.

[9] Anggreany Arief and Rizki Ramadani, "Omnibus Law Cipta Kerja Dan Implikasinya Terhadap Konsep Dasar Perseroan Terbatas," *Al-Adalah: Jurnal Hukum Dan Politik Islam* 6, no. 2 (2021): 106–20, https://doi.org/10.35673/ajmpi.v6i2.1550.

instrument[10], aiming to simplify regulations, reduce regulatory overlap, and create a more conducive business ecosystem. One of the most significant legal innovations of the Job Creation Law is the introduction of the Individual Limited Liability Company as a new legal entity, which is then further regulated in Government Regulation No. 8 of 2021 on the Authorized Capital of a Company and the Registration of Establishment, Changes, and Dissolution of Companies that Meet the Criteria for Micro and Small Enterprises.[11]

The Individual Limited Liability Company is a legal entity established by a single founder, who also serves as both the shareholder and the director.[12] This provision is fundamentally different from the basic principle of establishing an LLC under the Limited Liability Company Law, which requires at least two founders and a deed of establishment made before a Notary.[13] This difference gives rise to a series of fundamental legal issues that have not yet received adequate resolution within the Indonesian corporate legal system.

First, the absence of an authentic deed in the establishment of an Individual Limited Liability Company creates legal uncertainty regarding when the company is legally considered established. This is not merely a technical-administrative issue but a substantive issue related to legal certainty for third parties interacting with the Individual Limited Liability Company. From a legal theory perspective, an authentic deed is an instrument with perfect evidentiary power, as stipulated in Article 1870 of the Civil Code[14], so its absence makes the legal status of the Individual Limited Liability Company, from its establishment to obtaining an electronic certificate, vulnerable to debate.

Second, the combination of the functions of the director and the shareholder in the same individual in an Individual Limited Liability Company structurally eliminates the principle of

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[10] Widiatedja and Suyatna, "Job Creation Law and Foreign Direct Investment in Tourism in Indonesia: Is It Better than Before?"

[11] Dodo Wiradana Wiriatma et al., "Advocating Legal Certainty in Status Transition of Individual Companies Exceeding MSEs Criteria to Limited Liability," *Indonesian Journal of Advocacy and Legal Services* 7, no. 1 (2025): 121–48, https://doi.org/10.15294/ijals.v7i1.22263; Bita Gadsia Spaltani et al., "One-Man Company Policy and Its Impact on Improving Citizen Welfare," *Yuridika* 38, no. 1 (2023): 121, https://doi.org/10.20473/ydk.v38i1.37454; Muhammad Reza Syariffudin Zaki et al., "Corporate Organ Governance in Indonesia's Individual Companies: An International Perspective," *Tirtayasa Journal of International Law* 4, no. 2 (2025): 144–58, https://doi.org/10.51825/tjil.v4i2.35524.

[12] Teuku Ahmad Yani et al., "Legal Transformation of Trading Businesses into Individual Limited Companies for Indonesian Micro and Small Enterprises," *Jurnal Ilmiah Peuradeun* 12 (2024): 1237–62, https://doi.org/10.26811/peuradeun.v12i3.1477; Ayu Kholifah and Shelly Kurniawan, "One-Person Limited Liability Company: Considering Company's Organ Governance of The Indonesian Legal Entities for Micro and Small Enterprises," *Diponegoro Law Review* 9, no. 1 (2024): 1–18, https://doi.org/10.14710/dilrev.9.1.2024.1-18.

[13] Ahmad Yani and Gunawan Widjaja, *Seri Hukum Bisnis: Perseroan Terbatas* (RajaGrafindo Persada, 2006).

[14] Khairandy, *Perseroan Terbatas: Doktrin Peraturan Perundang-Undangan Dan Yurisprudensi.*

separation of powers, which is the foundation of governance in an LLC. In a normal LLC legal framework, the fiduciary relationship between the director and the shareholders is a crucial control mechanism to prevent the abuse of authority.[15] When both functions are held by the same person, there is no meaningful fiduciary relationship, and the question of who supervises whom becomes irrelevant. This situation has serious implications for the application of the corporate veil piercing doctrine and the significance of the limited liability principle in the Individual Limited Liability Company.

Third, from a comparative legal perspective, various jurisdictions that have already adopted the concept of a single-member company, such as the United Kingdom through the Companies Act 2006, the United States through Limited Liability Company (LLC), the Netherlands through *Besloten Vennootschap* (BV), and Australia through the Corporations Act 2001, have developed adequate legal instruments to address the issues inherent in single-member companies.[16] Indonesia, through Government Regulation No. 8 of 2021, appears not to have fully accommodated these legal complexities.

The corporate reform that gave rise to the Individual Limited Liability Company not only touches on the aspect of "ease of doing business" but also shifts the balance between two classic corporate law goals: facilitating economic activities through asset partitioning and protecting third parties through accountability mechanisms.[17] In modern corporate literature, separate legal personality and limited liability are understood as an "institutional package" that grants companies the capacity to act independently, while also creating a limitation on risk for investors.[18] However, this package is always accompanied by the consequence of potential risk shifting (shifting risks to creditors, workers, or the public) when effective control is concentrated in the hands of the same party who enjoys limited liability.[19] In the context of an Individual Limited Liability Company, the centralization of control (where the shareholder is also the director) makes this risk-shifting

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[15] Zarman Hadi, *Karakteristik Tanggung Jawab Pribadi Pemegang Saham, Komisaris Dan Direksi Dalam Perseroan Terbatas* (UB Press, 2011).

[16] Jetu Edosa Chewaka, *Introducing Single Member Companies in Ethiopia: Major Legal Theoritical and Consideration* (Anchor Academic Publishing, 2016).

[17] Tan, "Scrutinizing Perseroan Perorangan: The Brainchild of Societas Unius Personae in the Realm of Indonesian Company Laws."

[18] Barry Buzan, ed., "The Transition to Modernity and the Making of Global Society," in *Making Global Society: A Study of Humankind Across Three Eras*, Cambridge Studies in International Relations (Cambridge University Press, 2023), Cambridge Core, https://doi.org/10.1017/9781009372169.007.

[19] Eilís Ferran, "Revisiting Legal Capital," *European Business Organization Law Review* 20 (2019): 521–45, https://doi.org/10.1007/s40804-019-00161-z.

dilemma more apparent because the "distance" between decision-makers and the parties who bear the impact of these decisions can be drastically reduced.[20]

Conceptually, the debate about the boundaries of separate legal personality is also relevant to map the issues of the Individual Limited Liability Company.[21] In common law tradition, the term "piercing the corporate veil" is often used as a label that creates confusion: as though the court "ignores" the company's personality, when in fact many cases only uncover the true actor (concealment) or prevent the avoidance of obligations (evasion).[22] Eva Micheler[23] demonstrates that developments after the case of *Prest v. Petrodel* emphasize that both concealment and evasion do not truly "eliminate" the company's personality; what changes is the way the law attributes actions and obligations with greater precision. This framework is important for Indonesia because the debate of "whether an Individual Limited Liability Company is truly separate" should not stop at the formal dichotomy of legal entities, but instead move to a technical-accountability issue: when and how should the law attach personal responsibility to the founder/director when a single-person structure increases the risk of abusing the legal entity form?

From a governance perspective, the core issue of the Individual Limited Liability Company is the reduction in internal "checks and balances" mechanisms that are typically expected from the separation of organs. In a typical Limited Liability Company, the fiduciary framework works because there is potential conflict of interest between management (the board of directors) and owners (shareholders), which is managed through rules of duty of care, loyalty, transparency, and (in certain models) oversight by commissioners. When the functions of the board of directors and shareholders merge, the potential conflict does not disappear but shifts: the dominant conflict now lies between the controller (the single member) and external parties (creditors, business partners, workers, consumers). At this point, creditor protection instruments—such as capital rules, distribution restrictions, solvency tests, bookkeeping and reporting obligations, and sanctions for

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[20] Martin Petrin and Barnali Choudhury, "Group Company Liability," *European Business Organization Law Review* 19 (2018): 771–96, https://doi.org/10.1007/s40804-018-0121-7.

[21] Jonathan Hardman, "Fixing the Misalignment of the Concession of Corporate Legal Personality," *Legal Studies* 43, no. 3 (2023): 443–60, Cambridge Core, https://doi.org/10.1017/lst.2022.44.

[22] Jun Tian et al., "Piercing the Corporate Veil System and Creditors Protection: Based on the Investigation of Debt Paying Ability—Empirical Evidence from the 2005 Company Law Amendment," *Plos One* 19, no. 5 (2024): e0302561, https://doi.org/10.1371/journal.pone.0302561; Christian A. Witting, ed., "Veil-Piercing," in *Liability of Corporate Groups and Networks*, International Corporate Law and Financial Market Regulation (Cambridge University Press, 2018), Cambridge Core, https://doi.org/10.1017/9781139626828.010; Jonathan Macey and Joshua Mitts, "Finding Order in the Morass: The Three Real Justifications for Piercing the Corporate Veil," *Cornell Law Review* 100, no. 1 (2014): 99–156, https://scholarship.law.columbia.edu/faculty_scholarship/2784/.

