Zakat

هيئة الزكاة والضريبة والجمارك
Zakat, Tax and Customs Authority

# Guideline for

# Deduction Items from the Zakat Base

According to the Implementing Regulations for Zakat Collection Issued in 1445 AH

First Edition | July 2025

**Note:** The English version is for guidance purposes only. In case of any discrepancy between the Arabic and English versions, the Arabic version shall prevail

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This Guideline represents the Zakat, Tax, and Customs Authority's ("ZATCA" or "Authority") understanding and interpretation of the implementation of the Executive Regulation for Zakat Collection issued by the Minister of Finance under Decision No. (1007) dated 19/8/1445 AH.

The Zakat, Tax, and Customs Authority has issued this Guideline to clarify certain treatments concerning implementing the statutory provisions in force as of the Guideline's issue date. The content of this Guideline shall not be considered an amendment to any of the provisions of the Laws and Regulations applicable in the Kingdom.

The Authority affirms its commitment to applying the explanatory treatments outlined in this Guideline—where applicable—in light of the relevant statutory provisions. In the event of any amendment to an explanation or content provided in this Guideline - pertaining to an unamended statutory provision - the application of the updated explanatory treatment shall apply to transactions conducted after the publication date of the updated version of the Guideline on the Authority's official website.

# 1. Introduction

## 1.1 About Zakat

Zakat is the third pillar of Islam. It is the most important financial way of worship at all. Therefore, it was mentioned repeatedly in the Glorious Qur'an. Allah Almighty has associated it with prayer in more than eighty verses. It is one of the key pillars that distinguishes a Muslim community from others and a manifestation of the supremacy of Islamic legislations. It represents a successful way to assist entitled groups and help improve their conditions, which leads to the achievement of social solidarity.

## 1.2 Collection of Zakat

What evidences the great regard of Zakat in Islam that it is assigned to the state for management and supervision. In fact, the State is the entity responsible for collecting Zakat on funds and spending it on those entitled by assigning some personnel (Zakat Employees) to visit the owners of funds throughout the Kingdom of Saudi Arabia, calculate the amount of their Zakat, then collect it from them, and supervise the disbursement and distribution of it to the beneficiaries.

ZATCA undertakes the task of levying Zakat. It undertakes all procedures related to the Zakat payer's Zakat calculation, starting with the registration of the Zakat payer, through the process of calculating the amount of Zakat for the Zakat payer, which includes supervision of the Zakat payer's submission of Zakat declarations, payment procedures, examination of the submitted statements, and verification of them by well-trained personnel working at ZATCA, and ending with the issuance of the Final Zakat Certificate. And what may result from subsequently bearing the burden of studying the Zakat payers' objections to the assessments of the Zakat Authority.

## 1.3 Application of Zakat Collection in the Kingdom of Saudi Arabia

The collection of Zakat and its disbursement to those entitled is one of the basic tasks of the State, as stipulated in the Basic Law of Governance in Article 21, which reads as follows: (Zakat shall be collected and disbursed in its disbursement channels). Article 7 set forth evidence of the State's attention to the duties of Sharia and its commitment thereto in general, which includes collecting Zakat and disbursing it to the beneficiaries. It stipulates as follows: The government in Saudi Arabia derives power from the Holy Qu'ran and the Prophet's tradition. They are the rules governing the Law and all State laws).

In confirmation of the foregoing, during the reign of the Founder King Abdul-Aziz -may Allah have mercy on him- Royal Decree No. (17/2/28/8634) dated Jumada Al Awl 29, 1370 AH corresponding to April 6, 1951 AD, was issued containing the order to collect Zakat. The said Royal Decree was followed by many royal decrees confirming it as well as executive ministerial resolutions, in addition to the regulations and circulars, including Royal Decree No. (M/40) dated Rajab 2, 1405 AH, and the executive regulations for collecting Zakat issued by Ministerial Resolution No. (2082) dated Jumada Al-Thani 1, 1438 AH. Corresponding to (28 February 2017 AD) and the executive regulations for collecting Zakat issued by Ministerial Resolution No. (2216) dated 7 Rajab 1440 AH corresponding to (14 March 2019 AD), which applies to the Zakat years starting from January 1, 2019 AD for all Zakat payers, except for those who are accounted for by the arbitrary method according to the chapter Fourth of the regulations, the application of the regulations applies to their declarations submitted after December 31, 2019 AD, and the Executive Regulation for Zakat Collection issued by the Minister of Finance under Decision No. (1007) dated 19 Shaban 1445 AH (corresponding to Thursday, 29 February 2024), which shall apply to fiscal years commencing on or after 1 January 2024 for all Zakat payers.

The Executive Regulation for Levying Zakat has been concerned with clarifying the provisions for levying commercial activities in general, and has also elucidated the provisions for specific activities and cases. Moreover, the Regulation has encompassed the procedures for Zakat collection, and the rights and obligations of Zakat payers.

The Zakat proceeds collected by ZATCA are received and deposited in the Ministry of Finance into the Social Security account, which is responsible for disbursement to the poor and needy by Royal Decree No. (61) Dated 05 / 01 / 1383 AH corresponding to (May 28, 1963 AD), wherein Paragraph (1) provides for: "Zakat shall be collected in full from all joint stock companies, and others, and individuals who are subject to Zakat." In addition, Paragraph (2) stipulates: "All amounts collected shall be deposited to the Social Security Fund."

## Implementing regulations for collecting Zakat

**1** Royal Decree on 29/06/1370 AH

Which stipulates that Zakat shall be collected from Saudis.

**2** Ministerial Resolution No. (394) dated 07/08/1370 AH

Establishing the Zakat Authority.

**3** Royal Decree No. (M/40) issued on 02/07/1405/AH

Which contained the order to collect Zakat in full from all companies, institutions, others, and individuals who are subject to Zakat.

**4** The Ministerial Resolution No. (2082) issued on 07/06/1438 AH

The issuance of The Executive Regulations for Royal Decree (M/40)

**5** The Ministerial Resolution No. (2216) issued on 07/07/1440 AH

The issuance of The Executive Regulations for Levying Zakat, which is effective for Zakat years starting from January 1, 2019 AD

**6** The Ministerial Resolution No. (1007) issued on 19/08/1445 AH

The issuance of The Executive Regulations for Levying Zakat, which is effective for Zakat years starting from January 1, 2024 AD

## 1.4 Zakat, Tax, and Customs Authority

The Zakat, Tax, and Customs Authority is a Saudi government agency established by Royal Decree No. (570) issued on 23 Ramadan 1442 AH (May 4, 2021 AD) following the merger of the General Authority of Zakat and Income and the General Customs Authority - earlier - under the name of the Zakat, Tax, and Customs Authority.

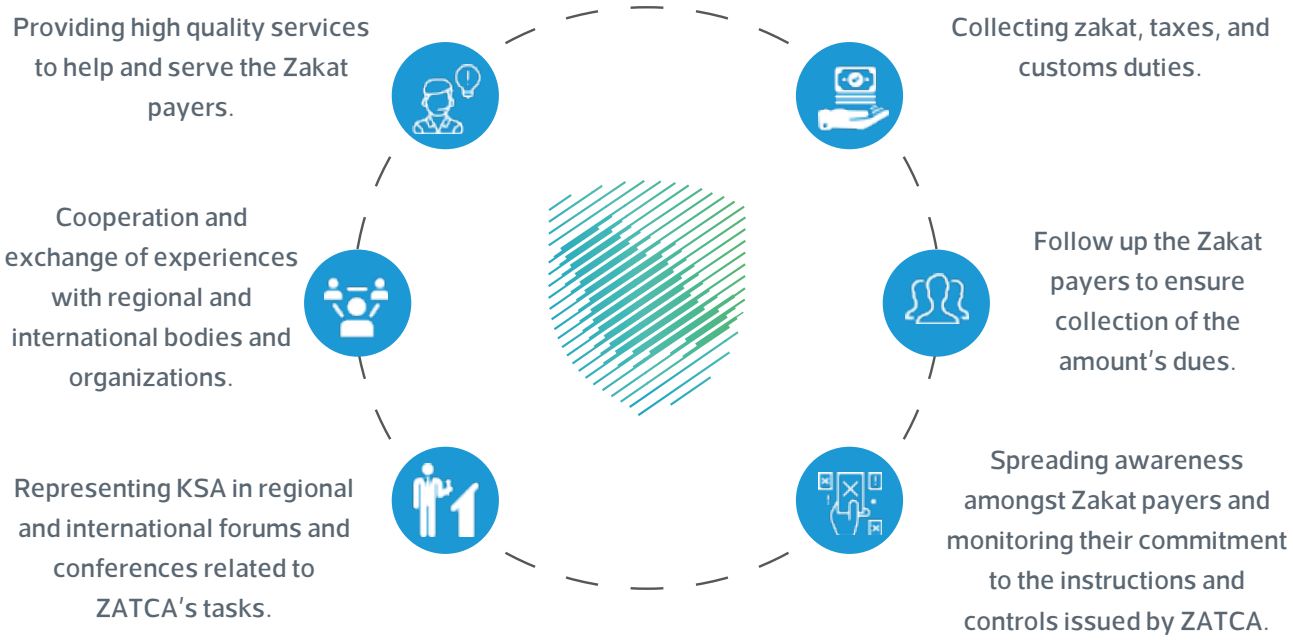
## 1.5 Zakat, Tax, and Customs Authority Tasks

ZATCA's Regulations defined the tasks of ZATCA in Article (3) thereof, which include the following:

- Collecting Zakat and taxes as well as customs fees from Zakat payers in accordance with the relevant regulations and instructions.
- Providing high-quality services to Zakat payers to support them in fulfilling their duties.
- Liaising with Zakat payers and taking the necessary measures to ensure the collection of dues.
- Raising awareness among Zakat payers, enhancing the degree of understanding and voluntary commitment to compliance and ZATCA requirements within its tasks.
- Leveraging modern technology in implementing, monitoring, and facilitating ZATCA's operation, and in enhancing the security role in combating customs smuggling.
- Cooperating with the private sector in implementing and managing some supportive works.
- Developing the necessary plans to organize, manage, and invest in the facilities of customs ports in coordination with the relevant authorities.

- Setting standards for following up on the performance indicators of ZATCA's works and plans, which ensure the development of its performance and services. ZATCA may coordinate in this regard with whomever it deems appropriate from the relevant authorities.
- Cooperating and exchanging experience with regional and international bodies and organizations, and specialized consulting firms both within and outside the Kingdom, within the Authority's tasks.
- Representing KSA in regional and international organizations, forums and conferences related to ZATCA's tasks.

## The most important tasks of ZATCA



## 1.6 About this Guideline

This Guideline includes explanations of treatments and Guidelinelines related to deduction items from the Zakat base, as well as the detailed provisions associated with them. It provides a clear vision and comprehensive practical applications regarding the deduction items from the Zakat base, in addition to presenting practical case studies related to this matter.

This Guideline presents ZATCA's concept and explanation regarding applying the Implementing Regulation for Zakat Collection, which was issued by the decision of the Minister of Finance No. (1007) dated Sha'ban 19, 1445 AH.

For any Guidelinelines regarding any transactions, visit the official website of ZATCA (ZATCA.gov.sa), which contains a large set of tools and information specifically developed to help the Zakat payer, including video Guidelinelines and all relevant data, as well as answers to the FAQs.

## 2. General Concepts

### 2.1. Introduction

Deduction items are the assets that can be deducted from the Zakat base in accordance with the considerations and conditions outlined in the regulations. Deduction items from the Zakat base are significant components in calculating the Zakat base, and their deduction results in the following:

1. Reduction of the Zakat base outcome

   As is well known, the Zakat base is calculated by adding the addition items stated in Article 23 of the regulations, minus the deduction items mentioned in Article 26, in accordance with the provisions of the regulations. Therefore, reaching the deduction items is essential for calculating the Zakat base, as their deduction leads to a reduction in the Zakat payer's Zakat base outcome.

2. Considering it as an upper limit for the addition of liabilities to the Zakat base.

   Liabilities are a fundamental component of the Zakat base. According to Article 23 of the regulations, the addition of liabilities is limited to the amount of deducted assets (deduction items). Accordingly, the inclusion of liabilities is contingent on determining the deducted assets from the Zakat base, as they serve as the upper limit for adding liabilities.

3. Allowance for Deducting Depreciation Expense

   Meeting the conditions for deducting fixed assets from the Zakat base is one of the key determinants for allowing the depreciation expense of an asset to be considered among the acceptable assets for Zakat purposes. Article 63 of the regulations stipulates that depreciation expenses are considered acceptable expenses if the conditions outlined in Article 48, related to the rules for deducting non-current assets and properties, are met.

4. Applying the Provisions of Liability Placement Based on It.

   The placement of liabilities added to the Zakat base refers to the correction of liabilities added to the Zakat base when a current asset is deducted or a non-current asset is not deducted. For the purpose of placement, it is necessary to identify the deducted current asset or the non-deducted non-current asset. Therefore, reaching the deduction items is essential for performing the placement of liabilities added to the Zakat base.

   This procedure aims to achieve equality between the current and non-current assets and liabilities. Article 25 of the regulations outlines the cases and mechanisms for placement, stating that placement of liabilities is required in the following instances:

a. When a non-current asset is not deducted, it is necessary to adjust the addition of liabilities by excluding a proportion of non-current liabilities added to the base.
b. When a current asset is deducted, it is necessary to adjust the addition of liabilities by including a proportion of current liabilities not added to the base.

   Thus, determining deduction items affects the items of liabilities added to the Zakat base in accordance with the placement provisions.

5. Identifying Non-Deducted Assets Through Them

   Non-deducted assets refer to the remainder of a Zakat payer's total assets after excluding deducted assets (deduction items) from the base. Therefore, identifying deduction items is essential to reach the non-deducted assets. Non-deducted assets significantly impact the calculation of the Zakat base, as they are one of the primary determinants for reaching the minimum Zakat base, as stated in Article 27 of the regulations.

   It is evident from the above that identifying and reaching deduction items is among the most critical procedures in calculating the Zakat base. Article 26 of the regulations specifies the key deduction items and outlines the conditions, considerations, and criteria that must be met for the acceptance of these deductions from the Zakat base.

In general, deduction items include assets that are not subject to Zakat, such as assets acquired for use in activities, as well as assets on which Zakat has been paid within the Kingdom in other Zakat bases in the Kingdom, such as investments of Zakat payer in entities that are subject to Zakat collection within the Kingdom. Or restricted from disposal, such as certain types of statutory deposits and delayed government dues.

It is also important to note in this introduction that deduction items require adherence to a number of detailed procedures, controls, and conditions stipulated in the regulations. These details will be reviewed thoroughly in this Guideline when discussing the specifics of the deduction items categories.

According to the provisions of the regulations, the Zakat payer calculates deduction items in the Zakat base based on the value reported in the statement of financial position at the end-of-period balance. This applies regardless of the acquisition date of the asset or any transactions that occurred during the year. For instance, an asset carried forward from previous years can be deducted from the Zakat base as long as it meets the conditions and criteria for deduction. Similarly, an asset acquired during the year can also be deducted from the Zakat base if it satisfies the applicable conditions and criteria for deduction.

The Zakat payer also relies on the deduction items from the Zakat base regardless of their source of funding, whether financed from the internal resources of the entity (e.g., purchasing the asset using cash surpluses generated from operating cash flow) or from external financing sources (e.g., purchasing the asset through external financing transactions or any form of deferred payment). Deducting items of deduction from the Zakat base is accepted as long as the conditions and criteria for deduction are met, regardless of their source of funding.

## 2.2. Definitions and Related Terms

### 1. Fair Value

The price received for selling an asset or a liability is transferred in a statutory transaction between market participants at the measurement date.

### 2. Adjusted Net Profit

The book net profit after being adjusted in accordance with the requirements of the regulation, such as non-accepted expenses or undeclared revenues.

### 3. Adjusted Net Loss

The book net loss after being adjusted in accordance with the requirements of the regulation, such as non-accepted expenses or undeclared revenues.

### 4. Acceptable Expenses

These are expenses the regulation has approved for being deducted either absolutely or under specific conditions as stated in the regulation.

### 5. Non-Deducted Assets

These are the remaining assets of the Zakat payer after excluding the deducted assets (deduction items) mentioned in Article (26) of the regulation.

### 6. Sukuk or Bonds

These are securities issued by governments or companies to raise funds from investors for a specified period with a defined maturity date.

### 7. Deferred Tax Asset

The value of income taxes that are refundable in future periods concerning the following:

- Deducted temporary differences, i.e., those deductible from taxable profits in future periods.
- Unused tax losses carried forward to subsequent periods.
- Unused tax credits carried forward to subsequent periods.

### 8. Statutory Deposits

These are cash amounts required by regulatory authorities (such as central banks or financial authorities) for financial and commercial entities to deposit as part of compliance requirements for the related regulations.

### 9. Deferred Tax Liability

Income tax amounts that will become payable in future periods related to taxable temporary differences.

### 10. Partner's Creditor and Debtor Loans

Amounts owed to or by partners, excluding capital and accrued or deferred profits.

### 11. Contract Costs

Costs incurred to obtain a contract or specific costs to fulfill the contract, recognized as an asset when the relevant accounting conditions are met.

### 12. Contract Liabilities

Amounts received in advance from customers until the fulfillment of contract obligations or the service and its execution against the revenues.

### 13. Right-of-Use Asset

Assets arising from finance lease contracts with the lessee.

### 14. Leased Asset under a Finance Lease

Assets leased under finance lease contracts.

### 15. Equity

The remaining value of assets after subtracting the value of liabilities. The components of equity vary depending on the legal structure of the entity, and typically include capital, reserves, retained earnings, and accumulated losses.

