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# Small Business, Big Questions: The Legal Landscape of Single-Member Limited Liability Companies Post-Job Creation Law

**Rahmi Sahabuddin[1*], Hasbir Paserangi[2], Marwah[3]**

[1,2]Faculty of Law, Hasanuddin University, Indonesia; rahmisahabuddin99@gmail.com (R.S.) hasbir@unhas.ac.id (H.P.).
[3]Faculty of Law, Hasanuddin University, South Sulawesi, Indonesia; marwah@unhas.ac.id (M.).

**Abstract.** The establishment of Single-Member Limited Liability Companies through Indonesia's Job Creation Law signifies a major transformation in the country's business framework, aimed at fostering entrepreneurial development, particularly for micro and small enterprises. However, it also raises legal and governance concerns, including potential conflicts of interest, misuse of assets, and insufficient regulatory oversight. This study adopts a normative juridical approach with case and comparative approaches to explore the legal responsibilities of single-member company founders. The findings reveal that while the model enhances business accessibility, the concentration of ownership and management in one individual often leads to moral hazards, such as blending personal and corporate assets, inadequate financial disclosures, and exploitation of limited liability protections. To address these challenges, the research emphasizes the importance of stronger governance measures, including mandatory financial audits, enhanced reporting obligations, and stricter enforcement of good corporate governance principles. Comparative insights from other countries, such as those in the European Union and Southeast Asia, illustrate effective practices for improving legal accountability and mitigating risks, ultimately contributing to sustainable economic growth.

**Keywords:** Bankruptcy, Corporate, Job Creation Law, Single-Member Company.

## 1. INTRODUCTION

In recent years, the business landscape in Indonesia has undergone significant transformation with the introduction of the Omnibus Law. One of its key provisions, the establishment of the Single-Member Limited Liability Company, marks a major shift in the way businesses can be structured in the country.[1] This new model is designed to make it easier for individual entrepreneurs, particularly those in micro and small enterprises, to establish formal businesses with limited liability protection. However, while the concept promises to simplify business formation and offer legal protection to entrepreneurs, it also introduces new legal challenges. The single-shareholder nature of the Single-Member Limited Liability Company raises concerns about potential abuse, such as fraud and legal violations, due to the ease with which one individual can control the entire company.[2] As Indonesia embraces this new model, it is crucial to address the legal implications and responsibilities that come with it to ensure that the benefits outweigh the risks.

The concept of Omnibus Law in Indonesia was recently realized with the enactment of Law Number 6 of 2023 concerning Job Creation. This law simplifies and modifies several provisions of existing regulations into a single framework. One of these changes is the establishment of a sole proprietorship limited liability company (Single-Member Limited Liability Company), which allows for the creation of a company with only one founder.[3]

The formation of a Single-Member Limited Liability Company through the Job Creation Law is essentially a collaboration between lawmakers and the government to create a more conducive business environment, particularly for micro and small business owners. With the establishment of a sole proprietorship PT, which operates under the limited liability concept, the government hopes to provide legal protection to business owners. This is achieved through the separation of personal and company assets, as well as making it easier for entrepreneurs to access financing from banks.

For comparison, the concept of a sole proprietorship PT is similar to the Single-Member Private Limited Liability Company or Single-Member Company, which is used in countries like the United Kingdom (UK), the European Union (EU), and Southeast Asian nations such as Malaysia and Singapore.[4] Additionally, this model is known as the "Single-Member LLC" in the United States, the "One-Person Company" (OPC) in India, and the "Private Limited Company with a Single Shareholder" in several other countries.[5] This term refers to a model where there is no need for a formal establishment deed; instead, a declaration of company establishment is electronically approved by the Minister of Law and Human Rights (with the possibility of exemption from the approval fee).

