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Normative Juridical Analysis Of The Transfer Of Share Ownership Due To The Death Of A Shareholder In A Closely Held Company And Its Implications For Legal Certainty In Business Practice

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Abstract

The death of a shareholder in a private limited liability company triggers the transfer of share rights to heirs by operation of law. This transfer concerns not only the distribution of the inheritance estate but also has implications for the exercise of corporate rights—specifically regarding share ownership registration, the exercise of voting rights, the fulfillment of quorum requirements, and the validity of resolutions passed at the General Meeting of Shareholders (GMS). This study aims to analyze the legal framework governing the transfer of shares via inheritance—based on the Civil Code, the Compilation of Islamic Law, and the Limited Liability Company Law—as well as the legal consequences of joint ownership of inherited shares on the heirs' exercise of corporate rights. The study employs a normative-juridical method utilizing statutory, conceptual, and limited comparative approaches. Legal materials were analyzed qualitatively through grammatical and systematic interpretation and deductive reasoning. The findings indicate that proprietary rights over shares pass to the heirs immediately upon the testator's death. However, the exercise of corporate rights vis-à-vis the company requires proof of heir status and registration in the Register of Shareholders. If a single share is owned by multiple heirs, Article 52 paragraph (5) of the Limited Liability Company Law mandates that rights arising from the share be exercised through a single joint representative. Until such a joint representative is appointed, voting rights attached to the share cannot be validly exercised, and

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the share cannot be counted as present or represented at the GMS. This situation can impede the achievement of a quorum and affect the validity of GMS resolutions. The study concludes that while the Limited Liability Company Law recognizes the transfer of shares by operation of law, it lacks comprehensive regulations regarding the procedure, timeframe, and resolution of deadlocks concerning the appointment of a joint representative. Therefore, technical regulations and provisions within the company's Articles of Association are required to provide legal certainty without infringing upon the rights of the heirs.

Keywords: **Share Ownership, Legal Certainty, Business Shares, Deceased Shareholder, Share Ownership Transfer.**

INTRODUCTION

In the development of the modern economy, corporations play a strategic role as drivers of economic growth and innovation. Share ownership in a limited liability company represents a fundamental instrument for determining the rights, obligations, distribution of profits, and allocation of risks among investors. However, business practices often develop more rapidly than legal regulations, creating various legal issues that require further examination. One of the most important issues is legal certainty, namely the assurance that legal norms are implemented consistently and predictably. Legal certainty is essential for maintaining investor confidence and the stability of business transactions (Ningsih, 2025). Without legal certainty, investment risks may increase, economic growth may be hindered, and disputes that may harm the parties involved may arise (Triestanto et al., 2026).

Share ownership, as a manifestation of economic and controlling rights within a company, may be transferred through various mechanisms, including sale, gift, and inheritance (Maskuri & Dija, 2025). Under Article 52 paragraph (1) of Law Number 40 of 2007 concerning Limited Liability Companies, as most recently amended by Law Number 6 of 2023, shares grant their owners the right to attend and vote at the General Meeting of Shareholders (GMS), receive dividends and the remaining assets from liquidation, and exercise other rights provided by law. In a closely held company, share ownership is generally concentrated among a limited number of shareholders who may have family relationships, mutual trust, or long-term business interests. Consequently, changes in share ownership can affect corporate control, internal relationships, and business continuity.

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The transfer of shares may occur through a legal act or by operation of law. A transfer through a legal act may take the form of a sale or gift, whereas a transfer by operation of law occurs without an agreement between the previous and new owners. One important example is the transfer of shares following the death of a shareholder. Death constitutes a legal event that opens the inheritance and causes the deceased's property rights to pass to the heirs under the applicable inheritance system. Article 830 of the Civil Code (KUHPerdata) provides that inheritance takes place only upon death, while Article 833 paragraph (1) establishes that heirs acquire, by operation of law, ownership of the deceased's property, rights, and receivables. This reflects the principle of saisine, under which inheritance rights are acquired from the moment of death. As an intangible movable asset forming part of the deceased's wealth, shares may therefore constitute inherited property.

