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Reconstruction of Legal Policy for MSME Legality

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Abstract: The enactment of the Sole Proprietorship institution within the Omnibus Law on Job Creation aims to facilitate ease of doing business for Micro and Small Enterprises (MSEs) by granting instant legal entity status. However, in its implementation, this single entity triggers doctrinal antinomies in corporate law and cross-sectoral disharmony. This juridical-normative research, utilizing statutory, conceptual, and comparative approaches, aims to analyse the legal implications of sole proprietorships on legal certainty, to formulate its policy reconstruction design, and how corporate crimes are handled in sole proprietorships. The results indicate that the ease of digital self-registration (instant formality) without verification by an authentic official triggers resistance from the banking industry due to perceived high legal risks. Furthermore, the low accounting literacy among MSE actors leads to the commingling of personal and corporate assets, threatening the collapse of the limited liability principle through the Piercing the Corporate Veil doctrine. This article rejects the trend of prior research that merely focused descriptively on administrative registration efficiency. The novelty of this study offers a policy reconstruction formulation through a transition toward the Guided Accountable Formality paradigm. This reconstruction is manifested through technological intervention via a unified micro-accounting application integrated into the OSS-RBA system as an asset segregation control instrument, alongside the implementation of a Self-Liquidity Guarantee Fund scheme to ensure legal protection for creditors and third parties.

Keywords: Corporate Law, MSME Legality, Policy Reconstruction, Sole Proprietorship.

INTRODUCTION

The Micro, Small, and Medium Enterprises (MSMEs) sector is a key pillar of the Indonesian national economy, making a crucial contribution to gross domestic product (GDP) and employment. As the backbone of the economy, the key characteristics of businesses in this micro and small cluster are predominantly informal ownership, limited capital structures, and family-based governance (Gischa, 2022). The classical paradigm in corporate law places business legality as an administrative burden (*administrative burden*) rather than a need for

legal protection. As a result, most MSMEs are trapped in a cycle of legal informality that limits their access to the formal financial sector, corporate legal protection, and broader market expansion (Rahayu et al., 2024). The government, in various conventional regulations, consistently places legal formalization of business actors through rigid, complex, and costly legal instruments. This creates a wide gap between the national legal ideals of advancing public welfare and the empirical reality on the ground.

The enactment of Law Number 11 of 2020 concerning Job Creation, which was later re-enacted through Law Number 6 of 2023 (hereinafter referred to as the Job Creation Law), brought radical disruption to corporate legal doctrine in Indonesia. One of the most progressive new legal innovations (legal novelty) is the introduction of a new legal institution in the form of a Sole Proprietorship (*sole proprietorship incorporated*) for Micro and Small Enterprises (MSE) criteria. (Kholil, 2020) Through Government Regulation Number 8 of 2021 concerning Establishment Capital, Registration and Establishment, Limitations, and Dissolution of Limited Liability Companies that Meet the Criteria for Micro and Small Enterprises, the government officially deconstructed the requirements for establishing a traditional Limited Liability Company (PT). The classic legal doctrine is that a PT must be established based on an agreement between two or more individuals (as stipulated in Article 1313 of the Civil Code. Article 1618 of the Civil Code and Article 7 paragraph (1) of Law Number 40 of 2007 concerning Limited Liability Companies have been completely deconstructed. Through this new regime, a single individual is now given the legal capacity to act as founder, sole shareholder, and chief executive officer who has absolute control over the company's legal entity. (Kholil, 2020)

This policy of adopting sole proprietorships actually contains a noble philosophical goal, namely cutting the bureaucratic chain, providing ease of doing business (*ease of doing business*), and facilitating the transformation of the status of MSME actors from the informal sector to the formal sector with legal status (*incorporation*). The biggest theoretical advantage offered to MSMEs through this new entity is the attachment of legal entity status (*legal entity*), which provides a separation of personal assets from company assets (Dewi & Anggawira, 2026).

