GUIDE

BALI

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1 TYPES OF OWNERSHIP WHEN PURCHASING REAL ESTATE IN BALI

Purchasing property in Bali as a foreigner has its own specifics related to Indonesian legislation. Unlike a number of other countries, full ownership of land and real estate in the form familiar to Europeans is available only to Indonesian citizens. However, the market has long adapted to international investors, and today there are legal and widely used ownership structures that allow investors to safely invest and generate income.

The transaction process in Bali is fairly transparent. As a rule, the parties sign a preliminary agreement (MOU), after which the transaction can be completed remotely — through lawyers or broker representatives. Payment is made via bank transfer or through agreed payment instruments.

The key issue an investor must determine before purchasing is the **ownership structure**. It affects the property price, the owner's rights, tax obligations, and resale opportunities.

LEASEHOLD (HAK SEWA) – LONG-TERM LEASE

Leasehold is the most common and understandable form of property ownership in Bali for foreigners. Legally, it is a long-term lease of land and the real estate property.

Typical leasehold parameters:

25-50

Lease term — from 25 to 50 years on average across the market, although there are also properties with 80–100 year leaseholds

Extension for another 15–20 years

Extensions are generally carried out at the market price valid at the time of renewal

> In practice, the investor receives full rights to use and manage the property for a long period.

The remaining lease term can be:

SALE Sell	Transfer as a gift	Transfer by inheritance

Leasehold is the foundation of most investment projects in Bali — from villas to apartment hotels.

Why leasehold is convenient for investors:

- There is no need to establish a company in Indonesia
- The property price is usually 25–30% lower than under alternative ownership structures
- Simple registration process and a **clear and transparent** legal framework
- Initial down payment 20–35%
- With the right project selection, capital appreciation may reach 30–40% annually during the construction period

There is only one limitation here: ownership rights are limited by the lease term, therefore it is important to carefully analyze the renewal terms and the reputation of the developer or landowner.

HAK GUNA BANGUNAN (HGB) – THE FORM MOST CLOSELY RESEMBLING FREEHOLD

HGB is the form closest to full ownership. It is registered through an Indonesian legal entity that the foreign investor sets up beforehand.

Key features of HGB:

- Validity period — up to 30 years with the possibility of extension and renewal (up to 80 years in total)
- The company receives ownership rights to the building and usage rights to the land
- The property may be used for residence, rental, or commercial activities

HGB is suitable for investors planning:

- Long-term ownership of the asset
- More complex projects
- Ownership of multiple properties

> At the same time, it is important to take into account additional company maintenance costs and a more complex legal structure.

WHAT SHOULD AN INVESTOR CHOOSE

In practice, the choice of ownership structure usually looks as follows:

LEASEHOLD	HGB
For private investors and rental strategies	For large investors and long-term projects

> With proper legal due diligence, both structures allow investors to safely own property and generate income in one of the most dynamic markets in Asia.

2 THE PROCESS OF BUYING PROPERTY IN BALI: HOW THE TRANSACTION WORKS

The process of purchasing real estate in Bali is well structured and understandable for foreign investors, especially when supported by professional lawyers and brokers. Most stages of the transaction can be completed remotely, without the need for permanent presence on the island.

At the same time, the Bali market has a number of nuances that are important to consider in advance in order to avoid delays and legal risks.

PROPERTY SELECTION AND INVESTMENT STRATEGY

The process begins with selecting a property and determining the purchase objective.

The investor decides whether the property is being purchased:

- For short-term or long-term rental
- For resale during the price growth stage
- As a second home with the possibility of renting it out

At this stage, the location, property format (villa, apartment, hotel unit), ownership type, as well as permits and land zoning are evaluated.

PRELIMINARY AGREEMENT AND RESERVATION

After selecting the property, the parties sign an **MOU (Memorandum of Understanding)**.