For Muslim shareholders, shares may constitute part of the deceased's estate (tirkah) and are therefore subject to Islamic inheritance law. Article 171(a) of the Compilation of Islamic Law (KHI) defines inheritance law as the law governing the transfer of ownership of the deceased's estate, determining the persons entitled to become heirs, and establishing their respective shares. Before distribution, obligations relating to the deceased and the estate must be settled in accordance with Article 175 of the KHI. Thus, both the Civil Code and the KHI recognize shares as property capable of being transferred to heirs, although the two systems differ in their legal foundations, determination of heirs, and distribution mechanisms.

The transfer of material rights by operation of law must, however, be distinguished from the exercise of corporate rights against the company. Article 52 paragraph (2) of the Limited Liability Company Law provides that rights attached to shares apply after the shares have been recorded in the Register of Shareholders in the owner's name. Accordingly, although the death of a shareholder causes the material rights over the shares to become part of the inheritance, the heirs must establish their legal status as legitimate heirs and complete the necessary corporate procedures, including the appointment of a joint representative where required and registration of the ownership. Such registration provides corporate legitimacy and enables the company to establish with certainty the party authorized to exercise rights attached to the shares.

The legal issue becomes more complex when inherited shares are jointly owned by several heirs before the inheritance has been distributed. Article 52 paragraph (5) of the Limited Liability Company Law requires the rights arising from one share owned by more than one person to be exercised through the appointment of one person as a joint representative. Although this

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provision is mandatory, the law does not expressly establish detailed procedures, a specific timeframe, or a mechanism for resolving situations in which the heirs fail to reach an agreement on the appointment of the representative. The absence of a joint representative may prevent voting rights from being exercised effectively and may consequently affect participation in the GMS, fulfillment of quorum requirements, and corporate decision-making.

This issue becomes increasingly significant when inherited shares constitute a substantial percentage of the company's capital. The company must respect the transfer of rights by operation of law while simultaneously requiring certainty regarding the identity and authority of the person representing the inherited shares. The existing legal framework recognizes the transfer of shares by operation of law and provides for a joint representative, but does not comprehensively regulate situations in which the appointment process reaches an impasse. Nevertheless, this condition should not automatically be characterized as an absolute legal vacuum because inheritance law, the company's Articles of Association, and agreements among heirs may provide possible solutions. The more appropriate issue is the incompleteness of operational norms, which may lead to differences in practice and reduce legal predictability.

Based on these circumstances, this research examines the relationship between inheritance law and company law through two interconnected dimensions. The first concerns the acquisition of material rights over shares through inheritance, while the second concerns the exercise of corporate rights against the company. This distinction is important so that the transfer of shares by operation of law is not equated with the subsequent administrative registration process, while the interests of heirs can be protected without compromising corporate governance and legal certainty. The research is limited to closely held limited liability companies and focuses on civil inheritance law and Islamic inheritance law, as reflected in the Civil Code and the KHI, in conjunction with the Limited Liability Company Law. Customary inheritance law is excluded because of its diversity and requires separate examination (Maskuri & Dija, 2025).

PROBLEM FORMULATION

Based on the above background description, the formulation of the problem in this study is as follows:

1. How is the mechanism for transferring share ownership following the death of a shareholder in a closely held limited liability company regulated, particularly in terms of the consistency

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between Civil Inheritance Law (Burgerlijk Wetboek/BW), the Compilation of Islamic Law (KHI), and Law Number 40 of 2007 concerning Limited Liability Companies?

2. What are the legal implications of shares that remain part of an inheritance on the exercise of voting rights and decision-making at the General Meeting of Shareholders (GMS)?

LITERATURE REVIEW

Shares of a Closely Held Company

Shares in a closely held limited liability company represent part of the company's capital and are not freely traded through the capital market or stock exchange. Ownership is generally restricted to founders, family members, private investors, or other parties with legal or business interests in the company. Because the shares are not publicly listed, closely held companies have greater flexibility and privacy in their ownership and operations. A key characteristic is the limited circulation and transferability of shares, which are generally held by a small group of shareholders with long-term interests. Shareholders may also have pre-emptive rights, requiring shares to be offered first to existing shareholders or the company before being transferred to external parties, thereby maintaining ownership stability.

The valuation of shares in a closely held company differs from that of a public company because there is no open market mechanism that determines the share price through public supply and demand. Accordingly, the value of shares may be determined by agreement between the parties or through an independent appraisal to establish a fair value, particularly in share transfers, inheritance distribution, or dispute resolution (Basir & Fakhruddin, 2024). The transfer of shares is carried out through a deed of transfer of rights over shares, either a private deed or an authentic deed executed before a notary (Ramadhan & Lyanthi, 2025). The board of directors must subsequently record the change of ownership in the Shareholders' Register (Daftar Pemegang Saham/DPS) to provide legal recognition and certainty regarding the ownership status.