Based on the principle of limited liability, this legal protection guarantee ensures that micro-business actors are protected from the risk of bankruptcy, which could confiscate their personal assets (Ramlan, 2025). This formalization is also designed to be fully integrated digitally through the system. *Online Single Submission Risk-Based Approach* (OSS-RBA) by simply paying a very low registration fee and issuing a Certificate of Establishment Statement instantly without requiring a notary deed (Refsanjani et al., 2025). However, the administrative convenience offered in this theoretical framework has triggered serious legal antinomies and normative conflicts when implemented in the corporate legal structure in Indonesia. There is a wide gap between the objectives of the regulation (*law in books*) and the reality of implementation (*law in action*).

The first fundamental problem arises from the ambiguity of the legal status of sole proprietorships themselves. The establishment process, based solely on a "unilateral statement," without any authenticity filter from a public official (notary) or strict substantive verification by the Ministry of Law and Human Rights, creates legal vulnerabilities. The Certificate of Establishment issued automatically from a digital system is often overlooked by banking institutions and secondary financing institutions. In current banking practices, the principle of prudence (*prudent principle*) has led banks to refuse to open corporate accounts or extend credit to sole proprietorships without a notarial deed and conventional articles of association. This situation creates a legal irony: the government's intention to provide instant legality for easier access to capital has instead run up against the pragmatism of the financial industry, which demands authentic legal certainty.

The second problem lies in the weak post-registration supervision (*post-audit system*) and neglect of the principles of good corporate governance (*good corporate governance*). Sole proprietorships are required by Government Regulation No. 8/2021 to prepare and report financial reports electronically every semester. However, in sociological reality, MSMEs in Indonesia lack adequate accounting literacy and legal compliance to prepare standardized financial reports. As a result, the commingling of personal and corporate assets continues to occur extensively in daily operations. Under corporate law, ignoring this separation of assets implies the loss of limited liability status through the mechanism (*Piercing the Corporate Veil*). This means that the legal entity status that MSMEs pride themselves on can be legally revoked in court, and owners are jointly and severally liable, including their personal assets, if a dispute arises over breach of contract or unlawful act (PMH). MSMEs' ignorance of these legal consequences is like a time bomb threatening their business security.

Furthermore, overlapping (*overlapping*) This legality policy is exacerbated by the lack of synchronization of the OSS-RBA system as the outlet for risk-based business licensing. Data integration between the Directorate General of AHU of the Ministry of Law and Human Rights, the Investment Coordinating Board (BKPM), the Tax Office (DG of Taxation), and Regional Governments still suffers from sectoral egos. Many micro-businesses that have obtained a Sole Proprietorship Certificate are still required to manually process various distribution permits, certifications, and regional levies with prerequisites that refer to old regulations. Furthermore, from the aspect of corporate criminal law enforcement, the limits of criminal liability for sole proprietorships are still very unclear when the single entity violates the law, considering that the legal subject acting as policy maker and field implementer is the same person.

Previous research on sole proprietorships generally focused on comparative normative analysis of the establishment of Law No. 40/2007 and the Job Creation Law (Putri & Tan, 2022) see (Tarigan Samuel Midian et al., 2024), or focused on the efficiency of MSME administrative registration partially.(Faried et al., 2023) There has not been a legal study that specifically and comprehensively reviews the design of an integrative reconstruction of legal policy to overcome systemic obstacles after the implementation of this instrument.

Therefore, the *State of the Art* (scientific novelty) of this research lies in the offer of the idea of legal reconstruction (*legal reform*) on MSME legality policies. This research aims to formulate a new policy formulation that synchronizes bureaucratic simplicity, authentic legal certainty, and strengthening corporate governance compliance literacy in MSME clusters so as not to negate substantive legal protection.