[1] Anie, Dika Putri Vindi Santika. "Opportunities and Challenges of One Person Company for Micro and Small Enterprises in Indonesia." *Corporate and Trade Law Review* 2, no. 1 (2022): 80-95.
[2] Putu Devi Yustisia Utam, Kadek Agus Sudiarawan, "*Perseroan Perorangan Pada Usaha Mikro Dan Kecil: Kedudukan Dan Tanggung Jawab Organ Perseroan*," Jurnal Magister Hukum Udayana (Udayana Master Law Journal) 10, no. 4 (2021): 769, https://doi.org/10.24843/JMHU.2021.v10.i04. p08
[3] Maarif, Ihsanul. "Strategies of Omnibus Law Under the Hierarchical Legislation Framework: A Review of Theoretical and Practical Implications." *Journal of Law, Politic and Humanities* 5, no. 1 (2024): 304-313.
[4] Morse, Geoffrey. "Partnerships for the 21st Century? Limited Liability Partnerships and Partnership Law Reform in the United Kingdom." *Singapore Journal of Legal Studies* (2002): 455-488.
[5] Gutpa, Kanvi. "Analysis of One-Person Company Laws in India." *Issue 2 Indian Journal of Law & Legal Research.* 5 (2023): 1-12.

* Correspondence: rahmisahabuddin99@gmail.com

However, the risk of legal violations or criminal acts within a Single-Member Limited Liability Company is considered a weakness and challenge of this model.[6] This is due to the fact that the PT is established and managed by a single shareholder, which opens up the possibility of fraud by the shareholder against third parties by exploiting the limited liability. In terms of holding the Annual General Meeting of Shareholders (RUPS), the regulation on the summons for the meeting can be made with more flexible deadlines since only one shareholder will participate.

The legal basis for the Single-Member Limited Liability Company in the European Union is currently governed by Directive 2009/102/EC, which addresses company law for single-member private limited liability companies. This directive replaced the Company Law Directive (89/667/EEC). It serves as a guideline for EU member states to regulate single-member companies, while still respecting the independence and sovereignty of each member state in their implementation. Each member state has the discretion to further regulate or incorporate this EU regulation into their existing company laws.

In Indonesia, the Job Creation Law establishes the framework for the Single-Member Limited Liability Company, allowing for the formation of a company with a single founder, with no minimum capital or turnover requirements. This model also facilitates the dissolution of the company through an electronic declaration of dissolution. The limitation of personal liability in the Single-Member Limited Liability Company arises from the separation of personal assets of the owner from the company's capital.[7] As a result, if the company defaults and fails to settle its debts, the owner is not personally liable. Furthermore, the owner can establish and register a new Single-Member Limited Liability Company without fulfilling previous legal obligations related to prior debts.

This study is essential for examining the legal certainty and enforcement related to the Single-Member Limited Liability Company under the Job Creation Law. A Single-Member Limited Liability Company is a legal entity created by an individual, who also assumes legal responsibility. The company's legal obligations require the owner and founder to act in good faith, which is particularly critical when the company faces financial difficulties and is declared bankrupt by the commercial court. In cases of bankruptcy, the resolution of the company's debts to creditors should follow the procedures set out in Law Number 37 of 2004 concerning Bankruptcy and Suspension of Debt Payment Obligations. However, in practice, the legal protection for creditors who fail to receive payment from the debtor (the Single-Member Limited Liability Company) is not clearly defined. The Job Creation Law, as an omnibus law, does not address the establishment of a new Single-Member Limited Liability Company by an individual who has been declared bankrupt by the commercial court.

## 2. METHODS

This study employs a normative juridical research method, focusing on the legal responsibility of the founder of a Single-Member Limited Liability Company in the event of bankruptcy. The study utilizes three primary approaches: the Statute Approach, which examines relevant laws and regulations governing the establishment and operation of Single-Member Limited Liability Company; the Conceptual Approach, which explores the legal concepts and theories surrounding the legal responsibilities and liabilities of a single-member company; and the Comparative Approach, which analyzes similar regulations and practices in other jurisdictions to draw comparisons and insights. The legal analysis is conducted using a prescriptive method to provide clear recommendations and solutions based on the findings.

## 3. RESULTS AND DISCUSSION

### 3.1. The Legal Landscape of Single-Member Limited Liability Companies Post-Job Creation Law

The current global economic landscape has pushed many countries, including Indonesia, to align with the trends of globalization. Economic globalization has brought business practices from developed countries into developing nations, including Indonesia. This phenomenon has led to the globalization of law, which has influenced the implementation of principles such as transparency and openness in the business environment. Consequently, the application of these principles in Indonesia cannot be separated from the broader effects of globalization.