From a Zakat perspective, equity includes internal sources of funds such as invested capital, accumulated earnings, and the carried forward losses, which include the allocated reserves and all realized and unrealized profits.

### 16. Unrealized Profits

Gains or profits arising from the revaluation differences of certain types of assets.

### 17. Investment Portfolio

An investment base through which investments are made in listed securities, typically created through a licensed securities company.

### 18. Investment Properties

Properties held to earn rental income, for capital appreciation, or both.

### 19. Vital Assets

A group of live animals and plants held for the purpose of conducting business.

### 20. Intangible Assets

Non-monetary assets that are identifiable and have no physical substance.

### 21. Real Estate Projects Under Construction

Real estate projects that are incomplete and still in the development or construction phase.

### 22. Provisions

Uncertain timing and amount obligations, which are presented in the statement of financial position according to their nature.

### 23. Investment Funds

Investment base that collects capital from a group of investors and manages it according to a specific investment strategy and objectives set by the fund manager to achieve investment benefits that individual investors may not be able to achieve on their own due to limited available resources.

### 24. Holding Company

A joint-stock company, simplified joint-stock company, or limited liability company that establishes or owns shares or stocks in existing companies, which then become its subsidiaries.

### 25. Subsidiary Company

A joint-stock or limited liability company controlled by a holding joint-stock or limited liability company.

## 2.3. General Controls for Deduction Items

When deducting any item of deduction items, it is necessary to ensure that the conditions and considerations for deduction outlined in the regulations are met. Article 48 of the regulations includes the general conditions for deducting non-current assets and similar items, which can be summarized as follows:

A. It must be listed in the financial statements of the Zakat payer.

   No item can be deducted if it is not included in the Zakat payer's statement of financial position, even if it is used in the activity. For example, if the establishment uses certain machines and equipment but does not record them in its accounting books, these machines and equipment are not considered accepted deduction items.

B. It must be acquired for use, not for resale.

   In this case, the asset is considered to have been acquired for resale rather than for use in the activity, which excludes it from being considered a Zakat-eligible asset for deduction. An asset is considered for use as long as it is classified as a non-current asset and used in the activity of the establishment, unless proven otherwise by the authority.

C. It must be deducted at its net book value shown in the financial statements.

   Items in the statement of financial position appear based on the nature of the item according to the prescribed accounting treatment in the relevant standards. The values of the statement of financial position items may be displayed according to different criteria, such as:

   - Showing at historical cost.
   - Showing at fair value.
   - Showing at book value according to the prescribed treatment.

D. It must be registered in the name of the Zakat payer, but this condition is waived if any of the following controls are met:

1. There is an obstacle preventing the transfer of the asset's ownership to the company's name.
2. It is used in the company's activity.
3. It is an in-kind contribution to the capital.
4. Revenues or expenses are recognized in the financial statements.

**Example (1):**

The following data appeared under the non-current assets of the statement of financial position for a company:

| Assets | 2024 | 2023 |
|---|---|---|
| | 2024 (SAR) | 2023 (SAR) |
| **Non-Current Assets** | | |
| Property, Machinery, and Equipment | 16,242,189 | 16,783,596 |
| Intangible Assets | 5,198,125 | 5,455,314 |
| Investment Properties | 15,146,564 | 15,558,032 |
| **Total Non-Current Assets** | **36,586,878** | **37,796,942** |

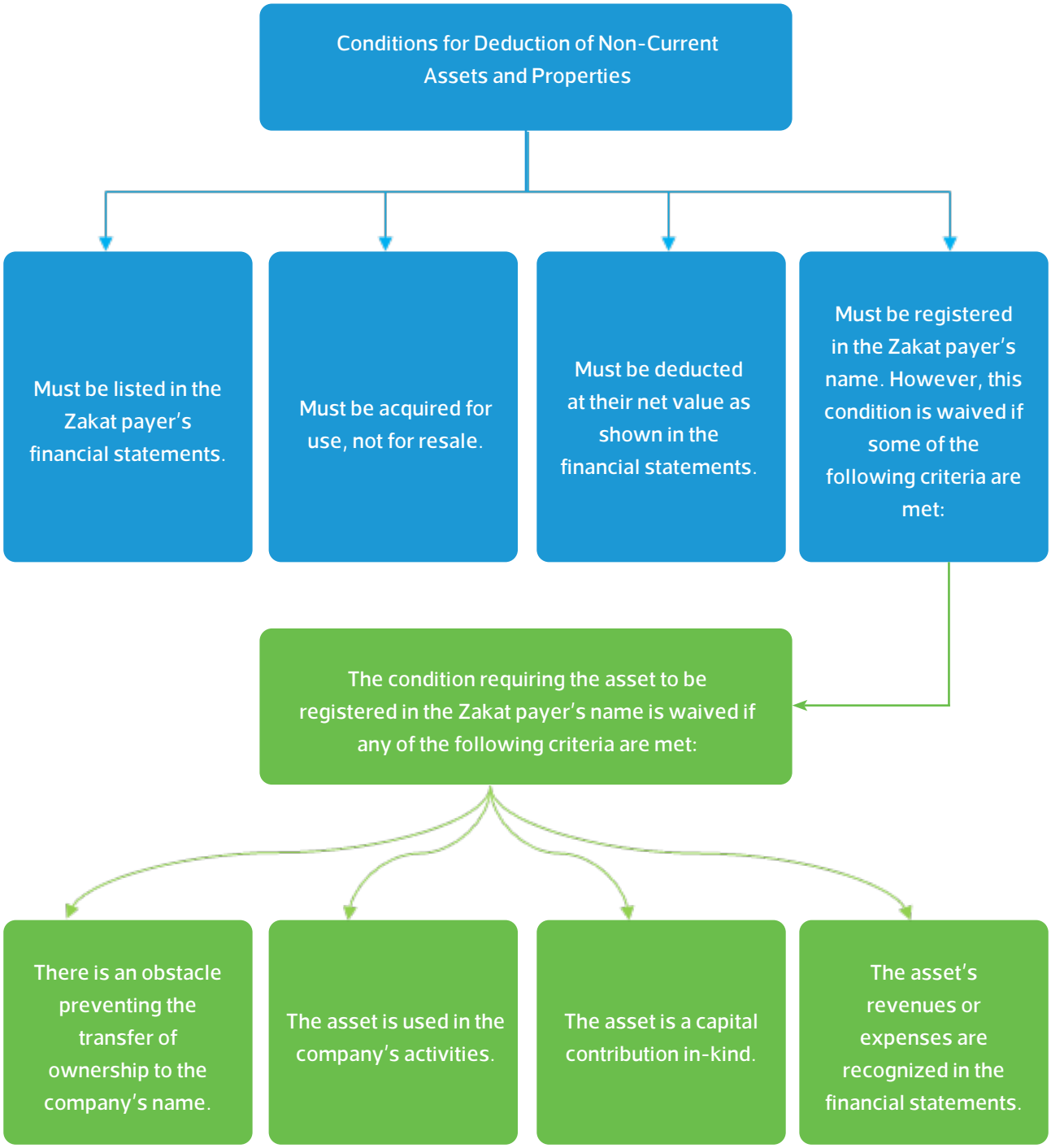
The components of the "Property, Machinery, and Equipment" item also appeared in the financial statement notes as follows:

| Assets | End-of-period balance | Details |
|---|---|---|
| Administration Building | 7,552,618 | The building is registered under one of the partners' names and ownership has not been transferred due to a mortgage on it for two years. |
| Vacant Building not registered in the company's name | 5,874,259 | The building is registered under one of the partners' names, and there is no obstacle to transferring its ownership to the company, but the company has not provided proof of using the building in its activities. |
| Vehicles | 3,356,719 | Vehicles owned by the company and used in its activities. There are other vehicles worth 330,000 SAR that have not been recorded in the company's financial statements due to some documentation restrictions. |

What elements of property, Machinery, and equipment can be deducted from the company's Zakat base?

**The Solution:**

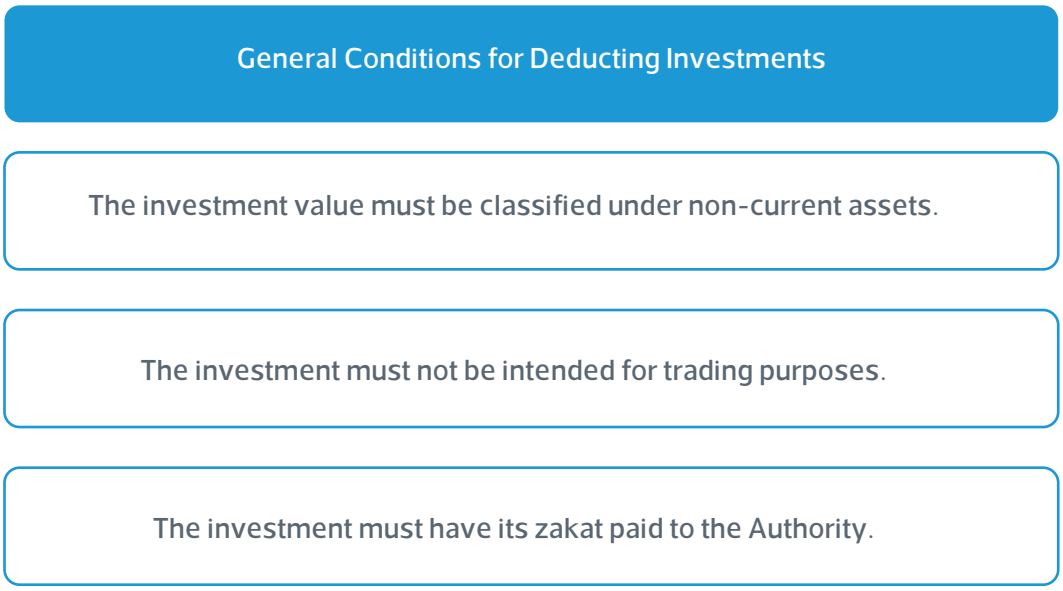
| Assets | Amount (SAR) | Deducted/Not Deducted | Reason |
|---|---|---|---|
| Administration Building | 7,552,618 | Deducted | There is an obstacle preventing the transfer of ownership to the company's name. |
| Vacant Building not registered in the company's name | 5,874,259 | Not Deducted | Not registered under the company's name, and there is no obstacle to transferring asset's ownership, but the company has not provided evidence of using the building in its activities. |
| Vehicles | 3,356,719 | Deducted | Owned by the company, used in activities, and recorded in the financial statements. |
| Vehicles | 330,000 | Not Deducted | Not recorded in the financial statements. |


Conditions for Deduction of Non-Current Assets and Properties
Must be listed in the Zakat payer's financial statements.
Must be acquired for use, not for resale.
Must be deducted at their net value as shown in the financial statements.
Must be registered in the Zakat payer's name. However, this condition is waived if some of the following criteria are met:
The condition requiring the asset to be registered in the Zakat payer's name is waived if any of the following criteria are met:
There is an obstacle preventing the transfer of ownership to the company's name.
The asset is used in the company's activities.
The asset is a capital contribution in-kind.
The asset's revenues or expenses are recognized in the financial statements.

## General Conditions for Deducting Investments

The regulations include mandatory conditions for deducting investments in establishments, investment funds, or Sukuk and bonds, which can be generally summarized as follows:

1. The investment value must be classified under non-current assets.
2. The investment must not be intended for trading purposes.
3. The investment must have its Zakat paid to the Authority. The method of Zakat payment varies depending on the nature and location of the investment, as will be detailed in the section discussing the types and forms of investments in this Guideline.



## Example (2):

The following data appeared under non-current assets in the statement of financial position for a company:

| Assets | | |
|---|---|---|
| | 2024 (SAR) | 2023 (SAR) |
| **Non-Current Assets** | | |
| Property, Machinery, and Equipment | 11,369,532 | 11,748,517 |
| Intangible Assets | 7,038,688 | 7,818,720 |
| Investments | 26,002,595 | 26,290,622 |
| **Total Non-Current Assets** | **44,410,815** | **45,857,859** |

The components of the "Investments" item appeared in the financial statement notes as follows:

| Asset | End-of-period balance | Details |
|---|---|---|
| Investment in Company (C) | 16,002,000 | Investment in the equity of Company (C) for non-trading purposes. It is a Saudi company registered with the authority. |
| Investment in shares of an American company | 10,000,595 | Investment in shares of an American company. |

What investment elements can be deducted from the company's Zakat base?

## The Solution:

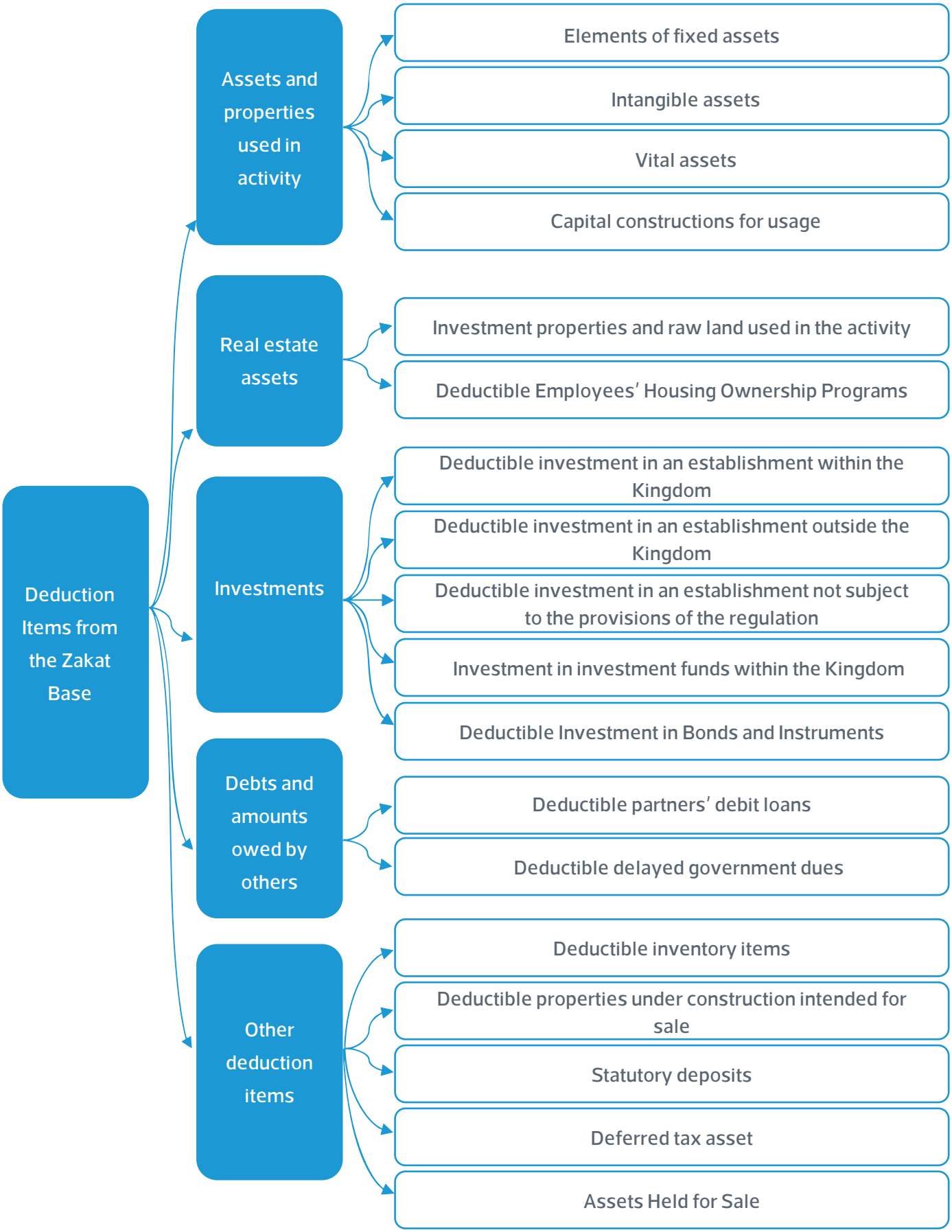
| Assets | Amount (SAR) | Deducted/Not Deducted | Reason |
|---|---|---|---|
| Investment in Company (C) | 16,002,000 | Deducted | Investment for non-trading purposes, recorded in the financial statements as non-current assets, and Zakat has already been paid by Company (C). |
| Investment in shares of an American company | 10,000,595 | Not Deducted | Because its Zakat has not been paid to the authority. |

# 3. Categories of Deduction Items

## 3.1. Introduction

The deducting of deduction items requires adherence to all the conditions and controls stated in the regulations. The general conditions and controls for deducting the deduction items have been presented in Section 2.3 of this Guideline. In addition, some deduction items have specific conditions that must be met to allow their deduction from the Zakat base. These include partners' debit loans, delayed government dues, and statutory deposits, as per the controls and conditions outlined in the regulations. These items, along with all deduction items, will be reviewed under the following categories:

1. Assets and properties used in the activity.
2. Real estate assets.
3. Investments.
4. Debts and amounts owed by others.
5. Other deduction items.


Deduction Items from the Zakat Base
Assets and properties used in activity
Elements of fixed assets
Intangible assets
Vital assets
Capital constructions for usage
Real estate assets
Investment properties and raw land used in the activity
Deductible Employees' Housing Ownership Programs
Investments
Deductible investment in an establishment within the Kingdom
Deductible investment in an establishment outside the Kingdom
Deductible investment in an establishment not subject to the provisions of the regulation
Investment in investment funds within the Kingdom
Deductible Investment in Bonds and Instruments
Debts and amounts owed by others
Deductible partners' debit loans
Deductible delayed government dues
Other deduction items
Deductible inventory items
Deductible properties under construction intended for sale
Statutory deposits
Deferred tax asset
Assets Held for Sale

## 3.2. Assets and Properties Used in the Activity

The assets and properties used in the Zakat payer's activity appear under the entity's non-current asset. These include tangible assets with a physical presence and intangible assets without a physical presence.