[23] Eva Micheler, "Separate Legal Personality – an Explanation and a Defence," *Journal of Corporate Law Studies* 24, no. 1 (2024): 301–29, https://doi.org/10.1080/14735970.2024.2365170.

mismanagement—become far more decisive substitutes than the internal "separation of power" theory that is no longer effective.[24] Discourse on legal capital and creditor protection, for instance, shows that distribution restrictions and capital design are never purely symbolic; they function as signals of seriousness, management discipline tools, and devices to curb opportunistic behavior in high-risk entities.[25]

The issue of establishing a company without an authentic deed should also be viewed in the perspective of the "trust infrastructure" of the corporate system: notarial deeds and public registration are not mere formalities but mechanisms for building trust (reliability) for third parties. European jurisdictions' experiences show that digitalizing company formation can indeed speed up services, but it also opens up risks of identity theft, corporate abuse, and using companies as vehicles for fraud if identity verification and ex ante controls are weak. Virginijus Bitė and Ivan Romashchenko[26], in their study of the implementation of the Digitalisation Directive, show that online formation needs to be accompanied by well-designed registration authority, interoperability of e-ID, availability of document templates, and clarity about who the "gatekeeper" is (including debates on the role of notaries) so that ease of access does not sacrifice the integrity of the system. In other words, the problem of lacking an authentic deed in the Individual Limited Liability Company is not just about civil proof but also about the quality of initial filtering mechanisms to prevent misuse of the legal entity form.

European experiences with single-member private limited liability companies also provide valuable lessons. The Societas Unius Personae proposal was initially positioned as a tool to encourage job creation and growth, including with the idea of simpler and more uniform procedures for establishment across countries. However, literature shows that such simplification triggers the need for "compensatory" rules in the form of creditor protection and minimum governance standards, as single-member entities can reduce decision-making transparency and increase vulnerability for third parties. Pierre-Henri Conac[27] highlights the Societas Unius Personae as an "economic passport," but also indicates that its design must balance ease of establishment with harmonization mechanisms that prevent regulatory arbitrage. Corrado

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[24] Ferran, "Revisiting Legal Capital."

[25] Frans Satrio Wicaksono, *Tanggung Jawab Pemegang Saham, Direksi, Dan Komisaris Perseroan Terbatas*, Cetakan pertama (Visimedia, 2009).

[26] Virginijus Bitė and Ivan Romashchenko, "Online Formation of Companies in Lithuania in a Comparative Context: Implementation of the Digitalisation Directive and Beyond," *European Business Organization Law Review* 24 (2023): 645–76, https://doi.org/10.1007/s40804-023-00282-6.

[27] Pierre-Henri Conac, "The Societas Unius Personae (SUP): A 'Passport' for Job Creation and Growth," *European Company and Financial Law Review* 12, no. 2 (2015): 139–76, https://doi.org/10.1515/ecfr-2015-0139.

Malberti[28] even critiques the relationship between Societas Unius Personae and acquis law, as well as the risk of "creeping" changes that can erode existing protection structures when simplification is pursued as the sole goal. This is relevant for Indonesia: the Individual Limited Liability Company is driven by the logic of accelerating Micro and Small Enterprises, but without adequate compensatory measures, ease of establishment could lead to uncertainty and new transaction costs (litigation, debt disputes, moral hazard).

Moreover, the doctrine of piercing the corporate veil does not stand alone; it intersects with the concept of entity shielding, especially in the variation of "reverse veil piercing." lan Dignam and Deniz Canruh[29] explain that reverse veil piercing (RVP) differs from forward veil piercing (FVP): RVP primarily touches on entity shielding (protecting company assets from claims against the owner), while FVP addresses limited liability (protecting owners from company debts). This framework helps in analyzing the Individual Limited Liability Company because disputes that arise are not always "creditors suing shareholders," but could also be "shareholders/founders using the company to protect personal assets from personal liabilities" (or vice versa). In a single-member structure, the line between personal and company assets is more easily "blurred" in practice, so the normative question becomes: what standard of evidence is reasonable to conclude abuse, and how can accountability enforcement be maintained without undermining the economic function of the legal entity for bona fide SMEs?

At a macro level, the reform of the Omnibus Law also requires an interpretation that balances investment goals with the rule of law. Studies on the Omnibus Law show that improving the business climate is often placed within the logic of regulatory simplification, but its impact depends on the certainty of institutional design and the consistency of its implementation. In the context of tourism and foreign direct investment (FDI), for instance, I Gusti Ngurah Parikesit Widiatedja and I. Nyoman Suyatna[30] assess that the Omnibus Law can improve certain aspects, but still leaves issues regarding integration and comprehensive regulation unresolved. A similar pattern may occur with the Individual Limited Liability Company: it improves "access to legal entity forms" for MSMEs but could potentially leave gaps in governance, third-party protection,

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[28] Corrado Malberti, "The Relationship between the Societas Unius Personae Proposal and the Acquis: Creeping Toward an Abrogation of EU Company Law?," *European Company and Financial Law Review* 12, no. 2 (2015): 238–79, https://doi.org/10.1515/ecfr-2015-0238.

[29] Alan Dignam and Deniz Canruh, "Into Reverse: Redesigning Veil Piercing," *Legal Studies* 45, no. 2 (2025): 212–30, https://doi.org/10.1017/lst.2025.3.

[30] Widiatedja and Suyatna, "Job Creation Law and Foreign Direct Investment in Tourism in Indonesia: Is It Better than Before?"

and operational accountability mechanisms. Therefore, the background of the study should not only emphasize the innovation of the legal entity form but should highlight the real regulatory trade-offs and the urgency of designing "safeguards" that are compatible with the conditions of Indonesian MSMEs.

The reason why this study is urgent is that Indonesia is building a "more open" corporate architecture (easier entry) but has not fully clarified the standards for responsibility boundaries (liability boundary) when business failure, breach of contract, or misuse occurs. Literature on corporate responsibility shows that the basic principles of separate personality and limited liability are indeed "default rules," but many countries have developed exceptions, due diligence standards, or specific liability models when corporate structures create unfair externalities. Petrin and Choudhury, for example, map how group company liability is debated as a response to the accountability gaps in complex structures.[31] The Individual Limited Liability Company is a "complexity on a small scale": not a corporate group, but the concentration of control can generate similar externalities.[32] Thus, research combining the validity of establishment, organ design, and operationalization of piercing (including its variations) is a prerequisite to offering a normative reconstruction that is not merely pro-ease-of-doing-business but also aligned with the principles of social justice and legal certainty, which require economic utility without compromising the protection of weaker parties in business relations.

Reinier Kraakman et al.[33] have provided a comprehensive analysis of corporate law anatomy, covering the concepts of separate legal personality and limited liability across various jurisdictions, while Paul Davies[34] and Sarah Worthington[35] analyze the development of corporate law in the UK, which is relevant to this study. From the perspective of the piercing the corporate veil doctrine, Robert B. Thompson[36] and David Millon[37] have provided an in-depth analysis of the dynamics of applying this doctrine in various legal systems.

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[31] Petrin and Choudhury, "Group Company Liability."
[32] Sulistiowati, *Tanggung Jawab Hukum Pada Perusahaan Group Di Indonesia* (Erlangga, 2013).
[33] Kraakman et al., *The Anatomy of Corporate Law: A Comparative and Functional Approach*.
[34] Paul Davies, *Introduction to Company Law* (Oxford University Press, 2020).
[35] Sarah Worthington, *Sealy and Worthington's Text, Cases, and Materials in Company Law* (Oxford University Press, 2016).
[36] Robert B. Thompson, "Piercing the Corporate Veil: An Empirical Study," *Cornell Law Review* 76, no. 5 (1991): 1036–74, https://scholarship.law.cornell.edu/clr/vol76/iss5/2/.
[37] David Millon, "Piercing the Corporate Veil, Financial Responsibility, and the Limits of Limited Liability," *Emory Law Journal* (Atlanta, GA, United States) 56, no. 5 (2007): 1305–82, informit.T2025050100002291393277404, https://doi.org/10.3316/informit.T2025050100002291393277404.

From a review of the literature, a significant research gap can be identified: no study systematically combines an analysis of the validity of establishment, the problem of separating organs, and the application of the piercing the corporate veil doctrine in the context of Indonesian law, while also offering a normative reconstruction concept rooted in the values of Pancasila. This article seeks to fill that gap.