A Single-Member Limited Liability Company, in its business activities, aims to achieve certain objectives, with profitability being one of the primary goals. As the business progresses, its operational activities undergo changes that need to be recorded periodically. At the end of each operational period, the company is required to submit financial reports prepared by the company's director as part of its commitment to Good Corporate Governance (GCG).[8] Good Corporate Governance can be understood as a system that controls and regulates a company to add value and create balance, thereby reducing the potential for management errors. While regulations governing the Single-Member Limited Liability Company do not explicitly outline the implementation of GCG, they implicitly incorporate key GCG principles.

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[6] Kasih, Desak Putu Dewi. "Perseroan Perorangan Pasca UU Cipta Kerja: Perubahan Paradigma Perseroan Terbatas Sebagai Asosiasi Modal." *Arena Hukum* 15, no. 1 (2022): 20-37.

[7] Ariani, Nevey Varida, Maria Lamria, and Fuzi Narindrani. "Legal Aspect of Individual Company for Micro and Small Business in Omnibus Law on Job Creation." In *2nd International Conference on Law and Human Rights 2021 (ICLHR 2021)*, pp. 1-7. Atlantis Press, 2021.

[8] Siagian, Ferdinand, Sylvia V. Siregar, and Yan Rahadian. "Corporate Governance, Reporting Quality, and Firm Value: Evidence from Indonesia." *Journal of Accounting in Emerging Economies* 3, no. 1 (2013): 4-20.

The risks associated with single-member companies highlight critical gaps in legal oversight and governance. The dual role of sole shareholder and director compromises the company's ability to function as an independent legal entity, leading to moral hazards such as asset commingling and creditor fraud. This lack of separation between personal and corporate interests challenges the fundamental principles of limited liability and corporate governance. Additionally, the absence of regulatory mechanisms to monitor the financial practices of single-member companies leaves creditors and third parties vulnerable to potential losses.[9] The opportunity for individuals to repeatedly exploit the system by dissolving and re-establishing companies under new identities further exacerbates this issue.

However, challenges in implementing effective governance arise due to the concentration of authority in the hands of a single individual, which increases the risk of conflicts of interest. Even though there is a legal requirement to separate personal wealth from company assets, the decisions of the company are ultimately made solely by the director. This creates internal issues, such as a lack of commitment and awareness from the director regarding GCG principles, as well as a low understanding of the importance of implementing these governance standards.[10] Additionally, external challenges exist, such as the weak enforcement of GCG principles by the authorities, particularly the Ministry of Law and Human Rights. The current regulations regarding the Single-Member Limited Liability Company do not provide specific guidance on the supervision or monitoring of financial reporting by the director, leading to legal uncertainty in the application of good corporate governance.

Data from the Ministry of Law and Human Rights in South Sulawesi shows that the number of registered Single-Member Limited Liability Companies has undergone significant changes in 2023, including alterations, acquisitions, mergers, adjustments, and dissolutions (Chart 1). These shifts further highlight the challenges in ensuring transparency and governance in the operations of Single-Member Limited Liability Companies, especially in the absence of more robust regulatory frameworks and enforcement mechanisms. This situation calls for a more comprehensive approach to ensure effective oversight, stronger enforcement of governance principles, and clearer regulations on financial reporting to enhance legal certainty and foster a more transparent business environment.