The assets and properties used in the Zakat payer's activity encompass various types of assets depending on the nature and needs of the activity. These include factories, equipment, furniture, and real estate used in the Zakat payer's activity, and vital assets employed in the activity. These assets and properties may be owned by the Zakat payer or leased under a finance lease contract in accordance with the relevant accounting considerations.

The assets and properties used in the Zakat payer's activity are deducted when they meet the deduction conditions outlined in the regulations. These assets are considered fixed assets used and consumed in the activity, not intended for trade or growth. The deduction is based on their value as presented in the statement of financial position at the end of the year, reflecting the accounting treatment requirements of the asset in accordance with the relevant accounting standard. For Zakat collection purposes, the accounting standards approved by the Saudi Organization for Chartered and Professional Accountants (SOCPA) are applied concerning terms, accounting treatments, and financial reports submitted to the authority.

From an accounting perspective, the treatment of assets and properties used in the Zakat payer's activity depends on the nature and type of the asset. Real estate, machinery, and equipment owned by the entity and acquired for use in the activity are accounted for per the requirements of International Accounting Standard 16 (IAS 16) - Property, Plant, and Equipment. If these assets are recorded in the entity's books under a finance lease contract, they are accounted for per the requirements of International Financial Reporting Standard 16 (IFRS 16) - Leases. As for intangible assets, which lack physical substance and are used in the entity's activity, they are accounted for per the requirements of International Accounting Standard 38 (IAS 38) - Intangible Assets. Vital assets acquired for use in certain types of agricultural activities are accounted for per the requirements of International Accounting Standard 41 (IAS 41) - Agriculture.

Some International Accounting Standards for Assets and Properties Used in the Activity

| Asset | Standard |
|---|---|
| Real estate, machinery, and equipment owned by the entity and acquired for use in the activity | International Accounting Standard 16 (IAS 16) - Property, Plant, and Equipment |
| Assets recorded under a finance lease contract | International Financial Reporting Standard 16 (IFRS 16) - Leases |
| Intangible assets without physical substance and used in the entity's activity | International Accounting Standard 38 (IAS 38) - Intangible Assets |
| Vital assets acquired for use in the activity | International Accounting Standard 41 (IAS 41) - Agriculture |
| Assets held for sale | International Financial Reporting Standard 5 (IFRS 5) - Non-current Assets Held for Sale |

For Zakat purposes, the assets and properties used in the Zakat payer's activity, or their equivalents, may include the following:

1. Fixed asset elements.
2. Intangible assets.
3. Vital assets.
4. Capital constructions intended for use.

## 3.2.1. Fixed Asset Elements

Taking into account the general conditions for deducting non-current assets and properties, or their equivalents, as outlined in Section 2.3 of this Guideline, article 49 of the regulations considers fixed assets used in the Zakat payer's activity as deduction items from the Zakat base. The article includes various types of assets treated as fixed assets for Zakat purposes. In this section, we will review some of the assets mentioned in this article, and the remaining types will be discussed in the other categories covered in this section.

### 3.2.1.1. Net Fixed Assets

Fixed assets are among the most common deduction items for establishments, as conducting business activities often requires the presence of various types of fixed assets used in the activity. Examples include:

- Real estate.
- Factories.
- Machinery and equipment.
- Vehicles.
- Furniture.

Fixed assets are treated under the requirements of International Accounting Standard 16 (IAS 16) - Property, Plant, and Equipment, which defines property, machinery, and equipment as tangible items held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and which are expected to be used over more than one period.

According to the standard's requirements, property, machinery, and equipment items should be recognized as assets when it is probable that future economic benefits associated with the asset will flow to the entity, along with the ability to measure the asset's cost in a reliable manner.

When the asset is recognized, all costs related to property, machinery, and equipment should be recognized when incurred. These costs include expenses incurred when purchasing or constructing an item of property, machinery, and equipment, as well as costs incurred later to add to the asset, replace part of it, or maintain it.

Regarding the subsequent measurement of assets, the standard allows for two accounting models:

**First:** The Cost Model which involves recording assets at cost, minus accumulated depreciation.

**Second:** The Revaluation Model which involves recording assets at their revalued amount, which is the fair value at the revaluation date, minus accumulated depreciation. The application of this model requires that fair value can be reliably measured.

The entity must choose either the cost model or the revaluation model as its accounting policy, and this policy should be applied to the entire assets category of property, machinery, and equipment categories.

For Zakat purposes, fixed assets may be deducted from the Zakat base if classified as non-current assets. The deduction is based on the balance shown in the statement of financial position at the end-of-period, regardless of the model used to measure the asset's value as shown in the statement of financial position.

Prepayments purchasing fixed assets are also considered part of fixed assets and may be deducted from the Zakat base based on the end-of-period balance. Prepayments for the purchase of fixed assets occur when the entity makes an advance payment for a fixed asset purchase before the end of the year, but the asset is not acquired until after the year-end. As a result, a current debit balance for the advance payment appears. The regulations permit the deduction of this balance, considering its eventual conversion. When the asset is acquired, this balance is transferred to the account of the purchased fixed asset. Additionally, the advance payment balance may be considered a part of external financing sources (non-current liabilities). For example, if an entity pays an advance of 100,000 SAR to purchase a car, this payment will be recorded as an advance under debtor accounts. Upon completing the purchase, the entity will pay the remaining balance of the car and record it in the asset account, transferring the advance payment amount to the asset account. In this case, if the year ends before the purchase is completed, the company may deduct the advance payment balance from the Zakat base based on the balance shown at the end-of-period, regardless of whether it is classified as a current or non-current asset.

### 3.2.1.2. Right-of-Use Asset

For Zakat purposes, a right-of-use asset classified as non-current under a finance lease contract by the lessee is considered equivalent to fixed assets. This is in accordance with the treatments outlined in International Financial Reporting Standard 16 (IFRS 16) - Leases, which establishes principles for the recognition, measurement, presentation, and disclosure of lease contracts.

The standard requires the lessee, at the commencement date of the lease contract, to recognize a right-of-use asset within its assets, as well as lease liabilities. However, the standard allows the lessee to opt out of this requirement in cases of short-term leases or leases of low-value assets. In such cases, the lessee records lease payments as period expenses on a straight-line basis. The lessee will not have any deductible assets as a result of this.

The recognition of a right-of-use asset by the lessee results in the following:

1. Proving the right-of-use asset subject to the contract, which is often disclosed separately from other assets in the statement of financial position.
2. Proving the financial lease liabilities, which is often disclosed separately from other liabilities in the statement of financial position.
3. Proving the periodic depreciation expense for the right-of-use asset and interest expense on the financial lease liabilities in the income statement.

The right-of-use asset may be deducted from the Zakat base if classified as a non-current asset for Zakat purposes. The deduction is based on the balance shown on the statement of financial position at the end-of-period. Additionally, the items above are treated according to the regulations for handling liabilities items and accepted expenses for Zakat purposes.

International Financial Reporting Standard 16 (IFRS 16) - Leases require lessees to disclose within the notes about information that, together with the details provided in the statement of financial position, profit/loss statement, and cash flow statement, provides users of the financial statements with a basis to evaluate the impact of lease contract on the lessee's financial position, financial performance, and cash flows. This ensures access to all details of items resulting from lease agreements and their Zakat treatments in accordance with the provisions of the regulations.

As for the lessor, according to the requirements of the standard, lease agreements can be classified as follows:

1. Operating Lease: This classification applies when the indicators of a finance lease, as outlined in the standard, are not met. In this case, the asset remains recorded in the lessor's books, and lease payments are recognized as periodic income over the lease term. The lessor may deduct the net book value of the fixed asset recorded in their accounts if other deduction conditions are met.
2. Finance Lease: This classification applies when the indicators of a finance lease, as outlined in the standard, are met. In this case, the asset does not appear in the lessor's books. Instead, the lessor records a debtor account representing the present value of the total investment in the lease contract. Leased assets under finance leases are not considered deductible investments in the Zakat base of the lessor, regardless of their classification in the financial statements, unless they are part of build-operate-transfer (BOT) projects as described in section 8.2.1.4 of this Guideline.

### 3.2.1.3. Contract Costs

For Zakat purposes, contract costs classified as non-current assets within the entity's assets are treated as fixed assets. Contract costs are defined as the expenses incurred by the entity to obtain or fulfill a contract.

Contract costs are treated according to IFRS 15 - Revenue from Contracts with Customers, which addresses the accounting treatment for contract costs. The standard states that additional costs to obtain a contract are those costs incurred by the entity to secure a contract with a customer, such as sales commissions. It also specifies the conditions under which an entity must recognize an asset for costs incurred to fulfil a contract. Examples of such costs include direct labor costs, direct material costs associated with the contract, and costs explicitly charged on the customer under the terms of the contract.

Contract costs are charged on the account for contract costs as part of either current or non-current assets, depending on the nature of the contract and the execution period. These include:

- Costs to obtain the contract: such as sales or marketing expenses related to securing the contract.
- Costs to fulfil the contract: such as material and labor costs necessary to execute the contract. Certain contract costs may also be capitalized if they provide future benefits and specific conditions are met, such as costs linked to improving the contract's performance.

The standard also requires disclosing of contract costs, detailing their nature and how they are recovered over the contract period.

Contract costs may be deducted from the Zakat base if classified as non-current assets for Zakat purposes. The deduction is based on the balance shown in the statement of financial position at the end-of-period.

The International Financial Reporting Standard 15 (IFRS 15) - Revenue from Contracts with Customers - also addresses cases where contract costs are directly recognized as period expenses without being charged on contract costs. Examples include general and administrative expenses not explicitly charged on the customer and costs related to performance obligations that have been fulfilled. These costs are treated according to the provisions of the regulations regarding accepted expense treatment for Zakat purposes.

### 3.2.1.4. Build-Operate-Transfer Projects

With the expansion of construction and the emergence of the need to create large public assets with long-term returns, such as airports, bridges, refineries, railways, stations, and others, a need emerged for contractual arrangements involving entities undertaking the construction and operation of these assets due to their available resources, followed by transferring their utility to the project or asset owner. These assets are typically linked to infrastructure or large-scale projects. They are executed through various forms and types of agreements related to Build-Operate-Transfer (BOT) contracts, which have diversified and evolved with the increasing demand for such projects and assets.

Build-Operate projects are defined as investment contracts aimed at creating productive, income-generating assets. In such arrangements, the lessor undertakes the construction of the income-generating asset and operates it, providing its utility and production to the lessee, who benefits from the (utility/production) in exchange for lease payments to the lessor. This does not include cases where the sole subject of the transaction is the asset itself. Build-Operate contracts vary in their forms, mechanisms, and objectives, including, but not limited to:

A. Build-Operate-Transfer (BOT) Contracts
B. Build-Own-Operate-Transfer (BOOT) Contracts
C. Build-Own-Operate (BOO) Contracts
D. Acquire-Operate-Transfer (AOT) Contracts

Therefore, the term «Build-Operate contracts» reflects the nature and characteristics of the agreement and not the accounting term for the implemented asset. Once the asset is completed, it appears on the lessor's books according to the nature of the contract. This can include the project being classified under financial assets, property, and equipment, intangible assets, or financial lease debtors depending on the contract type and the resulting rights. Additionally, the lessor records the revenues from the contract in accordance with the requirements of International Financial Reporting Standard 15 (IFRS 15) - Revenue from Contracts with Customers.

The term «lessor» refers to the entity responsible for constructing, producing, developing, or selling the benefit, goods, or service in build-operate-transfer contracts in all their forms. Meanwhile, the term «lessee» refers to the beneficiary or purchaser of the benefit, goods, or service in build-operate-transfer contracts in all their forms.

The interpretation provided by the IFRS Interpretations Committee 12 (IFRIC 12) - Service Concession Arrangements - offers accounting Guidelinelines related to construction, operation, and maintenance. The interpretation covers several important accounting aspects, including:

- Review of the operator's rights regarding the infrastructure.
- Recognition and measurement of consideration.
- Revenue recognition.
- Accounting for the asset.
- Borrowing costs.
- Maintenance obligations during the operational period.
- Items provided to the operator by the grantor.

Article 74 of the regulation stipulates that the construction, operation, and transfer projects can be deducted by the lessor if the following conditions are met:

A. The lessor is committed to constructing the project.
B. The lessor is committed to operate the project for the purpose of selling the benefit, goods, or services throughout the contract duration.
C. The lessee (or its substitute) is committed to purchasing the benefit, goods, or services from the lessor throughout the contract duration.
D. The primary subject of the contract should be the operation of the asset to produce and sell the benefit, goods, or services, not financing the asset itself. If it is found that the transaction is actually financing the asset, it will not be deducted from the Zakat base, regardless of its classification in the financial statements.
E. The lessor should not be involved in financing activities.
F. These assets must be classified as non-current assets by the lessor.
G. The activity of the Zakat payer (lessor) must align with the activity of the construction, operation, and transfer project.

### Example (3):

The following statement of financial position for a limited liability company at the end of the year 2024:

| Statement of financial position | | |
|---|---|---|
| **Assets** | | |
| | **2024 AD (SAR)** | **2023 AD (SAR)** |
| **Current Assets** | | |
| Cash and Cash Equivalents | 5,775,001 | 6,208,125 |
| Inventory | 8,662,500 | 7,218,750 |
| Contract Cost | 4,185,401 | 4,756,138 |
| Prepaid Expenses and Other Debit Balances | 5,775,000 | 2,662,500 |
| **Total Current Assets** | **24,397,902** | **20,845,513** |
| **Non-Current Assets** | | |
| Property, machinery, and Equipment | 8,662,500 | 8,951,250 |
| Projects Under Construction | 3,839,000 | 2,909,500 |
| Right of use Asset | 4,331,250 | 3,768,188 |
| Contract Cost | 3,811,500 | 4,030,950 |
| Capital Payments for Purchasing Equipment | 6,406,324 | 5,053,125 |
| **Total Non-Current Assets** | **27,050,574** | **24,713,013** |
| **Total Assets** | **51,448,476** | **45,558,526** |

| Liabilities and Equity | | |
|---|---|---|
| **Current Liabilities** | | |
| Short Term Loans | 2,930,813 | 2,743,125 |
| Accrued Expenses and Other Credit Balances | 7,507,500 | 6,756,750 |
| **Total Current Liabilities** | **10,438,313** | **9,499,875** |
| **Non-Current Liabilities** | | |
| Lease Contract Liabilities | 6,993,750 | 7,715,625 |
| Contract Liabilities | 4,966,500 | 5,093,550 |
| Employee Benefit Liabilities | 288,750 | 274,313 |
| **Total Non-Current Liabilities** | **12,249,000** | **13,083,488** |
| **Equity** | | |
| Capital | 7,000,000 | 7,000,000 |
| Statutory Reserve | 5,368,688 | 5,368,688 |
| Retained Earnings | 16,392,475 | 10,606,475 |
| **Total Equity** | **28,761,163** | **22,975,163** |
| **Total Liabilities and Equity** | **51,448,476** | **45,558,526** |

How much are the deductible assets and properties from the company's Zakat base for the year 2024?

**The Solution:**

| Item | Amount (SAR) |
|---|---|
| Property, Plant, and Equipment | 8,662,500 |
| Projects Under Construction | 3,839,000 |
| Right-of-Use Assets | 4,331,250 |
| Contract Costs | 3,811,500 |
| Capital Payments for Equipment | 6,406,324 |
| **Total Deductible Assets and Properties** | **27,050,574** |

- **Note:** When deducting assets and properties, it is necessary to ensure that all applicable deduction conditions are met.

### Example (4):

The following items are extracted from the trial balance of a listed company at the end of 2025:

| Account | Beginning Inventory | Debit | Credit | End-of-period Balance |
|---|---|---|---|---|
| Buildings (Net) | 7,000,000 | 1,540,000 | 1,120,000 | 7,420,000 |
| Vehicles (Net) | 3,000,000 | - | 480,000 | 2,520,000 |
| Furniture (Net) | 2,000,000 | 440,000 | 320,000 | 2,120,000 |
| Right-of-Use Assets (Net) | 4,000,000 | - | 640,000 | 3,360,000 |
| Cash | 9,000,000 | 1,980,000 | 1,440,000 | 9,540,000 |
| Inventory | 1,500,000 | 330,000 | 240,000 | 1,590,000 |
| Debtors | 3,400,000 | 748,000 | 544,000 | 3,604,000 |

How much are the deductible assets and properties from the company's Zakat base for the year 2025?

### The Solution:

The value of deductible assets and properties from the company's Zakat base is as follows:

| Item | Amount (SAR) |
|---|---|
| Buildings (Net) | 7,420,000 |
| Vehicles (Net) | 2,520,000 |
| Furniture (Net) | 2,120,000 |
| Right-of-Use Assets (Net) | 3,360,000 |
| **Total Deductible Assets and Properties** | **15,420,000** |

- It should be considered that all related applicable conditions for deducting assets and properties are met.