This research is doctrinal legal research that examines legislation, doctrines, and legal principles related to the Individual Limited Liability Company. The approaches used include: (1) statute approach, which analyzes the Omnibus Law, Government Regulation No. 8 of 2021, and the Limited Liability Company Law along with its various implementing regulations; (2) comparative approach, which compares the regulation of single-member companies in the UK, the United States, Australia, and the Netherlands; and (3) conceptual approach, which analyzes juridical concepts such as separate legal personality, limited liability, piercing the corporate veil, and fiduciary duty as they have evolved in both national and international corporate law literature.

B. Legal Entity Status and Regulatory Ambiguities in the Establishment of the Individual Limited Liability Company in Indonesia

Through the civil law tradition adopted by Indonesia, a legal entity (*rechtspersoon*) is a juridical construction that grants the ability to act within the law to a non-human entity. Satjipto Rahardjo[38] explains that a corporation is a legal creation (*corpus*), born and dying as determined by the law. In Hans Kelsen's[39] perspective, a legal entity is a legal organ whose existence is recognized by the normative order, and its presence in the legal system is artificial, but it holds real rights and obligations within legal transactions.

In the comparative corporate law perspective, Henry Hansmann and Reinier Kraakman[40] provide an in-depth analysis of the essential characteristics of modern corporate legal entities. They identify six key characteristics that distinguish corporations as effective legal entities in the business world. First, legal personality, which allows corporations to have rights and obligations in their own name. This characteristic gives corporations the ability to act as independent entities, separating themselves from their owners. As such, corporations can engage in transactions, sign contracts, and be responsible for debts and legal obligations without involving the owners directly.

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[38] Satjipto Rahardjo, *Ilmu Hukum* (PT. Citra Aditya Bakti, 2000).
[39] Hans Kelsen, *General Theory of Law and State* (Harvard University Press, 1949).
[40] Henry Hansmann and Reinier Kraakman, "Organizational Law as Asset Partitioning," *European Economic Review* 44, no. 4 (2000): 807–17, https://doi.org/10.1016/S0014-2921(00)00046-5.

This provides significant legal protection for owners and managers, who will only face limited consequences based on their contribution in the form of shares.

Second, the concept of limited liability for shareholders is a fundamental feature that differentiates corporations from other forms of business, such as partnerships or sole proprietorships. With limited liability, shareholders are only at risk of losing the investment they have made in the corporation and will not be held liable for the corporation's obligations or debts beyond that amount. This characteristic provides reassurance to investors, as they do not need to worry about losing their personal assets if the company faces losses or bankruptcy.

Third, the free transferability of shares is a characteristic that makes corporations highly flexible and liquid in terms of ownership. Shareholders can easily buy and sell their shares without altering the corporation's structure. This transfer process facilitates quick and efficient capital mobilization, allowing companies to raise funds more easily compared to non-corporate businesses. It also provides ease for investors who wish to enter or exit the stock market according to their preferences.

Fourth, centralized management through a board of directors is an important characteristic to ensure that strategic decisions in the corporation can be made efficiently. The board of directors, usually consisting of individuals selected based on their expertise and experience, is responsible for making important decisions that affect the company's direction and policies. This centralized management ensures that the company can respond to market changes and economic conditions more quickly and in an organized manner.

Fifth, fractionalized ownership refers to the spread of shares among many shareholders, who usually hold small portions of the company. This makes it easier for corporations to raise large amounts of capital, as ownership is not concentrated in one or a few individuals. This diversified ownership also contributes to the company's stability, as important decisions will involve votes from many shareholders from various backgrounds.

Lastly, the separation of assets between the owners and the corporation is a feature that emphasizes that shareholders' personal assets are separate from corporate assets. This separation is crucial for business risk protection because, even if the corporation experiences losses or bankruptcy, shareholders will not lose their personal assets unless they are directly involved in illegal actions or breach their obligations.

In Indonesia, the requirements for establishing a Limited Liability Company as a legal entity are set forth in Article 7 of the Limited Liability Company Law, which requires the establishment by two or more people through a Notary deed in Indonesian, which is then validated by the Minister

through the Legal Entity Administration System. This process reflects the constitutive principle in the establishment of a legal entity, meaning that the legal entity status is only conferred after the state's validation through an instrument specified by law.[41]

The introduction of the Individual Legal Entity as a business entity categorized as a corporation in Indonesia has brought changes to the concept of establishing a Limited Liability Company. As stated in the Limited Liability Company Law, a corporation can be established by two or more people with a Notary deed in Indonesian. This has reaffirmed that the principle under the Limited Liability Company Law is that a corporation is established based on an agreement that involves more than one shareholder. The introduction of the Individual Limited Liability Company in Indonesia signifies an expansion of the concept of establishing a Limited Liability Company. This expansion is set forth in Government Regulation No. 8 of 2021, which includes provisions regarding individual legal entities that meet the criteria for Micro and Small Enterprises.

This Individual Legal Entity, which is then known as the Individual Limited Liability Company, is not formally regulated in the Limited Liability Company Law. What has been known so far are Sole Proprietorships or Trading Companies, which can also be referred to as Business Ventures. This criterion can be seen in Law No. 3 of 1982 concerning the Mandatory Company Registration. The law mentions that companies that are exempt from registration are those run solely by the owner for personal daily needs and are not legal entities or partnerships. Therefore, it can be said that the Individual Limited Liability Company is a legal entity that meets the characteristics of a trading company as stated in the Mandatory Company Registration Law, but also as a legal entity as outlined in Government Regulation No. 8 of 2021.

In the case of the Individual Limited Liability Company, it is unclear when the company can be officially declared as established. Article 7 of the Limited Liability Company Law states that "A company is established by two or more people with a notarial deed made in Indonesian." Therefore, according to this provision, to be considered a legal entity, there must be a Notarial Deed of Establishment. However, for an Individual Limited Liability Company, there is no provision that requires the establishment to be done with a Notarial Deed. As stated in Article 6 Paragraph (1) of Government Regulation No. 8 of 2021, the establishment of an Individual Limited Liability Company can simply be done by a declaration of establishment by one person in an electronic format.[42] This raises the question of how to determine the validity of the establishment

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[41] Yani and Widjaja, *Seri Hukum Bisnis: Perseroan Terbatas*.
[42] Khairandy, *Perseroan Terbatas: Doktrin Peraturan Perundang-Undangan Dan Yurisprudensi*.

of an Individual Limited Liability Company and when the company can officially be considered as established.[43] The need for a Notarial Deed in establishing an Individual Limited Liability Company also arises because it is recognized as a legal entity. As an independent legal entity, every activity within the company must align with the decisions made in the General Meeting of Shareholders and the Articles of Association stated in the Notarial Deed, which must be in accordance with the company's objectives.

If we look at the Limited Liability Company Law, a Limited Liability Company should be considered established once the deed of establishment is signed. The importance of knowing when the Individual Limited Liability Company is officially established is to determine when the company is legally permitted to carry out its activities, even before it obtains legal entity status. This is because, in the case of a regular Limited Liability Company, there is often a difference in the treatment of a company that has legal entity status versus one that has not yet obtained that status. A Limited Liability Company that has not yet obtained its status as a legal entity is treated like a non-legal entity business. Therefore, it could be held fully accountable, and all the responsibilities for the company could apply to its organs. The establishment of an Individual Limited Liability Company, however, creates confusion regarding when it should be regarded as a non-legal entity and when it transitions to legal entity status.

The ambiguity surrounding the validity of the establishment of an Individual Limited Liability Company can weaken its position as a legal entity, as it does not have a clear basis of establishment as required for a typical Limited Liability Company, which is regulated in the Limited Liability Company Law. A Notarial Deed of Establishment is a formal requirement for the establishment of a Limited Liability Company. A Notarial Deed is also an instrument of proof with legal force for the perfect establishment of the company. As stipulated in Article 1870 of the Civil Code, a Notarial Deed is a perfect proof of anything stated in it.[44] Therefore, it can be said that the establishment of an Individual Limited Liability Company through a declaration of establishment does not guarantee the validity of its document.[45]

Article 6 Paragraph (1) of Government Regulation No. 8 of 2021 states that the establishment of an Individual Limited Liability Company can be done simply by a declaration of establishment by one person in an electronic format, without requiring a Notarial Deed. This provision creates a

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[43] Anggraeny Arief and Rizki Ramadani, "Omnibus Law Cipta Kerja Dan Implikasinya Terhadap Konsep Dasar Perseroan Terbatas," *Jurnal Al-Adalah* 6, no. 2 (2021): 106–20.
[44] Khairandy, *Perseroan Terbatas: Doktrin Peraturan Perundang-Undangan Dan Yurisprudensi*.
[45] Yani and Widjaja, *Seri Hukum Bisnis: Perseroan Terbatas*.

fundamental normative tension: on one hand, this regulation is a valid legal instrument as a regulation implementing the Job Creation Law, but on the other hand, it disregards the principle of proof through a Notarial Deed that has long been ingrained in Indonesia's civil law system.