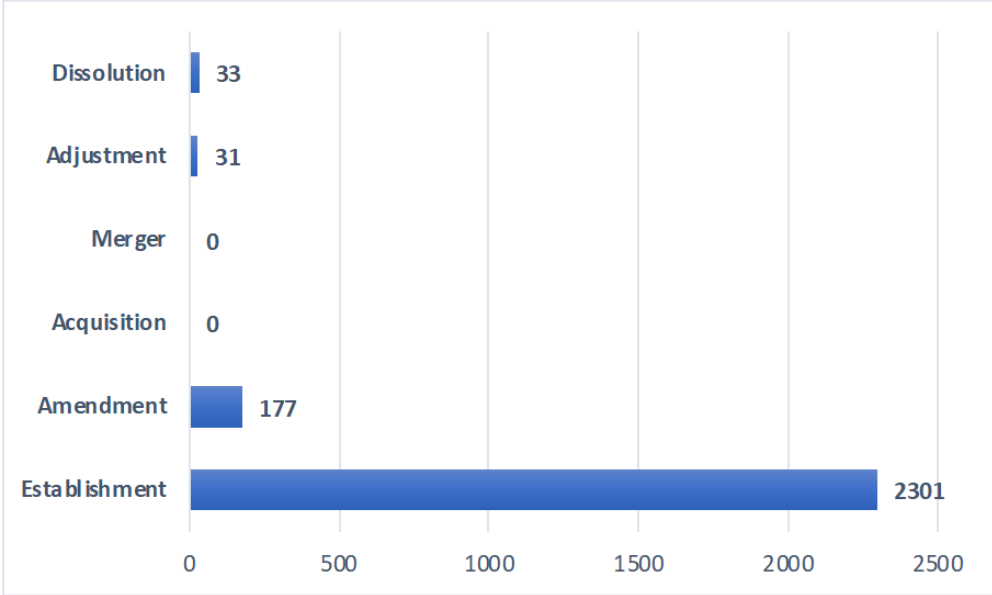



**Figure 1:** Data on the Trends and Developments of Single-Member Limited Liability Company in South Sulawesi, Indonesia, 2023.

The findings indicate that there is no detailed explanation regarding the reasons for the dissolution of Single-Member Limited Liability Companies recorded in the application system of the Directorate General of Legal Administration, Ministry of Law and Human Rights of Indonesia. Furthermore, according to regulations, such companies may be subject to blocking, either upon the request of third parties or involved litigants.[11] However, as of now, no reports have been submitted by parties claiming to have been harmed by Single-Member Limited Liability Companies. The dissolution of a Single-Member Limited Liability Company does not absolve its founder from the obligation to settle outstanding debts to creditors. Therefore, the principle of good faith is crucial for founders whose companies have been dissolved. This can be demonstrated through the submission of a bankruptcy or debt restructuring petition (PKPU) to the Commercial Court. Good faith is a legal principle recognized in Indonesia's legal system and in many other legal systems worldwide. According to Sigit Triyono,[12] a Supreme Court Justice of

[9] Putri, Aliza Madina, and Paramita Prananingtyas. "Existence and Characteristics of Sole Proprietorship in Indonesia." *Diponegoro Law Review* 7, no. 2 (2022): 245-261.
[10] Dasuki, Rima Elya, and Ardiyani Lestari. "Implementation of good corporate governance to the value of cooperative company." *Journal of Economic Empowerment Strategy* 2, no. 1 (2019): 24-41.
[11] Nurhaedah; Arie, Marthen; Sumardi, Juajir; Burhamzah, Oky Deviani. "The Social Responsibility of State-Owned Enterprises through the Partnership Program with Micro, Small and Medium Enterprises." *JL Pol'y & Globalization* 109 (2021): 31.
[12] Sigit Triyono, Supreme Court Justice of the Republic of Indonesia. Interview, February 6, 2024, at Makassar District Court.