### Example (5):

The following data appeared under assets in the statement of financial position for a company:

| Assets | | |
|---|---|---|
| | 2024 AD (SAR) | 2023 AD (SAR) |
| **Current Assets** | | |
| Cash and Cash Equivalents | 2,887,500 | 3,104,063 |
| Debtors of Finance Lease Contracts | 4,331,250 | 3,609,375 |
| Contract Costs | 2,092,701 | 2,378,069 |
| Other Debit Balances | 2,887,500 | 1,331,250 |
| **Total Current Assets** | **12,198,951** | **10,422,757** |
| **Non-Current Assets** | | |
| Intangible Assets | 1,919,500 | 1,454,750 |
| Property and Equipment | 110,237,000 | 102,015,475 |
| **Total Non-Current Assets** | **112,156,500** | **103,470,225** |
| **Total Assets** | **124,355,451** | **113,892,982** |

The property and equipment line item includes the following:

- A balance of 105,905,750 SAR representing an asset recognized under a Build, Own, Operate, and Transfer (BOOT) contract for a water plant with a term of 9 years.
- A balance of 4,331,250 SAR representing the company's administrative building.

What is the value of the deductible assets and properties from the company's Zakat base?

**The Solution:**

The value of deductible assets and properties from the company's Zakat base is as follows:

| Item | Amount (SAR) |
|---|---|
| Intangible Asset | 1,919,500 |
| Property and Equipment (BOOT Project) | 105,905,750 |
| Company's Administrative Building | 4,331,250 |
| **Total Deductible Assets and Properties** | **112,156,500** |

- It should be noted that when deducting assets and properties, it is necessary to verify that all related deduction conditions are met.

**Example (6):**

A medical company signed a contract to build a medical hospital with an investment company, under which the investment company will construct a fully integrated medical complex. The contract stipulates that the investment company will oversee the hospital's management for 15 years, after which the hospital will be transferred to the medical company.

The total contract value was 150,000,000 SAR, with an agreement that the medical company would pay the contract amount in annual installments of 10,000,000 SAR. The contract value recognized the investment company as an investment in a finance lease contract.

Based on the above, can the investment company deduct the contract value from its Zakat base?

**The Solution:**

Since the essence of the transaction between the medical company and the investment company is the financing of the medical complex construction by the investment company—categorized as a finance lease—with a fixed return that is not affected by the benefit or service.

On this basis, the investment company is not entitled to deduct the value of this investment from its Zakat base, regardless of how it is labeled in the financial statements.

### 3.2.2. Intangible Assets

Intangible assets are identifiable, non-monetary assets without physical substance. The International Accounting Standard 38 (IAS 38) - Intangible Assets - includes the accounting treatments for intangible assets. The standard requires that for an intangible asset to be recognized, it must be probable that future economic benefits associated with the asset will flow to the entity, and the cost of the asset can be measured reliably. Based on this consideration, intangible assets are regarded as assets used in the Zakat payer's activity rather than held for sale or trading. Therefore, they can be treated similarly to tangible fixed assets for Zakat purposes. Examples of intangible assets include:

- Trademarks.
- Computer software and electronic applications.
- Licenses and franchise rights.
- Customer lists.
- Copyrights, patents, and other industrial property rights, service, and operational rights.
- Trade secrets, designs, and models.
- Intangible assets under development.
- Goodwill.

Intangible assets can arise in various forms and situations, including the following:

- Separate Acquisition: It is common for an entity to purchase certain types of intangible assets separately, such as acquiring computer software. In this case, the cost of the asset includes the purchase price and any directly attributable costs associated with acquiring the asset.

- Acquisition through Government Grants: An entity may obtain certain rights or privileges from an authorized government body either for free or for a nominal amount. In such cases, and while considering the recognition criteria for intangible assets stated in the standard, the entity may recognize the intangible asset at its fair value or at a nominal amount, along with any costs incurred for the asset. The details of these treatments are provided in the International Accounting Standard 20 (IAS 20) - Accounting for Government Grants.
- Internally Generated Intangible Assets: An entity may generate certain intangible assets internally. The standard permits the recognition of an intangible asset during the development phase, provided that a number of conditions and criteria outlined in the standard are met.

The standard also mentions other situations that may result in recognising an intangible asset, such as business combinations and asset exchanges. In any case, once an intangible asset is recognized in accordance with the correct accounting considerations and is not held for trading purposes, it is treated as a fixed asset used in the entity's activities. Based on this, Article 50 of the regulations considers intangible assets held for purposes other than trading to be deduction items from the Zakat base.

Regarding the subsequent measurement of intangible assets, the standard permits two accounting models:

**First:** Cost model which involves recording the asset at its cost, minus accumulated amortization.

**Second:** model which involves recording the asset at its revalued amount, which is the fair value at the date of revaluation, minus accumulated amortization. Applying this model requires the fair value to be reliably measurable, which is usually difficult to achieve with intangible assets. As a result, the revaluation model is rarely applied to intangible assets.

For Zakat purposes, intangible assets are deducted from the Zakat base if classified as non-current assets. The deduction is based on the balance shown in the statement of financial position at the end-of-period, regardless of the measurement model used to determine the asset's value shown in the statement of financial position.

### Example (7):

The non-current assets of a company consist of the following items:

| Item | Amount (SAR) |
|---|---|
| Fixed assets | 12,000,000 |
| Right-of-use assets | 9,000,000 |
| Intangible assets | 5,000,000 |
| Capital advanced amounts (to purchase machinery for the factory) | 2,700,000 |
| **Total base deductions** | **28,700,000** |

What is the value assets and properties eligible for deduction from the company's Zakat base?

### The Solution:

The value of assets and properties eligible for deduction from the company's Zakat base is as follows:

| Item | Amount (SAR) |
|---|---|
| Fixed assets | 12,000,000 |
| Right-of-use assets | 9,000,000 |
| Intangible assets | 5,000,000 |
| Capital advanced amounts (to purchase machinery for the factory) | 2,700,000 |
| **Total deductible assets and properties** | **28,700,000** |

- When deducting assets and properties, it is important to verify that all applicable deduction conditions are met.

### 3.2.3. Vital Assets

A vital asset refers to a living animal or plant used in the Zakat payer's activity, capable of generating future economic benefits for the entity. Examples include herds of cattle, poultry, and plants, excluding bearer plants, as the latter are accounted for under the requirements of IAS 16 – Property, Plant, and Equipment. Vital assets, however, are accounted for according to the requirements of IAS 41 – Agriculture.

Vital assets typically appear as part of the company's non-current assets. Entities recognize vital assets only when the following conditions are met:

- The entity controls these assets as a result of past events.
- It is probable that future economic benefits will flow from these assets.
- The fair value or cost of the assets can be measured reliably.

On this basis, vital assets are considered assets used in the Zakat payer's activity, making it permissible to treat them for Zakat purposes as fixed assets used in the activity whenever the deduction conditions are met.

According to the requirements of IAS 41 – Agriculture, vital assets must be recognized at the end of each financial period at their fair value minus costs to sell. Exceptions apply if the fair value cannot be reliably measured; in such cases, the asset is measured at cost minus accumulated depreciation.

For Zakat purposes, vital assets are deducted from the Zakat base if classified as non-current assets. The deduction is based on the balance shown in the statement of financial position at the end-of-period, regardless of the valuation model used for the asset shown in the statement of financial position. Article 51 of the Regulations states that vital assets classified as non-current assets in the financial statements are deduction items from the Zakat base, excluding vital assets held for sale.

### Example (8):

The non-current assets of a company at the end of its Zakat year 2024 were as follows:

| Non-Current Assets | 2024 | 2023 |
|---|---|---|
| Property, Machinery, and Equipment | 3,898,125 | 4,028,063 |
| Intangible Assets | 1,727,550 | 1,309,275 |
| Vital Assets | 45,315,175 | 41,813,928 |
| **Total Non-Current Assets** | **50,940,850** | **47,151,266** |

- The details of the vital assets at the end of 2024 were as follows:

| Asset | Amount (SAR) | Nature of Asset |
|---|---|---|
| Agricultural Vital Assets | 18,126,070 | Not held for sale |
| Animal Vital Assets | 27,189,105 | Not held for sale |
| **Total base deductions** | **45,315,175** | |

What is the value of assets and properties deductible from the company's Zakat base?

### The Solution:

The value of assets and properties deductible from the company's Zakat base is as follows:

| Item | Amount (SAR) |
|---|---|
| Property, Plant, and Equipment | 3,898,125 |
| Intangible Assets | 1,727,550 |
| Vital Assets (Agricultural + Animal) | 45,315,175 |
| **Total Deductible Assets and Properties** | **50,940,850** |

- The vital assets were deducted as they were classified as non-current assets and not held for sale.
- It should be ensured that all conditions for deducting assets and properties are met when deducting.

### Example (9):

One agricultural company reported vital assets within its current assets as follows:

| Current Assets | | |
|---|---|---|
| Cash and Cash Equivalents | 2,021,250 | 2,172,844 |
| Agricultural Product Inventory | 1,464,891 | 1,664,648 |
| Prepaid Expenses and Other Debit Balances | 2,021,250 | 931,875 |
| **Total Current Assets** | **5,507,391** | **4,769,367** |
| **Non-Current Assets** | | |
| Property, Machinery, and Equipment | 3,031,875 | 3,132,938 |
| **Total Non-Current Assets** | **3,031,875** | **3,132,938** |

What is the value of deductible assets and properties from the company's Zakat base?

**The Solution:**

The value of deductible assets and properties from the company's Zakat base is as follows:

| Item | Amount (SAR) |
|---|---|
| Property, Machinery, and Equipment | 3,031,875 |
| **Total Deductible Assets and Properties** | **3,031,875** |

- The agricultural product inventory was not deducted as it is classified as current assets.
- When deducting assets and properties, it is important to verify that all the deduction conditions associated with them are met.

### 3.2.4. Capital Constructions for Use Capital Constructions for Use

In cases where properties or assets used in activities are constructed by the entity, they are accounted for as capital constructions at construction costs until they are ready for use. For example, a company building its administrative headquarters.

During the construction phase, construction costs are recorded within the entity's assets as projects or constructions in progress until completion and transfer to fixed assets within the company's assets.

For accounting purposes, asset depreciation begins when the asset is ready for use, meaning assets are considered under construction until they are ready for use.

For Zakat purposes, capital constructions are treated as fixed assets. Article 49 of the regulations states that capital constructions and projects under construction, created for use in the Zakat payer's activities and not for sale, are considered deduction items from the Zakat base.

### Example (10):

The following data appeared under the assets section of the statement of financial position of a company:

| Assets | | |
|---|---|---|
| | **2024 AD (SAR)** | **2023 AD (SAR)** |
| **Current Assets** | | |
| Cash and Cash Equivalents | 7,218,750 | 7,760,158 |
| Inventory | 10,828,125 | 9,023,438 |
| Contract Costs | 7,218,750 | 3,328,125 |
| **Total Current Assets** | **25,265,625** | **20,111,721** |
| **Non-Current Assets** | | |
| Property, machinery, and Equipment | 10,828,125 | 11,189,063 |
| Projects Under Construction | 4,798,750 | 3,636,875 |
| Contract Costs | 24,764,375 | 25,038,688 |
| **Total Non-Current Assets** | **40,391,250** | **39,864,626** |
| **Total Assets** | **65,656,875** | **59,976,347** |

- The balance of projects under construction represents constructing a new administrative building to replace the existing one.

What is the value of the deductible assets and properties from the company's Zakat base?

**The Solution:**

The value of the deductible assets and properties from the company's Zakat base is as follows:

| Item | Amount (SAR) |
|---|---|
| Property, Plant, and Equipment | 10,828,125 |
| Projects Under Construction | 4,798,750 |
| Contract Costs – Non-Current | 24,764,375 |
| **Total Deductible Assets and Properties** | **40,391,250** |

- The balance of projects under construction was deducted since it is intended for use in the company's activities.
- When deducting assets and properties, it is important to verify that all the deduction conditions associated with them are met.

## 3.3. Real Estate Assets

Real estate assets refer to immovable properties such as land and various types of buildings constructed on it. The types of real estate assets held by entities vary, as do the purposes and objectives for acquiring them. Investment properties are a common type of real estate asset, characterized by their presentation, acquisition purpose, and accounting treatment as outlined in International Accounting Standard 40 (IAS 40) - Investment Properties, as explained in section 3.3.1 of this Guideline. Other types of real estate assets include the properties held for use in activities, classified as fixed assets intended for use and treated according to the requirements of International Accounting Standard 16 (IAS 16) - Property, Plant, and Equipment, as reviewed in section 3.2.1.1 of this Guideline. Or properties held for development and resale, classified as real estate inventory and treated in accordance with International Accounting Standard 2 (IAS 2) - Inventories, as discussed in section 3.6.1 of this Guideline.

It is common for entities to hold various types of real estate assets and properties for various purposes other than their regular use in activities. These purposes may include generating income or holding them for future use, such as rented or vacant buildings or land held for future utilization. Additionally, some entities retain certain types of residential properties for employee housing programs in various forms. Such properties are typically classified as non-current assets, considering the intention to hold them for the long term.

An entity may possess various types of real estate assets and properties. This is particularly evident in real estate companies, where an entity might hold certain investment properties for leasing purposes or future retention. The same entity may also own land intended for development and resale. Additionally, the entity might retain other types of real estate assets for different purposes. In such cases, the entity must adhere to the correct accounting classification of these real estate assets, as this classification affects their Zakat treatment. The entity bears the responsibility of proving the nature of the property and the purpose for acquiring it. This can be substantiated through documentation that clarifies the nature of these properties and their intended use, such as (but not limited to):

- Regulatory licenses.
- Minutes of executive committee and board of directors' meetings.
- The actual usage of the property.
- Approved feasibility studies.

Investment properties and real estate assets are deducted whenever the conditions for deduction outlined in the regulations are met. This is because such assets are part of the fixed and consumable assets used in the activity and are not intended for trading or growth. The deduction is made based on their value shown in the statement of financial position at the end of the year, in accordance with the accounting treatment requirements for the asset, based on the relevant accounting standard. For Zakat collection purposes, the standards approved by the Saudi Organization for Chartered and Professional Accountants (SOCPA) concerning terminology, accounting treatments, and financial reporting submitted to the Authority are applied.

It is common for an establishment to own some investment properties outside the Kingdom. In this case, it is permissible to deduct investment properties from the Zakat base, provided the deduction conditions are met and supporting documents are available to validate the claim. The property's location has no impact on the permissibility of the deduction.

The regulations include the Zakat rulings for addressing these cases. In this chapter, we will review the Zakat rulings for investment properties and assets held for employee housing support programs, as follows:

1. Investment properties and raw lands used in the activity.
2. Employee housing ownership programs.

### 3.3.1. Investment Properties and Raw Lands Used in the Activity

Investment properties are properties held to earn rental income, for capital appreciation, or for both purposes, as defined in International Accounting Standard 40 (IAS 40) – Investment Property – which outlines the accounting treatments for investment properties. Examples include a company acquiring a building it owns for the purpose of renting it out to others. The concept of investment properties also includes lands held for future use or long-term capital growth.

Investment properties do not include the following:

- Properties acquired for sale in the ordinary course of the entity's business, as these properties fall under the concept of inventory as defined in International Accounting Standard 2 (IAS 2) – Inventories.
- Properties acquired for use by the entity for administrative or production purposes, as defined in International Accounting Standard 16 (IAS 16) – Property, Plant, and Equipment.

- Properties leased to another entity under a finance lease contract, as defined in International Financial Reporting Standard 16 (IFRS 16) – Leases.
- Non-current assets held for sale, as defined in International Financial Reporting Standard 5 (IFRS 5) – Non-current Assets Held for Sale.

The International Accounting Standard 40 (IAS 40) – Investment Property outlines the recognition of an investment property when the following conditions are met:

- It is probable that future economic benefits will flow from the investment property.
- The cost of the investment property can be reliably measured.

The initial measurement of an investment property is at cost, which includes the acquisition costs of the property and any costs directly attributable to the acquisition process, such as property transfer taxes incurred when purchasing the property.

Based on the above, investment properties are considered assets used for the purpose of activity and generating returns, rather than being intended for sale or trading. Therefore, they are treated for Zakat purposes in the same way as fixed assets. Article 49 of the regulations includes non- current investment properties and raw lands used in the activity as items eligible for deduction from the Zakat base, provided that these properties are not intended for sale.

Regarding the measurement of investment properties, International Accounting Standard 40 (IAS 40) – Investment Property allows the choice between cost and fair value model. The same method must be applied consistently to all investment properties owned by the entity.

For Zakat purposes, investment properties are deducted from the Zakat base according to the balance shown in the statement of financial position at the end-of-period, regardless of the model used to measure the asset's value shown in the statement of financial position.

**Example (11):**

The balance of investment properties under non-current assets for a company at the end of 2024 amounted to 177,000,000 SAR. The analytical data revealed the following:

- The investment properties include 10 land plots within a planned development in Riyadh, valued at 77,000,000 SAR, which the company retains for the purpose of constructing a hotel in the future to generate income and grow the company's capital.
- The investment properties also include land valued at 100,000,000 SAR within a planned development in Jeddah, purchased for resale but recorded as investment properties in the statement of financial position.

What is the value of the investment properties deductible from the company's Zakat base?

**The Solution:**

The value of investment properties deductible from the company's Zakat base is as follows:

| Item | Amount (SAR) |
|---|---|
| Investment properties – plots of land in a Riyadh development | 77,000,000 |
| **Total deductible investment properties** | **77,000,000** |

- The balance of investment properties represented by the plots of land in the Riyadh development was deducted because they are used for the growth of the company's capital and not intended for sale.
- The balance of the plots of land in Jeddah development, amounting to 100,000,000 SAR, was not deducted because it is intended for sale.