The document specifies:

- Price
- Ownership structure
- Payment schedule
- Key transaction terms

At the same time, a deposit is paid to reserve the property for the buyer. The deposit amount depends on the project and construction stage, but usually represents a small percentage of the price (~25–30%).

LEGAL DUE DILIGENCE

Legal due diligence is one of the most important stages of a property transaction in Bali.

The following are analyzed:

- Land status and zoning
- Ownership structure (leasehold or HGB)
- Availability of the **PBG** building permit
- Future **SLF** operational feasibility certificate
- Lease extension and resale conditions

> This stage is critically important because it determines the security of the investment.

PRELIMINARY AGREEMENT AND RESERVATION

After the due diligence process, the main sale and purchase agreement is signed

Installment plans are widely used in the primary market:

Initial down payment	Future payments
usually **25-30%**	**In stages** until construction is completed

Payment is made via bank transfer or through agreed payment channels.

REGISTRATION AND TRANSFER OF OWNERSHIP RIGHTS

After all conditions are fulfilled, the agreement is registered, and the investor receives legally formalized rights to the property. The property is then transferred to management — either to a hotel operator, a management company, or used independently by the owner.

3 TAXES AND PROPERTY MAINTENANCE COSTS IN BALI: WHAT INVESTORS SHOULD CONSIDER

The process of purchasing property in Bali is well structured and understandable for foreign investors, especially when supported by professional lawyers and brokers. Most stages of the transaction can be completed remotely, without the need for permanent presence on the island.

In most projects, part of the expenses is already included in the price, which simplifies calculations for the buyer.

TAXES AND FEES WHEN PURCHASING

When purchasing property in Bali, the investor incurs one-time expenses:

- Notary services and registration fees
- Transfer tax (usually included in the transaction structure)
- Fees for registering leasehold or HGB

> In most projects, part of the expenses is already included in the price, which simplifies calculations for the buyer.

PROPERTY OWNERSHIP TAXES

Annual property ownership taxes in Bali are low

They depend on:

Form of ownership

Purpose of the property (personal residence or rental)

Under leasehold, the tax burden is generally minimal, since the property is legally considered leased.

RENTAL INCOME TAX

Rental income is subject to taxation.

In practice:

- Under hotel management, the tax is withheld by the operator
- When working with a management company, tax is included in reporting
- With self-management, income is declared by the owner

Most investors choose professional management, which removes tax and operational concerns.

PROPERTY MAINTENANCE COSTS

Regular expenses include:

- Utility payments
- Complex or villa maintenance
- Management company services

For apartments and hotel units, expenses are usually fixed and transparent. For villas, costs depend on the property level, infrastructure, and management format.

SUMMARY FOR INVESTORS

Overall, the costs of owning property in Bali are:

- Predictable
- Lower than in many other resort jurisdictions
- Easy to incorporate into a financial model

Combined with high rental yields and growing tourism demand, this makes Bali one of the most attractive real estate markets in Southeast Asia.

4 POSSIBLE REAL ESTATE INVESTMENT STRATEGIES IN BALI

The Bali real estate market offers investors several effective investment scenarios. Unlike real estate markets primarily focused on local residents and long-term living, Bali allows investors to profit both from capital appreciation and stable rental income.

The choice of strategy depends on the investor's goals:

- Desired investment horizon
- Desired level of profitability
- Degree of personal involvement

CAPITAL APPRECIATION STRATEGY: BUYING DURING THE CONSTRUCTION STAGE

> One of the most popular strategies in Bali is purchasing property at an early construction stage with subsequent resale after project completion or closer to commissioning.

Due to strong tourism demand, limited supply of quality land, and a constant inflow of foreign capital, properties under construction often demonstrate significant price growth.

KEY FEATURES OF THE STRATEGY:

- Purchase at the minimum launch price
- Price growth as the project progresses
- Resale before active rental operations begin

With successful project selection, capital appreciation may reach 30–40% annually during the construction period. This strategy allows investors to relatively quickly secure profits and free up capital for new investments.

