

Taxation for Islamic Financial Services
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Glossary of Islamic Financial Terms

<i>Al-Bai Bithaman Ajil (ABBA)</i>	Sale and purchase transaction for the financing of an asset on a deferred payment basis with a pre-agreed payment period. The sale price will include a profit margin.
<i>Ijarah</i>	A contract for the sale of benefits and services between the owner of the assets (“lessor”) and the user of those same assets (“lessee”) at an agreed price.
<i>Istisna’</i>	A contract to acquire an asset according to the specifications given in the sale and purchase agreement. The parties of the contract will decide on the price, and the settlement can be delayed or arranged based on the schedule of the work completed.
<i>Mudarabah</i>	Profit and loss sharing contract. Refers to an agreement made between a capital provider and another party who acts as the entrepreneur. This arrangement will enable the entrepreneur to carry out business projects and profits are distributed based on a pre-agreed profit sharing ratio. In the case of losses, the losses are borne by the provider of the funds.
<i>Murabahah</i>	A contract that refers to the sale and purchase transaction for the financing of an asset whereby the cost and profit margin (mark-up) are made known and agreed by all parties involved. The settlement for the purchase can be either on a deferred lump sum basis or on an installment basis, which will be specified in the agreement.
<i>Musharakah</i>	A partnership arrangement between two parties or more to finance a business venture whereby all parties contribute capital either in the form of cash or in kind for the purpose of financing the business venture. Any profit derived from the venture will be distributed based on a pre-agreed profit sharing ratio, but a loss will be shared on the basis of equity participation.
Real Estate Investment Trusts (REITs)	An investment vehicle structured as a unit trust that invests in stable income producing real properties & real property related assets.
Securitization	Securitization refers to a process of converting something into cash or cash equivalent in the form of papers that are tradable in the secondary market.

<i>Shari'ah</i>	The Islamic law established by <i>Qur'an</i> and <i>Sunnah</i> ; teachings of Prophet Muhammad (s.a.w).
<i>Sukuk al-Ijarah</i>	Represents pro-rata ownership (by the <i>sukuk</i> holder) over the leased asset which enables the <i>sukuk</i> holder to enjoy rental income and capital gain from disposal of the leased asset (if relevant) as well as to bear the risk of loss and damage of the leased asset.