



A Concept Of Indonesian Single Member Company According To Omnibus Law

Limited Liability Companies that Categorized as a Micro or Small Business based on Law No. 11 of 2020 and Government Regulation No. 7 & 8 of 2021

I. Introduction

Responding to the increasing economic challenges due to the pandemic, the Government of Indonesia continues to strive to raise the spirit of revival of Micro and Small Enterprises (*Usaha Mikro dan Kecil (MSEs)*). As all are aware, the Government has passed Law No. 11 of 2020 concerning Job Creation (or better known as **Omnibus Law**). One of the numerous sectors regulated in Omnibus Law is regarding the business practices in Indonesia, which amend the Law No. 40 of 2007 concerning Limited Liability Companies (or **PT (Law 40/2007)**). The new addition between the Article 153 and 154, 153A to 153J are focusing on the stipulation of MSEs. Articles 153A states that a company categorized as a micro and small business may be established by 1 person, this concept is being introduced as Single Member Company or **Perseroan Perorangan**. As a follow-up, the Government then issued 2 implementing regulations to rule such practice, there are Government Regulation No. 7 of 2021 concerning Ease, Protection, and Empowerment of Cooperatives and Micro, Small and Medium

Enterprises (**GR 7/2021**) and Government Regulation No. 8 of 2021 concerning the Company's Authorized Capital and Registration of Establishment, Amendment, and Dissolution of Companies that Meet the Criteria for Micro and Small Enterprises (**GR 8/2021**) as the implementation regulation.

II. Key Point

Perusahaan Perorangan is established based on a statement of establishment containing (i) name and domicile of Perusahaan Perorangan; (ii) duration of standing; (iii) the aims and objectives of the business; (iv) the amount of authorized capital, issued capital and paid-up capital; (v) nominal value and number of shares; (vi) address; and (vii) the identity of the founder and director of Perusahaan Perorangan, which is made in Indonesian and shall be registered electronically with the Minister of Law and Human Rights (**Minister**).

Meanwhile, amendment to the statement of establishment of Perseroan Perorangan must be





approved by the GMS and to be notified to the Minister electronically, in return the founder will obtain a certificate of amendment of the statement.

One of the amendment to the Law 40/2007 that applies to both PTs and Perseroan Perorangan is that Omnibus Law removes the minimum amount of capital which previously IDR 50,000,000, instead it is to be determined by the decision of company's founder(s).

Omnibus Law and PP 8/2021 require that the founder of Perseroan Perorangan must be an individual and not legal entity, which will act as shareholder and Director. They also limit that the founders can only establish 1 (one) Perseroan Perorangan in 1 year. In addition, please note that the Director has the obligation to prepare financial reports and submit it electronically no later than 6 (six) months after the end of the current accounting period.

For the dissolution of Perseroan Perorangan, it shall be stipulated by the GMS which will be specified in the statement of dissolution and it must be notified to the Minister electronically.

III. Effect

With the introduction of this Perseroan Perorangan idea, it is certainly will provide convenience for MSEs, especially since it is providing cost relief related to the establishment of a legal entity and enforcing the same principle as applicable to the PTs, where the shareholder's liability is limited to the capital it has invested in the Perseroan Perorangan.

It is important to keep in mind, that the PP 8/2021 also stipulates if (i) Perseroan Perorangan has more than 1 shareholder; and/or (ii) does not meet the criteria for micro and small businesses, then Perseroan Perorangan is obliged to convert its status to a limited liability company through a notarial deed and register it electronically with the Minister in accordance with Law 40/2007.

According to GR 7/2021, MSEs are classified based on the criteria for working capital or annual sales results, as follows: (i) micro businesses have capital of up to a maximum of IDR 1,000,000,000.00 and annual sales results up to a maximum of IDR 2,000,000,000.00, while (ii) small business have capital and annual sales results of up to a maximum of IDR 5,000,000,000.00.

GR 7/2021 also regulates that MSEs are given incentives in the form of reduction, relief or exemption from regional taxes and/or regional levies, as further detailed in the applicable law.

IV. Conclusion

From the explanation above, at least there are 3 things that are very beneficial for micro and small businesses, which are in line with the Government spirit in advancing MSEs, in particular (i) Perseroan Perorangan doesn't require a notary deed for its establishment; (ii) there is separation between the founder's and company's assets; and (iii) taxes incentives, which considerably lower than individual income tax.





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