In terms of legal proof, Article 1870 of the Civil Code emphasizes that a Notarial Deed is a perfect instrument of proof for the parties involved and their heirs regarding what is contained within it. The evidentiary power is complete (*volledig bewijs*) and binding (*bindend bewijs*), meaning the court must regard what is stated in the Notarial Deed as true unless there is opposing evidence that is equally perfect.[46] A declaration of establishment made electronically, as a private deed, has much weaker evidentiary power and can be easily contested, thus creating legal uncertainty in disputes involving the Individual Limited Liability Company.[47]

The issue with the Notarial Deed in the establishment of a Limited Liability Company is not merely about administrative formalities but also touches on more substantive and strategic aspects of the company's operations. A Notarial Deed, as a requirement for the establishment of a Limited Liability Company, plays a crucial role in ensuring the continuity and legality of the company. The first function of a Notarial Deed is as authentic proof of the agreement made by the parties involved in the establishment of the company.[48] In this context, the Notarial Deed becomes a valid and accountable document, recording all the agreements made between the founders of the company.[49] Without the Notarial Deed, these agreements might be difficult to prove in court if a dispute arises in the future.

Furthermore, the Notarial Deed also serves as an instrument that contains the company's Articles of Association, which are legally binding. The Articles of Association govern various fundamental aspects of the company, such as its purpose and activities, share capital, rights and obligations of shareholders, and the powers and responsibilities of the company organs, such as the Board of Directors and Supervisory Board.[50] With the Notarial Deed containing the Articles of Association, any decisions made within the company must refer to the provisions already agreed upon, ensuring clear and transparent rules for the management of the company. Without the Notarial Deed, the Articles of Association cannot be considered valid and legally binding, which would lead to uncertainty in running the company's activities.

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[46] Khairandy, *Perseroan Terbatas: Doktrin Peraturan Perundang-Undangan Dan Yurisprudensi*.
[47] Yani and Widjaja, *Seri Hukum Bisnis: Perseroan Terbatas*.
[48] Khairandy, *Perseroan Terbatas: Doktrin Peraturan Perundang-Undangan Dan Yurisprudensi*.
[49] Yani and Widjaja, *Seri Hukum Bisnis: Perseroan Terbatas*.
[50] Wicaksono, *Tanggung Jawab Pemegang Saham, Direksi, Dan Komisaris Perseroan Terbatas*.

The third function of the Notarial Deed is as a basis for calculating the responsibility of the Board of Directors to the shareholders. The Notarial Deed clearly records the duties and obligations that the Board of Directors must fulfill in managing the company [51]. In case of violations of the Articles of Association or the agreed-upon decisions, the Notarial Deed becomes the basis for evaluating whether the Board of Directors has fulfilled its obligations properly and serves as a benchmark for shareholders to demand accountability if there is a failure or mistake in managing the company.[52] Without a Notarial Deed, calculating the responsibility of the Board of Directors becomes more difficult, and the potential for disputes between the Board of Directors and shareholders increases.[53]

The fourth function is as a basis for third parties in assessing the company's capacity and authority.[54] When a company interacts with external parties, such as customers, suppliers, or financial institutions, these third parties will refer to the Notarial Deed to ensure that the company has legitimate status and clear authority to operate its business. The Notarial Deed provides assurance to third parties that the company operates in accordance with applicable law and complies with the Articles of Association that have been agreed upon.[55] Without the Notarial Deed, third parties may question the legal status of the company and the continuity of the business relationships established.

The absence of a Notarial Deed raises a fundamental question about when the Individual Limited Liability Company can begin acting in legal transactions. In the regime of the Limited Liability Company Law, there is a period of pre-incorporation that separates the establishment phase (signing of the deed) from the acquisition of legal entity status (ministerial approval).[56] During this period, Article 13 of the Limited Liability Company Law stipulates that legal acts conducted in the name of a company that has not yet acquired legal entity status are the responsibility of all founders, directors, and commissioners collectively. In the case of an Individual Limited Liability Company, there is no equivalent provision for the period between establishment and when the company obtains electronic certification, thus leaving the personal responsibility of the founder before obtaining legal entity status unclear.

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[51] Ibid.
[52] Yani and Widjaja, *Seri Hukum Bisnis: Perseroan Terbatas*.
[53] Hadi, *Karakteristik Tanggung Jawab Pribadi Pemegang Saham, Komisaris Dan Direksi Dalam Perseroan Terbatas*.
[54] Khairandy, *Perseroan Terbatas: Doktrin Peraturan Perundang-Undangan Dan Yurisprudensi*.
[55] Widjaya, *Hukum Perusahaan*.
[56] Wicaksono, *Tanggung Jawab Pemegang Saham, Direksi, Dan Komisaris Perseroan Terbatas*.

Under the Companies Act 2006, company establishment requires the submission of the memorandum of association and articles of association to the Companies House, and the company is officially incorporated once the Companies House issues a certificate of incorporation. While this system does not require a Notary, it provides clear certainty regarding the establishment date and the accountability mechanism during the pre-incorporation period. Similarly, in the Netherlands, the establishment of a *Besloten Vennootschap* (BV) requires a deed of establishment in front of a Notary (Article 2:175 Dutch Civil Code), showing that even in the case of a company with a single shareholder, an authentic deed is still considered essential.

The status of legal entity for an Individual Limited Liability Company is not automatically conferred when the company is declared established. Just like a regular Limited Liability Company, which obtains legal entity status through the Legal Entity Administration System for ministerial approval, the Individual Limited Liability Company also requires ministerial approval. The Limited Liability Company Law does not provide regulations on the acquisition of legal entity status for an Individual Limited Liability Company. According to Article 6 Paragraph (3) of Government Regulation No. 8 of 2021, "An Individual Limited Liability Company obtains legal entity status after registering with the Minister and receiving an electronic registration certificate."

From this provision, it is clear that the Individual Limited Liability Company obtains legal entity status after receiving the electronic registration certificate. Legal entity status for the Individual Limited Liability Company implies its recognition as an independent legal entity by the state, separate from its shareholders, with limited liability. There is a conceptual ambiguity between the terms "registration" and "confirmation." In the regime of the Limited Liability Company Law, legal entity status is obtained through ministerial confirmation, which is a constitutive administrative action.[57] Meanwhile, Government Regulation No. 8 of 2021 uses the term "registration," which, in traditional Indonesian law, is considered a declaratory act. This difference is not merely terminological but reflects a conceptual difference about when and how a legal entity is born.

According to Government Regulation No. 7 of 2021, the Individual Limited Liability Company can be established by business actors who meet the criteria for Micro and Small Enterprises. Although Micro and Small Enterprises are also intended to apply to regular Limited Liability Companies, this is an effort by the government to improve the business climate. However,

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[57] Khairandy, *Perseroan Terbatas: Doktrin Peraturan Perundang-Undangan Dan Yurisprudensi.*

this is not adequately matched with the necessary regulatory adjustments to guarantee certainty for the Individual Limited Liability Company. The regulation issued by the government about the Individual Limited Liability Company, as outlined in Government Regulation No. 8 of 2021, states that the Individual Limited Liability Company can be established by just one person. This raises the question of the possibility of establishing a company by entities other than individuals. While it is common for a Limited Liability Company to have shareholders who are not always individuals or natural persons but also legal persons, the regulation on the Individual Limited Liability Company should clarify who can be considered as founders of the company, not limited to individuals. If the government's goal in issuing Government Regulation No. 8 of 2021 is to facilitate the business climate, it should not only apply to individuals but also consider fairness in its application.

Article 9 of Government Regulation No. 8 of 2021 states that the Individual Limited Liability Company must change its legal status if it has more than one shareholder or no longer meets the criteria for Micro and Small Enterprises in terms of authorized capital and annual income. This raises a specific question regarding when the Individual Limited Liability Company must change its legal status to that of a regular Limited Liability Company. The phrase "change status" implies that the Individual Limited Liability Company and a regular Limited Liability Company are considered two different types of legal entities.

The regulation on the Individual Limited Liability Company in Government Regulation No. 8 of 2021 lacks a strong constitutional foundation in the legal hierarchy of norms. The Limited Liability Company Law, as the primary regulation for Limited Liability Companies, clearly defines a Limited Liability Company as a partnership based on an agreement between two or more people (Article 1, paragraph 1). Meanwhile, Government Regulation No. 8 of 2021 expands this definition to include a legal entity for individuals, which conceptually contradicts the definition of its parent law. According to Hans Kelsen's[58] theory of the Stufenbau (hierarchy of norms), regulations that conflict with higher-level norms should not be applicable.

[58] Kelsen, *General Theory of Law and State*; Hans Kelsen, *Pure Theory of Law* (University of California Press, 1967).