In addition, changes in share ownership may, under certain circumstances, need to be reported to the Minister of Law in accordance with applicable legislation. The transfer mechanism and registration process are therefore important in ensuring that changes in ownership have legal effect within the company. This is particularly relevant when shares are transferred as a result of inheritance, because the transfer of ownership must be followed by proper administrative recording to ensure certainty regarding the rights attached to the shares.

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Closely held companies also have flexibility to conduct share buybacks of shares they have issued (Ambarita, 2024). Such buybacks may serve strategic purposes, including protecting the company's capital from external parties, maintaining ownership stability by limiting excessive dilution, and preventing reductions in the company's paid-up capital (Purwaningrat & Pradnyani, 2025).

Thus, the characteristics of closely held company shares are reflected not only in their restricted ownership and transferability but also in their valuation, formal transfer procedures, registration requirements, and flexibility in maintaining the company's ownership structure.

Transfer of Company Shares

The transfer of share ownership refers to the process by which rights over shares are transferred from an existing shareholder to another party based on a specific legal event or legal act. In practice, share transfers may occur through sale and purchase, grants, inheritance, or corporate actions such as mergers or acquisitions. Each mechanism for transferring shares must be carried out in accordance with Law Number 40 of 2007 concerning Limited Liability Companies and the Articles of Association of the relevant company.

A transfer of shares through inheritance arises as a legal consequence of the death of a shareholder, whereby ownership rights over the shares are transferred to the lawful heirs (Rajib et al., 2025). To obtain legal recognition from the company, the heirs must establish their legal status through valid documents, such as a certificate of inheritance or a determination of heirs in accordance with the applicable laws and regulations. This inheritance process is important to ensure the continuity of ownership and the rights attached to the shares in accordance with applicable legal provisions.

In addition, share transfers may occur as part of a corporate restructuring process, such as a merger or acquisition (Andriani & Selfeny, 2024). In this context, shares may be transferred or exchanged as a consequence of substantial restructuring, the consolidation of two entities into one, or the acquisition of one company by another. Such processes generally involve complex negotiations, valuation of assets and equity, as well as approval from shareholders and relevant authorities. The transfer of shares in a merger or acquisition is intended to establish a new business entity or consolidate ownership and control within a larger corporate structure.

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Procedure for the Transfer of Shares

Before initiating a share transfer, the first step is to thoroughly review the company's Articles of Association, which constitute the primary legal document governing the company's operations and share ownership (Yani et al., 2022). Under Law Number 40 of 2007 concerning Limited Liability Companies (UUPT), the Articles of Association may contain specific requirements for share transfers, including pre-emptive rights requiring shares to be offered first to existing shareholders within a specified period and the requirement for approval from the General Meeting of Shareholders (GMS). Compliance with these requirements is essential to ensure the validity of the share transfer.

The transfer of rights over shares must be evidenced by a deed of transfer of rights over shares as stipulated in Article 56 paragraph (1) of the UUPT. The deed may take the form of a private deed or an authentic deed executed before a notary, with a notarial deed generally providing greater legal certainty and evidentiary strength (Imelda et al., 2025). After the deed has been executed, the relevant document must be submitted in writing to the company's board of directors as formal notification of the change in share ownership. The directors must then record the date and details of the transfer in the Shareholders' Register (*Daftar Pemegang Saham/DPS*) or the company's special register and issue evidence of share ownership in the name of the new shareholder.

Once the company's internal records have been updated, the board of directors must notify the Ministry of Law of the change in the composition of shareholders. This notification constitutes part of the company's regulatory compliance and is intended to maintain transparency and accountability regarding corporate information. Under the applicable provisions stated in the source, such notification must be submitted no later than 30 days from the date the transfer is recorded by the board of directors. Failure to comply with this requirement may result in administrative consequences and potentially create legal issues for the company.

The Urgency of a Shareholders' Agreement

One of the issues that should be anticipated in a closely held limited liability company is the transfer of share ownership through inheritance. The absence of comprehensive and detailed provisions concerning the transfer of shares to heirs may create potential disputes and lead to deadlocks in corporate decision-making. A Shareholders' Agreement can specifically serve as a

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legal instrument to provide legal certainty (Tanuwijaya & Adam, 2025). Such arrangements are intended to maintain corporate stability, ensure business continuity, and protect the interests of both shareholders and heirs.

