Rules regarding Income Tax on Sharia Banking and Financing

The growth of Islamic banking which is quite significant causes Islamic bank products to be able to compete with conventional banking products. Now, people are starting to recognize terms in Islamic banking such as *ijarah* (leasing activities), *mudharabah* (profit sharing), *murabahah* (buying and selling activities), and *qardh* (borrowing activities).

Moreover, the Islamic capital market in Indonesia has also increased. This is indicated by the emergence of various forms of Islamic financial financing products. One of them is the emergence of sharia asset backed securities (EBAS) in 2015. There are 2 (two) forms of EBAS available, namely collective investment contracts (KIK) and participation letters. More details about the tax implications of KIK can be seen in the article Observing Income Tax Issues on Sharia EBA KIK .

So how is the application of taxes on Islamic banking and financing? Check out the complete rules regarding taxes on sharia businesses below!

Law

- Law Number 7 of 1983 concerning Income Tax as amended several times, most recently by Law Number 7 of 2021 .
- Law Number 19 of 2008 concerning State Sharia Securities.
- Law Number 21 of 2008 concerning Sharia Banking as last amended by Law Number 11 of 2020 .

Government regulations

- Government Regulation Number 67 of 2008 concerning Establishment of Indonesian State Sharia Securities Issuing Company I.
- Government Regulation Number 25 of 2009 concerning Income Tax for Sharia-Based Business Activities.
- Government Regulation Number 28 of 2014 concerning Amendments to Government Regulation Number 67 of 2008 concerning the Establishment of Indonesian State Sharia Securities Issuing Companies I.

Minister of Finance Regulation

- Regulation of the Minister of Finance Number 136/PMK.03/2011 concerning the Imposition of Income Tax for Sharia Banking Business Activities.
- Regulation of the Minister of Finance Number 137/PMK.03/2011 concerning the Imposition of Income Tax for Sharia Financing Business Activities.
- Regulation of the Minister of Finance Number 199/PMK.08/2012 concerning Issuance and Sales of State Sharia Securities by means of *Bookbuilding* in the Domestic Primary Market.
- Regulation of the Minister of Finance Number 52/PMK.010/2017 concerning the Use of Book Value for the Transfer and Acquisition of Assets in the Context of Merger, Consolidation, Expansion, or Business Acquisition.
- Regulation of the Minister of Finance Number 205/PMK.010/2018 concerning Amendments to Regulation of the Minister of Finance Number 52/PMK.010/2017 concerning the Use of Book Value for the Transfer and Acquisition of Assets in the Context of Merger, Consolidation, Expansion, or Business Acquisition.
- Regulation of the Minister of Finance Number 69/PMK.08/2020 concerning Amendments to Regulation of the Minister of Finance Number 199/PMK.08/2012 concerning Issuance and Sales of State Sharia Securities by way of *Bookbuilding* in the Domestic Primary Market.
- Regulation of the Minister of Finance Number 56/PMK.010/21 concerning the Second Amendment to the

Regulation of the Minister of Finance Number 52/PMK.010/2017 concerning the Use of Book Value for the Transfer and Acquisition of Assets in the Context of Merger, Consolidation, Expansion, or Business Acquisition.

Financial Services Authority Regulation

- Financial Services Authority Regulation Number 20/POJK.04/2015 concerning Issuance and Requirements for Sharia Asset Backed Securities.