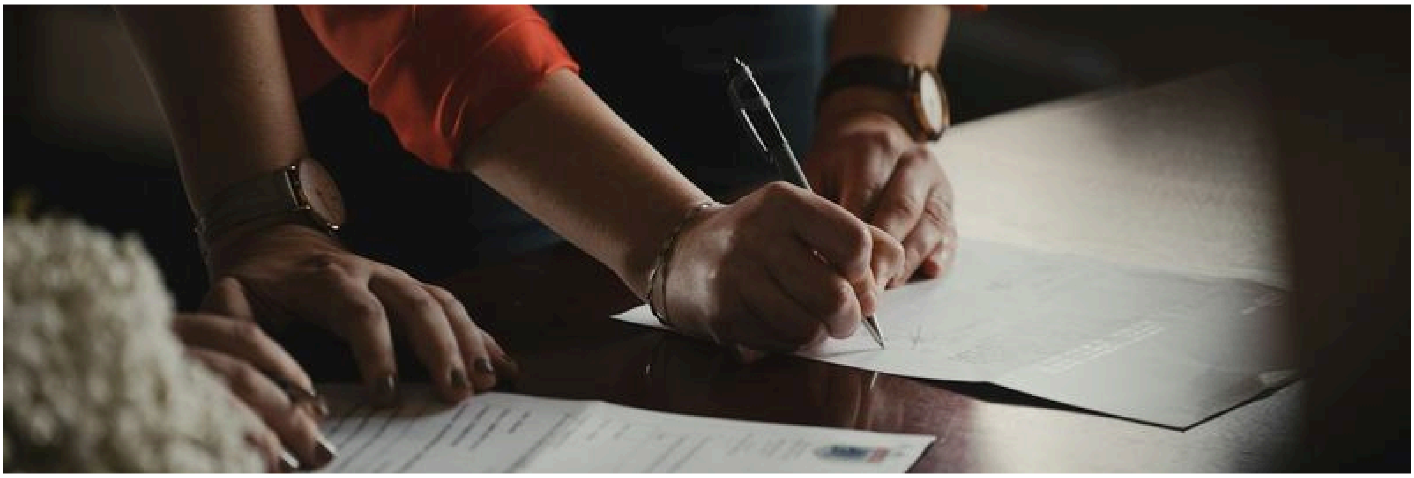

OWNERSHIP · WHAT THE LAW SAYS

Nominee arrangements in Bali: what the law says and what you'd actually own

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

A nominee arrangement puts Bali land in an Indonesian citizen's name while a foreigner pays for it and keeps a side agreement. Indonesian law treats that side agreement as void, and since 2026 Bali has its own regulation against it.

Read online: https://riserealbali.com/guides/nominee-arrangements-bali/

IN SHORT

A nominee agreement in Indonesia is void. Article 26(2) of the Basic Agrarian Law (5/1960) cancels any deal that passes freehold to a foreigner, directly or indirectly, and the money paid can't be reclaimed. Law 25/2007 voids nominee shareholdings in companies. Bali's Regulation 4/2026 adds a provincial ban with administrative sanctions.

Void
status of a nominee deal over freehold land (UUPA 5/1960, Article 26(2))

Void
status of a nominee shareholding in an Indonesian company (Law 25/2007, Article 33)

2026
year Bali adopted its own ban on nominee land transfers (Provincial Regulation 4/2026)

0
deals Rise Real Bali has closed through a nominee

IN THIS REPORT

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How a nominee setup usually looks

An Indonesian citizen buys the land as freehold (Hak Milik) in their own name, often a friend, a staff member or someone the seller suggests. The foreigner pays. To feel protected, the foreigner signs a stack of side documents with the nominee: a loan agreement, a power of attorney, a lease back to the foreigner, sometimes a pledge over the certificate.

On paper it looks like ownership without the time limit of a lease, and without the Rp 5 bn and Rp 2 bn floors that Hak Pakai sets for a Bali house and apartment. It's usually pitched as cheaper and faster. Neither claim survives a dispute.

