GUIDE · OWNERSHIP ROUTES

Leasehold vs Freehold in Bali: What the Law Gives a Foreign Buyer

The routes Indonesian law gives a foreign buyer, and the ones it closes · November 2026 edition · Each legal statement names its instrument.

> "FREEHOLD" IS MARKET SHORTHAND
>
> In Indonesian law, freehold means **hak milik**. A foreigner cannot hold hak milik. Any act meant to move it to a foreigner is void by law. UUPA (LAW 5/1960) ART. 26(2)
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> A foreign buyer therefore compares a lease with three registered rights that carry fixed terms. This guide sets out each route and the trade it carries. It does not recommend one.

01 The routes at a glance

- ☐ **Leasehold (hak sewa).** A contract with the landowner. An individual can hold it.
- ☐ **Hak pakai.** A registered right of use. A foreign individual can hold it in a personal name.
- ☐ **HGB (hak guna bangunan).** A registered right to build. Only Indonesian citizens and Indonesian legal entities can hold it, so a foreigner reaches it through a company. PP 18/2021 ART. 34
- ☐ **Strata title.** Ownership of an apartment unit in a building on qualifying land.
- ☐ **Closed.** Hak milik in a foreigner's name, and any nominee arrangement that stands in for it.
- ☐ Practitioners report that HGB is marketed in Bali as "freehold" and as "80 years". In law it is a right with a term, granted in stages.

02 Leasehold (hak sewa)

- ☐ **What you hold.** The right to use another person's land for a building, against rent. UUPA ART. 44(1)
  A foreign individual can hold it in a personal name, with no company. Practitioners report that notaries pass lease deeds for foreigners who live abroad, on a passport. (UUPA Art. 45)
- ☐ **Term.** The agrarian law sets no maximum term for hak sewa. The contract sets it. A lease must run for a definite time. UUPA ART. 44, 45 · CIVIL CODE ART. 1548
  The reported market standard is 25 to 30 years plus an agreed extension. Practitioners report that notaries decline single terms above 30 years. Case commentary reports courts voiding lifetime leases, meaning leases with no end date.
- ☐ **Renewal.** Set by the lease. A written extension clause binds the landowner on the terms already agreed.
  An extension clause needs a term, a trigger and a deadline. It also needs a price as a fixed number or formula.
- ☐ **Registered.** No. Hak sewa is not an object of land registration. A lease over registered land can be recorded as a note on the owner's certificate. PP 24/1997 ART. 9(1) · PP 18/2021 ART. 90
- ☐ **Mortgage.** No. A lease is not on the list of rights that can carry a land mortgage (hak tanggungan). LAW 4/1996 ART. 4
  Practitioners report that bank lending against a lease is rare. Plan on paying cash.
- ☐ **What the Civil Code gives by default.** A sale of the land does not end the lease, unless the lease itself says otherwise. The lease survives the death of either party. The lessee may not sublet or assign without permission. CIVIL CODE ART. 1576, 1575, 1559
- ☐ **Building.** A lessee can own the building separately from the land. The building permit (PBG) is issued to the building owner. The lease should state in writing who owns the building. PP 16/2021 ART. 1(17)

- [ ] **Exit and tax.** You assign the remaining term to a buyer, if the lease permits assignment. Practitioners report the price is taxed as rental income. The rate is 10% of the gross amount for an Indonesian tax resident. It is 20% for a non-resident. PP 34/2017 ART. 4 · INCOME TAX LAW ART. 26(1)(C)
  No published tax ruling squarely covers a lease assignment. Confirm the treatment with a tax adviser before you sell.
- [ ] **What can go wrong.** The lease is silent on assignment, subletting or extension. The land has several owners and not all of them signed. The landowner's own title is an HGB or hak pakai that lapses or is cancelled during your term.
  A lessee has no statutory duty to build and is outside the abandoned-land rules. The lessor's HGB or hak pakai is inside them. A lease over hak milik land is not exposed on that point. (PP 48/2025 Art. 6)