Indonesia, the good faith of the founder of a bankrupt Single-Member Limited Liability Company, as a debtor, can be reflected in the formal and substantive requirements for filing bankruptcy and PKPU petitions. These requirements, as stipulated in the Bankruptcy and PKPU Law, are relatively simple in terms of evidence. However, bankruptcy and PKPU cases should also take into account moral, political, and social considerations, as well as the potential impacts on parties not directly involved in the case. If a bankruptcy or PKPU petition is filed in a manner that violates moral, social, and political values and harms stakeholders, it may be considered as lacking good faith and should be rejected. Thus, judges' considerations on good faith should not only rely on formal positivistic standards but also include honesty and the motives of debtors and creditors in filing such petitions. Shareholders of a Single-Member Limited Liability Company are not personally liable for the company's obligations or losses beyond the value of their shares. However, this limitation of liability is not absolute. Exceptions arise when shareholders unlawfully misuse the company's assets, which could result in personal liability. Consequently, if a shareholder, who also acts as the company's sole director or manager, is declared bankrupt, they are only liable to the extent of their share ownership, unless unlawful actions are identified in their management of the company, in which case personal liability may apply. Regarding the good faith of the company owner, a key issue arises when the individual makes a statement of intent to contribute capital during the company's registration but fails to fulfill this commitment, ultimately leading to the company's bankruptcy. Such actions constitute a breach of their declaration and may be subject to criminal liability. This is due to the owner's legal defect, which could stem from negligence or bad faith, making them liable for their actions.[13] The potential for conflicts of interest in single-member companies, where the sole shareholder also acts as the sole director, is considerable. This issue is particularly prevalent among micro and small enterprises, which often exhibit poor financial management practices. In many cases, business owners use the company's revenue and profits for personal purposes. Establishing a company where the individual acts as both the sole shareholder and director allows them to limit their liability while retaining full control over the company's operations. However, this level of control by a single shareholder often undermines the independence of the company as a separate legal entity. Without external oversight, the single shareholder wields unchecked authority, raising concerns about adequate protection for creditors and third parties with claims against the company's assets. Ultimately, the legal framework governing single-member companies must strike a balance between facilitating ease of business for micro and small enterprises and protecting creditors and third parties from potential abuses Table 1. To address these challenges, there is a need for stricter regulatory measures and enhanced transparency requirements for single-member companies. Mandatory external audits, regular financial reporting, and clear accountability mechanisms could help mitigate these risks. Moreover, imposing stricter penalties for fraudulent practices and introducing safeguards to prevent the misuse of government incentives would ensure that single-member companies fulfill their intended role of supporting economic growth and entrepreneurship.

**Table 1:** Number of Bankruptcy and Suspension of Debt Payment Obligation (PKPU) Cases in Commercial Courts in Indonesia in 2023.

| No | Commercial Court | PKPU Cases | Bankruptcy Cases |
|---|---|---|---|
| 1 | Commercial Court of Jakarta | 419 | 52 |
| 2 | Commercial Court of Surabaya | 119 | 17 |
| 3 | Commercial Court of Semarang | 43 | 12 |
| 4 | Commercial Court of Makassar | 18 | 4 |
| 5 | Commercial Court of Medan | 52 | 9 |

The table above indicates a high reliance on litigation-based resolution for debt disputes, particularly through Suspension of Debt Payment Obligation (PKPU) applications, compared to bankruptcy filings. This trend highlights certain legal vulnerabilities that can be exploited by individuals acting in bad faith, potentially harming creditors and third parties while creating instability within the business environment. To address this issue, the government must implement comprehensive preventive measures.[14] From a legal standpoint, the preference for PKPU over bankruptcy applications reflects a perception that PKPU is more advantageous for debtors. This process allows for debt restructuring and the continuation of business operations rather than immediate liquidation. However, such advantages can be exploited by unethical parties to delay legitimate claims or evade repayment obligations. This loophole necessitates a reassessment of procedural safeguards in PKPU applications, including mandatory financial disclosures and penalties for submitting false or misleading information. The establishment of Single-Member Limited Liability Companies has created new opportunities for micro, small, and medium enterprises (MSMEs). Yet, without adequate regulatory oversight, this legal entity can be misused to shield personal assets from liabilities or engage in fraudulent activities.[15] To address these risks, enhanced oversight mechanisms are required. These could include mandatory financial audits for Single-Member Limited Liability Companies involved in significant business transactions and periodic reporting to regulatory authorities. Stricter requirements for minimum capital, transparent financial disclosures, and robust financial safeguards are critical to