One mechanism that may be regulated in a Shareholders' Agreement is a buy-out clause for inherited shares. This clause grants the company or other shareholders the right or obligation to purchase shares acquired by heirs based on a predetermined value. The value of the shares may be determined through mutual agreement, a specific formula, or an independent appraisal to ensure fairness and legal certainty. Such arrangements are intended to maintain the company's ownership structure while preserving its vision and mission.

A Shareholders' Agreement may also regulate the appointment of a joint attorney or executor of a will to represent the interests of heirs in exercising voting rights at the General Meeting of Shareholders (GMS). This mechanism is intended to prevent conflicts among heirs and ensure that the rights attached to the shares can be exercised effectively and in a coordinated manner.

Legal Status Of Shares As Inherited Property In A Closely Held Limited Liability Company

Shares constitute intangible movable property with economic value that can be transferred. As part of the company's capital, shares represent not only an ownership interest but also specific rights and obligations attached to the shareholder. Therefore, shares constitute part of the estate that may be inherited by lawful heirs. The transfer of shares through inheritance differs from other forms of share transfer because Article 57 paragraph (2) of Law Number 40 of 2007 concerning Limited Liability Companies provides that the transfer of rights over shares may occur "by operation of law." This provision is consistent with the saisine principle under Article 833 paragraph (1) of the Indonesian Civil Code, under which the rights and obligations of the deceased transfer to the heirs upon death.

Based on the saisine principle, heirs legally acquire rights to inherited property, including shares, from the moment the deceased shareholder dies. However, the exercise and recognition of such rights within the company still require administrative procedures, registration, or formal recognition by the company. In a closely held company, the inheritance of shares may therefore have significant implications because the heirs may enter the company's ownership structure and assume the rights and obligations attached to the shares. This situation may require internal

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adjustments, particularly where the heirs' interests or understanding of the company differ from those of the existing shareholders.

Accordingly, in addition to inheritance law and the Limited Liability Company Law, more detailed provisions should be established in the company's Articles of Association and Shareholders' Agreement. Such provisions may regulate the recognition of heirs, restrictions on transfers to certain parties, share valuation, and share repurchase mechanisms through a buy-back clause. Clear and comprehensive arrangements are necessary to provide legal certainty, protect the interests of the parties, and maintain the stability and continuity of the closely held limited liability company.

Procedures And Restrictions On The Transfer Of Shares Following The Death Of A Shareholder

The death of a shareholder in a limited liability company results in the transfer of rights over the shares to the heirs in accordance with applicable inheritance law. Lawful heirs acquire rights to the shares upon the death of the deceased based on the saisine principle. However, to obtain administrative recognition within the company, the heirs must establish their legal status through valid documents, such as a certificate of inheritance, determination of heirs, death certificate, and other documents required by the company. Subsequently, the change in share ownership must be recorded in the Shareholders' Register (Daftar Pemegang Saham/DPS) as a form of legal recognition within the company.

More comprehensive provisions are required in the company's Articles of Association and Shareholders' Agreement. Such provisions may include mechanisms for recognizing heirs, requirements for the transfer of shares, methods for share valuation, and share repurchase mechanisms through a buy-back clause. Comprehensive arrangements are expected to provide legal certainty, protect the interests of the parties, and maintain the continuity of the closely held limited liability company.

RESEARCH METHODOLOGY

This study employs a normative juridical research method, also known as doctrinal legal research, with its primary focus on examining secondary legal materials. The research presents a systematic description of the relevant legal provisions, analyzes the conformity of existing regulations, and provides legal arguments based on legal principles, doctrines, and applicable statutory provisions (Soekanto, 2006a). The purpose of normative juridical research is to obtain

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an in-depth understanding, identify legal principles, and examine the consistency among norms within the applicable legal system. Accordingly, this research explicitly examines the transfer of share ownership following the death of a shareholder and its implications for legal certainty in business practice.

This research examines written legal norms, including laws, statutory regulations, and court decisions, using a descriptive normative juridical approach (Soekanto, 2006b). The study is descriptive-analytical in nature, meaning that it describes the applicable legal provisions while simultaneously analyzing their application to legal issues concerning the transfer of share ownership following the death of a shareholder and its implications for legal certainty in business practice.