### Example (12):

The non-current assets for a company at the end of 2025 were as follows:

| Non-Current Assets | 2025 (SAR) | 2024 (SAR) |
|---|---|---|
| Property, Machinery, and Equipment | 12,993,750 | 13,426,876 |
| Intangible Assets | 5,758,500 | 4,364,250 |
| Investment Properties | 39,717,250 | 30,046,426 |
| **Total Non-Current Assets** | **58,469,500** | **47,837,552** |

The financial statement disclosures for the company provide the following details regarding the end-of-period balance of investment properties:

| Investment Properties | Land | Buildings | Total |
|---|---|---|---|
| Beginning Inventory | 10,336,253 | 19,710,173 | 30,046,426 |
| Additions | 865,000 | 6,000,000 | 6,865,000 |
| Exclusions | 0 | 0 | 0 |
| Revaluation Property Differences | 2,320,000 | 32,190,259 | 54,510,740 |
| Depreciation | (930,260) | (1,773,916) | (2,704,176) |
| **Total** | **13,460,993** | **26,256,257** | **39,717,250** |

- The company retains the above properties for the purpose of earning rental income.

What items are deductible from the company's Zakat base?

**The Solution:**

The items deductible from the company's Zakat base are as follows:

| Item | Amount (SAR) |
|---|---|
| Property, Machinery, and Equipment | 12,993,750 |
| Intangible Assets | 5,758,500 |
| Investment Properties | 39,717,250 |
| **Total Deductible Items** | **58,469,500** |

- The investment properties were deducted based on their end-of-period balance, as they are used for rental purposes and not for sale.

**Example (13):**

The end-of-period balance of capital properties in the statement of financial position under non-current assets for a company amounted to 50,000,000 SAR, with the following details:

- A building valued at 35,000,000 SAR, owned by the company in the United Arab Emirates and rented out to generate periodic income.
- A plot of land valued at 15,000,000 SAR in Jeddah, rented to foreign company branches in the Kingdom under a 10-year lease agreement.

What is the value of investment properties deductible from the company's Zakat base?

**The Solution:**

The value of investment properties deductible from the company's Zakat base is as follows:

| Item | Amount (SAR) |
|---|---|
| Building rented in the United Arab Emirates | 35,000,000 |
| Land rented in the Kingdom of Saudi Arabia | 15,000,000 |
| **Total Deductible Investment Properties** | **50,000,000** |

- The full balance of investment properties was deducted as they are used for rental purposes and not intended for sale.

## 3.3.2. Employee Housing Ownership Programs

Employee housing support programs offered by organizations to their employees can take various forms, including, for example:

- The organization directly finances employees to purchase housing without involving any financial institutions.
- The organization constructing housing and selling it to employees on credit.
- The organization developing housing and making it available to employees during their employment period with the company, under specific terms and conditions, without transferring ownership to the employees.
- The organization coordinating with financial institutions to finance its employees, while the organization bears the interest or profit resulting from the financing contract.

Some of the mentioned images result in the creation of certain assets in the establishment's books as follows:

- Receivables from employees in the case of direct financing by the organization.
- Receivables from employees in the case of financing – sale of the housing on credit to the employee.
- Real estate assets in the case of the organization constructing housing and making it available to employees.

According to Article 53, housing owned by a Zakat payer holding statutory accounts and intended to provide accommodation for their employees is considered a deduction item from the Zakat base. This includes employee housing loans, which are the housing loans paid to employees through employee housing support programs. As stated in Article 54 of the regulations, employee housing loans are considered deduction items from the Zakat base if the following conditions are met:

1. The contracts must indicate that the financing was provided through an interest-free loan or selling on credit, without the Zakat payer earning any financial profit or additional fees beyond the original financing amount.
2. The unit price borne by the employee must not exceed its actual cost to the Zakat payer, and the employee must not incur any additional amounts related to the loan, including in cases where the contract is terminated before its term is completed.

### Example (14):

The following data appeared under the assets section in the statement of financial position for a company:

| Assets | | |
|---|---|---|
| | **2024 AD (SAR)** | **2023 AD (SAR)** |
| **Current Assets** | | |
| Cash and Cash Equivalents | 3,609,375 | 3,880,079 |
| Inventory | 5,414,063 | 4,511,719 |
| Prepaid Expenses and Other Debit Balances | 3,609,375 | 1,664,063 |
| **Total Current Assets** | **12,632,813** | **10,055,861** |
| **Non-Current Assets** | | |
| Property, machinery, and Equipment | 5,414,063 | 5,594,532 |
| Intangible Assets | 2,399,375 | 1,818,438 |
| Loans – (Amounts receivable from employees) | 12,382,188 | 12,519,344 |
| **Total Non-Current Assets** | **20,195,626** | **19,932,314** |

- The "Loans – (Amounts receivable from employees)" item consists of housing loans granted to employees for a 10-year period. The amount shown is only the principal of the granted loan, and the company does not charge any interest or additional amounts on it.

What are the items deductible from the company's Zakat base?

**The Solution:**

The items deductible from the company's Zakat base are as follows:

| Item | Amount (SAR) |
|---|---|
| Property, Machinery, and Equipment | 5,414,063 |
| Intangible Assets | 2,399,375 |
| Loans – (Amounts receivable from employees) | 12,382,188 |
| **Total Deductible Items** | **20,195,626** |

- The balance of long-term employee loans was deducted because it meets the conditions for deduction. These loans are part of employee housing support programs, and they are interest-free loans with no additional amounts or fees beyond the origin of the loan.

**Example (15):**

On July 5, 2024, a company entered into an agreement with a contractor to build a residential building to be used as housing for its employees through the sale of separate apartments. The building was completed on November 1, 2025, and the company agreed with employees wishing to own the apartments to pay the cost of each apartment, which amounted to 650,000 SAR, plus a 3% profit for the company. The total amount was to be paid in installments over 6 years. On December 31, 2025, these loans appeared in the company's statement of financial position under the item (Other Debit Balances - Dues to Employees), with a balance of 6,025,500 SAR.

According to the facts mentioned, is the company entitled to deduct the loans granted to the employees?

**The Solution:**

The company is not entitled to deduct these loans from its Zakat base since the conditions for deduction outlined in Article 54 of the regulations have not been met, as the company has generated financial profits from the sale of these residences to employees.

### Example (16):

The property and equipment item classified under non-current assets for a company include the following balances:

| Property and Equipment | Residential Properties | Machinery and Equipment |
|---|---|---|
| End-of-period balance | 19,115,887 | 6,320,156 |

- The residential properties are owned by the company and made available to employees for housing purposes in exchange for a deduction of the housing allowance specified in the contracts of the employees benefiting from these properties.

What items of property and equipment are deductible from the company's Zakat base?

### The Solution:

The deductible items of property and equipment from the company's Zakat base are as follows:

| Item | Amount (SAR) |
|---|---|
| Residential Properties | 19,115,887 |
| Machinery and Equipment | 6,320,156 |
| **Total Deductible Property and Equipment** | **25,436,043** |

- The residential properties were deducted in accordance with Article 53 of the regulations, which permits the deduction of housing owned by the Zakat payer and intended to provide accommodation for their employees.

## 3.4. Investments

Investments in all their forms and types are common assets for entities. Entities engage in various types of investments to achieve periodic returns or grow the entity's capital. These investments may represent the entity's core activity or a secondary activity.

The forms and types of investments in entities vary and include the following examples:

- Equity investments in entities (such as shares or stakes).
- Investments in investment funds of various types.
- Debt instruments investments (such as sukuk and bonds).
- Money market instruments investments (such as deposits and Murabaha).

The regulations include treatments and considerations related to the handling of investment items when calculating the Zakat base. These include the permissibility of deducting investments from the base upon meeting a number of mandatory controls and conditions. When these conditions are fulfilled, the Zakat payer is allowed to deduct the investment from the Zakat base and include it as part of the deduction items.

Deducting the investment from the base may require the Zakat payer to pay their share of the Zakat on the investment in cases where the investmen's Zakat is not paid, depending on the nature of the investment.

Accordingly, the Zakat payer may deduct certain investments listed in the financial statement that meet the deduction conditions, while other investments may not be deducted due to non-fulfillment of these conditions and considerations.

If the deduction conditions for the investment are met, the Zakat payer is allowed to deduct the investment from the Zakat base. This results in the investment being included among the deduction items, thereby affecting the Zakat calculation. The deduction of the investment from the Zakat base has several implications, including:

1. The inclusion of investments within deduction items, which generally results in a reduction of the Zakat base result.
2. The obligation to pay the Zakat payer's share of the Zakat on investments that have not been paid Zakat in cases where it is required
3. The minimum Zakat base is affected if investment gains and losses are recorded in profit or loss (income statement).
4. The maximum Zakat base is affected if investment gains and losses are recorded in other comprehensive income (equity).

In general, and for Zakat purposes, the Zakat payer is responsible for the Zakat of investments shown within their assets. These investments may only be deducted if they have already been paid in the Kingdom, either by the payer or by the invested entity, provided they are not for trading purposes. Furthermore, the activity result may not be adjusted by any gains or losses from investment items, regardless of the nature of these gains or losses.

The regulations clarify the rules related to this under the following sections:

1. Investment in an entity within the Kingdom.
2. Investment in an entity outside the Kingdom.
3. Investment in an entity not subject to the provisions of the regulations.
4. Investment in investment funds within the Kingdom.
5. Investment in sukuk and bonds.

According to the requirement that investments must not be for trading purposes to be eligible for deduction, Article 42 of the regulations outlines the considerations and controls related to trading when the Zakat payer invests in securities through an investment portfolio, in line with the specific terms and conditions for each investment, as follows:

- When an investment is deemed to be held for trading purposes, this impact applies only to the assets within the investment portfolio contained in this investment. It does not affect all assets under the investment item shown in the financial statements.
- An investment portfolio refers to an investment base used to invest in a group of listed securities, typically established through a licensed financial company.

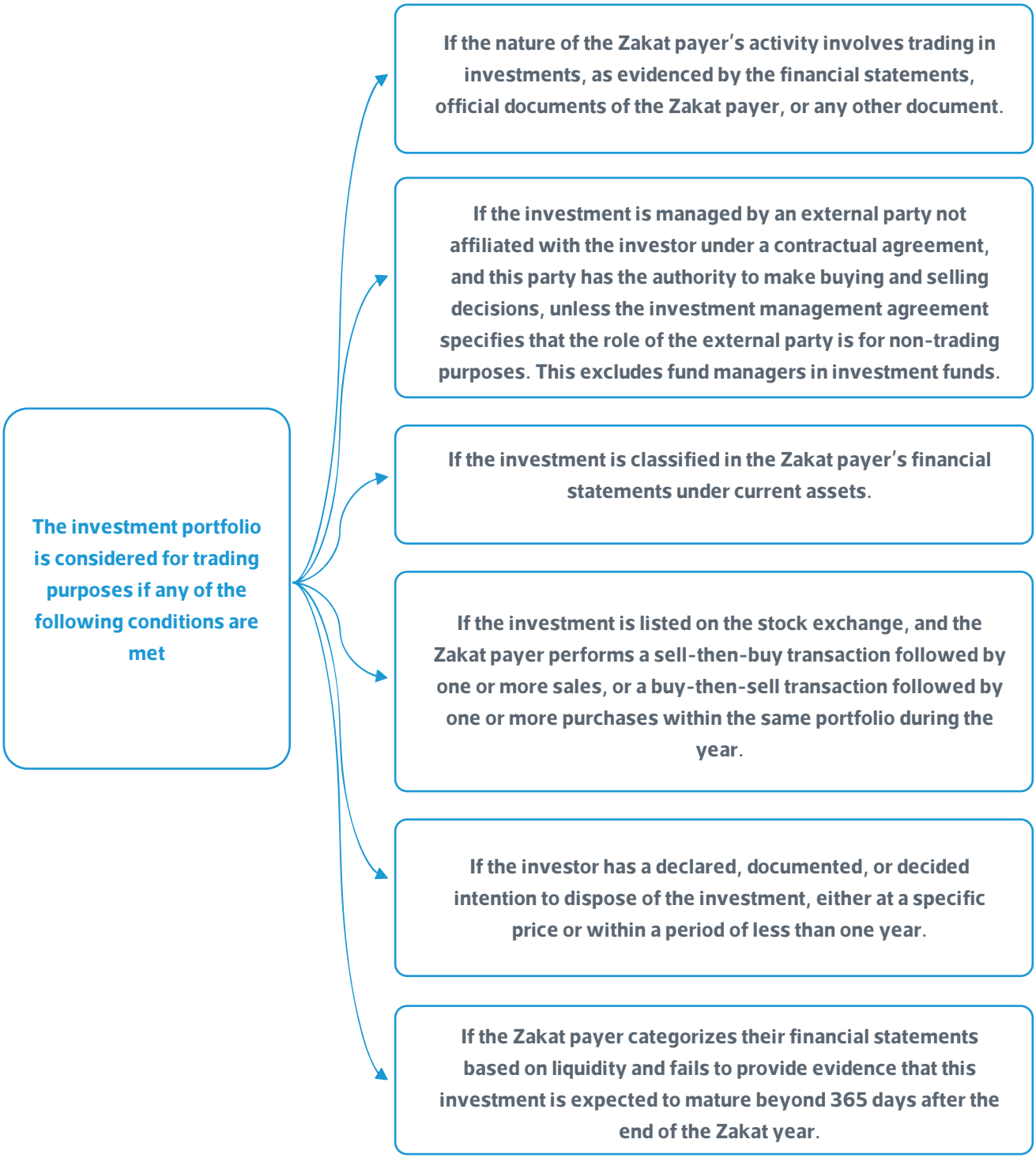
As a result, if a portfolio meets the characteristics of trading, the trading classification applies solely to that portfolio. It does not impact other investment items shown within the Zakat payer's assets, nor does it affect any other investment portfolios held by the Zakat payer.

- An investment portfolio is classified as being for trading purposes if any of the following conditions are met:
    A. If the nature of the Zakat payer's activity involves trading in investments, as evidenced by the financial statements, official documents of the Zakat payer, or any other document indicating the nature of the Zakat payer's activity.
    B. If the investment is managed by an external party not affiliated with the investor under a contractual agreement, and this party has the authority to make buying and selling decisions, unless the investment management agreement specifies that the role of the external party is for non-trading purposes. This excludes fund managers in investment funds.
    C. If the investment is classified in the Zakat payer's financial statements under current assets.

D. If the investment is listed on the stock exchange, and the Zakat payer performs a sell-then-buy transaction followed by one or more sales, or a buy-then-sell transaction followed by one or more purchases within the same portfolio during the year.

E. If the investor has a declared, documented, or decided intention to dispose of the investment, either at a specific price or within a period of less than one year.

F. If the Zakat payer categorizes their financial statements based on liquidity and fails to provide evidence that this investment is expected to mature beyond 365 days after the end of the Zakat year.


The investment portfolio is considered for trading purposes if any of the following conditions are met
If the nature of the Zakat payer's activity involves trading in investments, as evidenced by the financial statements, official documents of the Zakat payer, or any other document.
If the investment is managed by an external party not affiliated with the investor under a contractual agreement, and this party has the authority to make buying and selling decisions, unless the investment management agreement specifies that the role of the external party is for non-trading purposes. This excludes fund managers in investment funds.
If the investment is classified in the Zakat payer's financial statements under current assets.
If the investment is listed on the stock exchange, and the Zakat payer performs a sell-then-buy transaction followed by one or more sales, or a buy-then-sell transaction followed by one or more purchases within the same portfolio during the year.
If the investor has a declared, documented, or decided intention to dispose of the investment, either at a specific price or within a period of less than one year.
If the Zakat payer categorizes their financial statements based on liquidity and fails to provide evidence that this investment is expected to mature beyond 365 days after the end of the Zakat year.

### Example (17):

A company owns an investment portfolio managed by its internal investment management staff. During the year, it was observed that there were three sale transactions in the portfolio without any purchase transactions. Upon reviewing the financial statements, it was found that the portfolio balance is listed under non-current assets.

Can the investment portfolio balance be deducted from the company's Zakat base?

### The Solution:

Yes, the company can deduct the investment portfolio from its Zakat base due to the absence of indicators suggesting trading activities in the portfolio's transactions. Additionally, this investment is classified under non-current assets in the company's financial statements, indicating that the portfolio is for purposes other than trading.

### Example (18):

At the end of the year, the investments of a company classified under non-current assets included the following:

| / | Investment |
|---|---|
| 1 | The balance of an investment portfolio managed by a specialized portfolio management company. An agreement between the two parties specifies the obligations and commissions but does not define a specific mechanism for portfolio management, granting the managing company the authority to buy and sell within the portfolio, and the investment management agreement between them did not specify that the company's role is to invest rather than trade. |
| 2 | The balance of an investment portfolio managed by the company's employees, with a decision from the Board of Directors to liquidate it in the coming months. |
| 3 | The balance of an investment portfolio whose transactions during the year included a purchase, followed by a sale, then another purchase, and finally another purchase. |

Can the balances of the above portfolios be deducted from the company's Zakat base?

