



ARMA Update: 7 January 2022

(English Version)

Government Regulation Number 8 of 2021: Sole Proprietorship and Companies that Meet the Criteria for Micro and Small Businesses

General Overview

After the enactment of Law No. 11 of 2020 on Job Creation (or known as the "**Omnibus Law**") in November 2020, businesses are now increasingly given the ease of investing in Indonesia, especially related to the Micro and Small Business sector, with the issuance of Government Regulation No. 8 of 2021 concerning The Company's Authorized Capital and the Registration of Establishment, Change, and Dissolution of Companies that Meet the Criteria for Micro and Small Businesses ("**GR 8/2021**").

ARMA updates will discuss the overview of GR 8/2021 and focus on some basic information related to the new types of legal entities introduced by the government in the form of Sole Proprietorship and new regulations regarding Company that meet the criteria for micro and small businesses.

The Scope of GR 8/2021

PP 8/2021 specifically regulates Limited Liability Companies that meet the criteria of micro and small businesses (hereinafter referred to as the "**Company**"). Limited Liability Companies which have the criteria of medium and large businesses, including Limited Liability Companies with foreign investment, is not included in the scope of this regulation.

The definition of a Company that is stipulated in GR 8/2021 is a legal entity in the form of capital alliance established by 2 (two) or more people (which so far has been established according to the Limited Liability Company Law); and a new type of legal entity that can be established by 1 (one) person ("**Sole Proprietorship**").



Ease of Capital for the Company

The founders of the Company can determine for themselves the amount of capital for the Company, except for certain businesses. However, with due regard to the amount of issued and paid-up capital at least 25% (twenty five percent) of the authorized capital.

The Establishment of a Sole Proprietorship

Sole Proprietorship can be established by Indonesian citizens who are at least 17 years old and legally competent,¹ by filling out a statement of establishment ("**Statement of Establishment**") in Indonesian and registered electronically with the Minister of Law and Human Rights, by filling in the form that includes the following information:²

- i. name and place of domicile;
- ii. period of establishment;
- iii. purposes and objectives as well as business activities;
- iv. the amount of authorized capital, issued capital, and paid-up capital;
- v. nominal value and number of shares;
- vi. address;
- vii. full name, place and date of birth, occupation, place of residence, identification number, and tax identification number of the founders as well as directors and shareholders of Sole Proprietorship.

Amendment of the Statement of Establishment in Sole Proprietorship

The information contained in the Statement of Establishment can be changed by filling in the form of the amendment to the Statement of Establishment based on the decision of the shareholders of the Sole Proprietorship. The decision has the same legal force as the general meeting of shareholders (as regulated in the Limited Liability Company Law).

Change of Status of Sole Proprietorship

A Sole Proprietorship must change its legal entity status to a Limited Liability Company (as referred to in the Limited Liability Company Law) if the shareholder consists more than 1 (one) person and/or no longer meets the criteria as a micro and small business.³ This change in legal entity status is carried out through a notarial deed and registered electronically to the Minister of Law and Human Rights.

¹ Article 6 of GR 8/2021

² Article 7 of GR 8/2021

³ Article 9 of GR 8/2021



Obligation to Report Financial Statement

Sole Proprietorship is required to make financial reports by submitting them to the Minister of Law and Human Rights electronically through a form containing (i) a statement of financial position; (ii) income statement; (iii) notes of the current year's financial statements.

This financial report is intended for reference to the database of Sole Proprietorship profiles and the basis for consideration in determining the company's criteria.

In the event that a Sole Proprietorship does not submit financial reports, Sole Proprietorship may be subject to the electronic sanctions in the form of:

- i. written warning;
- ii. termination of access rights to services; or
- iii. revocation of legal entity status.

Dissolution of Sole Proprietorship

The dissolution of a Sole Proprietorship may occur due to:

- i. based on the decision of shareholders that has the same legal provisions as the General Meeting of Shareholders;
- ii. expiration of the term;
- iii. based on a court order;
- iv. with the revocation of bankruptcy based on the decision of a commercial court that has permanent legal force, the bankruptcy estate is not sufficient to pay the bankruptcy fees;
- v. bankrupt assets that have been declared bankrupt are in a state of insolvency as regulated in the bankruptcy law and suspension of debt payment obligations; or
- vi. the revocation of the Sole Proprietorship's business license, thus requiring the Sole Proprietorship to liquidate and fill out a statement of dissolution.

In the event of dissolution are based on the decision of the shareholders, the expiration of the period of establishment of the Company, and the revocation of bankruptcy, the shareholders must appoint a liquidator.⁴ If they do not appoint a liquidator, the Board of Directors will serve as liquidator.⁵

⁴ Article 13 Paragraph 3 of GR 8/2021

⁵ Article 13 Paragraph 4 of GR 8/2021



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