02 / 07

Are nominee agreements legal in Indonesia?

Article 21 of the Basic Agrarian Law (Law 5/1960) reserves Hak Milik for Indonesian citizens. Article 26(2) closes the side door: any sale, exchange, gift, bequest or other act meant to pass Hak Milik to a foreigner, directly or indirectly, is void by law. The land falls to the state, and the buyer can't claim back what they paid.

The side documents don't rescue the deal. Under the Civil Code an agreement needs a lawful cause (Article 1320), and one whose purpose breaks the law has no effect (Article 1337). A loan agreement or power of attorney written to disguise foreign ownership of freehold is exactly that kind of agreement.

In practice, whoever the certificate names owns the land. When the nominee dies, it goes to their heirs, and a divorce can turn it into marital property to be split. If they sell or mortgage it, the buyer or the bank relies on the register, not on your side letter.

Source: UUPA 5/1960, Articles 21 and 26(2); Indonesian Civil Code, Articles 1320 and 1337

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Nominee shareholders in a company are void too

Some buyers try the same trick one level up: a PT with an Indonesian holding shares on their behalf, so the company looks local and can hold stronger titles. Article 33 of the Investment Law (Law 25/2007) forbids agreements stating that shares are held for someone else, and paragraph 2 declares them void by law.

There's no need for it anyway. A PT PMA can be 100% foreign-owned for most real estate and accommodation activities, with Rp 2.5 bn of paid-up capital since October 2025. It holds a right to build (HGB), not Hak Milik, and it's a real company with capital and reports. Our PT PMA guide covers the costs.

04 / 07

Bali's own regulation from 2026

In 2026 the province adopted Provincial Regulation No. 4 of 2026 on controlling the conversion of productive land and prohibiting nominee transfers of land ownership. It defines a nominee arrangement as one where a person holds land rights on behalf of a foreign beneficial owner.

The regulation bars anyone from acting as an intermediary or facilitator in such schemes. It sets up an oversight team under the governor and gives the province administrative sanctions: written warnings, suspension of activity, closure, license revocation, demolition of buildings and fines. Civil servants who take part face disciplinary action, and criminal cases go forward under national law.

Press reports in early 2026 quoted specific prison terms and fines. We haven't found them in the text as summarized by lawyers, so we don't repeat them here. What's clear is the direction: Bali is treating nominee holdings as a problem to clean up, alongside the licensing checks on short-term rentals.

Source: Bali Provincial Regulation No. 4 of 2026, as summarized by DNT Lawyers, 2026

05 / 07

Why the savings are an illusion

The pitch is usually a lower price or a faster deal. Put the two sides next to each other and look at what you'd be left holding if something went wrong: on a Rp 4 bn villa, the whole Rp 4 bn.

Through a nominee

- Someone else legally owns the land
- Your side documents carry no weight with a judge, however carefully a lawyer drafted them
- Article 26(2) lets you claim nothing back
- If the nominee dies, divorces or falls into debt, their problem becomes yours overnight
- The province can sanction the deal under Regulation 4/2026

Through a legal route

- A notarized lease that spells out the extension
- Hak Pakai in your own name, open to anyone living here on a KITAS or KITAP
- HGB held by a PT PMA you own outright
- Courts enforce it
- You can sell it to any qualified buyer on the open market

> **We've never closed a deal through a nominee and we turn down clients who ask for one. The discount is on paper. The risk is the whole purchase price.**
>
> Rise Real Bali

06 / 07

How to spot a nominee deal before you pay

Nobody calls it a nominee deal. These are the signs we look for when we check a property, and any one of them is enough to stop and ask questions.

