EXIT STRATEGY GUIDE · FREEHOLD EDITION · HGB TITLE

Sell the Villa or the Company?

You own a villa in Bali through a company (PT PMA) that holds an HGB title, the right the market sells as "freehold". In law HGB is a registered right with a term: on state land 30 years, extendable by 20 and renewable by 30. On top of a Hak Milik it runs at most 30 years, renewable only by a new deed with the owner (PP No. 18/2021 Art. 37). This guide uses "freehold" as the market shorthand, compares your two exit options on one worked scenario and shows how the title changes the numbers. · November 2026 edition

SCENARIO	Bali, Indonesia · freehold-backed (HGB) villa held in a PT PMA · seller is a non-resident individual shareholder
PURCHASE / INVESTMENT PRICE	**USD 350,000** (USD 175,000 share capital + USD 175,000 shareholder loan)
SALE PRICE	**USD 475,000**
GROSS PROFIT	**USD 125,000**
STATUS OF THESE INPUTS	Illustrative assumptions, not market facts. The prices, the funding split and the 0.5% deed cost are chosen to show the arithmetic. Operating income, running costs, exchange rates and tax treaty relief are left out.

2026

1 Tax & fees: what the law says

When a PT PMA sells an HGB property, Indonesian law taxes the transfer at **2.5% PPh Final on the gross sale price**. A transfer of a leasehold (Hak Sewa) by the company is taxed at 10% of gross under the rental-income treatment. This single difference reshapes your exit arithmetic. The table below maps every cost you will encounter.

TAX / FEE	FREEHOLD (HGB)	LEASEHOLD (HAK SEWA)	PAID BY
PPH FINAL, TAX ON TRANSFER	**2.5%** of gross sale price	10% of gross (rental-income treatment, resident assignor)	Seller
NOTARY / PPAT (AJB DEED)	0.5%, an illustrative assumption for the seller's share. Use the written quote	By written quote	Split
DIVIDEND WITHHOLDING ON PROFIT	20% of distributed profit	20% of distributed profit	Company / investor
SHARES TRANSFER (SELL COMPANY)	5% of gross exit value	5% of gross exit value	Seller
BPHTB, ACQUISITION DUTY	5% of the taxable transaction value	Not applicable to Hak Sewa	Buyer (not seller)

SOURCES: UU 36/2008 JO. UU 7/2021 · PP 34/2016 · PP 34/2017 · PMK 81/2024 · UU 1/2022 (HKPD)

2 How it works: the two options

You still have the same structural choice: sell the property asset out of the company, or sell the company itself. On these assumptions the HGB title makes option one cheaper than in the leasehold case, and option two still returns more, sooner.

SELL THE VILLA	SELL THE COMPANY
You sell the HGB title (freehold-backed) out of the company to a buyer. • The company receives the payment • PPh Final (2.5%) + notary deducted on the sale price • Profit and equity remain inside the company • You extract funds in multiple steps, and it still takes time	You sell the PT PMA shares. The buyer acquires the company and the villa with it. • The buyer acquires the entire company (and the villa) • You receive the full proceeds directly as a private individual • No dividend distribution or liquidation required

3 The numbers, side by side

	SELL THE VILLA	SELL THE COMPANY
WHAT YOU SELL	The HGB title (freehold-backed) out of the company	The company that owns the villa
TAX AND DEED COST IN INDONESIA	USD 11,875 + 2,375 + 22,150 = 36,400 (PPh Final + assumed notary + dividend withholding)	USD 23,750 (5% of sale price)
EFFECTIVE RATE	7.7% of sale price	5% of sale price
TOTAL YOU RECEIVE	USD 438,600	USD 451,250
NET PROFIT	USD 88,600	USD 101,250
ROI	25.3%	28.9%
CASH AVAILABLE IMMEDIATELY	USD 263,600	USD 451,250
CASH LOCKED IN THE COMPANY	USD 175,000 (equity capital)	0
TIME UNTIL FULLY LIQUID	8 to 18 months reported in practice (liquidation)	At completion
COMPLEXITY	Medium	Medium

HOW THE FIGURES ARE BUILT: SALE PRICE, LESS 2.5% FINAL TAX AND THE ASSUMED 0.5% DEED COST, LESS THE PURCHASE COST, GIVES THE PROFIT LEFT IN THE COMPANY. THAT PROFIT IS PAID OUT AS A DIVIDEND WITH 20% WITHHELD. THE SHARE CAPITAL COMES BACK ONLY AT LIQUIDATION. THE SHARE SALE ASSUMES THE WHOLE PRICE IS PAID FOR THE SHARES, WITH THE SHAREHOLDER LOAN ASSIGNED TO THE BUYER.

