OWNERSHIP · LEASE TERMS

Bali leasehold extensions: what happens when the lease runs out

September 24, 2026 · 7 min read · **Ownership and tax**

When a Bali lease expires, the land and the villa go back to the landowner unless the contract says otherwise. Indonesian law doesn't extend a lease for you, so whatever you'll want in year 25 needs to be on paper in year one.

Read online: https://riserealbali.com/guides/bali-leasehold-extension/

IN SHORT

At the end of a Bali leasehold (Hak Sewa), the land and the building revert to the landowner. Indonesian law has no automatic extension. Your right to extend exists only if the contract grants it, with a price formula and a notice deadline. About six in ten leasehold listings in our catalog quote one (September 2026).

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automatic extensions under Indonesian law: the right comes only from the contract

25–30 years
the usual first term on a Bali leasehold

6 in 10
leasehold listings in our catalog that quote an extension, September 2026

5–7 years
before expiry: when we'd start extension talks if the contract has no clause

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What happens when a Bali lease expires?

A leasehold (Hak Sewa) is a contract to use someone else's land and building for a set period. It isn't a registered land right. It lasts exactly as long as the contract says, on the terms the contract sets.

When the term ends, the plot and everything built on it go back to the landowner. There's no buyout by default, no automatic renewal and no statutory compensation for the villa you paid for. Anything you want at that point, from a right to extend to payment for the building, has to be in the agreement already.

Two Civil Code rules help you in the meantime. A lease isn't ended by the death of either party (Article 1575), and a sale of the land doesn't cancel an existing lease unless the contract allows it (Article 1576). Both protect the remaining years. Neither creates new ones.

> "Extension possible by mutual agreement" means no extension. In 25 years the agreement will be reached on the landowner's terms.

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Three ways the end of a lease plays out

The contract you sign today picks one of these for you. The law in force at expiry won't.

The outcome to aim for

- A written right to extend, with its length stated
- An extension price tied to a formula, not to future market value
- The extension can be assigned, so you can sell the villa with it
- A clause on what happens to the building and fittings

Outcomes that cost money

- No extension clause, so the owner may simply refuse
- No fixed price. The owner names one in year 25
- A right that stays with you personally and can't pass to a buyer, which cuts what a buyer will pay you
- A new landowner who never agreed to anything

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Six clauses to check before you sign

We check this list in every leasehold before a client pays a deposit. A missing clause isn't always a reason to walk away. It's a reason to negotiate the price.

01 **Start date**

Does the term run from signing, from notarization or from handover? On an off-plan villa, the gap can easily be a year or more of your lease.

02 **Right to extend**

The contract should say the lessee has the right to extend. "The parties may discuss" is not a right.

03 **Extension price**

A fixed amount, an amount indexed to inflation, or a percentage of the original price. The worst version is "market value at the time of extension".

04 **Notice period**

Usually one to two years before expiry. A missed notice deadline is the most common way owners lose an extension they'd paid for.

05 **Assignment and inheritance**

Check that the extension right travels with the villa when you sell, and passes to your heirs. Without it, buyers in the second half of the term shrink to a handful.

06 **The building at the end**

Compensation, the right to remove furniture and equipment, or transfer to the landowner. Silence means transfer.

> **In three years of practice we haven't seen a landowner extend on the old terms out of goodwill. Extensions happen where they're written down. Everywhere else it's a new negotiation, and the buyer's position is weak: the villa already stands on someone else's land.**
>
> Rise Real Bali, contract review practice

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How the term changes the yield you should expect

A shorter lease costs less and shows a higher annual yield on the same rent. That makes short leases look better than they are. Compare them on total income over the years you'll actually hold.

Take one villa netting Rp 360,000,000 a year after costs, sold once on a 20-year lease for Rp 3,200,000,000 and once on a 30-year lease for Rp 4,400,000,000. Both prices are our illustration.

Same villa, two lease terms (worked example)

	20-YEAR LEASE	30-YEAR LEASE
Price	Rp 3.2 bn	Rp 4.4 bn
Net income per year	Rp 360 m	Rp 360 m
Headline net yield	11.3%	8.2%
Income over the term	Rp 7.2 bn	Rp 10.8 bn
Income minus price	Rp 4.0 bn	Rp 6.4 bn

- ✓ Model income over the remaining term, not as a perpetual yield
- ✓ Compare leases of different lengths on income minus price
- ✓ Add the extension price to the model if the contract fixes it
- ✓ Under 20 years left, ask whether a refit still pays back before the end

Source: Rise Real Bali illustration: fixed net income, no rent growth, no value at expiry

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What if your lease has no extension clause?

It isn't hopeless, but timing matters more than anything else in the contract you don't have.

First, find out who owns the land now. Over 10 or 15 years it may have passed to heirs, been sold, or be held by a family group or a customary village (desa adat), each with its own way of deciding.

Second, open talks five to seven years before expiry, not in the final year. The further you are from the deadline, the calmer the conversation and the lower the price. Third, sign any agreement before a notary (PPAT). A verbal promise to extend has no legal force and doesn't bind the owner's heirs.

Remember the tax as well. The landowner owes a 10% final income tax on the extension payment, the same as on the original lease (PP 34/2017). Settle in writing who carries it.

Source: Rise Real Bali deal practice, 2023–2026; PP 34/2017

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Comparing villas? Read the extension terms first

Look at the extension terms before the yield. Our property listings show the base term and any extension the developer quotes, and the area pages show how rents hold up by location. For the bigger choice between a lease and a registered title, read leasehold vs freehold in Bali.

What this means for buyers

01 A Bali lease ends with the land and villa going back to the owner, unless the contract says otherwise.

02 Only a written clause gives you an extension. Check the price formula, notice deadline and assignment.

03 A sale of the land or the death of either party doesn't end the lease, but it doesn't add years either.

04 Judge short leases on total income over the term, not on the headline yield.

FAQ

Is a Bali leasehold extended automatically?

No. Indonesian law has no automatic extension. The right comes only from the contract, which should state the extension length, the price or price formula, and the notice deadline.

What happens to the villa when the lease ends?

By default the building follows the land and goes to the landowner. Compensation, or the right to remove furniture and equipment, has to be written into the contract.

Can a leasehold be inherited?

Yes, for the remaining term. Under the Civil Code a lease doesn't end when either party dies. Check that the contract also lets the extension right pass to heirs.

How much does an extension cost?

Whatever the contract says, since there's no standard rate. Without a fixed formula, expect the owner to ask for something close to the going land rent in the year you negotiate.

What if the landowner sells the land?

The existing lease survives the sale under Article 1576 of the Civil Code, unless the contract allows otherwise. Make sure the extension clause binds the owner's successors too.

How we know this

The legal position comes from the Indonesian Civil Code (Articles 1575 and 1576) and the general law on Hak Sewa, which leaves term, price and extension to the contract. The share of listings quoting an extension is our count of published leasehold listings with a stated term, September 2026. The yield table is our illustration: fixed net income, no rent growth and no value at expiry. Negotiation timing reflects our deal practice from 2023 to 2026. This is not legal advice: a notary (PPAT) should review the contract for your property.

— Indonesian Civil Code (KUHPerdata), Articles 1548, 1575 and 1576 on lease agreements

— Government Regulation No. 34 of 2017 on final income tax on land and building rental

— Rise Real Bali catalog, lease terms and extensions quoted by developers, September 2026

— Rise Real Bali contract review practice, 2023–2026

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Questions about this guide?

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