> The main risk here is related to the developer's quality and the legal transparency of the project, which is why capital appreciation strategies require especially thorough due diligence.

RENTAL STRATEGY: INCOME FROM SHORT-TERM AND LONG-TERM RENTALS

The rental strategy is aimed at generating regular cash flow. Bali is one of the most in-demand tourism markets in Asia, as well as a popular destination for expats, digital nomads, and seasonal residents.

The investor purchases a property and rents it out:

- Short-term rental to tourists
- Mid- or long-term rental to expats average rental yield

The economics of such a strategy look as follows:

8–12%

average rental yield

5–10%

potential growth in the property's value

The rental strategy is considered balanced: it provides stable income while also allowing investors to benefit from long-term property appreciation.

SECOND-HOME STRATEGY: COMBINING PERSONAL USE AND INCOME

The "second home" format is especially popular among investors from countries with cold climates or extremely hot summers. In this case, the property is used by the owner for 3–6 months per year, while during the remaining time it is rented out.

Typical scenario:

- Living in Bali during the winter months (or summer — depending on the country of residence)
- Renting out the property during the owner's absence potential growth in the property's value

From a financial perspective, this strategy is close to the rental strategy:

8–12%
annual rental income

5–10%
annual property value growth

The main advantage of this approach is the combination of quality of life and investment logic: **the property functions as an asset while still remaining a full-fledged personal space for the owner.**

HOW TO CHOOSE A STRATEGY

In practice, strategies are often combined.
For example, an investor may begin with speculative resale and later switch to a rental model or second-home format. Bali allows strategies to be flexibly adapted to changing goals and market conditions.

5 PROPERTY MANAGEMENT FOR GENERATING RENTAL INCOME IN BALI

Even the most successfully selected property will not deliver the expected profitability without the right management model. The property management market in Bali is highly developed and offers investors several formats — from fully passive to self-managed.

The choice of management model directly affects profitability, the investor's level of involvement, and operational risks.

HOTEL MANAGEMENT

Hotel management assumes that the property is part of a hotel or resort complex and is operated by a professional operator. Both international chains and strong local brands are actively operating in Bali.

Most commonly, the Rental Pool model is used:

- All properties of the same type (or the entire complex) are combined into a pool
- Income is distributed among owners proportionally, regardless of the actual occupancy of a specific unit

The management company handles:

- Marketing and sales
- Bookings
- Cleaning and service
- Operational management

The management company's commission may range from 20% to 65%, depending on the calculation basis (gross income or operating profit).

> This format is suitable for investors who want fully passive rental income and do not plan personal use of the property.

WORKING WITH AN INDEPENDENT MANAGEMENT COMPANY

In this case, the investor hires an independent management company that is not directly affiliated with the developer or hotel brand.

The management company's responsibilities include:

- Listing the property on booking platforms
- Guest communication
- Cleaning and maintenance
- Financial reporting

> The commission of an independent management company usually amounts to 10–25% of income.

The income distribution between the owner and the management company most commonly looks as follows:

90/10%

80/20%

75/25% of gross rental income (with the management company's share already covering operational expenses)

This format allows investors to retain control over the property while removing operational responsibilities.

SELF-MANAGED RENTALS

The most involved format is self-management. The investor independently handles property listings, bookings, and maintenance using platforms such as Airbnb and Booking.com.

Financially, this looks as follows:

- The investor retains 100% of the rental revenue
- All expenses (marketing, cleaning, utilities, maintenance) are paid separately

> This option may be profitable in terms of gross income, but it requires time, experience, and constant supervision, especially for short-term rentals.

WHICH FORMAT TO CHOOSE

In practice, the choice of management model depends on the investor's goals:

- For fully passive rental income — hotel management
- For the optimal balance between profitability and control — independent management company
- For maximum involvement and flexibility — self-managed rental

Bali stands out because **investors can change the management model over time**, adapting their strategy to their objectives and market conditions.