Based on the background of the problem and the legal gaps mentioned above, this research focuses its discussion on three fundamental problem formulations, namely:

1. *What are the legal implications of implementing the Sole Proprietorship institution for the harmonization and legal certainty of the company system in Indonesia?*
2. *What is the ideal formulation for reconstructing legal policies to optimize the legality of MSMEs without negating the principles of corporate accountability and legal protection for third parties?*
3. *How are corporate crimes handled in sole proprietorships?*

This research aims to explore the root causes of the clash of norms and sociological barriers that occur, and to contribute a draft of new legal thinking for lawmakers in preparing a responsive and integrative harmonization of corporate legal regulations in the future. To emphasize originality, this research maps and differentiates itself from several previous research typologies on the topic of Sole Proprietorships or the legality of MSMEs. Broadly speaking, the existing literature can be grouped into two main trends:

1. **Administrative-Procedural Approach:** The majority of previous scientific articles focused on the efficiency of legal administrative registration of sole proprietorships through the e-

Court or the OSS-RBA system. The research is generally descriptive, praising bureaucratic simplification, cost reduction, and speed of issuance of establishment certificates without analysing their systemic impact.

2. Normative-Comparative Approach: Several other studies have tried to compare the concepts of sole *proprietorship incorporated* in the Job Creation Law with Law No. 40/2007 concerning conventional PT, or comparing it with countries that adhere to Common Law. Their focus is limited to the conflicting definitions of "agreement" in Article 7 of the old PT Law.

This research distances itself from the two trends mentioned above. It no longer focuses on "how to register" or "what articles have changed." It specifically examines the roots of doctrinal disharmony and cross-sectoral obstacles (such as banking industry resistance and the moral hazard risk of sole founders). It dissects the functional failures of these instant legal entities and moves directly to the realm of *applied legal theory* (applied legal theory) to carry out regulatory updates. *Novelty*: The main (novelty) of this research lies in the offer of an integrative and accountable policy reconstruction formulation design (not just instant convenience). In detail, the aspects of *novelty*:

1. Deconstructing the "Instant Formality" Paradigm: This research proposes a new paradigm, namely "Guided Accountable Formality." This research rejects the concept of releasing registration facilities without supervision, because in reality, this actually creates legal vulnerabilities for MSMEs themselves. *Piercing the Corporate Veil*).
2. Formulation of a "Post-Audit System" Based on Single Application Technology: The concrete innovation offered is a draft policy on technological intervention by the state through the integration of a single micro-accounting application into the OSS-RBA system. Compliance with this digital report is used as an absolute instrument for limiting or automatically extending the status of an individual. Limited *liability* owner, which has not been conceived in any research.
3. "Independent Liquidity Guarantee Fund" Scheme for Creditor Protection: This research contributes to the concept of protecting third parties (creditors/business partners) from the risk of sole proprietorship bankruptcy through mandatory corporate microinsurance. This provides a compromise (*middle road*) to save the dignity of the *Rule of Law* so that it does not shift into a corrosive space for business speculation.

Thus, this article has high academic value because it does not merely criticize existing regulations, but rather presents a solution-oriented policy text (*prescriptive legal design*) which is ready to be integrated by lawmakers to secure the legal ecosystem of companies and MSMEs in Indonesia.

METHODS

This research on the reconstruction of legal policies for the legality of MSMEs after the implementation of the Sole Proprietorship institution is a type of normative juridical legal research (*doctrinal legal research*). Normative legal research positions law as a closed system of norms that includes principles, rules, regulations from legislation, court decisions, and legal doctrines (*legal doctrines*). This approach is used comprehensively to uncover the disharmony of the concept. Sole *proprietorship incorporated* (Sole Proprietorship) in the Job Creation Law with the pillars of traditional corporate law applicable in Indonesia, to formulate a legal reform framework. To dissect the legal issues that are raised holistically, this research uses 3 (three) types of approaches (Burhan et al., 2022):

1. Legislative Approach (*Statute Approach*): This is done by reviewing the entire hierarchy of regulations related to business legality and corporate law, including the Indonesian Civil

Code, Law Number 40 of 2007 concerning Limited Liability Companies, Law Number 6 of 2023 concerning Job Creation, Government Regulation Number 8 of 2021, and technical regulations regarding risk-based licensing (*Online Single Submission Risk-Based Approach/OSS-RBA*).

2. Conceptual Approach (*Conceptual Approach*): Conducted by referring to global and national corporate law doctrines, principles of corporate law, contract law, and legal reform theories (*theory of legal reform*) and the theory of legal certainty (*theory of legal certainty*). This approach is important for defining the boundaries of limited liability (*limited liability*) and the doctrine of Piercing *the Corporate Veil*.