The collection of legal materials in this study is conducted through library research, namely by inventorying, identifying, reviewing, and analyzing various relevant legal materials that can be academically justified. These legal materials are obtained from libraries, electronic databases, academic journals, and other reliable legal sources.

The analysis is conducted qualitatively through the interpretation of statutory provisions, legal principles, doctrines, and legal concepts relevant to the research subject. Subsequently, the legal materials are analyzed using a deductive reasoning method, namely by drawing conclusions from general legal provisions to specific legal issues concerning the transfer of share ownership following the death of a shareholder in a closely held limited liability company.

RESULTS OF RESEARCH AND DISCUSSION

Mechanism Of Share Ownership Transfer Due To The Death Of A Shareholder In A Closely Held Company Viewed From The Consistency Between Civil Inheritance Law *(Burgerlijke Wetboek/BW)* And The Compilation Of Islamic Law (KHI) With Law Number 40 Of 2007 Concerning Limited Liability Companies

Under Civil Inheritance Law, particularly the Burgerlijke Wetboek (BW), shares are classified as intangible movable property that may be inherited. Article 833 BW provides that the rights and obligations of the deceased, including shares, transfer to the heirs upon death. This principle is recognized in Article 57 paragraph (2) of Law Number 40 of 2007 concerning Limited Liability Companies (UUPT), which provides an exception for transfers occurring by operation of law. Consequently, inherited shares do not require prior offering to other shareholders or

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approval from the company's organs, such as the General Meeting of Shareholders (GMS) or Board of Commissioners (Maskuri & Dija, 2025).

For shareholders who are Muslim, the Compilation of Islamic Law (KHI) provides the legal basis for determining the transfer of shares as part of the deceased's estate (tirkah). Under the principle of faraid, shares are transferred to the heirs according to their legally determined portions. Similar to Civil Inheritance Law, the transfer occurs by operation of law upon the death of the deceased. Thus, both KHI and Law Number 40 of 2007 recognize shares as inheritable property, although the determination of heirs and their respective portions follows different legal frameworks (Hendra & Fadhil, 2023).

An important stage in the transfer process is the legal determination of the heirs. Under Civil Inheritance Law, heirs are determined according to the classifications established in the Civil Code, including first-degree heirs such as children and the surviving spouse, followed by parents, siblings, and other categories. The status of heirs may be evidenced through a Certificate of Inheritance Rights *(Akta Keterangan Hak Mewaris)* executed before a notary, supported by documents such as the death certificate, birth certificates, and other evidence establishing the legal relationship between the deceased and the heirs (Nindiasari et al., 2023; Pratama & Priandhini, 2023).

For heirs subject to Islamic inheritance law, the determination of heirs follows the provisions of the KHI and the principle of faraid. The respective shares are determined based on blood and marital relationships. The status of heirs may be established through a Certificate of Inheritance or a Determination of Heirs issued by the Religious Court (Agustin et al., 2022; Kuswoyo et al., 2023). These documents provide the legal basis for the heirs to request recognition and registration of the inherited shares by the company.

After the heirs have been legally determined, they must notify the company of the transfer of shares by inheritance and submit the relevant supporting documents, including the inheritance certificate or determination of heirs and the deceased shareholder's death certificate. This notification provides the company with a legal basis for administratively recognizing the transfer. Where there is more than one heir, the heirs may arrange the distribution through a deed of inheritance distribution or agreement before a notary. If the shares remain jointly owned, a joint representative should be appointed to exercise the rights attached to the shares, with appropriate provisions regarding the deadline for appointing such representative to prevent prolonged disputes.

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Once valid documents have been received, the company's Board of Directors is required to record the change in ownership in the Shareholders' Register or other relevant register. Such registration provides administrative recognition of the heirs' position and serves as the basis for exercising corporate rights attached to the shares, including voting rights at the GMS and dividend rights. The Board of Directors must also notify the Ministry of Law through the Legal Administration System (AHU) in accordance with applicable regulations to ensure proper administration, transparency, and legal certainty.