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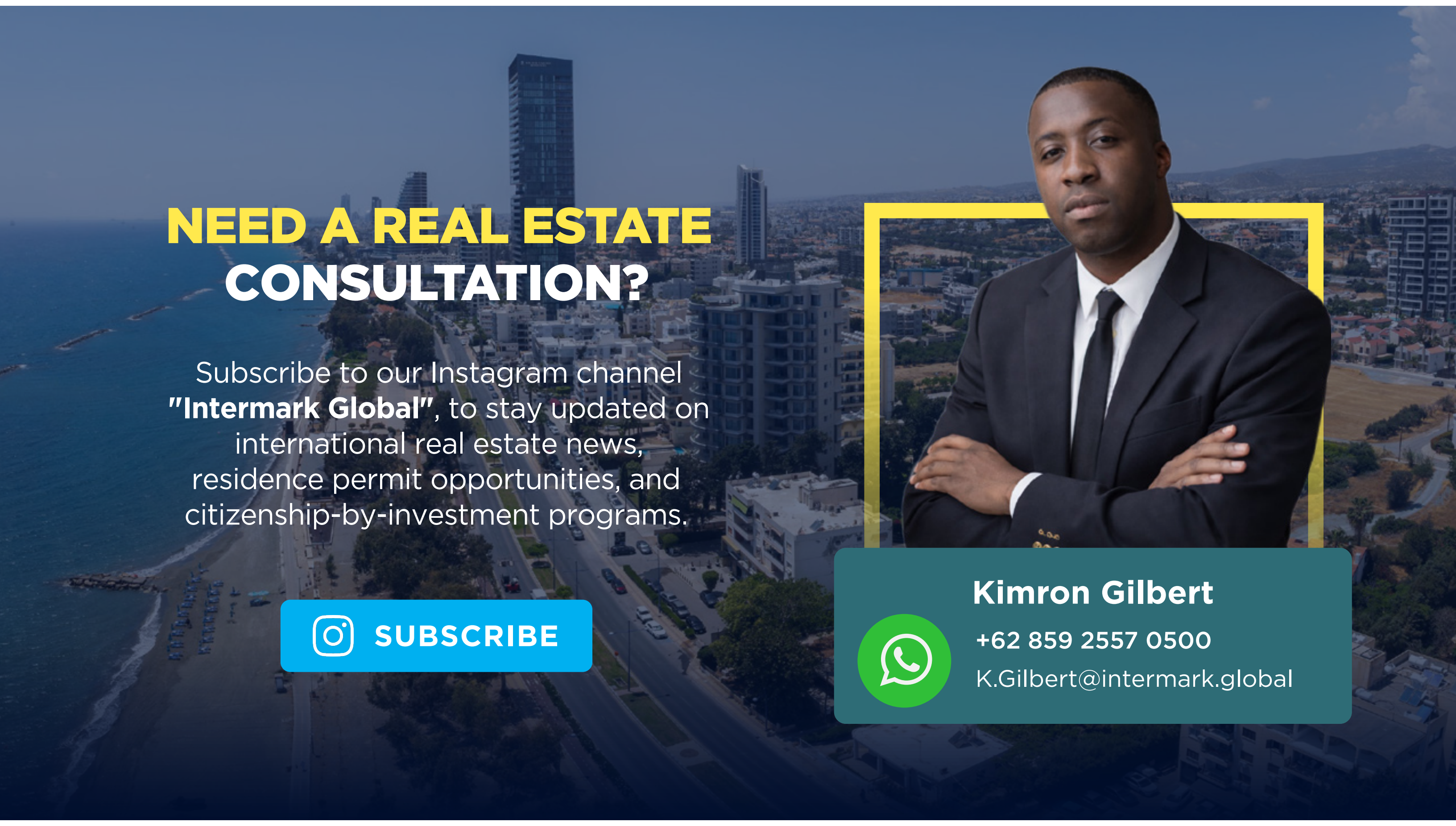

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