The main data source in this normative legal research is legal materials classified into three groups, namely (Ginting, Marshias Mereapul, Ningrum Natasya Sirait, 2013):

1. Primary Legal Materials: In the form of national laws and regulations that are binding and have substantive legal authority related to the theoretical dispute object being studied (the 1945 Constitution, the Job Creation Law, the PT Law, and PP No. 8/2021).
2. Secondary Legal Materials: In the form of scientific publications that provide in-depth explanations of primary legal materials, including corporate law textbooks, legal dictionaries, reputable scientific journal articles (especially those accredited by Sinta and reputable international journals), as well as draft academic texts of draft laws.
3. Tertiary Legal Materials: In the form of materials that provide guidance and explanations for primary and secondary legal materials, such as legal encyclopedias, the Indonesian dictionary, and official press releases from relevant ministries regarding statistics and obstacles to implementing sole proprietorships in the field.

The technique for collecting legal materials in this research was carried out through document studies (*documentary study*) or literature study (*library research*). All legal materials are collected digitally and conventionally, systematically inventoried, and then categorized based on clusters of legal issues relevant to the problem formulation.

After all the legal materials have been collected, the next stage is to carry out a descriptive-qualitative analysis of the legal materials using the deductive legal reasoning method (*deductive legal reasoning*) based on the logic of legal syllogism. This method works by placing abstract legal rules and general corporate legal principles as major premises, then placing legal facts and sociological-juridical obstacles to the implementation of sole proprietorships as minor premises. Through an analytical confrontation between the major and minor premises, a concrete legal conclusion is drawn (*legal conclusion*) which is prescriptive regarding the structure of the reconstruction of the legal policy of MSME legality which is integrated, accountable, and guarantees legal protection for third parties numbering.

RESULTS AND DISCUSSION

Legal Implications of the Sole Proprietorship Institution for the Harmonization and Legal Certainty of the Corporate System in Indonesia

The introduction of the Sole Proprietorship (Private Liability Company) into the Indonesian corporate legal system through the Job Creation Law has triggered fundamental doctrinal disruption. Legally, the first and most important implication of the implementation of this entity is the deconstruction of fundamental principles in corporate law and classical contract law. Indonesian corporate law, which is rooted in the Civil Law system through the codification of the Indonesian Civil Code, consistently places legal entities (*legal entity*) into the genus of civil association (*partnership*). Based on Article 1313 and Article 1618 of the Indonesian Civil Code (Kitab Undang-Undang Hukum Perdata, 1847), an association or corporation is absolutely born from an agreement (*agreement*) which binds at least two legal

subjects. This bilateral or multilateral nature is consistently reflected in Article 7 paragraph (1) (Undang-Undang Republik Indonesia Nomor 40 Tahun 2007 Tentang Perseroan Terbatas, 2007).

When the new regulations allow the establishment of a company by a single individual through a unilateral "Declaration of Establishment" (*unilateral declaration*), an epistemological clash occurs: how could a legal group of "companies" (which etymologically means association) be born without the element of agreement between two parties? The loss of this contractual element implies uncertainty in determining the validity of the corporation's will to act, because the organs of the General Meeting of Shareholders (GMS), the Board of Directors, and the Board of Commissioners are attached and merged into the same individual.

The next legal implication targets the collapse of the doctrine of separation of assets (*segregation of assets*), which is the main pillar of the characteristics of a legal entity. Theoretically, legal fiction provides legal status as a legal entity in a limited liability company so that there is a clear dividing wall between the founder's personal pocket and the corporation's pocket, which is manifested in limited liability (*limited liability*). However, in the ecosystem of Micro and Small Enterprises (MSMEs) that are subject to sole proprietorship law, the level of legal compliance and financial accounting literacy is very low. At the sociological-empirical level, financial mixing (*commingling of funds*) in the day-to-day operations of a sole proprietorship is almost impossible to avoid. A person acting as both sole shareholder and director tends to treat a corporate bank account like a personal wallet.