Conclusion on these assumptions: selling the company yields USD 101,250 in profit, USD 12,650 more than selling the HGB property directly. ROI improves from 25.3% to 28.9%. The gap is smaller than in the leasehold case (where it was USD 39,250). The lower transfer tax on HGB makes the direct property sale more competitive, and selling the company still returns more, sooner.

4 Freehold vs leasehold: the full comparison

Same purchase price, same sale price, same company structure. The only variable is the property title. This table shows how the title changes every number in the exit.

	LEASEHOLD: SELL PROPERTY	FREEHOLD: SELL PROPERTY	SELL THE COMPANY (SAME EITHER WAY)
PROPERTY TITLE	Hak Sewa (contract right, with a term)	HGB (registered, with a term)	Shares in the PT PMA
TRANSFER TAX ON SALE	10% of gross	2.5% PPh Final + assumed 0.5% notary	5% of gross
TAX AND DEED COST IN USD	47,500 + 15,500 = 63,000	14,250 + 22,150 = 36,400	23,750
TOTAL YOU RECEIVE	412,000	438,600 ▲	451,250
NET PROFIT	62,000	88,600 ▲	101,250
ROI	17.7%	25.3% ▲	28.9%
CASH IMMEDIATELY	237,000	263,600 ▲	451,250
CASH LOCKED	175,000	175,000	0
TIME TO FULL LIQUIDITY	8 to 18 months	8 to 18 months	At completion
SHORTFALL VS. SELL COMPANY	39,250	12,650	n/a

▲ = HIGHER THAN THE LEASEHOLD EQUIVALENT. ON THESE ASSUMPTIONS THE HGB TITLE ADDS USD 26,600 IN NET PROFIT TO THE DIRECT PROPERTY SALE. THE COMPANY-SALE ROUTE RETURNS THE MOST UNDER EITHER TITLE.

5 Recommendation: freehold narrows the gap, without closing it

On these assumptions selling the company remains the better exit. With an HGB title the direct property sale carries less transfer tax than a leasehold assignment. The USD 12,650 advantage of the company route may be outweighed by other factors (buyer preference for a clean asset deal, simpler due diligence, or tax-treaty positions).

The same rule applies: the company must be clean. An HGB title inside a company with messy accounts, undeclared income or mixed-use transactions will force buyers to demand an asset deal, which takes away your option to sell the company.

WHAT A BUYER MUST VERIFY	All taxes correctly filed and paid, including PPh Final and BPHTB on the original acquisition · the HGB certificate valid, registered and free of encumbrances (check BPN records) · the HGB's current stage end date read from the certificate, and if it sits on a Hak Milik, the renewal deed terms agreed in writing with the owner · the company's business licence valid for its activity at this location. In Bali the licensing system has refused the published closed codes for new foreign-owned companies since about 13 May 2026, and earlier licences stay valid · accounting complete, auditable, showing only this investment · all rental income documented, PPN/VAT obligations assessed if a PKP entity · no hidden liabilities, ongoing disputes, or adat land complications

6 Action plan: five decisions that define your freehold exit

An HGB title lowers the tax on a direct sale. Both exits stay open only if the company behind the title is built correctly from day one.

1. **Structure each project in its own company.** Keep the investment isolated. No other business in the same PT PMA.
2. **Know which HGB you hold.** The HGB must be registered at BPN. On state land it runs 30 + 20 + 30 years. On a Hak Milik it runs at most 30 years and renews only by a new deed with the owner, so agree those terms at the outset. Never use a nominee structure: it is void nationally, and Bali now expressly bans it (Perda Bali No. 4/2026).
3. **Keep the company "clean".** The company does one thing: own and operate this villa.
4. **Accounting and tax, correct from day one.** Every transaction documented. BPHTB on acquisition paid correctly. Annual PBB current. PPN/VAT status assessed. Every return filed on time.
5. **Build real, verifiable revenue figures.** Rental income and costs a buyer can audit and trust. This matters most for HGB, where buyers expect longer holds and stable income records.

The right title also needs the right structure behind it, and that starts from day one. Keep the company clean, the books clean, the title clean. That preserves every option, and that is where a large part of the profit lies.

Tax rates cited: PPh Final 2.5% on transfer of titled rights (PP No. 34/2016). Leasehold 10% of gross as land/building rental income for a resident assignor (PP No. 34/2017, a treatment practitioners report, with no tax ruling squarely on point). Shares transfer 5% of gross (Art. 26 final withholding, PMK 81/2024 Art. 238, treaty-gated). Dividend withholding 20% (tax treaties may reduce). BPHTB 5% (UU No. 1/2022, HKPD). The prices, the funding split and the 0.5% deed cost are illustrative assumptions. Every figure is computed from them by script. Produced by Shanny Advisory for investors in Bali property. Specific tax questions should always be verified with a qualified Indonesian tax adviser and PPAT.

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