C. Legal and Conceptual Challenges in the Application of Limited Liability and Piercing the Corporate Veil in Individual Limited Liability Companies in Indonesia

The Piercing the Corporate Veil doctrine is essentially used as a correction to the principle of limited liability in corporations, where the limited liability principle limits legal responsibility to the value of the shareholder's shares.[59] The Piercing the Corporate Veil doctrine exists to remove the immunity rights under the principle of limited liability from each corporate organ regarding wrongful conduct.[60]

The Piercing the Corporate Veil doctrine is one of the most significant doctrines in modern corporate law. Essentially, this doctrine aims to correct the abuse of the limited liability principle, which generally protects shareholders from responsibility for the obligations of the corporation. This doctrine allows courts to pierce the legal layer that separates shareholders from the corporate entity, thereby transferring personal liability to the shareholders if there is an abuse of the corporate structure. In other words, the doctrine seeks to prevent situations where shareholders use the corporation as a shield to protect themselves from liabilities that they should be accountable for.

In a comprehensive study of over 1,600 piercing the veil cases in the United States, Robert B. Thompson[61] found that American courts tend to apply this doctrine in two main contexts. First, when there is an alter ego condition between the shareholder and the corporation, meaning when shareholders treat the corporation not as a separate entity with its own legal identity, but as an extension of their personal interests. In such situations, the court tends to view the relationship between the shareholder and the corporation as a single entity, and thus, it holds shareholders personally responsible for corporate obligations. Second, this doctrine is applied when corporate principles are used to commit fraud or to avoid legitimate obligations, such as diverting corporate assets for the personal gain of the shareholders or evading debt payments.

In Indonesia, the application of the Piercing the Corporate Veil doctrine has been accommodated in the law through Article 3 Paragraph (2) of the Limited Liability Company Law. This article provides the legal basis for making shareholders personally liable under certain

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[59] Sulistyowati, "Doktrin-Doktrin Hukum Mengenai Tanggung Jawab Hukum Dalam Perusahaan Group," *Jurnal Hukum Bisnis* 31, no. 3 (2012): 22.

[60] David L. Cohen, "Theories of the Corporation and the Limited Liability Company: How Should Courts and Legislatures Articulate Rules for Piercing the Veil, Fiduciary Responsibility and Securities Regulation for the Limited Liability Company," *Oklahoma Law Review* 51, no. 3 (1998): 427–500, https://digitalcommons.law.ou.edu/olr/vol51/iss3/2/; Millon, "Piercing the Corporate Veil, Financial Responsibility, and the Limits of Limited Liability."

[61] Thompson, "Piercing the Corporate Veil: An Empirical Study."

conditions.[62] The first condition is if the company's establishment requirements are not properly fulfilled, leading to the abuse of the corporate legal entity.[63] Second, shareholders can be held personally responsible if they use the corporation for personal interests that violate applicable laws.[64] Third, if shareholders are involved in illegal acts carried out by the company, they can be held accountable for the damages caused. Fourth, using corporate assets for personal purposes or for purposes inconsistent with the corporate objectives also gives courts the grounds to pierce the corporate veil and hold shareholders personally liable.

Thus, the Piercing the Corporate Veil doctrine in Indonesian law not only functions as a tool to prevent the abuse of corporate structures that can harm third parties but also ensures that the limited liability principle is not used as a loophole to avoid legal responsibility. Through clearer and firmer regulations, both at the national level and in court practice, this doctrine plays an essential role in ensuring legal certainty and justice in the corporate world.

A fundamental issue arises in that the Piercing the Corporate Veil doctrine is designed as a response to wrongful conduct committed by shareholders in their capacity separate from the corporation. This separation is a conceptual prerequisite for the doctrine. In a regular Limited Liability Company, there are two clearly separate entities: the corporation and the shareholders. When shareholders mix personal assets with corporate assets or use the corporation as their alter ego, the doctrine can then be applied.

In the case of the Individual Limited Liability Company, this separation never existed from the outset. The shareholder is the director, and the director is the shareholder. There is no conduct to identify as wrongful because there are no two separate entities to mix. This creates a legal paradox: the doctrine designed to address the abuse of the separation of organs is confronted with the absence of such a separation from the start. This means the conceptual prerequisites for the Piercing the Corporate Veil doctrine are not met in the structure of the Individual Limited Liability Company.

This issue is exacerbated by the blurring of the application of three main doctrines commonly used as the basis for piercing the corporate veil. First, the Instrumentality Doctrine requires proof that the corporation is inappropriately controlled by the shareholder to the extent that it compromises the corporation's independence. In the case of an Individual Limited Liability

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[62] Khairandy, *Perseroan Terbatas: Doktrin Peraturan Perundang-Undangan Dan Yurisprudensi*.
[63] Wicaksono, *Tanggung Jawab Pemegang Saham, Direksi, Dan Komisaris Perseroan Terbatas*.
[64] Hadi, *Karakteristik Tanggung Jawab Pribadi Pemegang Saham, Komisaris Dan Direksi Dalam Perseroan Terbatas*.

Company, total control by one person is not an anomaly but is the condition explicitly required by regulation. Second, the Alter Ego Doctrine requires proof that the shareholder's personal interests cannot be distinguished from those of the corporation. In the Individual Limited Liability Company, this is inherently the case because no separation exists. Third, the Identity Doctrine, which places the determination of whether there is a unity or separation of assets in the hands of the court, loses its meaning because no two parties stand in opposition.

Furthermore, by adopting the analytical framework of Easterbrook and Fischel, the existence of limited liability in the context of a single-member company can be justified economically because it allows for risk diversification and capital mobilization.[65] However, this economic justification requires the prerequisite that there is an adequate governance structure to protect the interests of creditors and third parties. In the Individual Limited Liability Company, there is no Supervisory Board, no meaningful General Meeting of Shareholders, and no checks and balances between organs. This makes the limited liability in the Individual Limited Liability Company vulnerable to misuse, while the piercing doctrine to correct it faces the conceptual obstacles outlined above.

The principle of limited liability in a Limited Liability Company is one of the key pillars in corporate law, underlying the formation and operation of modern companies. This principle dictates that a Limited Liability Company, as a separate legal entity, has an independent status that separates the corporate entity from its organs, such as shareholders, directors, and commissioners. With this principle, the legal responsibility for the actions and activities conducted by the company rests solely with the company itself, not with the personal responsibility of the shareholders or other organs. In this context, shareholders are only exposed to the risk corresponding to the amount of capital they have invested in the company and need not worry about personal liability for debts or obligations incurred by the company.

Phillip J. Scaletta and George Dana Cameron[66], a corporate law expert, strongly emphasizes several important principles related to limited liability. First, he stresses that actions, activities, and deeds conducted by a Limited Liability Company are not actions or deeds of the shareholders personally. For example, if the company enters into a contract or becomes involved in legal disputes, the company is responsible for any legal consequences that arise, not the individuals who

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[65] F. H. Easterbrook &. Fischel, D. R., "Limited Liability and the Corporation," *University of Chicago Law Review* 52, no. 1 (1985): 89–117.

[66] Phillip J. Scaletta and George Dana Cameron, *Foundations of Business Law and Regulation* (Dame Publications, 1993).

own shares in the company. Therefore, even though shareholders benefit from the activities conducted by the company, they will not be held accountable for any losses caused by the company.

Second, Scaletta and Cameron[67] states that the company's liabilities cannot be transferred to the shareholders. This is due to the fact that a Limited Liability Company has a legal status specifically regulated in its Articles of Association. The company has the power and legal authority to act in its own name. It can perform any action deemed necessary to achieve its goals, such as signing contracts, suing others, and being sued, as well as managing company assets. In this case, the assets of the company are separate from the personal assets of the shareholders. This means that even if the company faces financial issues or debts, shareholders are only liable up to the amount of shares they hold and will not risk losing their personal assets.

As a separate legal entity, the Limited Liability Company also has the right to sue and be sued in its own name.[68] This means that if the company is involved in a legal dispute, whether with third parties or between shareholders, the company itself will be the party involved in the case. This differs from other business forms, such as partnerships or sole proprietorships, where the owner or manager can be personally liable for the legal actions of the business. Therefore, the limited liability principle provides important legal protection for shareholders, who are only liable for their investment and can invest in business without risking their personal wealth.[69]

However, while the limited liability principle protects shareholders, it does not mean they are free from responsibility in all situations. For example, if shareholders or directors use the company for illegal purposes or for personal gain that harms others, the piercing the corporate veil doctrine may be applied to lift the veil between the company and the shareholders. In such cases, the court can transfer liability from the company to the shareholders or managers if it is proven that there has been abuse of the corporate legal structure or fraudulent actions committed on behalf of the company.