Legally, this condition triggers fatal legal uncertainty regarding the implementation of the doctrine of *Piercing the Corporate Veil*. In the event of a legal dispute or business failure, the lack of a rigid boundary between personal actions and those of the sole director makes it difficult for a court judge to determine whether the owner can be held personally liable, jointly and severally, for his or her personal assets (Widiatno, 2022); see (Negara, 2021). The unclear parameters regarding when this corporate veil can be breached in sole proprietorships create a grey area that is detrimental to legal certainty in business disputes in Indonesia.

Beyond doctrinal uncertainty, regulatory disharmony is strongly reflected in institutional and sectoral interactions, particularly with the banking industry and formal financial institutions. The introduction of electronic certificates from the Ministry of Law and Human Rights as proof of the legality of sole proprietorships was designed to bypass the bureaucratic process of notary authentication. However, under national banking law, which is governed by the principle of prudence (*prudent principle*) and regulations on Anti-Money Laundering (AML), electronic documents resulting from self-declaration without verification by public officials are considered to have high legal risks (*high-risk legal document*). As a result, there is massive resistance in the field: banking institutions often refuse to open accounts in the name of sole proprietorships or make it difficult to qualify for business capital loans. This contradiction shows that administrative deregulation of ease of doing business (*ease of doing business*), which is being promoted by the government, actually sacrifices cross-sectoral legal harmonization, so that the instant legality held by MSME actors becomes economically dysfunctional.

The operational parameters regarding when the corporate curtain can be breached (*piercing the corporate veil*) in sole proprietorships have triggered serious problems in the realm of judicial adjudication. The Job Creation Law does attempt to mitigate the risk of this abuse through Article 153J, which opens the door to personal liability for sole shareholders if they are found to have acted in bad faith or mixed assets. However, this norm is formulated in an overly abstract and textual-regulatory manner (Negara, 2021).

In the practice of business disputes, the absence of these rigid parameters makes it difficult for judges in District Courts to uphold distributive justice. Judges are faced with an evidentiary impasse: at what point is an SME's daily operational actions categorized as

"unlawful asset mixing" and which as "reasonable business mismanagement" (*business judgment rule*) (Syafliizar, 2023b) see (Lestari & Tumangkar, 2023) See (Akbar, 2016).

This lack of clarity in evidentiary indicators creates a very broad grey area. On the one hand, third-party creditors bear the risk of information asymmetry and financial loss due to the difficulty of penetrating the Respondent's corporate veil. On the other hand, MSMEs are haunted by the uncertainty that their personal assets could be seized at any time due to the lack of established legal interpretation guidelines from the Supreme Court.

Formulating an Ideal Legal Policy Reconstruction for MSME Legality Based on Accountability and Third-Party Protection

In the face of this systemic disharmony, legal policies regarding MSME legality cannot be maintained in a pragmatic status quo. A reconstruction of legal policies is required that is integrative and comprehensive. The ideal formulation offered in this research is to shift the paradigm from "instant formality convenience" (*instant formality*) towards "guided accountability-based formality" (*guided accountable formality*).

To unravel the tangled thread of systemic disharmony between the spirit of deregulation and ease of doing business (*ease of doing business*) and the principle of caution (*prudent principle*), legal policy reconstruction is needed (*legal policy reconstruction*) radical. The state must not be trapped in legal pragmatism that merely pursues the quantity of registration figures on paper, while sacrificing the quality of legal certainty in the field. This research offers a paradigm shift from *instant formality* to *guided accountable formality* (guided accountability-based formality) through the following three pillars of reconstruction:

The first step in the reconstruction is to strengthen the verification and authenticity of establishment documents without imposing high costs on MSMEs. The government must integrate the role of Public Officials (Notaries) or regional government extensions (Integrated Business Service Centres/PLUT-UMKM) to act as substantive verifiers *ex ante* (before the certificate is issued). A digital independent statement of establishment may not be issued without validating data on capital and business scope. With an authenticity filter facilitated by the state, the legal documents for a sole proprietorship will have a degree of legal certainty, so that it is trusted by third parties, including the banking sector. With the presence of substantive verification *ex-ante*, currently, the documents for establishing a sole proprietorship are no longer looked down upon by the banking industry because they have evidentiary value (*probative value*) which is legally valid under civil law.

