

Your Step-by-Step Guide to purchase in Indonesia, 2024

In this checklist, we provide you with a comprehensive guide to navigating the process of purchasing property in Lombok, Indonesia in 2024.

Whether you're a first-time buyer or a seasoned investor our goal is to simplify the complexities of buying a villa, house, apartment, or land in this beautiful and dynamic region.

Lombok offers a unique blend of cultural richness, natural beauty, and investment potential, making it an attractive destination for property buyers worldwide.

However, the legal landscape, market conditions, and procedural requirements can be challenging to navigate, especially for foreigners.

Our checklist is designed to help you through each stage of the buying process, from deciding on the right type of property to understanding the legal requirements and finalizing the purchase.

Property Buying Process in Lombok

Foreigners cannot directly own land.

However, there are several legal mechanisms through which foreigners can gain rights to use and develop land:

1. Hak Pakai (Right to Use): Foreigners can hold a 'Hak Pakai' title, allowing them to use the land for a specific purpose (e.g., residential) for a set period (usually 30 years, extendable).

2. Lease Agreement: Foreigners can lease land from Indonesians for an extended period (up to 80 years, depending on the agreement).

3. Nominee Structure: While **not** recommended due to legal risks, some foreigners use Indonesian citizens (nominees) to purchase land on their behalf. However, this is a grey area under Indonesian law.

4. Establishing a Foreign Investment Company (PT PMA): Foreigners can set up a PMA, which allows them to buy land under specific conditions, usually for commercial or industrial use.

- 1. Hak Milik (Right of Ownership): This is the highest form of land ownership in Indonesia but is only available to Indonesian citizens. Foreigners **cannot** own land under this title.

- 2. Hak Guna Bangunan (Right to Build): Foreigners, through a PT PMA, can acquire land with the 'Hak Guna Bangunan' title, which allows them to build on the land. This title is valid for 30 years, with the possibility of extending for 20 years and renewing for another 30 years.



Resources

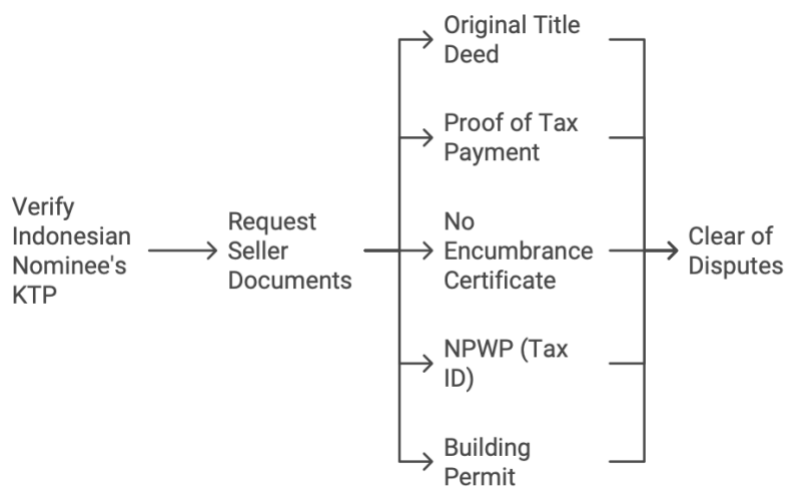
Legal Requirements

KTP: Indonesian sellers must present a *Kartu Tanda Penduduk* (KTP) as it serves as their primary means of identification. For foreign sellers, a passport or KITAS/KITAP may be required.

