



# Potential for Islamic Funds in Australia

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# Typical Islamic Funds

Investors have **pooled their capital contributions in a fund** (whether that fund is in a separate company or is held pursuant to a contractual arrangements) by subscribing to **units or shares of equal value**. Such units or shares constitute in effect, claims to the assets of the fund (which can consist of financial or non-financial assets), and gives rise to the **right or obligation to share in the profits or losses derived from those assets**;

the fund is established and managed in accordance with ***Shar'ah* rules and principles**;

whether or not the fund is managed by the institutions that established or sponsored it; it is **separately financially accountable** from those institutions (i.e. have its own asset-and-liabilities profile).



# Examples of 'Islamic funds'

**authorized open-ended funds** that will redeem their units or shares, whether on continuous basis or periodically;

**closed-end funds**, whether those units or shares are tradable (in regulated or unregulated securities market), or are untradable;

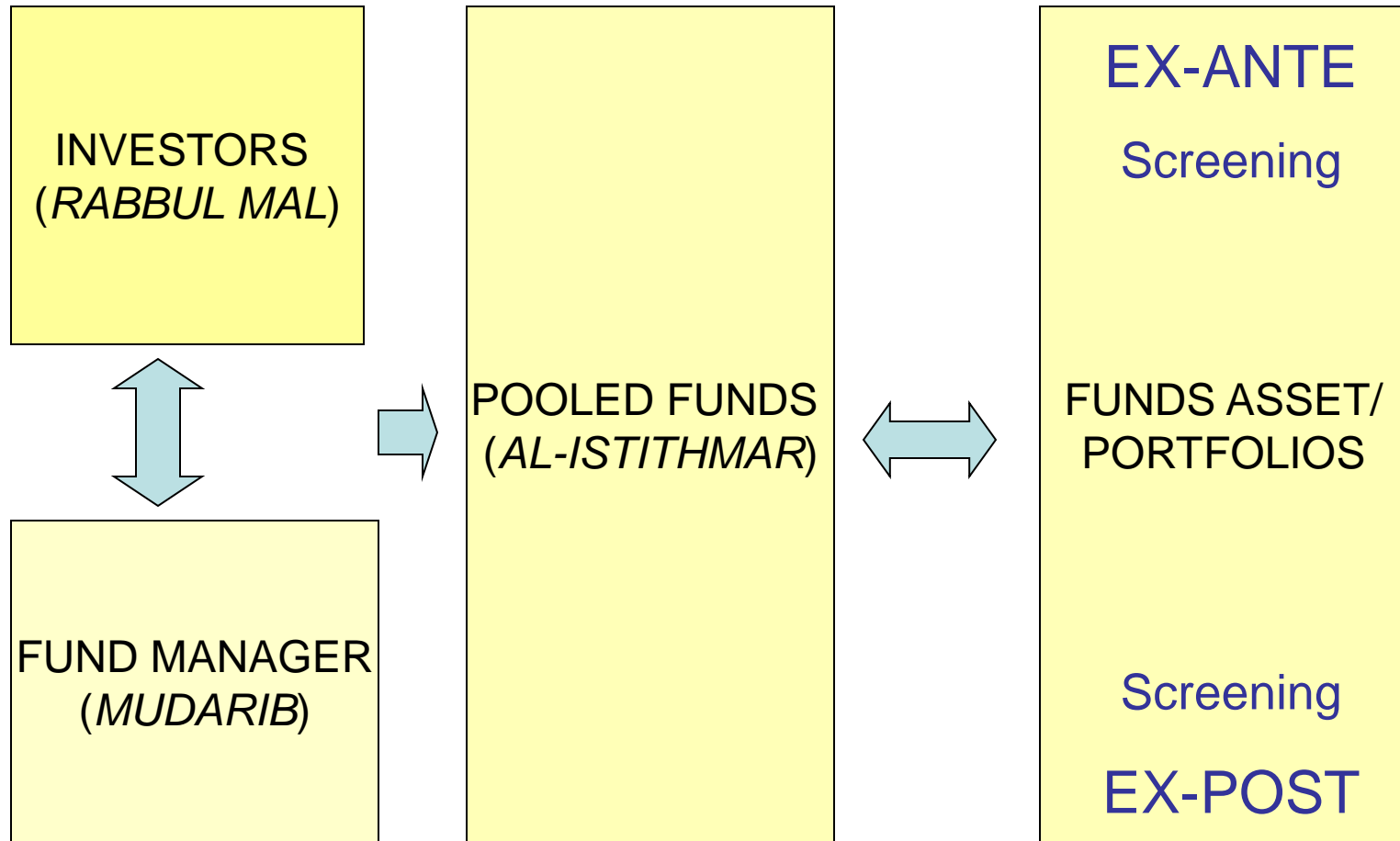
**unit investment trust**, whether on a contractual model or that of a European UCITS model;

an **individual fund or an umbrella fund** with multiple and compartmentalized funds comprising various sub-funds; or

**profit-sharing investment account (whether restricted or unrestricted) which is pooled in a form of a CIS** and whereby each of the investment account holders (**IAH**) participate equally in income (whether profit or loss) and is generally governed by the same terms and conditions.



# Typical fund structure



# Potential income tax issues

Without tax treaty with Australia:  
foreign investors may face  
double taxation?

Interest income

Rental and trading income

Dividend income

Capital gain

Trust distributions

Partnership: similar to rental/trading

