



SAMA HITA
GROUP

PROPERTY OWNERSHIP IN BALI

Bali has experienced exponential growth in return on investments and capital gains. In 2021, property prices rose by 20% and in some popular areas by 40% – the highest increase rate in land prices in Indonesia. Many international clients invest in Bali due to high ROI numbers. On average, our investors receive return on investment (ROI) of 15% annually. These numbers revealed a vital question: How to be a property owner in Bali ?

Here is the answer:

Freehold / Hak Milik

If you own property freehold (Hak Milik), means you own the building and the land it stands on. Your name is in the land registry. Foreigners are still not able to obtain freehold property. Only possible for Indonesian nationals. Please note that even if you set up a PT PMA as a foreigner (an Indonesian company) you still can not buy a freehold villa or freehold land in Bali as an individual.

Leasehold / Hak Sewa

Leasehold (Hak Sewa) means you have a lease from the landlord to use the property for any number of years, from 25-30 years with right of renewal. It's the easiest and best way to own a property in Bali and also is protected by Indonesian law. You can use the property for yourself or rental purposes, even can be inherited by your family members. The leaseholder has a contract with the freeholder, defining legal rights and responsibilities of either side. This method offers complete protection to both the lessor and lessee during the term of the lease, once the lease term has expired the agreement can be extended or the property reverts to the owner.

Right to build / Hak Guna Bangunan (corporate ownership)

Indonesian companies are allowed to hold the HGB title (Hak Guna Bangunan), this is the Right to Build title. In this case the freehold title is handed over to the state and the company is given the possession of the property under right to use title for an initial period of 30 years, after extendable more 20 years and after more 30 years.

Foreign investors can have 100 % ownership of companies. This is called a PMA (Penanaman Modal Asing), the only form of company allowed for exclusively foreign investment. Foreigners can legally hold property by means of a PMA, without the involvement of an Indonesian shareholder. So you can convert the HGB title into a Hak Milik title which means you can actually hold a Freehold certificate in your company's name which is an advantage of having an HGB title.

Right of use – Hak Pakai

Since March 2004 in effect in Bali. Hak Pakai can be issued to (foreign) individuals, but also to companies that are domiciled in Indonesia. Hak Pakai is for people living full or part time in Indonesia. This does not mean that you can't leave Indonesia, it just means that you spend a considerable time of the year in Indonesia.

A foreigner can own only one Hak Pakai title on his or her name at any time. The certificate is valid for an initial of 30 years, can be extended more 20 years and renewal of more 30 years. Some companies offer prepaid renewals. It's freely transferable to another name, so you can buy and sell existing Hak Pakai titles. Please note that you have to pay a tax of 0,2% of the

government property value at every extension. Also as a foreigner you have to hold KITA's or a retirement VISA (KITAP) at all time for Hak Pakai.

When it comes to role of developers in Bali property market, it's unquestionably important as it's an emerging market and attract many international investors for many years. Consequently Indonesian laws are very strict in providing licenses or construction permits and owners / founders of a developer have full responsibility for failure in operations of the company. From the seizure of the owners' private property to imprisonment, it is within the jurisdiction of Indonesian law.