## The Solution:

| Investment | Deducted/Not Deducted | Reason |
|---|---|---|
| The balance of an investment portfolio managed by a specialized portfolio management company. An agreement between the two parties specifies the obligations and commissions without defining a specific mechanism for portfolio management. | Not Deducted | Because the portfolio is managed by an external party, with the managing company having the authority to buy and sell in the portfolio, and since the investment management agreement between them did not specify that the company's role is to invest rather than trade, Therefore, the portfolio is considered for trading purposes. |
| The balance of an investment portfolio managed by the company's employees, with a decision by the Board of Directors to liquidate it in the coming months. | Not Deducted | Due to the decision to liquidate the portfolio within a specified period. |
| The balance of an investment portfolio whose transactions during the year included a purchase, followed by a sale, then another purchase, and finally another purchase. | Not Deducted | Due to the occurrence of a purchase followed by a sale, then additional purchases, the portfolio is considered for trading purposes. |

### Accounting Treatment of Investments Item

From an accounting perspective, investments are presented within the Zakat payer's assets and are treated based on the nature and purpose of the investment. The original treatment of these types of investments is to be handled as financial assets under the requirements of International Financial Reporting Standard 9 (IFRS 9) – Financial Instruments – unless the investment in equity instruments (shares or stocks) involves control or significant influence over the investee entity, as follows:

| Type of Investment | Description | Accounting Treatment |
|---|---|---|
| Investment in equity and debt instruments | The investment does not involve control or significant influence. | Accounted for under IFRS 9 – Financial Instruments. |
| Investment in equity | An entity where the investor has significant influence (associate entity). | Accounted for using the equity method and treated under International Accounting Standard 28 (IAS 28) – Investments in Associates and Joint Ventures. |
| Investment in equity | An entity controlled by another entity (subsidiary). | Accounted for using the equity method and treated under International Financial Reporting Standard 10 (IFRS 10) – Consolidated Financial Statements. |

The Zakat treatment is not affected by the accounting method used to treat the investment. The above-mentioned investments are deducted based on their end-of-period balance, regardless of the accounting considerations applied to determine this balance, whether the investment is measured at fair value through profit or loss or through other comprehensive income. The above-mentioned investments may be deducted if their Zakat is paid and are not held for trading purposes, in accordance with the controls and considerations outlined in the regulations.

### 3.4.1. Investment in an Entity within the Kingdom

Investment in an entity within the Kingdom refers to the Zakat payer acquiring shares or equity in entities located in the Kingdom, resulting in the investment balance appearing among the assets of the investing entity. Examples include:

- Ownership of shares in joint-stock companies listed on the financial market within the Kingdom.
- Ownership of shares in privately held joint-stock companies established in the Kingdom.
- Ownership of equity stakes in a limited liability company established in the Kingdom.

The ownership percentage and the nature of the relationship between the investing entity and the investee entity may vary accordingly. Ownership percentage may not necessarily result in any form of control or influence over the investee entity, limiting the relationship to the ownership percentage and the associated statutory rights of the investing entity, such as voting rights on decisions and the right to distribute profits. On the other hand, the ownership percentage may also result in influence or control over the decisions and strategies of the investee entity.

The Zakat ruling is not affected by the difference in the investment percentage or the nature of the relationship between the investing entity and the investee entity. The investment balance may be deducted provided the conditions and requirements for deduction are met. An exception to this is the case of full ownership of the investee entity by the investing entity, which grants the investing entity the right to submit its Zakat declaration based on consolidated financial statements. These consolidated statements include the unification of financial data with the investee entity and the elimination of intercompany transactions between the two entities, including the investment balance. Alternatively, the investing company may submit its Zakat declaration to the investing company based on separate financial statements, handling the investment balance in the investee entity in accordance with the provisions of the regulations.

For Zakat purposes, the investing entity may deduct its investment in an entity within the Kingdom from its Zakat base, considering that the investee entity within the Kingdom is subject to Zakat collection regulations and pays its Zakat to the authority. The purpose of deducting the investment for the investing entity is to avoid double Zakat payment, as the investee entity is already paying Zakat on this investment.

For the purpose of deducting investments, it must be ensured that the investee entity is subject to Zakat collection and registered with the authority, to guarantee that these investments are being accounted for in the Zakat payment by the investee entity. Additionally, the general condition for deducting investments of all types must be met: the investments should not be held for trading purposes. Article 43 of the regulations emphasizes that investments in an entity within the Kingdom (equity investments) are considered deduction elements from the Zakat base, provided the following conditions are met:

A. That the value of this investment is classified as non-current assets.
B. That the investment is not for trading purposes.
C. That the investee entity is registered with the authority and subject to Zakat collection.

**Example (19):**

Company (A) invested 1 million SAR in Company (B). Company (B) is a Saudi company registered with the authority and regularly submits its Zakat declarations. The investment was made by Company (A) acquiring 60% of the equity of Company (B), and this investment was classified as non-current assets in the financial statements of Company (A).

Can Company (A) deduct the balance of this investment from its Zakat base?

**The Solution:**

Yes, the balance of the investment shown in Company (A)'s financial statements can be deducted from its Zakat base since the investment is in the equity of a Saudi company registered with the authority and is not for trading purposes.

**Example (20):**

At the end of 2024, the investment balance of a company appeared as follows:

| Investment | Nature of Investment | Financial Statement Classification | Amount (SAR) |
|---|---|---|---|
| Investment in Company (A) | Investment in the shares of a Saudi company registered with the authority, intended for sale before year-end. | Current Assets | 25,000,000 |
| Investment in Company (B) | Investment in the equity of a Saudi company registered with the authority and not for trading purposes. | Non-Current Assets | 18,000,000 |

Can these investment balances be deducted from the company's Zakat base?

**The Solution:**

| Investment | Amount (SAR) | Deductibility | Reason |
|---|---|---|---|
| Investment in Company (A) | 25,000,000 | Not deducted | Investment for trading purposes and classified as current assets in the company's financial statements. |
| Investment in Company (B) | 18,000,000 | Deducted | Investment in a Saudi company not for trading purposes and classified as non-current assets. |

### 3.4.2. Investment in an Entity Outside the Kingdom

Investment in an entity outside the Kingdom refers to the Zakat payer acquiring shares or equity in entities located outside the Kingdom, resulting in the appearance of the investment balance among the assets of the investee entity. Examples of this include:

- Owning shares in joint-stock companies listed on global stock exchanges.
- Establishing companies outside the Kingdom, fully or partially owned by the Zakat payer.
- Owning equity in a company established outside the Kingdom.

An investee entity is considered to be located outside the Kingdom if the residency conditions outlined in Article 4 of the regulations are not met. This includes entities established within the Gulf Cooperation Council (GCC) countries, which are considered outside the Kingdom unless they fulfill the residency conditions specified in the regulations.

The ownership percentage and the nature of the relationship between the investing entity and the foreign investee entity may vary. The ownership percentage may not result in any form of control or influence over the investee entity, and the relationship may be limited to ownership percentage and the associated legal entitlements for the investing entity. On the other hand, the ownership percentage may lead to influencing or controlling the decisions and strategies of the investee entity.

The Zakat treatment is not affected by variations in the investment percentage or the nature of the relationship between the investing entity and the investee entity. Investment balances in entities outside the Kingdom cannot be deducted unless the Zakat payer pays their share of Zakat on the investment and fulfills the deduction conditions stipulated in Article 42 of the regulations. An exception applies in cases of full ownership of the foreign investee entity by the investing entity, where the investing entity has the right to file the Zakat declaration based on consolidated financial statements. These consolidated statements must include the unification of financial data with the foreign investee entity and the elimination of intercompany transactions between the two entities, including the investment balance. The option remains for the investing entity to submit its Zakat declaration based on separate financial statements, whereby the investment balance in the investee entity is treated in accordance with the provisions of the regulations.

For Zakat purposes, the investing entity may not deduct the investment in an entity outside the Kingdom from its Zakat base unless the investing entity pays its share of Zakat on the investment independently of the Zakat base and Zakat of the investing company. This is because the investee entity located outside the Kingdom is not subject to the Zakat collection regulations in the Kingdom and does not pay Zakat to the authority. Accordingly, deducting the investment is an option available to the investing entity, provided it pays its share of Zakat on the foreign investment within its Zakat declaration.

Based on the above, the Zakat payer, when investing in an entity outside the Kingdom, may choose one of the following treatments:

- Not deducting the investment in an entity outside the Kingdom from the Zakat base.
- Deducting the investment in an entity outside the Kingdom from the Zakat base, provided that the investing entity (Zakat payer) commits to paying its share of Zakat on the foreign investment within its Zakat declaration, independently of the Zakat base and Zakat of the investing company.
- Submitting a consolidated Zakat declaration based on the consolidated financial statements of the investing entity (Zakat payer) with the foreign investee entity, provided full ownership of the foreign investee entity by the investing entity is established.

For the purposes of investment deduction, it is essential to ensure that the investing entity has paid its share of Zakat for the investee entity within its Zakat declaration to guarantee Zakat paying of these investments. Additionally, it is necessary to ensure that the condition for all kinds of investment deduction is met, namely that such investments are not for trading purposes and are classified as non-current assets. Article 44 of the regulations specifies that investment in an entity outside the Kingdom (investment in equity) may be included among the deduction items from the Zakat base if the following conditions are met:

A. The value of the investment must be classified as non-current assets in the Zakat payer's financial statements.
B. The investment must not be for trading purposes.
C. The Zakat payer must pay the Zakat on these investments to the authority within the Zakat declaration. The Zakat on these investments should be calculated independently of the Zakat base, as per a certificate prepared in accordance with the provisions of the regulations and certified by a licensed chartered accountant in the Kingdom.
D. The minimum Zakat base for these investments must align with the provisions of Article 27 of the regulations, regardless of whether profits are distributed or not.

The investing entity is required to pay its share of the Zakat for the investee entity in accordance with the provisions of the regulations as part of its Zakat declaration. This must be certified by a licensed chartered accountant, which necessitates obtaining all necessary financial data to calculate the Zakat base of the investee entity, such as financial statements and detailed analyses of Zakat base items.

In cases where it is not possible to obtain all the financial data of the investee entity due to the lack of control by the investing entity, and for the purpose of preserving the Zakat payer's right to deduct this investment if they wish to pay its Zakat, Article 46 of the regulations allows for the calculation of the Zakat base for foreign investments by deducting current liabilities from current assets. This provision applies in cases where the Zakat payer is unable to calculate the Zakat on foreign investments -for justifiable reasons accepted by the authority-. The article stipulates the following conditions:

1. The Zakat payer's ownership percentage in the capital of the investee company must be less than 50%, as ownership of 50% or more generally allows access to detailed data enabling the investing entity to calculate Zakat in accordance with the requirements of the regulations.
2. The Zakat payer is unable to calculate Zakat in accordance with the provisions of the regulations.
3. The Zakat payer is unable to access the detailed data necessary for the calculation.
4. The Zakat payer is unable to provide the chartered accountant with the required data.

Accordingly, if the above conditions are met, the investing entity (Zakat payer) may calculate the Zakat base for the investee entity by deducting current liabilities from current assets. The result of this deduction is the Zakat base for the investee entity.

When calculating the Zakat base for the investee entity outside the Kingdom based on working capital (in cases where the above conditions are met), and if the investee entity presents its assets and liabilities in order of liquidity, the Zakat base is calculated by deducting short-term liabilities from short-term assets. Short-term liabilities in this context include trade creditors and all debts owed by the entity that are due within one year or less. Short-term assets include, but are not limited to: cash and cash equivalents, inventory, trade receivable debits, or any assets owned by the entity for trading purposes.

**Example (21):**

A company subject to Zakat collection invested 5,200,000 SAR in a foreign company (5 million SAR in exchange for a 70% equity). Accordingly, the investment balance appears in the financial statements of the investing company under non-current assets for 5,200,000 SAR, as per the approved accounting treatment. The company wishes to deduct this investment balance from its Zakat base. The Zakat for the foreign company has been calculated in full and amounts to 100,000 SAR.

What procedures should the company take to deduct this investment balance from its Zakat base?

**The Solution:**

Since the company wishes to deduct the investment balance from its Zakat base, it is required to pay the Zakat on this investment to the authority. As this investment is not for trading purposes and appears in the financial statements under non-current assets, the company must proceed as follows:

Pay its share of the foreign company's Zakat to the authority. This can be calculated as follows:

Zakat for the foreign company in full × the Saudi company's ownership percentage

= 100,000 SAR × 70% = 70,000 SAR.

The company may then deduct the investment balance appearing in the financial statements at the end-of-period, amounting to 5,200,000 SAR. However, it must pay 70,000 SAR to the authority in exchange for deducting the investment balance, as part of the company's Zakat base.

**Example (22):**

A Saudi company has invested in a joint-stock company in the Arab Republic of Egypt to achieve periodic profits distributions from this investment. At the end of 2024, the investment balance appeared under non-current assets in the financial statements of the Saudi company. However, the company's board of directors decided not to pay the Saudi company's share of the Egyptian company's Zakat.

**The Solution:**

The Saudi company cannot deduct the investment balance in the Egyptian company from its Zakat base without paying its share of the Egyptian company's Zakat to the authority.

### 3.4.3. Investment in an Entity Not Subject to the Provisions of the Regulations

If a Zakat payer invests in an entity that is not subject to the provisions of the regulations, such investment's Zakat wouldn't be paid to the authority. This is because the investee entity is not governed by the provisions of the regulations and, therefore, does not pay Zakat to the authority.

Accordingly, if a Zakat payer invests in an entity not subject to the provisions of the regulations, this investment Zakat will not be considered paid for Zakat purposes unless the Zakat payer pays Zakat on this investment.

Based on the above, and for the investing entity to deduct this investment from its Zakat base, it must pay its share of the Zakat on this investment as part of its Zakat declaration. Article 47 of the regulations considers investments (equity investments) in entities not subject to the provisions of the regulations as deduction items from the Zakat base, provided the following conditions are met:

A. The value of this investment is classified under non-current assets in the Zakat payer's financial statements.
B. The Zakat payer pays the Zakat on these investments to the authority as part of the Zakat declaration. The Zakat on these investments must be calculated independently from the Zakat base and certified by a licensed chartered accountant in the Kingdom, in accordance with the provisions of the regulations.
C. The minimum Zakat base for these investments is determined in accordance with Article 27 of the regulations, whether profits are distributed or not.

In this case, the Zakat on the investment will be handled by the investor, rather than by the investee company, as is the case with local companies registered with the authority. Consequently, the procedures available to the Zakat payer in this situation are similar to those for investing in an entity outside the Kingdom. The similarity lies in the fact that both investee entities are not subject to the provisions of the regulations, making the Zakat obligation fall on the investor if the investment is deducted. The Zakat payer, in the case of investing in an entity not subject to the provisions of the regulations, may undertake one of the following actions:

- Not deduct the investment in the entity not subject to the provisions of the regulations from the Zakat base.
- Deduct the investment in the entity not subject to the provisions of the regulations from the Zakat base, with the investing entity (the Zakat payer) committing to paying its share of the Zakat on the investment within its Zakat declaration.
- Submit a unified Zakat declaration based on the consolidated financial statements of the investing entity (the Zakat payer) and the investee entity not subject to the provisions of the regulations, provided full ownership of the investee entity by the investing entity is established.

**Example (23):**

Company (M), a Saudi company, invested in Company (N), which is not subject to the provisions of the regulations. At the end of 2025, the investment balance appeared under the non-current financial assets of Company (M) in the amount of 7 million SAR. Company (M) submitted its Zakat declaration, including deducting the investment balance in Company (N) from the Zakat base without taking any additional actions.

Is the action taken by company (M) compliant with the provisions of the regulation?

**The Solution:**

The action taken by Company (M) is not compliant with the provisions of the regulations in this case. To accept the deduction of the investment balance in Company (N), Company (M) must pay its share of Zakat on Company (N), as Company (N) is not subject to the provisions of the regulations.

### 3.4.4. Investment in Investment Funds within the Kingdom

Investment funds are defined as investment bases that collect capital from a group of investors and manage it according to a specific investment strategy and objectives set by the fund manager, aiming to achieve investment advantages that an individual investor cannot achieve alone due to limited available resources, knowledge, and expertise in the field of the fund's investments.

Therefore, Zakat payers can invest in various types of investment funds, and this investment will appear as part of the Zakat payer's assets, which necessitates addressing its Zakat treatment according to the provisions of the regulations. The regulations include the Zakat rules related to investing in investment funds.

According to the provisions of the regulations, it is important to differentiate between investing in financing funds and investing in other types of funds. This is because financing funds licensed by the Capital Market Authority are considered Zakat payer subject to Zakat collection, as stated in Article 3 of the regulations. As a result, they are considered part of the deduction items from the Zakat base if they meet the conditions for deducting investment in an entity within the Kingdom, as outlined in Article 45 of the regulations.

As for the other types of funds, Paragraph 6 of Article 76 of the regulations stipulates that, except for direct and indirect financing funds, funds are not subject to Zakat collection according to the regulations. This includes funds structured as special purpose entities licensed by the Capital Market Authority, provided that they do not engage in economic activities or investment activities not specified in their articles of association or the terms and conditions of those investment funds.

Therefore, the owner of a unit in investment funds – except for direct and indirect financing funds – cannot deduct their investment in the fund from the Zakat base unless the conditions specified in Article 77 of the regulations are met, which include the following:

A. The investment in the fund must not be for trading purposes.

B. The Zakat on the investment in the fund must be calculated and paid to the authority; either as part of the audited financial statements or based on a certificate prepared in accordance with the regulations, and certified by a licensed chartered accountant in the Kingdom, as stated in Article 78 of the regulations.

C. The financial statements of the investor or the certificate referred to in the previous paragraph must include the calculation of Zakat for the unit holder, by determining the Zakat base for the fund, identifying the number of units owned in the fund, and calculating the Zakat due.

For Zakat purposes, investment funds – except for direct and indirect financing funds – are treated as investments in entities outside the Kingdom, given that the fund does not pay Zakat, similar to an entity outside the Kingdom. Therefore, in the case of investing in an investment fund – except for direct and indirect financing funds – the Zakat payer may adopt one of the following treatments:

- Not deducting the investment in the fund from the Zakat base.
- Deducting the investment in the fund from the Zakat base, with the investing entity (the Zakat payer) committing to pay its share of the Zakat on the investment as part of its Zakat declaration.
- Submitting a consolidated Zakat declaration according to the consolidated financial statements of the investing entity (the Zakat payer) and the invested fund, in the case of full ownership of the investing entity in the fund.

