

Harcourts
Purba Bali

BUYERS GUIDE

Everything You Need to Know About
Buying Property in Bali

Real estate is a booming business in Bali. However, buying a property in Bali as a foreigner is not as simple as that: the language barrier, visa complications and confusing legal system can all prove to be your downfall if you don't know what you're doing.

Bali is one of the most popular tourist destinations in the world, with millions of visitors each year and billions of dollars generated in the tourism sector. Investing in real estate in Bali has the potential for great returns in the future as the tourism sector in Bali keeps growing.

In addition, the island attracts a lot of expats hoping to retire in or simply move to Bali permanently. In this case, buying or building your own dream villa can be a great idea!

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HOW TO BUY PROPERTY IN BALI:

6 STEPS TO SUCCESSFUL PROPERTY SHOPPING

Buying property doesn't need to be overly complicated!
Here are six simple steps to buying property in Bali.

1 Hire a Registered Real Estate Agent

When buying or selling property in Bali, you may find that you must work with or get approvals from the owner of the villa or building, the owner of the land, the contractor and builder, local government or jurisdictions, current or previous lawyers, and then also families. You know what they say about too many cooks in one kitchen!

Using a registered and experienced real estate agent ensures that you're dealing with one person or entity, which makes the process as seamless as possible. By using a professional agent you can also be sure that everything is done according to the law, and Indonesian laws for land ownership or acquisition are notoriously complex. Harcourts Purba Bali has a decade of experience in Bali real estate with agents who specialise in foreign purchases and investments.

Similarly, if you're buying land and plan on building on it, it's best to hire someone who works as the middle-man between you and everyone else involved in the construction. A reliable constructor is familiar with local practices and makes sure no one cuts corners in the construction process. This saves you time and makes sure the work is high-quality!

2 Make Sure You Have the Right Property Licenses

Before you agree to anything, make sure you get two documents: the **Certificate of the Property** and the **Building License (IMB)**.

If the seller can't provide these, something is probably fishy.

3 Do Your Due Diligence

Due diligence is maybe the most important part of the purchasing process. This is when you make sure that everything about the property seems right, it suits your intended purpose, and that you yourself have the right to buy it.

Because due diligence is such an important step, you should never rush through it. You can find more information on the necessary steps in due diligence below.

Seems confusing? Get in touch with our lawyers and let us help you make sure you've done the right due diligence.

4 Sales Purchase Agreement and Down Payment

All good with due diligence? Great! Now you can proceed to the Sales Purchase Agreement (SPA).

SPA obliges the buyer to buy and the seller to sell, and it defines the terms of the sales agreement. Make sure you understand and agree with all the terms and conditions.

After you've signed the SPA, it's time for the down payment. Usually the price is 10% of the total price of the property. Make sure you have the certificate that states the recipient of the payment. If the bank has the certificate, you need to agree who will pay the remaining balance to the bank before sending the down payment.

Make sure you have a public notary who is authorised in the area (PPAT) for this step. The notary should be present when you sign the SPA and check the certificate before transferring the payments. We can provide you with a reliable local notary.

5 Final Payment

The public notary is needed for this step as well. After the down payment has been made, you can make the final payment and sign the Deed Of Sell and Buy - these must be done at the same time.

Both the seller and the buyer need to pay tax. The taxes need to be paid before you can transfer the land title to your name and receive the final sale and purchase agreement (AJB). These are the sales and purchase taxes you need to pay:

- **Buyer:** (BPHTB) 5% from the land value, paid in the Local Revenue Department (Dispenda)
- **Seller:** (PPh) 2.5% from land value, paid in the Regional Tax Department (KPP Pratama)

Often sellers propose a lower, unofficial price to be submitted to the tax authorities to lower the taxes on the property. This is not necessarily a scam, but you have to be careful: each property has a Tax Object Price (NJOP) which defines the amount of property taxes you need to pay.

If the transaction price is lower than that or doesn't seem realistic, it might cause an audit. Any difference between the submitted and agreed selling price needs to be covered in other ways such as furniture, renovation, etc.

6 Change of Ownership

After you've gone through the steps above, the public notary will transfer the ownership title to you.

Now you can relax and enjoy your new Bali property!