The transfer of inherited shares can also be examined through Aristotle's theory of justice, particularly distributive justice and corrective justice. Distributive justice concerns the allocation of rights and obligations proportionally according to a person's legal status, while corrective justice seeks to restore legal balance when disputes or irregularities occur. In the inheritance of shares, distributive justice is reflected in the allocation of shares to lawful heirs based on their inheritance status, while corrective justice is reflected in mechanisms for establishing heir status, registering ownership, and resolving disputes concerning inherited shares.

From the perspective of legal substance, Article 830 of the Civil Code establishes that inheritance occurs only upon death, while Article 833 paragraph (1) embodies the saisine principle, under which heirs automatically acquire ownership of the deceased's property, including shares. Article 60 paragraph (1) of the UUPT classifies shares as movable property that confer rights such as attending and voting at the GMS, receiving dividends, and obtaining liquidation proceeds. For Muslim shareholders, Article 171(a) KHI defines inheritance law as governing the transfer of ownership of the estate (tirkah), the determination of heirs, and their respective portions.

Civil Inheritance Law and KHI share the fundamental principle that inheritance is opened by death and that the deceased's property passes to the heirs, although they differ in determining heirs, portions, wills, and distribution mechanisms. These differences do not directly conflict with the UUPT because inheritance law determines who receives the shares and in what proportion, while the UUPT regulates how that ownership is recognized and exercised within the company. Article 52 paragraph (2) of the UUPT requires shares to be recorded in the Shareholders' Register before the shareholder can exercise corporate rights. Where one share is jointly owned by several heirs, Article 52 paragraphs (4) and (5) requires the rights attached to that share to be exercised through one joint representative. This mechanism is particularly important in closely held companies because disagreement among heirs may affect voting rights, GMS quorum, corporate

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appointments, amendments to the Articles of Association, dividend distribution, and other strategic decisions, especially when the inherited shares constitute controlling shares.

Legal Implications of Undivided Shares as Inherited Property on Voting Rights and Decision-Making at the GMS or Extraordinary GMS

Under inheritance law, ownership rights over shares pass to the heirs upon the death of the shareholder. However, before the inheritance is formally divided, the shares remain jointly owned by the heirs. Consequently, the rights attached to the shares, including voting rights at the General Meeting of Shareholders (GMS) or Extraordinary GMS (EGMS), cannot be exercised individually by each heir. Article 52(5) of Law No. 40 of 2007 concerning Limited Liability Companies (UUPT) provides that when shares are jointly owned by more than one person, the rights attached to those shares must be exercised through a jointly appointed representative. This mechanism aims to provide legal certainty, prevent fragmentation of authority, and ensure the lawful exercise of voting rights (Maskuri & Dija, 2025).

In practice, the appointment of a joint representative is essential for exercising voting rights over inherited shares. Although the heirs collectively own the shares, they cannot independently exercise voting rights over undivided shares. The representative may be one of the heirs or another party authorized by mutual agreement. Before the transfer of ownership is completed and recorded in the Shareholders Register (DPS), the company may refuse the exercise of voting rights by heirs whose names have not been formally registered. This mechanism provides formal certainty concerning the party authorized to exercise shareholder rights and helps prevent disputes or unfounded claims.

Undivided inherited shares remain included in the calculation of the GMS quorum based on their total nominal value. Once the heirs have lawfully appointed a joint representative, the inherited shares may be counted toward the attendance and decision-making quorum (Mada, 2023). Thus, joint ownership does not reduce the value or voting weight attached to the shares, provided that their exercise complies with applicable legislation and corporate rules. However, difficulties may arise when heirs cannot agree on the appointment of a representative or on the exercise of voting rights. Such disagreements may create a deadlock, potentially affecting quorum requirements and strategic corporate decisions, particularly where the inherited shares represent a significant ownership interest (Mada, 2023; Rajib et al., 2026).

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As long as the inheritance has not been definitively divided through an inheritance distribution deed or another valid legal document, the shares remain under the joint control of the heirs. Therefore, no heir may unilaterally claim or exercise rights over all inherited shares without the consent of the other heirs (Idris, 2025). From the perspective of Aristotle's distributive justice, however, the joint-representation mechanism should also consider each heir's proportional inheritance rights, including the legitieme portie under the Civil Code. For Muslim heirs, the distribution prescribed under the fara'idh provisions of the Compilation of Islamic Law (KHI) may likewise serve as a relevant basis for considering the respective interests of the heirs when disputes arise over joint representation.

