

Update: Regulations on the Establishment of Individual Companies

Recent developments regarding the requirements, establishment process, and governance of Individual Companies.

IN BRIEF

Pursuant to Law Number 40 of 2007 on Limited Liability Companies, as most recently amended by Law Number 6 of 2023, and Government Regulation Number 8 of 2021, an Individual Company must be established by one (1) individual who meets certain requirements and conducts a business that qualifies as a Micro or Small Enterprise. This provision applies to Indonesian citizens who intend to establish a legal entity to conduct micro or small-scale business activities. The establishment process is simplified as it does not require a notarial deed. For entrepreneurs who meet the applicable criteria, an Individual Company provides a simpler alternative form of business entity while remaining subject to certain obligations, including reporting obligations and the obligation to change its status if the applicable requirements are no longer satisfied.

BACKGROUND & KEY REQUIREMENTS

The provisions on Individual Companies apply to entrepreneurs and business owners who intend to establish a legal entity to conduct business activities that meet the criteria for Micro or Small Enterprises. These provisions are particularly relevant to Indonesian citizens who are at least 17 (seventeen) years old and legally competent to perform legal acts. The founder of an Individual Company acts as the sole shareholder and may concurrently serve as the director. An Individual Company is required to change its status into a regular Limited Liability Company if the number of shareholders becomes more than one (1) individual or if the company no longer meets the applicable Micro or Small Enterprises criteria.

KEY REQUIREMENTS TO BE FULFILLED

Pursuant to Article 6 of Government Regulation Number 8 of 2021, an individual may establish an Individual Company if the following requirements are met:

1. the Individual Company is established by one (1) Indonesian citizen;
2. the founder is at least 17 (seventeen) years old and legally competent to perform legal acts; and
3. the business activities meet the criteria for a Micro or Small Enterprise.

KEY CONSIDERATIONS: CAPITAL, REPORTING, AND CHANGE OF STATUS

In establishing an Individual Company, there is no minimum authorized capital requirement; accordingly, the amount of authorized capital is determined based on the founder's decision. However, the issued and paid-up capital must amount to at least 25% (twenty-five percent) of the authorized capital and must not exceed IDR 5 billion. The business capital and annual sales criteria under Article 35 paragraph (1) of Government Regulation Number 7 of 2021 are as follows:

- Micro Enterprise: business capital of up to a maximum of IDR 1 billion, excluding land and buildings used as business premises, and annual sales of up to a maximum of IDR 2 billion;
- Small Enterprise: business capital of more than IDR 1 billion and up to a maximum of IDR 5 billion, excluding land and buildings used as business premises, and annual sales of more than IDR 2 billion and up to a maximum of IDR 15 billion.

If the number of shareholder becomes more than one (1) individual or the company no longer meets the criteria for a Micro or Small Enterprise, the Individual Company must change its status into a regular Limited Liability Company.

Key Differences: Regular Limited Liability Company vs. Individual Company

Aspect	Regular Limited Liability Company	Individual Company
Number of Shareholders	Generally established by two (2) or more individuals	Must be established by one (1) individual
Business Criteria	Not limited to the criteria for Micro or Small Enterprises	Must meet the criteria for a Micro or Small Enterprise
Deed of Establishment	Must be established based on a notarial deed	Does not require a notarial deed; can be established through a Statement of Establishment
Corporate Organs	Consists of the General Meeting of Shareholders, Board of Directors, and Board of Commissioners	The sole shareholder may serve as the Director; Board of Commissioners is not required
Authorized capital	The amount is determined based on the founders' decision in accordance with the applicable laws and regulations	There is no minimum authorized capital requirement; however, the paid-up capital (together with loan, if any) must not exceed IDR 5 billion.

KEY DATES & MATTERS TO NOTE

- ◆ Within 60 (sixty) days from the date of completion of the Statement of Establishment, proof of capital deposit must be submitted electronically to the Ministry of Law (“MoL”).
- ◆ No later than 6 (six) months after the end of the financial year, the annual financial statements must be submitted to the MoL.

WHY CHOOSE AN INDIVIDUAL COMPANY?

- ◆ Simple establishment process – An Individual Company can be established without a notarial deed, and the sole shareholder may also serve as the director.
- ◆ Limited liability protection – As a separate legal entity, the Individual Company provides limited liability protection to its shareholder, subject to the applicable laws and regulations.
- ◆ Greater flexibility for entrepreneurs – The Individual Company offers a simpler corporate structure and more streamlined establishment process for entrepreneurs who wish to formalize their business activities.

RECOMMENDED NEXT STEPS

- ◆ Ensure that the founder meets the establishment requirements, must be Indonesian citizenship, a minimum age of 17 (seventeen) years, and legal capacity.
- ◆ Ensure that the business activities meet the criteria for a Micro or Small Enterprise, including by taking into account the applicable provisions on business capital (consisting of paid-up capital and loan) and turnover.
- ◆ Prepare and ensure the completeness of the information required in the Statement of Establishment, including information on the company name, domicile, business activities, capital structure, shares, and the founder's details.
- ◆ Periodically evaluate the status of the Individual Company, particularly in the event of a change in the number of shareholders or business development resulting in the company no longer meeting the criteria for a Micro or Small Enterprise. If such circumstances occur, promptly initiate the process of changing the company's status into a Limited Liability Company.



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