

Indonesia's corporate Sukuk space



INDONESIA

By Farouk Abdullah Alwyni

Up to May 2017, there have been 10 new issuances of corporate Sukuk amounting to IDR5.15 trillion (US\$386.49 million). As shown in Table 1, this performance in the first half of 2017 showed a major improvement compared with the performance in the first half of 2016 when there was no issuance of corporate Sukuk. In fact, the total amount of Sukuk issued up to 2017 has exceeded the total amount of Sukuk issued for the whole of 2016 by around 20%.

Among the Sukuk issuers that have been recorded by Indonesia's Financial Services Authority (OJK) up to May 2017 are Indosat, a major telecommunications company majority-owned by Ooredoo Qatar; and Aneka Gas Industri (AGI), the first industrial gas company in Indonesia. Indosat is a frequent issuer of corporate Sukuk in Indonesia. AGI's latest issuance is to refinance its first 2012 Sukuk issuance that was due in May 2017.

As a whole, the growth of Indonesia's corporate Sukuk space is much smaller compared to that of government Sukuk.

Up to May 2017, the total corporate Sukuk issuances amounted to IDR25.57 trillion (US\$1.92 billion), less than 4% compared to IDR664.53 trillion (US\$49.87 billion)-worth of total Sukuk issued by the government of Indonesia until the 29th March 2017. However, it is important to note that 2017 actually showed a major increase in terms of the number of issuances and the amount.

It remains to be seen whether the issuance of corporate Sukuk until the

end of 2017 could increase further, and double the number and value of issuances in 2016. Actually, the slow growth of corporate Sukuk has been noticed by the OJK and also the Ministry of Finance.

In fact, the OJK has taken steps to expedite and simplify the issuance process of Sukuk for banks by launching an integrated permit and registration information system called SPRINT in its Indonesian acronym. With SPRINT, it is expected that the process of issuing a Sukuk permit will be expedited to 22 days from 105 days previously.

In addition, the Ministry of Finance has also concluded a study recently which made four suggestions to promote the growth of corporate Sukuk. One of them is to make a fiscal incentive policy for corporate Sukuk. The type of fiscal incentives that will be applied to corporate Sukuk has yet to be further defined.

Another recommendation is regarding the need to amend Law No 42/2009 on value-added tax so that it can be utilized to apply equal treatment toward corporate Sukuk Ijarah and conventional bonds.

It is expected that the policy simplification of, and the application of, fiscal incentives for corporate Sukuk could contribute to fostering the growth of corporate Sukuk in Indonesia.⁽⁵⁾

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Table 1: Corporate Sukuk issuance 2015-17

Year	Sukuk issuance		Cumulative Sukuk issuance	
	Total value (in billion IDR)	Total number	Total value (in billion IDR)	Total number
Up to May 2015	623	2	13,579	73
2015	3,158	16	16,114	87
Up to May 2016	0	0	16,114	87
2016	4,311	13	20,425	100
Up to May 2017	5,148	10	25,573	110

Source: Indonesia's Financial Services Authority (OJK)