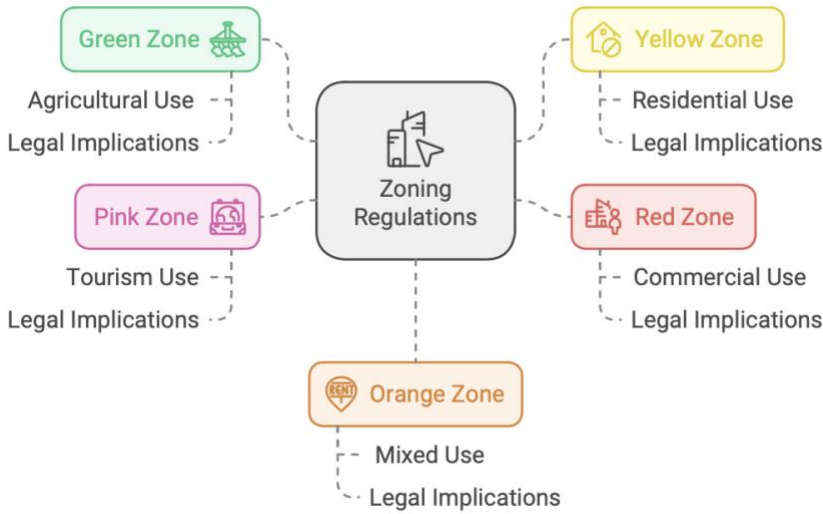


Seller Documents: The seller must provide Property Ownership Documents

- This includes original title deed or certificate of ownership, which should be clear of any disputes or issues that could affect the sale) Proof of Tax Payment (including annual land and building tax (PBB) receipts), No Encumbrance Certificate, NPWP (tax ID) & Building Permit (PBG) also formerly known as an IMB.



Buyer Documentation: Prepare the documents required of you as a buyer including: Valid Passport, Proof of Income/Financial Stability (bank statements/salary slips), KITAS (Temporary Residence Permit) and/or Company Details.

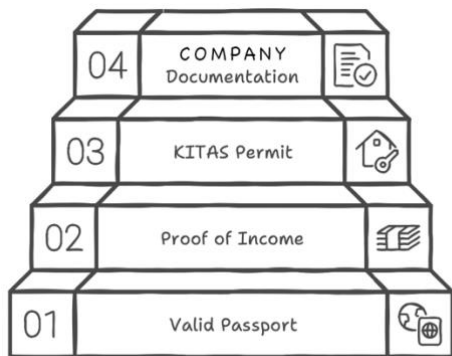


A KITAS is mandatory to legally take part in property transactions. This temporary residence permit confirms the buyer's legal status in Indonesia, allowing them to proceed with property purchases under the regulations that apply to foreign residents.

Navigating Property Transactions in Indonesia

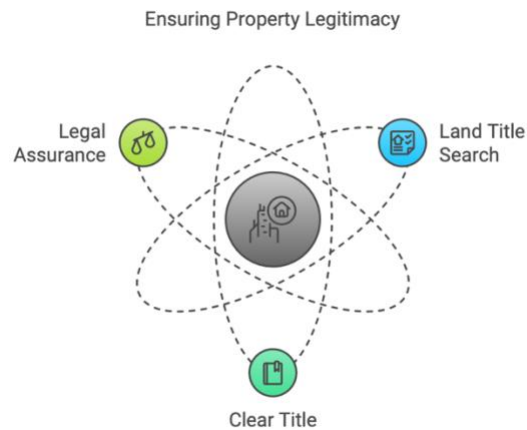
Property Inspection

Zoning Regulations: This is more relevant to buying land, however, confirm that the property is zoned for your intended use (residential, commercial, etc.) to avoid legal complications.



Property Inspection

Land Title Search: Perform a thorough title search to ensure the property has a clear title, free of encumbrances or disputes.



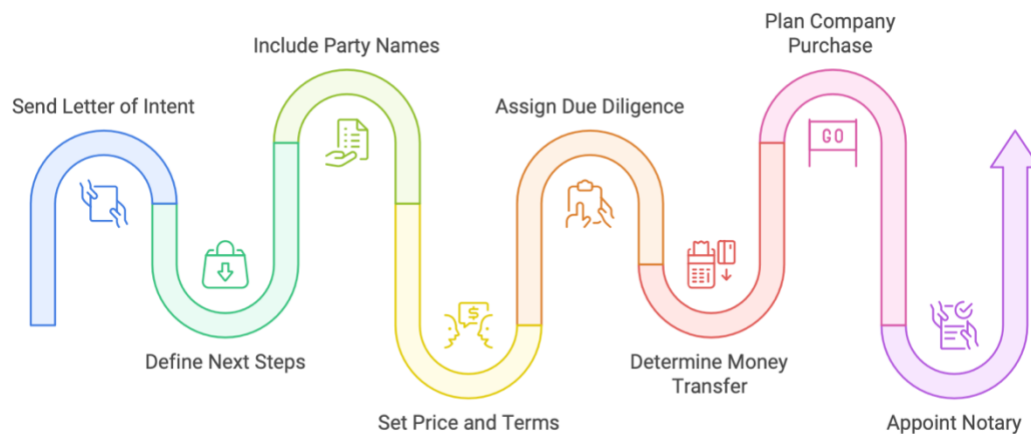
Conducting a land title search provides assurance to the potential buyer that the seller is the recognized owner and can legally transfer the property rights.