[13] Fonni, Winner Sitorus, and Hasbir Paserangi. "Persekutuan Perdata Notaris Berdasarkan Undang-Undang Jabatan Notaris." *Riau Law Journal* 2, no. 1 (2018): 38-50.
[14] Ariyanny, Renny, Sung-jun Bae, Mohammad Kemal Dermawan, and Anna Bosch. "Disgorgement of Profits: An Alternative Solution to Stolen State Assets' Recovery from Corporate Financial Crimes." *Hasanuddin Law Review* 9, no. 2 (2023): 139-154.
[15] Khuan, Hendri, Loso Judijanto, and Sri Juminawati. "Legal Regulations Pertaining to Product Safety and Quality Standards in MSMEs Business in Indonesia." *The Easta Journal Law and Human Rights* 2, no. 02 (2024): 97-105.

ensuring accountability. Furthermore, rigorous registration and verification processes should be enforced to prevent fraudulent activities. Regular monitoring, mandatory audits, and stringent sanctions for violations would act as strong deterrents to misuse. The lack of external supervision and the conflation of personal and corporate assets pose significant risks, as they enable mismanagement and the exploitation of the company's resources.[16] Single-member companies are particularly susceptible to financial misconduct, such as diverting government loans and incentives intended to support micro and small businesses for personal gain. Instead of using these resources to grow their business, individuals with bad faith intentions may exploit the company's legal structure for personal enrichment. Once their objectives are achieved, such individuals might transfer ownership to another party via sale and re-register under a new identity. This practice circumvents accountability while allowing them to maintain access to benefits designed for small enterprises. There is also a significant risk of single-member companies being established or operated with bad faith intentions. The sole shareholder, who also serves as the company director, may misuse the company's assets for personal benefit or pledge them as collateral for personal debts. This creates a dangerous overlap between the individual's personal and corporate wealth, potentially defrauding creditors and third parties. To address bad faith in the establishment of companies, the government should introduce specific regulations and penalties targeting founders with malicious intent. These provisions could include assessments of the motives behind company registrations and penalties for any violations. A comprehensive legal framework would serve as a preventive measure to curb potential abuses while ensuring corporate structures fulfill their intended roles.

Public awareness of the concept of Single-Member Limited Liability Companies and financial reporting procedures is also crucial. Educating the public and engaging notaries to provide guidance during the registration process can enhance transparency and compliance with legal standards. Such measures would foster a culture of accountability and build trust in the system. While the introduction of Single-Member Limited Liability Companies offers significant benefits to MSMEs, it demands strict regulatory oversight to prevent abuse. Strengthening the legal framework, developing advanced monitoring systems, and promoting public education can help create a secure and stable business environment. These actions would not only deter potential misuse but also support the broader objective of empowering and safeguarding MSMEs effectively.

### 3.2. The Evolution of Single-Member Limited Liability Companies: Cross-Border Legal Insights

The Singapore's economic growth slowed sequentially in the first quarter of 2024, following an upturn during the second half of 2023. Two contrasting temporary factors influenced this period. While tourism-related industries benefited from an unprecedented wave of concerts, the economy was hindered by a downturn in the manufacturing sector, which had previously surged due to a boom in electronics at the end of the previous year. On a broader scale, favorable global conditions—including alignment in macroeconomic, technological, and interest rate cycles—are expected to enable Singapore's economy to grow by 1–3% in 2024, following an expansion of 1.1% in 2023.[17] Manufacturing and trade activities in Singapore will likely continue to benefit from the ongoing recovery in the global electronics industry.

Singapore, a nation only slightly larger than Jakarta, has managed to achieve developed country status in a relatively short time, particularly in the economic sector. After gaining independence in 1965, the newly formed government under Lee Kuan Yew began constructing a more advanced economic system, driving industrialization and modernization.[18] Despite its remarkable progress, the sole proprietorship remains the simplest and most popular business model for many individuals starting businesses, particularly in trade and service sectors. This phenomenon has prompted researchers to examine the concept of sole proprietorships in Singapore.

Singapore's industrial restructuring journey transitioned from labor-intensive to capital-intensive activities. During the third phase, following a massive recession in the mid-1980s, the country began restructuring its economy to focus on the service sector. This shift laid the foundation for Singapore's economic strength through the services industry. In the fourth phase, which began in the late 1990s, the nation pivoted toward knowledge-based services, high-tech industries, and domestic entrepreneurship-driven economies.