The second urgent reconstruction is the restructuring of the post-establishment supervision system (*post-audit system*) combined with the simplification of corporate accountability instruments. Post-audit is a monitoring activity during the initial period, implementation, and after the completion of the audit (Widyawati, 2020). The requirement to prepare semi-annual financial reports as stipulated in Government Regulation Number 8 of 2021 for sole proprietorships is currently utopian because it is not accompanied by realistic supporting instruments (Peraturan Pemerintah Republik Indonesia Nomor 8 Tahun 2021 Tentang Modal Dasar Perseroan Serta Pendaftaran Pendirian, Perubahan, Dan Pembubaran Perseroan Yang Memenuhi Kriteria Untuk Usaha Mikro Dan Kecil, 2021). The ideal policy formulation is to require the Ministry of Cooperatives and SMEs, together with the Directorate General of Taxes, to provide a *single digital accounting application platform* that is very simple and directly integrated with the OSS-RBA system.

Every operational transaction of a sole proprietorship must be recorded in this independent application. Compliance with this application is then made a primary prerequisite (*condition precedent*) for automatic extension of limited liability protection status for the company in the following year. Through this guiding technology instrument, the separation of assets can be monitored in real time by the state, thereby fulfilling the principle of corporate

accountability without burdening micro-businesses administratively. The obligation to prepare semi-annual financial reports for Sole Proprietorships, as stipulated in Government Regulation No. 8 of 2021, is currently an ineffective regulation (*Utopian*) because no instruments are provided that are friendly to the capacity of MSME actors. Reconstruction at the downstream level must prioritize a guiding technology approach (*regulatory technology*).

Finally, policy reconstruction must provide guarantees of fair legal protection for third parties (creditor protection) (Lira, 2024). In the sole proprietorship ecosystem, third parties, such as raw material suppliers, business partners, and consumers, are highly vulnerable to the moral hazard of a sole founder who could misuse or dissipate the company's assets. This vulnerability represents one of the most significant weaknesses of the current Sole Proprietorship regime and highlights the need for a concrete mechanism to protect third parties from potential losses (Siahaan & Gusmarani, 2023). To anticipate this risk, future legal policy formulation should regulate the provision of an "Independent Liquidity Guarantee Fund" or a mandatory micro-scale corporate insurance scheme funded from the initial establishment capital or through insurance coverage (Malau & Daulay, 2024).

In addition, at the formal legal level, a standard clause classification codification must be formulated which confirms that if the electronic financial report of a sole proprietorship suffers from zero defects or is not reported in two consecutive periods, then by law (*by law*) the legal entity status is stated dormant (frozen) and legal liability automatically shifts to the personal responsibility of the sole shareholder. Policy reconstruction that balances protecting the rights of MSMEs and mitigating third-party risks is what will create a healthy, responsive, and substantively just corporate legal climate in Indonesia.

Through the reconstruction of legal policies that fairly balance between reducing bureaucracy for MSMEs on the one hand and strict risk mitigation for third parties on the other, corporate law in Indonesia will shift from merely formalistic-pragmatic law to law that has substantive and responsive justice.

Corporate Crimes against Individual Entities

A corporation as an entity is a separate owner of wealth from its founders, so that it has limited liability, while a sole proprietorship is vulnerable to the mixing of the owner's assets and the entity's assets, so that liability is unlimited, so that if a crime occurs, administrative and criminal sanctions can be applied to the entity and its individuals. As a corporation that is positioned as a supporter of rights and obligations like humans who can carry out legal actions and legal responsibilities, the founder's limited liability is only as much as the shares he owns if a corporate loss occurs, including in the corporation's social and environmental responsibilities. Meanwhile, the party responsible for losses caused by negligence and errors of organizational organs becomes a personal or joint responsibility. (Supriyatin & Herlina, 2020)