Ensuring Legal Ownership in Property Transactions

Property Purchase Process

Send a Letter of Intent to Seller: The formal offer is a Memorandum of Understanding or Letter of Intent. This document is crucial as it will define the next steps of your purchase.

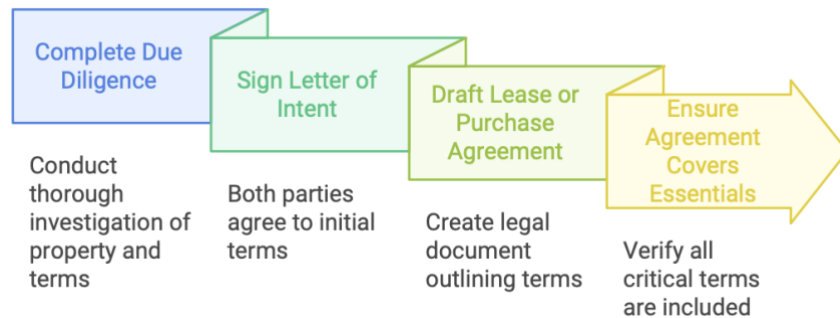
- Name of the party
- Price and terms of the lease,
- Who will oversee the due diligence process
- Where will the money be transferred and how
- Will the money be released to the seller
- Purchase the property under a company or individual
- The notary appointed in case of purchase.



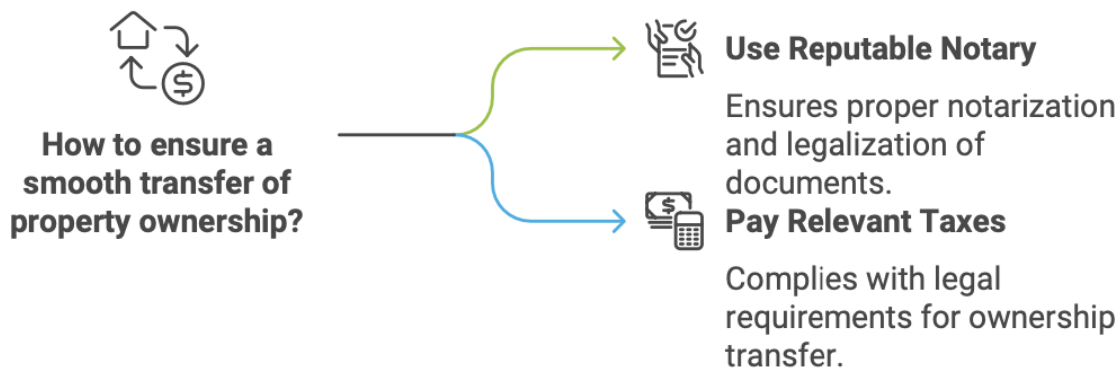
Drafting a Secure Purchase Agreement

Once you have completed all due diligence, and both parties have agreed upon and signed the letter of intent, the next step is to draft a lease agreement or the sales and purchase agreement.

- Ensure the purchase agreement covers all essential terms and conditions, including payment schedules and contingencies, to safeguard your investment.



Notarizing and Legalizing Documents + Pay Relevant Taxes: Use a reputable Notary to oversee the transaction and ensure all documents are properly notarized and legalized for a smooth transfer of ownership.



Final Tips and Considerations

1. **Engage Professionals:** Always work with a reputable agent, lawyer, and notary familiar with Indonesian land laws.
2. **Long-term Vision:** Land investments in Indonesia can be highly profitable, especially in developing regions like Lombok and Sumba, but they require patience and a long-term perspective.
3. **Avoid Nominee Structures:** Although some foreigners use nominee agreements, these carry significant legal risks. It's better to stick to legally recognized methods such as 'Hak Pakai' or a PT PMA.
4. **Stay Updated on Regulations:** Indonesian property laws can change. Keep yourself informed of any new regulations that might impact foreign ownership rights.