The limited liability principle also allows the Limited Liability Company to conduct its business activities more flexibly and efficiently. Because legal responsibility is separate, the company can raise large amounts of capital without burdening individual owners with financial risks. This facilitates the operation of the company in various industries, whether those requiring

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[67] Ibid.
[68] Cox, *Corporations*.
[69] Khairandy, *Perseroan Terbatas: Doktrin Peraturan Perundang-Undangan Dan Yurisprudensi*.

large investments or those focused on research and development. The capital raised from shareholders allows the company to expand operations, conduct research, and compete in the market.

The Instrumentality Doctrine evaluates the abuse of the corporate form based on three main indicators: when the company's existence is not truly independent, when control over the company results in the neglect of corporate obligations, and when such neglect causes harm to the company. Meanwhile, the Alter Ego Doctrine is applied when the shareholder's personal interests have superseded the company's interests and powers, making the shareholder's personal entity indistinguishable from the corporate entity.[70] The Identity Doctrine, which places the determination of whether the assets are unified or separated in the hands of the court, also loses meaning when there are no two opposing parties.

In applying the limited liability principle to an Individual Limited Liability Company, the shareholder is both the director, controlling the company, and part of the business interest of the company. This results in the blurring of the fiduciary nature of the shareholder's responsibility to the director. Nonetheless, the Job Creation Law in Article 185 J (1) states that shareholders of an Individual Limited Liability Company are not personally liable for commitments made on behalf of the company and are not liable for company losses beyond their shareholding. This phrase in Article 185 J of the Job Creation Law marks the limited liability nature of the Individual Limited Liability Company. However, despite the regulation of limited liability without a clear fiduciary boundary in the Individual Limited Liability Company, this creates a situation where shareholders may act for personal interests. Regarding this, the Job Creation Law regulates the Piercing the Corporate Veil doctrine for the Individual Limited Liability Company in Article 185 J (2), which essentially states that shareholders may be held personally responsible for the company.

In the case of a regular Limited Liability Company, the role of the Board of Directors is crucial because they hold fiduciary responsibilities to the shareholders. This means there is a legal relationship between the Board of Directors and the company that requires the Directors to act in the best interests of the company and shareholders. The fiduciary duty doctrine governs the behavior and responsibility of the Directors in managing the company. This duty creates a distinctive relationship in which the Directors not only act as managers but also as trustees, prioritizing the company's interests over their personal interests.

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[70] Elizabeth A. Evans and Daniel G. Lentz, "Alter Ego," in *Litigation Services Handbook* (2017), https://doi.org/10.1002/9781119363194.ch26.

According to the fiduciary duty doctrine, Directors are required to perform their duties with clear and strict principles. Some key principles underlying this fiduciary duty include: (a) Bona fides or good faith, requiring Directors to act with good intentions, without hidden motives or actions that could harm the company or shareholders; (b) Proper Purpose, emphasizing that Directors must carry out their duties only for legitimate purposes and in accordance with the company's Articles of Association, and cannot use their powers for personal interests or interests that do not align with the company's mission and vision; (c) Unfettered Discretion, giving Directors the freedom to make strategic decisions that are deemed best for the company, as long as these decisions do not violate legal provisions or go against the interests of shareholders; and (d) Conflict of Duty and Interest, which requires Directors to avoid situations that create a conflict between their obligations as managers and their personal interests.

This fiduciary duty principle is a mandatory element in the management of a Limited Liability Company and serves as the basis for regulating all activities conducted by the Directors. It is essential for maintaining the integrity and transparency of company operations and ensuring that the decisions made by the Directors are genuinely in the best interests of the company and shareholders. The application of this principle aims to prevent the abuse of power that could harm the company or other stakeholders. With this obligation, the Directors are not only responsible for achieving financial gains but also for ensuring that the company is run in an ethical and legally compliant manner.

Moreover, in practice, there are oversight mechanisms in place to ensure that the fiduciary duty is properly carried out. This oversight is generally conducted by shareholders, the supervisory board, and other oversight bodies that are obligated to monitor the performance of the Directors in carrying out their duties. In this context, transparency and openness of information are critical elements. Any transactions carried out by the Directors that could lead to conflicts of interest must be disclosed to shareholders and other relevant parties. The principle of disclosure requires Directors to declare any personal relationships or interests that could influence their decisions so that shareholders can evaluate whether the decisions are genuinely in the company's best interests or contrary to them.

The disclosure principle functions as a tool to maintain trust between the Directors and shareholders. Without adequate disclosure, it would be difficult for shareholders to know if the Directors are acting in good faith or if they are involved in practices that harm the company. Therefore, the obligation to disclose information about potential conflicts of interest is not only a

legal obligation but also a step toward preserving the integrity and credibility of the company's management.

The regulation of the Individual Limited Liability Company in Article 7 Paragraph 2 of Government Regulation No. 8 of 2021, which states that the Board of Directors of the Individual Limited Liability Company is both the founder and the shareholder, creates ambiguity in the application of the fiduciary duty principle. This provision blurs or even eliminates the responsibility of the director to the shareholders in managing the company. Such a condition causes the Individual Limited Liability Company to resemble a sole proprietorship.

This explanation shows that the regulation of limited liability in the Individual Limited Liability Company is not clearly defined regarding the extent to which the principle is to be implemented. The regulation concerning the Piercing the Corporate Veil doctrine, as outlined in Article 185 J (2) of the Job Creation Law, can only be applied after proving the abuse of the corporate structure in litigation. This is because the shareholder, who also acts as the director, can take actions based on fiduciary responsibility toward themselves in managing the company. Thus, three key factors of the fiduciary duty principle — the Duty of Skill and Care, the no secret profit rule (prohibition on taking personal profit from opportunities that should belong to the company), and the Good Faith Principle in managing the company — become unclear due to the lack of separation between the shareholder and director organs.

All actions taken by the director under the Business Judgment Rule indirectly represent the shareholder. The limits on ultra vires actions by the director are effectively removed by the nature of the Business Judgment Rule. This situation causes the limited liability principle in the Individual Limited Liability Company to be unworkable, and the application of legal responsibility in the Individual Limited Liability Company is beyond the scope of corporate law.

The provisions in corporate law essentially reflect the limited responsibility between shareholders and directors, with fiduciary duties to allocate business risks of the company. The Piercing the Corporate Veil doctrine is one of the approaches courts use to oversee risk allocation among the organs of the company.

The failure to apply the limited liability principle in the Individual Limited Liability Company is based on three substantive reasons. First, there is a tendency for excessive control by the shareholder over decisions made by the directors, which affects the operational activities of the company. This results in an expansion of authority for both the directors and shareholders in the management of the company. Second, the boundary between wrongful conduct and ultra vires actions becomes blurred between the organs of the company because the separation of functions

and accountability is not clearly enforced. Third, from an instrumentality approach, the Piercing the Corporate Veil doctrine indicates a lack of separation of responsibility between the organs of the company, thus preventing the principle of separating responsibilities — which is the foundation of limited liability — from being effectively upheld.

Considering these points, the extended control over the company and the lack of separation of legal responsibilities among the company organs make the Individual Limited Liability Company autonomous from shareholder control in terms of business strategy implementation. The legal justification for limited liability cannot be applied, and limited liability cannot be used in an Individual Limited Liability Company, as it refers to the nature of the organ being the same single entity in the formal structure of the company.

D. Reconstructing Corporate Personality: A New Legal Entity for Micro, Small, and Medium Enterprises in Indonesia Based on Pancasila Principles

Corporate law articulates that a company is a legal entity.[71] A legal entity, as described in the *Burgerlijk Wetboek* (BW), consists of a group of people acting within the law, functioning as though it is a single entity or *corporatie*. Satjipto Rahardjo[72] explains that a corporation is a creation of law, its existence and demise determined by the law. The term "body" here refers to a "*corpus*," making a corporation a legal creation, and its death is also determined by the law.

The existence of legal entities brings forth other legal subjects apart from natural persons, namely legal persons. Hans Kelsen[73] defines legal subjects as legal organs. Kelsen's theory of legal organs refers to the normative system that governs the behavior of individuals or groups of individuals, granting legal organs the authority to create and apply the law. Simply put, positive law defines the rights of legal subjects. Kelsen further explains that an obligation arises for a legal subject when rights are granted, with those rights being inherently subjective, while obligations arise from the positive law's provisions, which demand compliance and binding adherence.

Kelsen[74] clarifies that legal subjects are fictive constructs, artificial in nature. He elaborates that this artificial nature means legal subjects possess a natural personality for scientific purposes

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[71] Bernard Black and Reinier Kraakman, "A Self-Enforcing Model of Corporate Law," *Harvard Law Review* 109, no. 8 (1996): 1911–82, https://doi.org/10.2307/1342080; Henry Hansmann and Reinier Kraakman, "The End of History for Corporate Law," in *Corporate Governance* (Gower, 2017).

[72] Rahardjo, *Ilmu Hukum*.

[73] Kelsen, *General Theory of Law and State*.