For this purpose, if the Zakat payer (unit holder) is unable to access the detailed data of the fund and provide it to the chartered accountant, the procedure outlined in Article 46 of the regulations, as referred to in paragraph (3.4.2) of this Guideline, may be applied.

**Example (24):**

The following investments appeared under non-current assets in the financial statements of a company:

| Investment | Details |
|---|---|
| Investment in Fund (A) | Investment in a real estate investment fund within the Kingdom, and the company has paid its share of the fund's Zakat. |
| Investment in Fund (B) | Investment in a financing fund within the Kingdom for purposes other than trading. |
| Investment in Fund (C) | Investment in a deposit and Murabaha fund, and the company does not wish to pay its share of Zakat. |

Which investments can the company deduct from its Zakat base?

**The Solution:**

| Investment | Deductibility | Reason |
|---|---|---|
| Investment in Fund (A) | Deducted | The company has paid its share of the fund's Zakat, so it can deduct the investment balance shown in its financial statements for this fund. |
| Investment in Fund (B) | Deducted | Financing funds are subject to Zakat according to the regulations. |
| Investment in Fund (C) | Not deducted | The company will not pay its share of the fund's Zakat, so it cannot deduct the investment balance from its Zakat base. |

### 3.4.5. Investment in Sukuk and Bonds

One of the common forms of investment is when the Zakat payer invests in debt instruments, such as sukuk and bonds. Typically, sukuk and bonds appear within the issuer's items of liabilities. Therefore, the investor Zakat payer cannot deduct the investment in sukuk and bonds from their Zakat base. However, according to the regulations stated in paragraph 55, the Zakat payer is allowed to deduct investments in non-governmental sukuk and bonds from their Zakat base, provided that the issuer treats the sukuk and bonds as capital. This can be confirmed by the issuer's declaration through any document accepted by the authority, treating the sukuk and bonds as capital in the Zakat declaration. Additionally, the issuer Zakat payer is not permitted to reverse this treatment during the maturity period of the sukuk and bonds.

The reason for accepting the deduction in this case is to ensure that the issuer added these sukuk and bonds, when treated as capital, in their Zakat base. This allows the investor to deduct them from their own Zakat base.

An exception to the above applies to government-issued sukuk and bonds, issued by the Ministry of Finance, according to Ministerial Resolution No. (2218) dated 7/7/1440H and its amendments. This resolution outlines the regulations for the government to bear the Zakat and income tax obligations resulting from investments in government sukuk and bonds. The resolution ensures that the government covers the Zakat resulting from investments in government sukuk and bonds, under certain conditions and requirements, after the Zakat payer submits their Zakat declaration and pays the resulting Zakat, which includes the Zakat for the government sukuk and bonds.

### Example (25):

A Saudi company invests in non-governmental sukuk and bonds, which are classified under non-current assets in the financial statements. At the end of the Zakat year, it was found that the issuer of these sukuk and bonds did not treat them as capital in their Zakat base.

Can the company deduct these sukuk from its Zakat base?

### The Solution:

The company cannot deduct the balance of these sukuk and bonds from its Zakat base, as the issuer of these sukuk and bonds did not treat them as capital in their Zakat base.

### Example (26):

The financial statements of a company subject to Zakat at the end of 2025 include the following details for the investment item:

| Investment Type | Accounting Classification | Value | Note |
|---|---|---|---|
| Investment in sukuk issued by a local company | Non-current asset | 3,700,000 SAR | The sukuk are treated as capital by the issuer. |

Does the company have the right to deduct the investment balance from its Zakat base?

### The Solution:

Since the sukuk in which the company has invested are treated as capital by the issuer in their Zakat base, the company is allowed to deduct the investment in these sukuk from its Zakat base.

## 3.5. Debts

Certain types of assets may appear among the Zakat payer's assets, such as dues from others, like debit loans or due receivable debits. These assets vary depending on the nature and circumstances of the activity. Examples of these assets include:

- Amounts due from customers.
- Advances and loans due from employees.
- Related-party debtors.
- Loans and financing from subsidiary companies.

The general rule for dealing with these types of assets is outlined in Article 33 of the regulations, which states that debit loans and similar items cannot be deducted from the Zakat base of the Zakat payer, as amounts due from others are considered Zakatable funds that are not deductible from the Zakat base.

Specific types of receivables and debit loans are excluded from the above, as the regulations allow deducting them from the Zakat base for certain special considerations.

Therefore, it can be said that for Zakat purposes, no asset that constitutes a receivable or a loan owed by others can be deducted, except in the cases specified in the regulations, which are as follows:

1. Housing loans paid to employees, as mentioned in paragraph 3.3.2 of this Guideline.
2. Partners' debit loans, as will be detailed in this section.
3. Delayed government dues, as will be detailed in this section.

It is important to consider the placement provisions when deducting any current asset from receivables and debit loans, such as the deducting partners' debit loans classified under current assets if the conditions and considerations for deduction are met, or deducting delayed government dues classified under current assets if the conditions for deduction are met. Similarly, the placement provisions should be considered when not deducting any non-current asset from receivables and debit loans, such as not deducting partners' debit loans classified under non-current assets if the conditions and considerations for deduction are not met.

When the above-mentioned cases are realized, it is necessary to apply the placement provisions outlined in Article 25 of the regulations, which result in the correction of liabilities added to the Zakat base.

### 3.5.1. Partners' debit loans

Partners' debit loans refer to additional funding amounts provided to entities owned or invested in, which are separate from the original investment amount. Partners' debit loans arise for various reasons and under different circumstances. They may appear due to the partners providing cash or in-kind financing to the company, or because the partners bear certain financial burdens on behalf of the invested entity, such as paying company expenses on its behalf. They may also arise from business transactions with partners, such as selling to a subsidiary on credit.

Partners' debit loans may appear under current assets, or they may appear under non-current assets, depending on their nature and purpose.

Partner's debit loans may appear in the financial statements of entities under various names, such as:

- Related-party debtors.
- Loans to subsidiary companies.

The presentation and disclosure of partner financing in the financial statements depend on the nature of the relationship between the lending entity and the invested entity, as well as the nature of the financing provided. Partner financing may be excluded when consolidating the financial statements of the holding company and its subsidiary, in accordance with the requirements of International Financial Reporting Standard 10 (IFRS 10) – Consolidated Financial Statements.

The lending entity may classify the loan to the subsidiary as part of the investment balance. In this case, the loan is treated as a debit loan, as detailed in this section. It will not be treated for Zakat purposes as part of the deducted investment balance unless it is proven that the amount paid is part of the investment balance in the subsidiary, according to official documentation.

Article 31 of the regulations includes provisions regarding partners' debit loans, allowing for the deduction of these loans in specific cases. These cases are linked to the nature of the lending entity and the nature and terms of the financing.

According to the provisions of the regulations, partners' debit loans granted to corporations (except for companies listed on the Capital Market) and partnerships may be considered deduction items from the Zakat base, provided the following conditions are met:

A. The lending company has financial statements.
B. The payment period is not defined in the financing contract.
C. The return on the financing is not aligned with market rates.

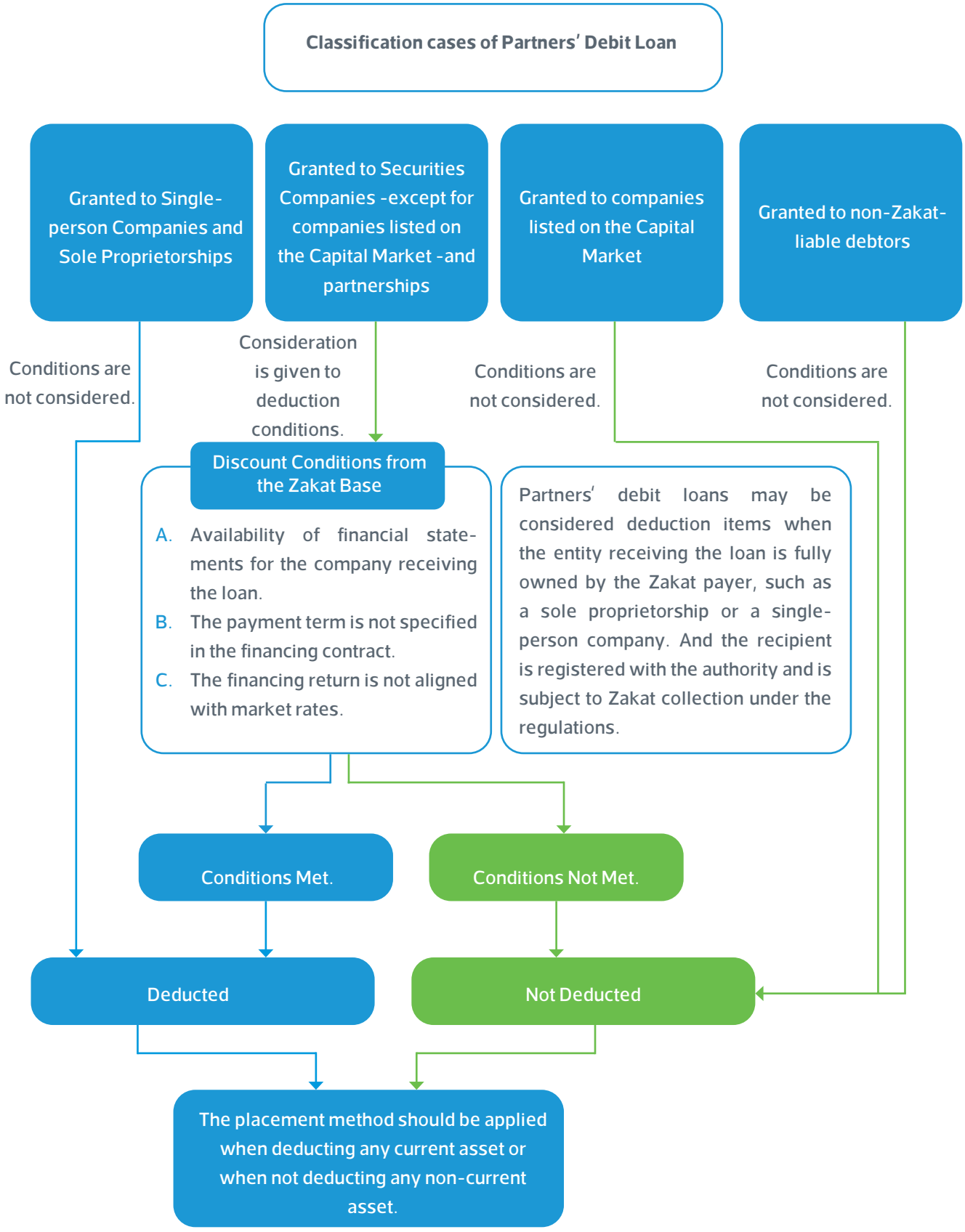
Partners' debit loans may also be considered deduction items from the Zakat base in cases where the ownership of the receiving entity has been transferred to the full control of the Zakat payer, such as in the case of a sole proprietorship or a one-person company. The receiving entity is registered with the authority and subject to Zakat collection under the regulations.

However, with regard to companies listed on the Capital Market, partners' debit loans granted to these companies cannot be considered deduction items from the Zakat base.

The purpose of this treatment is to show the correlation between the treatment of credit and debit loans. If loans are treated as equity on the debtor's side, they are deducted on the creditor's side.

The deduction of partners' debit loans involves the same considerations as other deduction items, such as applying the placement provisions if they are classified under current assets, and increasing the limit for adding liabilities to the Zakat base.

In consideration of the above-mentioned provisions, the Zakat payer is not allowed to offset or settle the balances between credit and debit balances, including the balances of owners or partners. The Zakat payer is considered separate from their creditors and debtors, even if the creditor is the debtor themselves, or if the creditor or debtor is one of the owners. The liability should be added to the Zakat base if it meets the conditions for adding debts. This means that partners' credit loans must be treated independently from partners' debit loans, as reflected in the Zakat payer's statement of financial position.


Classification cases of Partners' Debit Loan
Granted to Single-person Companies and Sole Proprietorships
Granted to Securities Companies -except for companies listed on the Capital Market -and partnerships
Granted to companies listed on the Capital Market
Granted to non-Zakat-liable debtors
Conditions are not considered.
Consideration is given to deduction conditions.
Conditions are not considered.
Conditions are not considered.
Discount Conditions from the Zakat Base
A. Availability of financial statements for the company receiving the loan.
B. The payment term is not specified in the financing contract.
C. The financing return is not aligned with market rates.
Partners' debit loans may be considered deduction items when the entity receiving the loan is fully owned by the Zakat payer, such as a sole proprietorship or a single-person company. And the recipient is registered with the authority and is subject to Zakat collection under the regulations.
Conditions Met.
Conditions Not Met.
Deducted
Not Deducted
The placement method should be applied when deducting any current asset or when not deducting any non-current asset.

**Example (27):**

The balance of the "Due from Related Parties" item appeared under current assets in the financial statements of a partnership company, amounting to 3,000,000 SAR. The details were as follows:

| | |
|---|---|
| Due from Partner (A) | 3,000,000 SAR |

Upon reviewing the details of this account and the related transactions, it was found that the company had loaned this amount to Partner (A) during the year, with the loan maturing after 7 months and earning a financing return of 0.3%, which was aligned with the market rate during that period.

Can the company deduct the balance due from Partner (A) from its Zakat base?

**The Solution:**

The company cannot deduct the balance due from Partner (A) from its Zakat base because the deduction conditions related to the payment term and the financing return were not met. No placement procedure will be applied in this case, as the item was classified under current assets without being deducted.

## Example (28):

The following data appeared under non-current assets in the statement of financial position for a limited liability company:

| Assets | | |
|---|---|---|
| | 2024 AD (SAR) | 2023 AD (SAR) |
| **Non-Current Assets** | | |
| Properties, Machinery, and Equipment | 9,745,313 | 10,070,158 |
| Intangible Assets | 4,318,875 | 3,273,188 |
| Due from Related Parties | 12,287,938 | 12,534,819 |
| **Total Non-Current Assets** | **26,352,126** | **25,878,165** |

- Details of the end-of-period balance for "Due from Related Parties" are as follows:

| Related Party | Relationship | Amount (SAR) |
|---|---|---|
| Company (A) – Listed Joint Stock Company | 30% owned subsidiary | 7,372,763.00 |
| Company (B) – Limited Liability Company | 60% owned subsidiary | 4,915,175.00 |

All amounts due above are governed by financing agreements with no specified payment terms and a financing return not aligned with the market rate. These companies have financial statements certified by a licensed chartered accountant in the Kingdom.

Can the company deduct the balances due from these companies from its Zakat base?

**The Solution:**

| Company | Deducted/Not Deducted | Reason | Required Actions |
|---|---|---|---|
| Company (A) – Listed Joint Stock Company | Not Deducted | Joint stock company listed on the Capital Market | Placement procedures must be carried out since the balance is classified as a non-current asset but not deducted. |
| Company (B) – Limited Liability Company | Deducted | As it is a securities company, and all other deduction conditions are met | None |

## 3.5.2. Delayed Government Dues

In cases where the Zakat payer's client balances include amounts owed by government entities that the Zakat payer has been unable to collect on their due dates, the Zakat payer may deduct these overdue amounts from their Zakat base, provided the deduction conditions outlined in the regulations are met.

Article 32 of the regulations considers delayed government dues as deduction items from the Zakat base if the following conditions are met:

A. It must be proven to the authority that the delay in settling the Zakat payer's dues is due to the government entity. The Zakat payer must provide documents proving their entitlement to these amounts and the government's delay in disbursing them.
B. It must be classified as current assets in the financial statements.
C. Current liabilities, if any, must be added to the Zakat base, up to the maximum value of the delayed government dues deducted from the base, while considering the provisions of Article 25 of the regulations.

The conditions outlined above result in the inadmissibility of deducting delayed government dues in cases where these conditions are not met. Examples include the following:

1. If it is proved that the due date for the amount owed by the government entity has not yet been reached.
2. If it is proved that the delay is attributable to the Zakat payer, such as in cases where the Zakat payer has not provided the necessary documents for payment.
3. If it is proved that the work associated with the entitlement of the amount has not been completed.
4. If the amount is classified under non-current assets, as such classification conflicts with the condition that the amount must be entitled to the Zakat payer.

It is evident from the above that the purpose of the deduction is to establish that the Zakat payer is unable to collect these receivables on their due date because of reasons beyond their control, while these amounts remain due to the Zakat payer. This inability to collect effectively prevents the Zakat payer from utilizing the funds.

### Example (29):

The following data is extracted from the trial balance and details of the financial statements for a company, showing the details of the "Debtors' Accounts" classified under current assets in the financial statements. This account includes the following delayed amounts:

| Debtor | Amount (SAR) | Details |
|---|---|---|
| Client (A) – Government Entity | 4,000,000 | Amount delayed for disbursement by the government entity due to the company not providing the required statutory documents for payment. |
| Client (B) – Government Entity | 12,000,000 | Amount delayed for disbursement by the government entity due to internal reasons related to the government entity. The company has proof of entitlement to the amount and evidence of the government's delay in payment. |
| Client (C) – Charity | 6,000,000 | Amount due and delayed by the charity for 8 months due to insufficient liquidity at the charity. |
| Client (D) – Joint-Stock Company | 9,000,000 | Amount delayed for disbursement due to a lawsuit filed against the Joint-Stock company, with no decision issued yet. |

Which of the above amounts can be deducted from the company's Zakat base?