03 Hak pakai in a personal name

- [ ] **What you hold.** A registered right to use land, with a land office certificate in your own name. The right exists only from registration. PP 18/2021 ART. 49(2)(E), 54
- [ ] **Who qualifies.** A foreigner who holds an immigration document. The official explanation lists a visa, a passport or a residence permit. PP 18/2021 ART. 69(1)
- [ ] **Price floor in Bali.** Rp 5 billion for a landed house and Rp 2 billion for an apartment unit. One parcel per person or family, up to 2,000 square metres. KEPMEN ATR/BPN 1241/SK-HK.02/IX/2022
- [ ] **Term on state land.** Up to 30 years, an extension of up to 20, then a renewal of up to 30. PP 18/2021 ART. 52(1)
- [ ] **Term on hak milik land.** Up to 30 years. It can be renewed only by a new deed from the landowner. There is no separate 20 year extension step. PP 18/2021 ART. 52(3)
- [ ] **How an extension is decided.** The land office tests five conditions. The land is still used for its purpose. The grant conditions were met. The holder still qualifies. The use fits the spatial plan. The land is not needed for public interest. PP 18/2021 ART. 55(1)
  A refusal must be in writing with reasons. Practitioners report it can be challenged in the administrative court. The fee is 0.2% of the official land zone value plus Rp 100,000. (Permen ATR/BPN 18/2021 Art. 90 to 93, PP 128/2015 Art. 16)
- [ ] **Duty to use the land.** You must build on or use the land within two years of the grant. Unused land can be declared abandoned. A transfer does not restart that clock. PP 18/2021 ART. 57(A) · PP 48/2025 ART. 6
- [ ] **Mortgage.** Hak pakai on state land can carry a land mortgage, if it is registered and transferable. For hak pakai on hak milik land the statute defers to a later regulation. Whether one is in force is an open point here. LAW 4/1996 ART. 4(2), 4(3)
- [ ] **Inheritance.** The right can be inherited. A foreign heir needs an immigration document as well. PP 18/2021 ART. 69(2), 69(3)
- [ ] **Exit and tax.** A sale by deed of a registered land right. The seller pays 2.5% final income tax on the gross price. The buyer pays acquisition duty (BPHTB) of 5% on the taxable value. PP 34/2016 · LAW 1/2022
- [ ] **What can go wrong.** On hak milik land, the next 30 years depend on the landowner signing again. On state land, the full cycle ends with the land returning to the State. Any priority for the former holder after that is discretionary. PP 18/2021 ART. 52(4), 52(5)

04 HGB through a company

- [ ] **What you hold.** Shares in an Indonesian company. The company holds the HGB certificate. You do not hold the land right yourself. PP 18/2021 ART. 34
- [ ] **Term on state land.** Up to 30 years, an extension of up to 20, then a renewal of up to 30. After the full cycle the land returns to the State. PP 18/2021 ART. 37(1), 37(3)
- [ ] **Term on hak milik land.** Up to 30 years, renewable only by a new deed with the landowner. PP 18/2021 ART. 37(2)
  The certificate shows the current stage only. Count the years granted today, and treat later stages as conditional.