[74] Ibid.

in law. This can be seen as interpreting the meaning of justice and law, as Jacques Derrida[75] points out, where justice requires interpretation because law cannot be interpreted in alternative ideas. Simply put, Derrida explains how law, as viewed by John Austin[76] as command, can be subject to multiple interpretations. The artificiality Kelsen refers to is essentially a natural personality that has a relationship of rights and obligations within the law (legal power). Hence, Kelsen defines anything with rights and obligations under the law as artificial within the legal organs.

A corporation, as an articulation of a legal entity and a legal subject in Indonesia, must possess at least three substantive elements. First, the corporation is formed from a group of people or individuals, along with a pool of capital to serve as the foundation for its business activities. Second, a corporation holds a legal status that attaches rights and obligations, enabling it to act and be held accountable in legal transactions. Third, a corporation must have a clear organ structure as a decision-making body, for the execution of management, and for supervision, so that the functions of the corporation can operate in an orderly and accountable manner.

The Individual Limited Liability Company, as a legal subject, should meet these requirements. The regulation outlined in Government Regulation No. 8 of 2021 specifies that the organs of the company are filled by one person, the founder. This does not fulfill the first requirement of a corporation, as the separation of functions and responsibilities is not clear. Therefore, the position of the Individual Limited Liability Company as a legal entity can be articulated as a Shadow Organ.

The concept of a Shadow Organ in the regulation of Government Regulation No. 8 of 2021 serves as a way to establish the responsibilities of the Individual Limited Liability Company. In the concept of Shadow Organ, the company still has organs in its structure, but the responsibility can extend to personal liability. This is because the responsibility of a Shadow Director is a representation of the shareholder in applying the Business Judgment Rule.

In England, Section 214 of the Insolvency Act 1986 states that a Shadow Director can be held personally responsible for the company's debts if they knew about and provided instructions on actions that led to the company's inability to avoid bankruptcy. The use of the Shadow Director concept here is seen as an alter ego in the Piercing the Corporate Veil doctrine applied to the Individual Limited Liability Company's responsibility. This is related to the unification of

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[75] Jacques Derrida, "The Force of Law: The 'Mystical Foundation of Authority,'" in *Deconstruction and the Possibility of Justice*, ed. Drucilla Cornell et al. (Routledge, 1992).

[76] John Austin, *The Province of Jurisprudence Determined* (Cambridge University Press, 1995).

ownership and control by the shareholder and Shadow Director, leading to the loss of the independence of the company's organs and the application of separate legal personality, which ultimately blurs the line between the shareholder and the corporation itself.

The principle of separate legal personality is one of the most fundamental pillars of corporate law. Since the historic ruling in the Salomon v. Salomon & Co. Ltd [1897] AC 22 case by the House of Lords in England, it has been established that a corporation has a legal personality separate from its shareholders, even when the company is almost wholly owned by a single person.[77] This principle affirms that the rights and obligations of a corporation belong to the corporation itself, not to its shareholders or other organs.[78]

However, the application of separate legal personality assumes the existence of a structural unity that allows the corporation to act as a truly independent entity. This requires organs functioning within their respective capacities, a clearly defined decision-making mechanism, and an operating system of responsibility between the organs. In the Individual Limited Liability Company, these structural prerequisites are not met.

The concept of a Shadow Organ becomes relevant in this context. In English corporate law literature, the term shadow director was introduced by the Companies Act to refer to someone who, though not officially appointed as a director, exercises determining influence over the actions of the official directors of the company. In the case of the Individual Limited Liability Company, the phenomenon is the opposite: the organs that should exist (such as commissioners, General Meetings of Shareholders) are, in practice, only shadows that lack functional substance, while all corporate power is concentrated in one individual.

This creates what the author calls the "Salomon Paradox in the Individual Limited Liability Company": on one hand, the law recognizes the Individual Limited Liability Company as an entity separate from its founder; on the other hand, the existing organic structure makes this separation an illusion. Corporate assets and personal assets can easily be mixed, the interests of the corporation and personal interests cannot be distinguished, and the boundary between corporate actions and personal actions becomes highly blurred.

From a comparative law perspective, this issue has been well anticipated in various jurisdictions. England, through the Companies Act 2006, allows the formation of companies with a single shareholder, but still requires a separation between directors and shareholders (although

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[77] Micheler, "Separate Legal Personality – an Explanation and a Defence."
[78] Cox, *Corporations*.

they may be the same person in different capacities), strict reporting obligations, and external oversight mechanisms through Companies House.[79] In the United States, the Limited Liability Company (LLC) with a single member faces stricter piercing analysis, and creditors can more easily challenge the separation of assets when necessary.[80] In Australia, the Corporations Act 2001 regulates the responsibility of directors, including shadow directors, in relation to bankruptcy (Section 588) with much more comprehensive details.[81]

The absence of a Supervisory Board as an oversight organ in the Individual Limited Liability Company is one of the most critical structural weaknesses. Article 108 Paragraph (1) of the Limited Liability Company Law defines the function of the Supervisory Board as the organ that supervises the management policies and the general management of the company, both concerning the company and the company's business, and provides advice to the directors. This supervisory function is not just a formality but an essential checks-and-balances mechanism in corporate governance. The absence of a Supervisory Board in the Individual Limited Liability Company, without any adequate alternative oversight mechanisms, creates a large space for potential abuse of power by the sole organ.

The regulation of the concept of Shadow Director is also addressed in Australian law, where Section 588 of the Corporations Act provides for the imposition of personal liability on a director, including a shadow director, in the case of corporate bankruptcy.

Moreover, the regulation of the Supervisory Board organ is not clearly outlined in the core regulation of the Individual Limited Liability Company, meaning that without clear regulation of the Supervisory Board organ, the Individual Limited Liability Company is a One-Tier structure (one shareholder, one director without a supervisory board). Discussions regarding the function of the supervisory board, according to Articles 114 and 106 of the Limited Liability Company Law, related to the authority of the Supervisory Board, are absent in the Individual Limited Liability Company. This results in the absence of oversight over the actions of other organs. The regulation related to oversight is only found in Article 10, concerning financial reporting. However, forms of oversight, such as those in Article 108 Paragraph (1) of the Limited Liability Company Law

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[79] Paul Davies and Jonathan Rickford, "An Introduction to the New UK Companies Act: Part II," *European Company and Financial Law Review* 5, no. 3 (2008): 239–79, https://doi.org/10.1515/ECFR.2008.239.

[80] Frederick Tung, "Limited Liability and Creditors' Rights: The Limits of Risk Shifting to Creditors," *Georgia Law Review* 34, no. 2 (2000): 547–69, https://scholarship.law.bu.edu/faculty_scholarship/1642/.

[81] Lynne Taylor and Sulette Lombard, "Statutory Principles Governing Director Conduct When a Company Is in Financial Distress – a Trans-Tasman Comparison," *Journal of Corporate Law Studies* 24, no. 2 (2024): 515–66, https://doi.org/10.1080/14735970.2024.2403225.

regarding oversight of management policies, operations in general, and providing advice to directors, are not regulated in the Individual Limited Liability Company, meaning that oversight over financial reporting cannot be considered another form of oversight over director actions. Without regulation of the Supervisory Board, the Individual Limited Liability Company cannot be understood as a form of legal entity in the same way as a Limited Liability Company. Interpreting the position of the Supervisory Board here, from the perspective of a shadow organ, the Supervisory Board can be seen as being articulated within the founder of the Individual Limited Liability Company.

The issue regarding the responsibility and position of the Individual Limited Liability Company discussed above shows that the framework of the Individual Limited Liability Company cannot be considered as a complete Limited Liability Company with its full characteristics and structure. Therefore, in the context of protecting Micro, Small, and Medium Enterprises, there is a need to establish a new legal entity separate from the Limited Liability Company.

Corporate Personality, which has a structure and normative system distinct from the Limited Liability Company, emphasizes two main principles as the foundation for this new legal entity: limited liability, and contractual principles.

The principle of limited liability is a general characteristic of legal entities, and in forming Corporate Personality, limited liability is a fundamental requirement that must be met in establishing this legal entity. Unlike the Limited Liability Company, where limited liability is supported by the separation of authority between the organs and the existence of fiduciary boundaries between each organ, Corporate Personality places oversight of the company's policies and actions under the Ministry of Law and Human Rights, with reports from an appointed independent party. This is a consequence of the application of limited liability to the founder's actions.

To address the potential abuse of limited liability, strict supervision must be implemented to ensure that the company operates in compliance with applicable laws and regulations. One form of oversight is requiring the company to submit regular financial reports. These reports serve as an important tool to show the financial position of the company, including income, expenditures, and cash balances. With transparent reports, stakeholders, including the Ministry of Law and Human Rights as the oversight authority, can evaluate whether the company is managing its resources and responsibilities appropriately or whether there are signs of abuse of power or avoidance of obligations.