DUE DILIGENCE CHECKLIST FOR BUYING LAND IN BALI

Whether you're looking for a property to buy as an investment opportunity or for your forever home, there are some important things you should take into account. Here are the top things to remember when buying land in Bali as a foreigner.

1 Have the Correct Visa

Indonesia's visa laws are pretty strict, and you need to have the correct visa to be able to live in Bali permanently or long-term.

The best visa for foreigners wanting to relocate to Bali permanently is the permanent stay visa (KITAP). There are a few ways to obtain this visa:

- If you are married to an Indonesian citizen, you can apply for KITAP after **2 years of marriage**.
- If you are retired and over 55 years old, you can apply for KITAP after **4 consecutive years of having a retirement stay permit**.
- If you have a company based in Indonesia, you can apply for KITAP after you've acted as the **director of the company at least for the past 4 years**.

Since these conditions are quite strict, many foreigners first get a limited stay permit (KITAS) when they arrive in Indonesia. KITAS is valid for 1 or 2 years, after which you can renew it. You need KITAP or KITAS in order to set up a company in Indonesia, which you in turn need for purchasing a property in Bali.

Foreigners can only legally work in Bali if they have the correct work permit. A KITAP or KITAS gives you the right to work as well. If you are working for an Indonesian employer, they must sponsor your visa so that you can legally work in Bali. You can also get your work permit through setting up your own foreign limited company (PT PMA) in which you are the director. Have any questions about visas, work permits and stay permits? Get in touch with us and we can answer all your questions when it comes to legally moving to Bali.

2 Verify Property Ownership

The number one thing to know when you're buying a property in Bali is to make sure that you're in talks with the correct landowner or the landowner's representative.

You can verify property ownership by asking the owners to update the property certificates. This is less common, though, since the process is pricey and takes unnecessary time. On top of that, often you find that property certificates in Bali can be out of date. It's common that property certificates are still in the name of someone who has passed away! In case of surprise inheritors, it might turn out that the property has more owners than you expected. You need to make sure everyone is on board with the sale. Another - and the better - way to verify ownership is asking for inheritance documentation.

3 Check the Zoning Laws

This is important - check that you will actually be allowed to carry out your operations on the land! Bali has 12 zones for different land use purposes. Depending on the zone, some activities might not be allowed on the property.

For example, as a foreigner you can buy land in a residential or a tourism zone, but you can't get a business licence for properties in a residential zone, meaning you can't open a business there.

Look out for green zones as well. Green zones are areas that are reserved for agricultural activities, so you wouldn't be able to buy land with a company name or construct buildings on a green zone.

So you see why it's important to make sure that your plot of land is suited for the activities you're planning for.

4 Make Sure There are No Legal Disputes

Just to make a confusing system even more confusing, there isn't a central notary authority in Indonesia. This is why it might be hard to get a comprehensive idea of the legal state of the land - for example, if it is currently involved in any legal disputes.

There might be issues concerning the ownership of the property if the land has been inherited and the rightful heir is not clear.

Another issue might come with the borders of the property: land borders might not always be clear. Overlapping land areas are sure to put you in hot water with your neighbour, so it's best to double check the borders of the plot before buying.

Because of the lack of a centralised notary authority, there are often multiple notaries involved with the legal issues of a certain patch of land. The best way to make sure you're not getting involved in any legal disputes is to check with the courts.

5 Take Taxes Into Account

Before purchasing a property in Bali, make sure the seller has paid all the land taxes on the property.

Unpaid taxes lower the value of the property so they can help you negotiate the price of the land before buying. However, you can't get a building permit or any other documents for land that has unpaid taxes, so that will probably only cause more hassle.

Checking the taxes is also useful for you as the future owner. When you know how much the previous owner has paid, you get an idea of how much you'll be paying in taxes in the future.

Remember to also check what the tax covers: sometimes the taxes only include the land, not the buildings on it, and you have to pay higher taxes if you plan to construct anything on the property.

6 Confirm That You Have an Access Road

Making sure you have the right to the property itself is not enough - you need to also make sure you have access to it.

Access roads are usually shared with the residents of the area. They might be owned privately or publicly belong to the local community. There are a few ways to get road access to your property:

- Lease agreement
- Road access use agreement
- Land ownership title right release
- Sale and purchase transaction

It would be best to have access to your property from a public road but this isn't always possible. If you need to go through someone else's property to access your land, draft up an agreement that grants you access rights to your land through their property.