- [ ] **How the company gets it.** Direct conversion of hak milik into HGB was revoked in 2025, except at auction. The owner now releases the land to the State and the company applies for a fresh grant. The company needs a spatial approval (KKPR) in its own name. PERMEN ATR/BPN 2/2025 · PERMEN ATR/BPN 18/2021 ART. 88
- [ ] **The company needs a business licence.** Since about 13 May 2026 the licensing system rejects new foreign-owned company registrations in Bali. The published list names 18 activity codes. Code 68111, real estate owned or leased, is on that list. Licences issued before the block were not cancelled. The block rests on governor's letters and a system setting, with no gazetted regulation.
  Practitioners report the block is wider than the 18 codes in practice. Whether the residential letting code 68112 is open to a new foreign-owned company in Bali is untested. Treat it as an open question and test it before any money moves.
- [ ] **Capital.** A foreign-owned company needs total investment above Rp 10 billion per activity and location. Paid-up capital is Rp 2.5 billion. A property business may count land and buildings toward the first figure. PERMEN INVESTASI 5/2025 ART. 26
- [ ] **Registered and mortgageable.** Yes to both. HGB is a registered right and can carry a land mortgage. PP 24/1997 ART. 9(1) · LAW 4/1996 ART. 4(1)
  Practitioners report that banks lend against HGB depending on their own policy.
- [ ] **Duty to build.** The company must build on or use the land within two years of the grant. The abandoned-land rules apply, and a transfer does not restart the clock. PP 18/2021 ART. 42(A) · PP 48/2025 ART. 6
- [ ] **Exit and tax, route one.** The company sells the HGB. It pays 2.5% final income tax on the gross price. The buyer pays BPHTB of 5% on the taxable value. Profit then leaves the company as a dividend. A non-resident pays 20% on it unless a tax treaty lowers the rate. PP 34/2016 · LAW 1/2022 · INCOME TAX LAW ART. 26
- [ ] **Exit and tax, route two.** You sell the shares. A non-resident seller of unlisted shares pays 5% of the gross price as final tax. The buyer withholds it. A tax treaty can change that result. The company may record the transfer only after proof of payment. PMK 81/2024 ART. 238 TO 240
- [ ] **What can go wrong.** The licence the company needs is closed on the day it applies. Practitioners report cases where a buyer paid first and the grant never followed. On hak milik land, renewal rests on the landowner. Idle land can be declared abandoned.

05 Strata title (apartment units)

- [ ] **What you hold.** Ownership of a unit (hak milik atas satuan rumah susun), with a unit certificate. A foreigner with an immigration document can hold one. PP 18/2021 ART. 67(1) · PERMEN ATR/BPN 18/2021 ART. 188(1)
- [ ] **The land under the building decides everything.** For a foreign owner the building must stand on hak pakai or HGB land. A building on privately leased land cannot produce a unit certificate. LAW 20/2011 ART. 17, 47 · PP 18/2021 ART. 71(1)(B)
  An "apartment on leasehold" from a private landowner gives you a contract, with no registered unit title.
- [ ] **Limits.** The building must be a commercial apartment building in a qualifying zone. Tourism areas are within the definition. The Bali price floor is Rp 2 billion per unit. PERMEN ATR/BPN 18/2021 ART. 186 · PP 18/2021 ART. 71(2) · KEPMEN 1241/2022
- [ ] **Term.** The unit follows the land right beneath it. That is 30, 20 and 30 years on state land. On hak milik land it is up to 30 years, renewable only by the landowner's new deed. PP 18/2021 ART. 37, 52
  Practitioners report that the unit title lapses when the land right lapses. Where the land is HGB, a foreign owner's share excludes the common land. (Permen ATR/BPN 18/2021 Art. 188(2))
- [ ] **Registered and mortgageable.** Yes to both. LAW 20/2011 ART. 47
- [ ] **Buying off plan.** A preliminary sale agreement requires certain land status, a building permit and at least 20% built. The final deed comes after the fitness certificate (SLF) and the unit certificate exist. LAW 20/2011 ART. 43(2), 44(2)

- [ ] **Running the building.** Owners must form an owners' association. The developer must hand over management within three months, before a notary. The transition period is capped at one year from first handover. LAW 20/2011 ART. 74 · PP 13/2021 ART. 82(2), 100(2)

  The regulation attaches no penalty to a developer that fails to hand over. Treat these rights as weak in enforcement.

- [ ] **Exit and tax.** A sale of the unit by deed. The seller pays 2.5% final income tax on the gross price. PP 34/2016
- [ ] **What can go wrong.** The building stands on leased land. The land right has few years left. The developer keeps control of the building after handover is due.