- You're told the certificate will be in an Indonesian's name "for now"
- The paperwork includes a loan from you to that person
- There's an irrevocable power of attorney letting you sell or mortgage the land
- The seller offers freehold to a foreigner without mentioning Hak Pakai, a lease or a company
- The price sits under the Rp 5 bn Hak Pakai floor for a house, yet the seller still calls it titled ownership

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What if you already hold property through a nominee?

Talk to an independent Indonesian lawyer before you do anything else, and don't confront the nominee first. The usual way out is to restructure into a legal form while the relationship is still good: a registered long lease from the certificate holder to you, a transfer to your own PT PMA as HGB, or Hak Pakai if you qualify.

Each option costs money and depends on the nominee's cooperation. Moving the land into a company as HGB is a transfer, so the company pays BPHTB of up to 5% (Law 1/2022) and the certificate holder owes a 2.5% final tax on the transfer value (PP 34/2016), before notary fees. That's the real price of the original shortcut.

Starting fresh? Read our guide to the legal ways to buy in Bali, then browse listings that name the ownership form on every card, or compare areas first.

What this means for buyers

01 Article 26(2) of the Basic Agrarian Law voids a nominee deal over freehold, and you can't reclaim the money.

02 Side agreements meant to disguise foreign ownership have no legal effect under the Civil Code.

03 Nominee shareholdings in a company are void under Article 33 of Law 25/2007. A PT PMA can be foreign-owned anyway.

04 Bali's Regulation 4/2026 bans nominee land transfers and adds provincial sanctions.

FAQ

Is a nominee agreement legal in Indonesia?

No. A deal that passes freehold land to a foreigner through an Indonesian's name is void under Article 26(2) of the Basic Agrarian Law. The land legally belongs to the person on the certificate.

What happens if my nominee dies?

The land passes to their heirs, because in law it was always theirs. Your side agreements don't bind the heirs in any way a court will enforce.

Can I get my money back if the arrangement falls apart?

No. Article 26(2) bars a buyer from reclaiming payments once a transfer to a foreigner is void. That's why the risk is the whole purchase price.

What is Bali Regulation 4/2026?

A provincial regulation adopted in 2026 on controlling productive land conversion and prohibiting nominee land transfers. It bans acting as an intermediary and allows administrative sanctions, with criminal cases handled under national law.

What should I use instead of a nominee?

Use a notarized leasehold, or Hak Pakai if you live here on a KITAS or KITAP, or HGB held by a company you own. A court will enforce any of the three, and you can sell each one on.

How we know this

We built this guide from the primary statutes (the Basic Agrarian Law, the Investment Law and the Civil Code) and from a law firm's article-by-article summary of Bali Regulation 4/2026. Press reports of specific prison terms and fines under the provincial regulation don't match the lawyers' summary of its text, so we left them out until we can check the official text. We describe the red flags from our own property checks. This is not legal advice.

— Law No. 5 of 1960 on Basic Agrarian Principles (UUPA), Articles 21 and 26(2)

— Law No. 25 of 2007 on Investment, Article 33

— Indonesian Civil Code (KUHPerdata), Articles 1320 and 1337

— Bali Provincial Regulation No. 4 of 2026 on productive land conversion and nominee transfers, via DNT Lawyers, 2026

— Legal commentary on nominee agreements: Bali Legals, Nelwan Law (July 2026), Kusuma Law Firm

— Rise Real Bali property checks, 2023–2026

By Dmitrii Rogov, Rise Real Bali.

Disclaimer

This guide is for information only. It is not an offer, not personal investment advice and not a promise of income. Yield figures are our estimates on the assumptions stated in the text; the actual result depends on the market, management, seasonality and changes in the law. Prices, layouts and terms can change without notice and are not part of any contract. Check the documents, the ownership structure and the tax load with an Indonesian lawyer and tax adviser before you pay a deposit. Prices are in Indonesian rupiah (IDR, Rp), as Law No. 7 of 2011 on Currency and Bank Indonesia Regulation No. 17/3/PBI/2015, Article 11, require. Full disclaimer: https://riserealbali.com/legal/disclaimer/

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