The Company's organs' defense against liability is supported by good corporate governance and good faith in managing the Company to achieve its objectives, including through the application of the business judgment rule. The same principle applies to a Sole Proprietorship, which, despite being owned and controlled by a single individual, possesses separate legal entity status and is therefore entitled to limited liability (Syafliizar, 2023a). The sole shareholder's personal liability does not automatically arise merely because the Company is owned by one person, but may arise where the requirements for applying the doctrine of *Piercing the Corporate Veil* are fulfilled, including circumstances in which the shareholder acts in bad faith or mixes personal assets with the Company's assets, as provided under Article 153J of the Job Creation Law. The specific characteristic of a Sole Proprietorship lies in the concentration of corporate functions in a single individual, who may simultaneously act as the sole shareholder, policymaker, and director responsible for implementing the Company's

business activities. This concentration creates a particular difficulty in determining whether an unlawful act constitutes a personal act of the founder or an act attributable to the corporation. Therefore, the occurrence of a criminal act by the sole shareholder or director should not automatically result in corporate criminal liability; rather, attribution must be determined by examining the individual's corporate capacity, the relationship between the criminal act and the corporation's activities, the benefit obtained by the corporation, and the corporation's involvement in or failure to prevent the unlawful conduct. Accordingly, the single-person structure of a Sole Proprietorship does not eliminate its limited liability as a legal entity, but creates a distinctive attribution problem requiring clear legal parameters to determine when an act constitutes personal criminal conduct and when it can be attributed to the corporation (Fauzi, 2023).

The Job Creation Regulation regarding sole proprietorships can have consequences that the government's goal of providing legal protection for MSMEs to move up a class - due to limited responsibilities (*doctrine of corporate separate legal personality*) because there is a statement of separation of assets and can access formal financial institutions, tax relief when recording (Rahmi Yuniarti, 2022) see (Faried et al., 2023)-can give rise to misconceptions and can be misused for criminal acts if supervision is not strict.

The indicators of corporate crime to be held accountable for corporate criminal liability are the existence of a common perception and the Limitation of corporate responsibility in criminal acts, for this reason an integral judicial process is needed between individual and corporate criminal acts as a form of substitute punishment where the proof of the individual perpetrator's criminal act can be a determinant of corporate criminal acts simultaneously, however, criminalization of the corporation must consider the sense of justice, if the individual is proven to have been intentionally and negligently then the corporation is not immediately dissolved. Corporate crimes can be imposed on individuals due to the existence of an employment relationship, whether acting alone or together for and on behalf of the corporation. Criminal liability for corporate errors in obtaining and utilizing profits from criminal acts for the benefit of the corporation, or allowing criminal acts to occur without any preventive efforts, the death of the manager does not stop corporate liability. And dissolution of the corporation can be prevented through a court order if the crime occurs before the bankruptcy lawsuit. Criminal acts that arise after the corporation is dissolved cannot be held accountable except for corporate assets used as a facility for criminal acts or as a result of criminal acts, and lawsuits can be addressed to former managers, heirs, or third parties who control the assets of the dissolved corporation. The main criminal sanctions in the form of fines and additional penalties are regulated in accordance with applicable provisions (Peraturan Mahkamah Agung Nomor 13 Tahun 2016 Republik Indonesia Tata Cara Penanganan Perkara Tindak Pidana Oleh Korporasi, 2016) of the study.

CONCLUSION AND RECOMMENDATIONS

Conclusion

Based on the results of the juridical-normative analysis that has been described, this study concludes three main things that answer the formulation of the research problem. First, the implementation of the Sole Proprietorship (Private) Law through the Job Creation Law has been proven to have legal implications that disrupt the harmonization and legal certainty of the corporate system in Indonesia at three levels. At the doctrinal level, the establishment mechanism through unilateral declarations (unilateral declaration) deconstructs the contractual principle that has been the legal foundation of corporations according to the Civil Code and the Limited Liability Company Law, while simultaneously merging the GMS, directors, and commissioners into one legal entity, thus creating a dogmatic anomaly in the corporate legal structure. At the operational level, low accounting literacy and compliance of MSMEs with the