In addition to financial reports, the company is also required to submit an Annual Tax Return, which includes information regarding taxes to be paid by the company. This ensures that the company meets its tax obligations properly and acts as an indicator that the company is not involved in tax avoidance or other illegal activities. By requiring the company to report its tax activities transparently, the government can monitor whether the company complies with fiscal regulations.

Another crucial report in company oversight is the asset and capital development tracking report. This report provides important information on how the company manages and develops its assets and investments, as well as how the capital used for business operations evolves over time. With this report, the overseers can ensure that the company is making prudent investments and managing its assets in accordance with the company's legitimate business goals, ensuring that corporate assets are not misused for personal interests or purposes inconsistent with the company's Articles of Association.

Additionally, reports comparing the company's performance to similar businesses serve as an essential oversight tool. This report provides an overview of the company's performance compared to other companies in the same sector, and how the company competes in the market. Through this report, overseers can identify whether the company is experiencing healthy growth or if there are signs of decline due to managerial errors or mismanagement.

The application of the contractual principle in the establishment and changes of the Corporate Personality emphasizes the requirement for a notarial deed in each process conducted by the company, prior to receiving ministerial approval.

The creation of Corporate Personality as a new legal entity aimed at boosting the potential of Micro, Small, and Medium Enterprises should be simple but not diminish the characteristics of a legal entity. For instance, in the establishment of the company, Corporate Personality can be founded by one person using a notarial deed or a declaration of establishment made in front of a notary in the Indonesian language, which is then registered with the Ministry of Law and Human Rights.

The structure of Corporate Personality as a new legal entity to enhance the potential of Micro, Small, and Medium Enterprises has unique characteristics compared to other forms of Limited Liability Companies. In this model, the company founder also serves as the director, making the company's organizational structure very simple. However, this simplicity does not reduce the importance of healthy corporate management principles, especially in terms of oversight and accountability for financial and operational management. Periodic oversight by the

Ministry of Law and Human Rights becomes crucial to ensure that the Corporate Personality principle is in line with regulations and to prevent the abuse of the structure that could harm third parties.

One of the goals of this oversight is to avoid piercing the corporate veil and ultra vires actions, which may occur if the separation between shareholders and company directors is not properly implemented. To make this oversight effective, companies are required to regularly submit various reports that provide a comprehensive picture of the financial and operational status of the company. Several documents that need to be submitted to the Ministry of Law and Human Rights and other relevant parties include: Financial Reports, which include information on income, expenditures, and the company's financial position; Annual Tax Return, which ensures that the company fulfills its tax obligations correctly; Asset and Capital Development Tracking Reports, which provide an overview of how the company manages and develops its assets and capital; and 4) Comparative Business Performance Reports, which evaluate the company's performance relative to competitors in the same industry.

The submission of these reports regularly not only ensures the company's compliance with applicable regulations but also evaluates how well the Business Judgment Rule principle is applied in company management. This principle requires directors to make business decisions that are rational and based on careful consideration, while avoiding any personal conflicts of interest that could harm the company or others. In the event of a dispute with third parties or if the company suffers losses, these reports can be used as evidence that the decisions made by the directors were not based on personal interests, but solely for the benefit of the company.

With strict supervision and transparent reporting, it is hoped that the Corporate Personality principle can be effectively applied, preventing the abuse of authority and ensuring that the company operates legally and ethically. This will also provide assurance that, even though the separation between shareholders and company directors may seem blurred within the Corporate Personality structure, there is still a mechanism in place to oversee and ensure compliance with legal and business obligations. In turn, effective oversight can prevent the occurrence of misconduct that could harm the company and third parties and enhance the credibility and sustainability of the business in the long run.

Changes in the regulatory framework of the Individual Limited Liability Company require substantive amendments to address the material issues discussed previously. These legal reforms should be based on the foundational norms of Pancasila. The Social Justice value in the fifth principle of Pancasila means that legal norms must be oriented toward substantive social justice,

which is reflected in the development of law aimed at justice and prosperity for the people and the nation of Indonesia.[82]

A substantive change in the Corporate Personality framework is needed to strengthen regulatory provisions for advancing Micro, Small, and Medium Enterprises, both in terms of legal protection and legal certainty, as well as in the economic development and management of Corporate Personality. The Individual Limited Liability Company in its current form cannot fully be classified as a complete Limited Liability Company. This incompleteness is not merely a technical deficiency that can be solved through implementing regulations, but it is a structural issue rooted in conceptual inconsistencies in its legislative design. This research offers the concept of Corporate Personality as a new legal entity designed specifically for the needs of Micro and Small Enterprises in Indonesia. This concept is inspired by Millon's ideas on contractarianism in corporate law, which emphasizes that the form of a legal entity should reflect the real needs and characteristics of the entrepreneurs who use it, while adhering to the values of Pancasila as the Grundnorm of Indonesian law .

E. Conclusion

The establishment of the Individual Limited Liability Company in Indonesia raises several fundamental issues related to the validity of the incorporation documents, the lack of clarity in the pre-approval period, and the conceptual inconsistencies between Government Regulation No. 8 of 2021 and the Limited Liability Company Law as the primary regulation. The first issue is the absence of a notarial deed, which has long been considered the legally recognized document for establishing a legal entity. Without a notarial deed, there is legal uncertainty that not only disrupts the validity of the company's establishment but also potentially harms third parties interacting with the company. This uncertainty undermines the certainty of doing business, which is one of the core principles in creating a healthy and secure investment climate in Indonesia.

Additionally, there is conceptual confusion between the terms "registration" and "approval" used in Government Regulation No. 8 of 2021 and the Limited Liability Company Law. In the regulation, the term "registration" is used to describe the administrative procedure carried out by the founder of the Individual Limited Liability Company, while the term "approval" in the Limited Liability Company Law refers to ministerial approval that formally establishes a business entity

[82] M. Abdul Karim, *Menggali Muatan Pancasila Dalam Perspektif Islam* (Sunan Kalijaga Press, 2004).

as a legal entity. This lack of clarity raises doubts about how the validation and approval process for an Individual Limited Liability Company should proceed, and whether the steps taken during the pre-approval period can be considered legally valid.

Another issue exacerbating the situation is the lack of clear regulation regarding the change of legal status from an Individual Limited Liability Company to a regular Limited Liability Company. This lack of clarity makes it difficult for those wishing to change their legal status after operating for some time, thus hindering the development of businesses that want to expand or engage with larger business partners requiring a more robust legal entity. On the other hand, the structure of the Individual Limited Liability Company, which places one individual as the founder, shareholder, and director, creates a fundamental legal paradox. In this structure, the principle of separate legal personality, which asserts that a legal entity must be separate from its shareholders and management, becomes an illusion, as there is no meaningful separation between the owner and the company. Moreover, the fiduciary duty principle, which obliges directors to act in the best interests of the company, becomes unclear because the director cannot have a fiduciary obligation to themselves.

The Piercing the Corporate Veil doctrine, which aims to pierce the separation between the legal entity and the shareholders in cases of abuse of the corporate structure, faces conceptual obstacles in the case of the Individual Limited Liability Company. This is because there is no clear separation between the company and its owner, so there is no separation to pierce. Additionally, the absence of a Supervisory Board in the Individual Limited Liability Company worsens this situation by eliminating the essential checks and balances mechanism in corporate governance. Without oversight from a Supervisory Board, the potential for abuse of power by the individual managing the company becomes more significant, which can harm the interests of the company and third parties.

The phenomenon that arises in the Individual Limited Liability Company is the presence of a "shadow organ", where the founder, who also serves as the shareholder and director, acts as though the entire corporate structure belongs to them. This is not an anomaly, but a condition designed from the outset, making it difficult to apply basic corporate law principles governing the separation of authority and oversight among company organs. To resolve this issue, an update to Government Regulation No. 8 of 2021 is necessary. The update should include clearer provisions regarding the obligation to declare the company's establishment in front of a notary or an appointed official as a substitute for the notarial deed, as well as clarity regarding the personal responsibility of the founder during the pre-approval period.

Furthermore, there needs to be a more comprehensive regulation regarding a periodic reporting mechanism to replace the oversight function of the Supervisory Board. These reports should cover various aspects, such as financial reports, Annual Tax Returns, asset and capital development tracking, and comparisons with similar businesses. With a strict reporting system, oversight of the Individual Limited Liability Company can be carried out even in the absence of a Supervisory Board. In the medium to long term, legislative reforms are needed to create a new legal entity separate from the Limited Liability Company regime, with a more consistent and comprehensive legal framework. These reforms should also draw lessons from countries with more experience in regulating single-member companies, such as the United Kingdom, the United States, Australia, and the Netherlands, while still adhering to the values of Pancasila, which emphasize a balance between business facilitation and social justice for all stakeholders.

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