Nowadays, Singapore's government continues to prioritize economic policies that support business growth, focusing on streamlined registration processes and improved regulations, as well as offering incentives for entrepreneurs. The Business Registration Act, introduced in 1968, established a clearer legal framework for business registration in Singapore. By the 1990s, Singapore further advanced its business sector development by introducing the Accounting and Corporate Regulatory Authority (ACRA) in 2004. ACRA consolidated various corporate oversight and business registration functions, previously spread across multiple government agencies, including those responsible for sole proprietorship registrations.

ACRA facilitates business registration processes, including sole proprietorships, ensuring proper registration of all enterprises, including small businesses. The introduction of BizFile, an electronic system that enables online

[16] Johan, Suwinto, Amad Sudiro, and Ariawan Gunadi. "What Could ASEAN Learn about Bankruptcy Law from ASEAN Partner Countries, China and Japan?." *Hasanuddin Law Review* 8, no. 3 (2022): 194-210.

[17] Monetary Authority of Singapore. Macroeconomic Review, Volume XXIII, Issue 1, April 2024. Accessed November 4, 2024. https://www.mas.gov.sg/publications/macroeconomic-review/2024/volume-xxiii-issue-1-apr-2024.

[18] Anwar, Syamsul, and Kharisma Danang Yuangga. "Pertumbuhan Ekonomi Di Singapura Sejak Berdirinya Monetary Authority of Singapore." *EDUKA: Jurnal Pendidikan, Hukum, dan Bisnis* 4, no. 1 (2019): 37-47.

business registration, has significantly streamlined the process, making it more accessible for individuals looking to start their ventures. The low registration fees and simplified procedures have made sole proprietorships an appealing option, particularly for first-time entrepreneurs.

The history of Single-Member Limited Liability Companies in Singapore illustrates a long evolution from a simple and unstructured business form to a popular choice for entrepreneurs, both during the colonial era and after independence.[19] As Singapore's economy and legal system developed, Single-Member Limited Liability Companies remained a favored option for individuals seeking to start small-scale ventures with minimal capital and full control.[20] The simplicity of registration, low costs, and clear legal framework have made Single-Member Limited Liability Companies an attractive option despite the significant risk of personal liability.

In Singapore, an Single-Member Limited Liability Companies is a business entity owned entirely by a single individual who is fully responsible for all operational and financial aspects. This structure places the owner at personal risk for all debts, liabilities, and other obligations tied to the business. While Single-Member Limited Liability Companies offer advantages such as easy setup and complete managerial control, they also come with notable challenges. These include unlimited personal liability, limited access to financing, constrained resources, and difficulties in succession planning. To mitigate these risks, owners of Single-Member Limited Liability Companies are encouraged to consider transitioning to more formal business structures as their ventures grow.[21]

Singapore does not have a specialized insolvency court; instead, bankruptcy cases are handled by the High Court. The court holds jurisdiction over all legal and factual matters arising in insolvency cases and has the authority to issue orders for committal, arrest, and seizure when appropriate. Appeals against bankruptcy rulings follow the same procedures as appeals in other High Court cases. Insolvency regulations in Singapore differentiate between individuals and companies. Bankruptcy involving individuals or partnerships is governed by the Bankruptcy Act (Cap 20), while corporate insolvency is regulated under the Companies Act (Cap 50).

A Single-Member Limited Liability Companies refers to a business owned by a single entity, which could be an individual, company, or limited partnership. Unlike incorporated entities, an Single-Member Limited Liability Companies is not a separate legal entity from its owner. This means that the business owner is personally liable for all debts and obligations incurred by the business. Furthermore, because there is no distinct legal entity, the owner can sue or be sued in the name of the Single-Member Limited Liability Companies.

For Singaporean citizens, there is no distinct advantage or disadvantage in choosing between a company and Single-Member Limited Liability Companies. However, the situation differs for foreigners wishing to start a business in Singapore. As a general rule, foreigners in Singapore on specific passes (e.g., Work Permit, S Pass, or Visit Pass) are not permitted to establish Single-Member Limited Liability Companies.[22] They may, however, own shares in a company as long as they do not register as directors or work for the company. Exceptions include foreigners holding a Dependant's Pass or Long-Term Visit Pass, who may work for a business upon receiving a Letter of Consent from the Ministry of Manpower. Similarly, those with an EntrePass are permitted to establish either an Single-Member Limited Liability Companies or a company in Singapore.