To resolve problems arising from undivided inherited shares, the heirs may take legal measures that ensure certainty and continuity in their legal relationship with the company. Where the deceased left a will, the appointment of an executor (executeur testamentair) may facilitate the exercise of rights over the shares. In addition, an Inheritance Distribution Deed or Inheritance Distribution Agreement executed before a notary may determine the allocation and management of the inherited shares and subsequently serve as a legal basis for the company to record and transfer ownership according to each heir's entitlement. The recording of the shares in the DPS is also important because it provides administrative recognition of the heirs' status as shareholders in their relationship with the company.

Article 52(5) of the UUPT establishes a mandatory mechanism for joint representation, but the source identifies a regulatory gap concerning the deadline for appointing an heirs' representative and the procedure for resolving disagreements when heirs cannot reach an agreement. This condition may constitute a secondary rule gap and, from Gustav Radbruch's perspective, may undermine legal certainty because the applicable rule is insufficiently clear and predictable in cases of deadlock. Prolonged disputes may prevent effective exercise of voting rights and affect strategic corporate decisions. Therefore, mechanisms such as an executor, inheritance distribution deed, mediation among heirs, judicial determination, or facilitation by a notary or the company's directors can support legal certainty, corrective justice, legal utility, corporate stability, and business continuity.

CONCLUSION

The transfer of shares in a closely held company following the death of a shareholder constitutes a transfer of rights that occurs by operation of law. Such transfer is based on the

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principles of inheritance law as regulated under Article 833 of the Civil Code (Burgerlijk Wetboek or BW), as well as Islamic inheritance law under the Compilation of Islamic Law (KHI), and is recognized under Article 57 paragraph (2) of Law Number 40 of 2007 concerning Limited Liability Companies. Although rights over the shares are transferred by operation of law to the heirs upon the death of the deceased, the exercise of corporate rights attached to such shares still requires the fulfillment of administrative procedures, including verification of heir status, notification to the company, registration in the Shareholders Register, and notification to the Ministry of Law *(Kemenkum).*

Where a single share is jointly owned by several heirs, Article 52 paragraph (5) of Law Number 40 of 2007 concerning Limited Liability Companies requires the rights arising from such share to be exercised through a single joint representative. Until such representative is appointed, voting rights cannot be lawfully exercised, and the shares cannot be deemed represented at the GMS. Nevertheless, the shares remain part of the total shares carrying voting rights for the purpose of calculating the quorum. This situation may hinder the achievement of the quorum and create risks concerning the validity of GMS resolutions if votes from unauthorized parties are nevertheless counted. Law Number 40 of 2007 concerning Limited Liability Companies does not expressly regulate the procedures, deadlines, or mechanisms for resolving deadlocks in the appointment of a joint representative. Therefore, implementing regulations and internal mechanisms are necessary while continuing to respect the rights of the lawful heirs.

RECOMMENDATION

A closely held limited liability company should establish Articles of Association and a Shareholders' Agreement that clearly regulate the mechanism for the transfer of shares by inheritance, the buy-out mechanism, the appointment of a joint representative, and procedures for resolving disputes through amicable and family-oriented deliberation. Such provisions are necessary to minimize potential conflicts and provide legal certainty for both the company and the heirs.

Policymakers should establish technical provisions governing the transfer of shares by inheritance. At a minimum, such provisions should regulate the required evidentiary documents, procedures for recording joint ownership, the form of appointment of a joint representative, a

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reasonable time limit, the legal consequences during a dispute, and mechanisms for resolving deadlocks.

A closely held limited liability company should regulate procedures for reporting the death of a shareholder and the administration of the joint representative in its Articles of Association. Such provisions must not eliminate the transfer of shares by operation of law, reduce the heirs' inheritance entitlements, or grant the company the right to acquire the heirs' shares without a valid legal basis.

Article 52 paragraph (5) of Law Number 40 of 2007 concerning Limited Liability Companies can be understood as regulating only the requirement for the existence of a joint representative, but not the mechanism for appointing such representative, including how long the heirs have to appoint the joint representative. Therefore, further regulation is required concerning the time limit for appointing the heirs' representative, the starting point for calculating such period, the procedures for the appointment, and, where necessary, the execution of the appointment through a notarial deed.

The heirs should appoint a joint representative in writing as soon as their status as heirs has been legally established. The appointment document should specify the scope of the representative's authority, procedures for giving instructions, reporting requirements, and procedures for replacing the representative.

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