06 What is closed

- [ ] **Hak milik for a foreigner.** A transfer is void by law. The land falls to the State and the payments cannot be claimed back. UUPA ART. 26(2)
- [ ] **Nominee arrangements.** An Indonesian holds land for a foreigner as the real owner. This was always void under national law. UUPA ART. 26(2) · LAW 25/2007 ART. 33
- [ ] **Bali's nominee regulation.** In force since 24 February 2026. It defines nominee holding and bans anyone from acting as intermediary or facilitator. Sanctions are administrative and include permit revocation and demolition. It has no grandfathering clause. PERDA BALI 4/2026 ART. 1, 14, 20
- [ ] **Side documents that copy ownership.** An irrevocable power of attorney over land is banned. Practitioners report courts voiding nominee deeds. PP 24/1997 ART. 39(1)(D)

07 Side by side

	LEASEHOLD	HAK PAKAI	HGB VIA COMPANY	STRATA UNIT
WHAT YOU HOLD	A contract with the landowner	A registered right in your name	Shares in a company that holds the right	A registered unit in your name
TERM	Set by the contract. No statutory maximum	State land: 30, 20, 30 years. Hak milik land: up to 30	State land: 30, 20, 30 years. Hak milik land: up to 30	Follows the land right under the building
NEXT PERIOD DECIDED BY	The lease, on the terms written with the landowner	The land office, or the landowner on hak milik land	The land office, or the landowner on hak milik land	Same as the land right under the building
REGISTERED	No. A note on the owner's certificate is possible	Yes	Yes, in the company's name	Yes
MORTGAGE	No	Yes on state land. Open on hak milik land	Yes	Yes
STATUTORY PRICE FLOOR	None	Rp 5 billion (house, Bali)	None on the title. Company capital rules apply	Rp 2 billion (unit, Bali)
COMPANY NEEDED	No	No	Yes, with a business licence	No
DUTY TO BUILD IN TWO YEARS	None on the lessee	Yes	Yes	Sits with the land right holder
SELLER'S TAX ON EXIT	Practitioners report 10% resident, 20% non-resident, on gross	2.5% final on gross	Asset sale: 2.5% final. Share sale: 5% of gross, treaty dependent	2.5% final on gross
MAIN DEPENDENCY	The wording of the lease and the landowner	The price floor and continued eligibility	A licence the company can obtain and keep	The land title under the building

08 The trade, stated plainly

- [ ] A lease needs no company and has no statutory term cap or price floor. Its strength is its wording. It is noted on the certificate, not registered, and it is bought with cash.
- [ ] Hak pakai gives a certificate in your own name. It carries a price floor, a fixed term and duties to the State.
- [ ] HGB gives the company a registered, mortgageable right. It also brings capital rules and company upkeep. The company needs a business licence, and code 68111 is closed to new foreign-owned companies in Bali.
- [ ] Strata gives a registered unit. Its quality depends on the land title and on who runs the building.
- [ ] Title and rental licence are separate questions. A short-stay villa licence has been closed to foreign-owned companies since 4 March 2021. Letting a home by the month or the year is residential letting, the accepted route for a foreign owner, and the rent is taxed. PERPRES 10/2021 ANNEX II

09 Questions to ask before choosing

- [ ] Ask the seller to name the title in Indonesian: hak milik, HGB, hak pakai, strata or hak sewa.
- [ ] Ask how many years are granted today, without counting stages nobody has granted yet.
- [ ] Ask who must agree to the next period, and on what written terms.
- [ ] Ask whether you need finance. The title type decides what can be mortgaged.
- [ ] Ask whether the route needs a company, and whether that company can be licensed for your use.
- [ ] Ask how you will exit, who withholds the tax, and at what rate for your tax residence.
- [ ] Ask what happens to the right on your death, and who inherits it.

10 What to check

- [ ] Read the land certificate. Note the title type, the holder and the end date of the current stage.
- [ ] For a lease: assignment, subletting and extension rights in the deed, with the extension price fixed.
- [ ] For a lease: every registered owner signed, and the lease is noted on the certificate.
- [ ] For hak pakai or HGB on hak milik land: the renewal terms agreed in writing with the owner.
- [ ] For any HGB or hak pakai: the grant date, and proof of building within two years.
- [ ] For a company route: the activity code is open on the day of application. Check again before each payment.
- [ ] For strata: the land title under the building, the unit certificate, and the owners' association status.
- [ ] No side letters, loans or powers of attorney that give a foreigner control of hak milik land.
- [ ] Regulations in this field change often. Confirm each point against the text in force on your signing date.

General information, not legal, tax or investment advice. Take your own case to a property lawyer before you sign or pay.

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