The registration process for a Single-Member Limited Liability Companies is relatively straightforward. Both SMLLCs and companies must select a suitable business name, which can be checked for availability via the BizFile+ system. Once the name's availability is confirmed, an application to register the name must be submitted, incurring a fee of SGD 15. Upon approval, the business name is reserved for 120 days, during which the proprietor must proceed to register the business. Failure to register within this period will release the name for others to use.

The liability of a Single-Member Limited Liability Company is unlimited, meaning the owner is personally accountable for the business's debts. The consequences of personal liability for business debts can be disastrous. For example, imagine an SMLLC incurs a debt of $1 million. Since an SMLLC is not a separate legal entity from its owner, the proprietor would need to personally pay the $1 million if the business fails to settle its obligations. Otherwise, the owner risks facing bankruptcy proceedings initiated by the creditors.

There are both advantages and disadvantages to establishing a Single-Member Limited Liability Companies. Business decisions can be made quickly without consulting others, and there are fewer regulatory requirements to comply with. However, since the business and its owner are considered one legal entity, creditors can seize the owner's personal assets to settle the business's debts.[23] Furthermore, due to the less formal structure and decision-making process of Single-Member Limited Liability Companies, banks and the public often perceive them less favorably compared to more formal corporate structures. In the context of an SMLLC, this implies that the business owner fails to pay business debts and lacks sufficient assets to cover their obligations. Since a Single-Member

[19] Maria, Felicia, and Ulya Yasmine Prisandani. "Establishing A Limited Liability Company: A Comparative Analysis On Singaporean And Indonesian Law." *The Lawpreneurship Journal* 1, no. 1 (2021): 43-57.

[20] Mucharom, Rully Syahrul. "Comparative Law of Business Competition between Indonesia and Singapore." In *Proceeding International Conference Restructuring and Transforming Law*, pp. 48-56. 2024.

[21] Almasabi, Salah Mohameed, Hasani bin Mohd Ali, and Hazlina Shaik Md Noor Alam. "One Person Company in Asia and Europe: A Comparative Study." *UUM Journal of Legal Studies* 14, no. 2 (2023): 607-631.

[22] Ooi, Vincent, and Cheng Han Tan. "Singapore Company Law and the Economy: Reciprocal influence over 50 years." *Asia Pacific Law Review* 27, no. 1 (2019): 14-38.

[23] Rowa, Ahmad Aswar, Anwar Borahima, A. Badriyah Rifai, and Abdullang Marlang. "The Rights of The Shareholders Minority in a Company: A Critical Analysis." *JL Pol'y & Globalization* 62 (2017): 13.

Limited Liability Companies is not a separate legal entity from its owner, if the business becomes insolvent, the owner's personal assets—such as their home, car, or personal savings—may be used to settle the business debts.

## 4. CONCLUSION

Indonesian founders of Single-Member Limited Liability Companies are required to provide clear and accurate information to trustees and creditors regarding the company's condition, its assets, and any outstanding debts. Failure to submit financial reports may result in administrative sanctions, including written warnings, suspension of access rights to services, or revocation of the company's legal entity status. These sanctions are directly linked to the accuracy of the financial information provided. Moreover, the founder's good faith is evaluated based on their adherence to legal procedures after the company enters bankruptcy.

The legal process for founders' post-bankruptcy includes either continuing operations or completing the liquidation process. The purpose of adhering to these legal procedures is to ensure that asset distribution is conducted fairly and transparently, allowing all stakeholders involved to understand and follow the established regulations. The legal responsibility of an SMLLC founder post-bankruptcy is based on the principle of limited liability, meaning the founder's liability for losses does not exceed the capital invested in the company. However, this principle creates the potential for the commingling of company assets with the founder's personal assets. Given that the structure of an SMLLC is generally one-tier, financial losses could personally impact the founder, exposing them to significant risks and personal financial loss.

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