It's pretty common that if the seller of your land plot owns the adjacent property, they might gift you the access rights. However, over time they might start demanding fees for using the access roads.

To avoid any legal conflict, always make sure you have an agreement in place if you need to use privately owned access roads.

7 Get the Correct Building Permits and Licences

Perhaps the most important and the most complex part of buying land in Bali - making sure you have the right permits. You need a building permit (IMB) to be able to build on your land. As previously mentioned, you need to make sure that the zone of the land suits the intended purpose and type of a building you're planning.

It's extremely important to have the correct permit and licence: according to government regulation no. 36/2005, authorities can forcibly dismantle your building if:

- The building doesn't have a building permit
- The building doesn't meet building requirements

When it comes to having the right permits and licences, it's best to get legal help to make sure that all documents are in order.

8 Consider the Full Price

Sure, property prices in Bali seem very low for many foreigners. Don't get excited and rush into things before you've reviewed the full price, though!

On top of the purchasing price of land, there are many other fees and costs that you have to consider. These include:

- Taxes (both on the land and the buildings on it)
- Legal fees
- Construction costs
- Village donations

Construction costs are a big factor to take into account. While the overall cost of building a villa depends on the type, size and design of the building, in general the costs start at 400 USD per square meter.

If you're buying property, the price depends much on the area. In the most popular places around Bali - like Canggu, Kuta or Seminyak - property has great investment value but is also more expensive. Also consider additional costs like buyer's tax (5% of the transaction value), seller's tax (2.5% of the transaction value) and notary fee (0.5-1% of the transaction value).

9 Don't Use a Nominee Agreement

Many foreigners use Indonesian nominees to buy land in Bali because it seems like an easier option. This is because foreigners cannot obtain a freehold title (hak milik) in Indonesia: only Indonesian citizens can get it.

However, hak milik states that the legal owner of the property is the nominee - no matter the agreements you have between yourself and the nominee.

This can obviously lead to nasty disputes and a world of issues. The best way to ensure that your investment is safe, purchase land with a hak pakai (right to use) or hak guna bangunan (right to build) land certificate. Both are open for foreign buyers.

It's also possible to convert a hak milik land certificate to one of the above-mentioned ones but this naturally adds to the overall costs.

Avoid Trouble! Common Pitfalls When Buying Property in Bali

While most sellers are not out to outright scam you, many of them like to propose various loopholes and work-arounds to seemingly lower the price of the property or otherwise make the process easier. Remember that it's always best to follow the law strictly to avoid any trouble and keep your investment!

Here are some common things to avoid:

- **Don't buy property under someone else's name.** Using a local as a intermediary might seem easier than setting up a company but it's not - legally, the property will be under their control.
- **Make sure all rightful owners agree on the transaction.** Things get tricky if the property is inherited or if the owner is married.
- **Don't let the seller pressure you.** Buying property is a way bigger investment than buying a new jacket. Sometimes the seller can try to pressure you into a quick purchase by saying that someone else is also interested in the property but don't fall for this: it's much better to lose the purchase than buy property without knowing EXACTLY what you're getting.
- **Only send the down payment directly to the person listed in the Sales Purchase Agreement.** If the seller insists on another beneficiary, cancel the transaction!

HOW TO GET STARTED WITH BUYING PROPERTY IN BALI

Buying property in Bali is a great investment opportunity, whether you're investing in your own home or a business property. When you're preparing for a big step like that, though, it's best to make sure you've got your bases covered.

There are many obstacles on your way when buying property, from unclear ownership to legal disputes and even the language barrier. Often sellers will also pressure you into buying the property before you're fully sure it's the one you want to buy, causing you to get careless and panic-buy in the fear of losing out.

This is why you should seek legal help with the process so that it can go as smoothly as possible. Before you know it, you're building your dream villa in paradise!

Our expert team knows the ins and outs of buying property in Bali. Get in touch with us to ask about suitable visa types, building permits, and legal advice on buying property in Bali as a foreigner.

Harcourts

Purba Bali



+62 878 6282 2002



info@harcourtpurbabali.com

www.harcourtpurbabali.com