separation of personal and corporate assets open up space for the implementation of the corporate doctrine, Piercing the Corporate Veil, while the evidentiary parameters, including those stipulated in Article 153J of the Job Creation Law, are still formulated abstractly, making it difficult for judges to uphold legal certainty in business disputes. At the institutional level, electronic certificates resulting from self-declarations without authentic verification by public officials have sparked resistance from the banking sector, which adheres to the principle of prudence. Consequently, the instant legality that should facilitate access to financing for MSMEs has lost its economic function in practice. Second, based on these problems, this research formulates a paradigm shift for the reconstruction of legal policy in the form of a paradigm shift from instant formality to guided accountable formality, which is realized through three complementary policy pillars. The first pillar is strengthening substantive verification ex-ante through the involvement of notaries or PLUT-UMKM so that the establishment documents have evidentiary value recognized by the financial industry without incurring high costs.

The second pillar is the development of a technology-based post-establishment monitoring system (RegTech), in the form of a single micro accounting application integrated with OSS-RBA, where reporting compliance is made a condition for automatic extension of limited liability status while also regulating the consequences. Dormant (the freezing of legal entity status and the transfer of responsibility to personal responsibility) if reports are not submitted for two consecutive periods. The third pillar is third-party protection through the Mandiri Liquidity Guarantee Fund scheme or mandatory micro-corporate insurance, to mitigate risks. Moral hazard: sole founder towards creditors and business partners. Thus, the reconstruction of the legal policy for MSME legality offered is not intended to revoke the ease of doing business that has been achieved through Sole Proprietorships, but rather to balance it with corporate accountability and substantive legal protection for all stakeholders — so that the formalization of MSME legal entities truly functions as an instrument of legal certainty, not merely a legally fragile administrative status.

Third, corporate crimes involving Sole Proprietorships require an integrated approach to individual and corporate criminal liability. Although a Sole Proprietorship has legal entity status and limited liability, the single-founder structure creates a particular risk because the same individual may simultaneously exercise the functions of policymaker, corporate organ, and executor of business activities. Therefore, criminal liability must distinguish between the personal criminal acts of the founder and acts attributable to the corporation. Corporate criminal liability may arise where criminal acts are committed for the benefit of the corporation, where the corporation obtains or utilizes proceeds from criminal acts, or where the corporation allows criminal acts to occur without adequate preventive efforts. The imposition of criminal liability must nevertheless consider the principle of justice and the circumstances of the individual and the corporation. Accordingly, the existence of a criminal act by the individual founder does not automatically result in the dissolution of the corporation; corporate sanctions must be determined based on the corporation's involvement, benefit, and responsibility in the criminal act, in accordance with the applicable legal framework for handling corporate criminal cases.

Based on the conclusions above, this study recommends several things to stakeholders as follows:

For lawmakers and regulators (Ministry of Law and Human Rights and the DPR), it is necessary to revise or issue implementing regulations that clarify the operational parameters of the doctrine. Piercing the Corporate Veil of Sole Proprietorships, in particular by formulating concrete indicators that distinguish "unlawful mixing of assets" from "reasonable business mismanagement" (business judgment rule), so that Article 153J of the Job Creation Law is no longer abstract and can become an operational guideline for judges in court.

For the Ministry of Cooperatives and SMEs together with the Directorate General of Taxes and the Directorate General of AHU, it is necessary to immediately realize the development platform a single micro accounting application integrated with the OSS-RBA system as offered in the concept guided accountable formality, accompanied by a policy that makes reporting compliance a prerequisite for extending limited liability status, so that the principle of corporate accountability can be upheld without burdening the administrative capacity of MSME actors.

For the Financial Services Authority and the banking industry, it is recommended to formulate a due diligence policy (due diligence) which is proportional and tiered for Sole Proprietorships which have undergone substantive verification ex-ante, so that the financial sector's resistance to instant legality no longer becomes a structural barrier to access to financing for MSMEs.

For consumer and creditor protection regulators, it is necessary to formulate a legal umbrella for the Independent Liquidity Guarantee Fund scheme or mandatory micro corporate insurance, so that third parties have a concrete protection instrument against risks. Moral hazard: sole founder. And for law enforcement officials, initiating the determination of beneficiaries can prevent corporate crimes involving money laundering (TPPU).

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