## The Solution:

| Debtor | Amount (SAR) | Deducted/Not Deducted | Reason | Required Actions |
|---|---|---|---|---|
| Client (A) – Government Entity | 4,000,000 | Not Deducted | The delay in disbursement is due to the company, not the government entity. | None |
| Client (B) – Government Entity | 12,000,000 | Deducted | The delay in disbursement is due to the government entity, and the amount is classified under current assets. | Placement procedures must be carried out since the balance is classified as a current asset and has been deducted. |
| Client (C) Securities Company | 6,000,000 | Not Deducted | The entity is not a government entity. | None |
| Client (D) – Joint-Stock Company | 9,000,000 | Not Deducted | The entity is not a government entity. | None |

### Example (30):

TThe following data appeared under non-current assets in the statement of financial position for a company:

| Assets | | |
|---|---|---|
| | 2025 AD (SAR) | 2024 AD (SAR) |
| **Non-Current Assets** | | |
| Properties, Machinery, and Equipment | 87,707,821 | 90,631,418 |
| Investment Properties | 38,869,875 | 29,458,696 |
| Debtors | 110,591,446 | 112,813,373 |
| **Total Non-Current Assets** | **237,169,142** | **232,903,487** |

- The " Debtors" item includes an amount of 8,000,000 SAR owed by a Government Entity (N). The company has proof of entitlement to this amount, and evidence of the government entity's delay in payment due to reasons attributable to the entity and not the company.

Can the amount owed by the Government Entity (N) be deducted from the company's Zakat base?

### The Solution:

The amount owed by Government Entity (N) cannot be deducted from the company's Zakat base because it is classified under non-current assets in the financial statements.

Placement procedures must be carried out in this case, as the amount is classified under non-current assets and will not be deducted from the company's Zakat base.

## 3.6. Other Deductions

The regulations include a number of other deduction items that may be deducted according to certain considerations. These are deduction items outlined in the regulations that are not included in the previous groups, and they include the following:

1. Deductible inventory items.
2. Properties under construction intended for sale that are deductible.
3. Statutory deposits.
4. Deferred tax assets.

Some of the items mentioned above are presented under current assets, and therefore, it is necessary to consider the placement provisions when deducting any current asset from the above-mentioned assets, such as deducting an item of inventory that is eligible for deduction. If the conditions and considerations for deduction are met, or if the Zakat payer deducts a real estate project under construction intended for sale and classified as current assets, provided that the deduction conditions apply.

As a result of the realization of the above-mentioned cases, the placement provisions outlined in Article 25 of the regulations must be applied, which will correct the addition of liabilities to the Zakat base by adding a proportion of the current liabilities not added to the base, according to the provisions of the article.

### 3.6.1. Deductible Inventory Items

Inventory refers to assets held for sale in the ordinary course of business, including assets held in the production stage for the company's regular sale products. It also includes assets held in the form of raw materials or supplies used in the production process. The International Accounting Standard 2 (IAS 2) – Inventories – outlines the accounting treatments for inventory, indicating that inventory includes goods purchased and held for resale, such as, for example, goods purchased by a retailer and held to be resold, or land and property held for resale. Inventory also includes finished goods that the entity has manufactured, or work in progress that the entity is in the manufacturing process, as well as raw materials and supplies intended for use in the production process.

Inventory does not include items of fixed assets that the entity intends to sell, as these assets are not held for sale in the ordinary course of business. Such cases are treated in accordance with the requirements of International Accounting Standard 16 (IAS 16) – Property, Plant, and Equipment, or in accordance with the requirements of International Financial Reporting Standard 5 (IFRS 5) – Non-current Assets Held for Sale, depending on the circumstances, as will be discussed in paragraph 3.6.5 of this Guideline.

From an accounting perspective, inventory is measured at the lower of cost or net realizable value. Net realizable value refers to the estimated selling price in the ordinary course of business, minus the estimated costs necessary to complete the sale process.

Regarding the cost of inventory, it should include purchase costs, conversion costs (wages and indirect manufacturing costs), and any other costs incurred to bring the inventory to its current location and condition.

When inventory is sold, the book amount of the sold inventory is recognized as an expense in the period in which the related revenue is recognized, in order to match the recognized revenue with the associated costs incurred.

From an accounting perspective, the inventory item includes a number of elements depending on the nature of the entity's activity. Naturally, the inventory components in industrial entities differ from those in commercial entities. For example, in commercial entities, the inventory item includes goods available for sale, while in industrial entities, the inventory item includes a variety of items such as:

- Raw materials.
- Consumables, such as fuel and oils.
- Spare parts.
- Work in progress.
- Finished goods.

For Zakat purposes, inventory may be treated as a deduction item, allowing it to be deducted from the Zakat base in cases where the inventory is not intended for sale or is not part of the final product. According to Article 52 of the regulations, inventory is considered a deduction item only in the following cases:

- Materials not intended for sale, such as spare parts.

This refers to spare parts not intended for resale but for use, such as spare parts used for machinery and equipment.

- Raw materials classified as current assets that are not part of the final product.

In most cases, deductible inventory items are classified as current assets, which necessitates correcting the addition of liabilities in accordance with the placement provisions when deducting deductible inventory items classified under current assets.

Cases where inventory is considered a deduction item



Presence of materials not intended for sale, such as spare parts.



Presence of raw materials classified as current assets that are not part of the final product.

## Example (31):

| Assets | | |
|---|---|---|
| | 2025 AD (SAR) | 2024 AD (SAR) |
| **Current Assets** | | |
| Cash and Cash Equivalents | 29,235,939 | 30,210,474 |
| Trade Receivable Debits | 12,956,625 | 9,819,564 |
| Inventory | 36,863,814 | 37,604,457 |
| **Total Current Assets** | **79,056,378** | **77,634,495** |

- The details of the ending balance for the inventory item are shown in the financial statement notes as follows:

| Item | Amount (SAR) | Details |
|---|---|---|
| Spare Parts | 6,267,409 | Spare parts used in the business and not intended for sale |
| Finished Goods | 28,061,586 | Finished goods ready for sale |
| Raw Materials (Fuel) | 2,534,819 | Raw materials not part of the final product |

Which inventory items can be deducted from the company's Zakat base?

**The Solution:**

| Company | Deducted/Not Deducted | Reason | Required Actions |
|---|---|---|---|
| Spare Parts | Deducted | They are not intended for resale but for use in the business activity. | Necessary to perform placement procedures as the balance is classified under current assets and has been deducted. |
| Finished Goods | Not Deducted | Not one of the deduction items specified in the regulations. | None |
| Raw Materials (Fuel) | Deducted | Classified as current assets and not part of the final product. | Necessary to perform placement procedures as the balance is classified under current assets and has been deducted. |

**Example (32):**

The following data is extracted from the trial balance of a company, detailing the inventory item classified under current assets:

| Debtor | Amount (SAR) | Details |
|---|---|---|
| Finished Goods | 16,800,000 | Goods that have completed the manufacturing process |
| Spare Parts | 20,400,000 | Spare parts intended for sale |
| Goods Ready for Sale | 10,200,000 | Goods intended for sale within the Kingdom |
| Packaging Materials | 6,300,000 | Packaging materials included in the product cost |

Which inventory items can be deducted from the company's Zakat base?

**The Solution:**

The company cannot deduct any of the inventory items in its Zakat declaration, as none of the inventory items meet the conditions for deduction from the Zakat base.

## 3.6.2. Real Estate Under Construction Intended for Sale and Eligible for Deduction

### There are two types of real estate under construction:

**Type 1:** Real estate under construction intended for sale after completion, whose Zakat treatment is clarified in Article 73 of the Implementing Regulations for Zakat Collection -1445H Edition.

**Type 2:** Off-plan sales projects - licensed by the relevant authority in accordance with the applicable regulations in the Kingdom - whose Zakat treatment is clarified in Article 73 of the Implementing Regulations for Zakat Collection - 1445H Edition.

Each type has a distinct Zakat treatment due to the differing nature of the two categories.

### Type One: Deductible Properties Under Construction Intended for Sale

In cases where an entity constructs properties for sale as part of its regular business activity, these properties are considered a type of inventory covered under International Accounting Standard (IAS) 2 - Inventories. According to the standard, inventory includes land and properties held for resale.

Accordingly, properties under construction that are intended for sale fall within the scope of assets held for sale in the ordinary course of business. They are therefore classified under IAS 2 as inventory, where real estate projects under construction are treated as inventory until they are transferred to customers. All costs related to the project are accumulated under the inventory item until the point of sale and revenue recognition.

According to the standard's requirements, the cost of inventory (the project) must include all purchase costs, transfer costs, and other costs incurred in bringing the inventory to its

current location and condition. Conversion costs include costs directly related to the units of production.

Accordingly, the project›s cost includes all construction-related expenses, such as materials, labor, and indirect costs that can be reasonably allocated to the project on a consistent basis.

The cost is recognized upon the sale of the inventory (real estate unit). At this point, the book amount of the inventory is recognized as a period expense (cost). The inventory is then removed from the statement of financial position and transferred to the income statement as the cost associated with the recognized revenue.

### Zakat Treatment of Real Estate Under Construction Intended for Sale

These types of projects typically require a relatively long period to construct the asset and prepare it for sale. Therefore, the Regulations permit the deduction of such projects during their construction phases and prior to the commencement of sales activities, in accordance with the percentages and conditions outlined in Article 73 of the Regulations, which stipulates specific requirements for deducting real estate under construction intended for sale from the Zakat base, as follows:

- The project must not be offered for sale in its current state.

If the project is offered for sale at any stage during construction-such as being listed for sale upon completion of the structural framework of the real estate units, but before their full development, or in the case of off-plan sales-then the project may not be deducted from the entity›s Zakat base, regardless of the project's sales percentage or completion rate. This is because the project is considered to have been offered for sale in its current, incomplete condition. Moreover, obtaining a Certificate of Building Completion (Certificate of Occupancy) is considered an act of offering the project for sale in its current condition.

- The cost of sales Percentage must not exceed 25% annually of the project›s carrying value as reported in the financial statements for the Zakat year under the Zakat declaration, based on the following conditions:

  a. The project must be classified as a non-current asset in the financial statements, although classification as a current asset is accepted if it aligns with the applicable accounting standards.

  b. The percentage must be calculated separately for each project.

  c. The percentage must be based on the cost of sales.

This is determined using the following equation:

The value of Exclusions (Sales) at cost ÷ (Beginning inventory + Additions during the year) = Cost of Sales Percentage.

## Conditions for Deducting Properties Under Construction for Sale from the Zakat Base




The cost of sales Percentage must not exceed 25% annually of the project›s carrying value as reported in the financial statements for the Zakat year under the Zakat declaration



The project must not be offered for sale in its current state

The following controls apply

- The project must be classified as a non-current asset in the financial statements, although classification as a current asset is accepted if it aligns with the applicable accounting standards.
- The percentage must be calculated separately for each project.
- The percentage must be calculated based on the cost of sales using the following equation:

  The value of Exclusions (Sales) at cost ÷ (Beginning inventory + Additions during the year) = Cost of Sales Percentage.

### Example (33):

The item «Properties Under Construction,» classified under current assets in the financial statements of a company, consists of two villa construction projects in Riyadh. Work on both projects started at the beginning of 2023. At the end of 2024, the following data appeared:

| Item | Project One | Project Two |
|---|---|---|
| Villas Sold (at cost) | 10,700,000 | 10,100,000 |
| Beginning Inventory | 20,200,000 | 50,000,000 |
| Additions During the Year | 15,100,000 | 20,200,000 |

What is the Zakat treatment for these projects in the company's Zakat base?

### The Solution:

The sales cost percentage for these projects is calculated as follows:

| Item | Project One | Project Two |
|---|---|---|
| Sales Cost Percentage Equation | The value of Exclusions (Sales) at cost ÷ (Beginning inventory + Additions during the year) | |
| Equation Applied | 10,700,000 ÷ (20,200,000 + 15,100,000) | 10,100,000 ÷ (50,000,000 + 20,200,000) |
| Equation Result | 30.31% | 14.39% |
| Conclusion | Cannot be deducted from the Zakat base | Can be deducted from the Zakat base* |
| Reason | The sales cost percentage exceeds 25% | The sales cost percentage does not exceed 25% |

* Deducting the second project requires adjusting the liabilities additions according to Article 25 of the regulations.

### Example (34):

A real estate company is executing a residential apartment project for sale. The company classified the project under non-current assets in the financial statements. Work on the project began in mid-2022, and before the end of 2024, the company completed the project and obtained the certificate of completion (building completion certificate), but no sales were made on the project by the end of the year. The project data at the end of 2024 appears as follows:

| Item | Cost |
|---|---|
| Villas sold (at cost) | Zero |
| Beginning inventory | 7,640,000 |
| Additions during the year | 4,100,000 |

What is the Zakat treatment for the project in the company's Zakat base?

### The Solution:

The cost of sales percentage is calculated as follows:

| Item | Project |
|---|---|
| Sales Cost Percentage Equation | The value of Exclusions (Sales) at cost ÷ (Beginning inventory + Additions during the year) |
| Equation Applied | 0 ÷ (7,640,000 + 4,100,000) |
| Equation Result | 0% |

The result of the calculation was zero due to the company making no sales on the project during the year. However, the company is not allowed to deduct the project from its Zakat base because the issuance of the building completion certificate is considered as offering the project for sale in its current state.

* Not deducting the project requires adjusting liability additions according to Article 25 of the regulation.

### Example (35):

The financial statements of a company include an item for properties under construction, representing a residential complex project intended for sale in the city of Jeddah. The details of the company's assets at the end of 2024 were as follows:

| Assets | | |
|---|---|---|
| | 2024 AD (SAR) | 2023 AD (SAR) |
| Current Assets | | |
| Cash and cash equivalents | 70,146,802 | 75,868,453 |
| Properties under construction | 18,520,618 | 13,216,494 |
| Prepaid expenses and other debit balances | 13,504,206 | 11,400,773 |
| Total current assets | 102,171,626 | 100,485,720 |
| Non-Current Assets | | |
| Property and equipment | 99,526,072 | 109,478,680 |
| Intangible assets | 12,390,814 | 12,914,722 |
| Properties under construction | 32,724,229 | 25,779,384 |
| Total non-current assets | 144,641,115 | 148,172,786 |

The project was classified under both current and non-current assets depending on the expected sales timelines for the units. The analysis of the "Properties under development" item (both current and non-current) was as follows:

| Item | Amount (SAR) |
|---|---|
| Units sold (at cost) | 2,751,031 |
| Beginning inventory (current + non-current) | 38,995,878 |
| Additions during the year | 15,000,000 |
| End-of-period balance (current + non-current) | 51,244,847 |

What is the Zakat treatment for this project in the company's Zakat base?

### The Solution:

The cost of sales percentage for the project is calculated as follows:

| Item | Calculation |
|---|---|
| Sales Cost Percentage Equation | The value of Exclusions (Sales) at cost ÷ (Beginning inventory + Additions during the year) |
| Equation Applied | 2,751,031 ÷ (38,995,878 + 15,000,000) |
| Equation Result | 5.09% |
| Conclusion | It can be deducted from the Zakat base * |
| Reason | The cost of sales percentage does not exceed 25% |

* Deducting the current portion of the project amounting to 18,520,618 SAR requires adjustment of liabilities additions through the placement procedure as stipulated in Article 25 of 6the regulation.

### Type Two: Off-Plan Sales Projects

Off-plan sales projects are among the most prominent emerging practices in real estate activities. These refer to real estate projects licensed by the relevant authorities as off-plan sales projects, in which properties are sold either before construction begins or during the construction phase, based on the agreed-upon design or layout.

The regulatory provisions governing off-plan sales projects fall under the Law on the Sale and Lease of Off-Plan Real Estate Projects and its executive regulations. This law and its regulations include the provisions related to off-plan sales, as well as the obligations and rights of licensed real estate developers and other parties involved in the development and Off-plan sales process.

Off-plan sales projects typically involve a licensed developer entering into a sales contract with a client either before or during the construction phase of a residential unit, in accordance with specific regulatory obligations. As a result, the client makes scheduled payments throughout the construction period of the unit.

These payments from clients generally serve as the primary source of funding for the project. However, the project may also be financed through external loans obtained by the real estate developer or through equity.

From an accounting perspective, a company's assets will typically reflect off-plan sales projects under categories such as «Projects Under Construction», «Development Assest», or other similar designations.

On the liabilities side, advance payments received from customers are recorded under headings like «Contract Liabilities», «Deferred Revenues», or «Advance Payments», in addition to any other sources of project financing, if any.

Off-plan sales projects fall within the definition of assets held for sale in the ordinary course of business. Therefore, these projects are classified in accordance with International Accounting Standard (IAS) 2 - Inventories, as they are considered inventory until the units are transferred to the customers. All project-related costs are accumulated under inventory item until revenue is recognized.

The version of International Accounting Standard (IAS) 2 - Inventories, issued by the Saudi Organization for Certified Public Accountants (SOCPA), states in paragraph 8 the following: "Inventories include goods purchased and held for resale, such as goods purchased by a retailer and held for resale, or lands and other real estate held for resale."

## Zakat Treatment for Off-Plan Sale Projects

Off-plan sale projects are characterized by sales operations beginning before and during the construction phase. Consequently, cash amounts are received from customers before the completion or delivery of the property, with the project's assets on the position of the financial statement increasing as the construction progresses until the delivery stage.

According to the recent amendment, Article 73 of the regulation permits the deduction of off-plan sale projects-licensed by the competent authority in accordance with the applicable laws in the Kingdom-from the Zakat base according to the following equation, provided that the result is greater than zero:

**Deducted Amount from the Zakat Base = Project Balance at Year-End - The Value of Additions to the Project During the Year**

With the following considerations:

- The equation is applied separately for each project in cases where the Zakat payer has more than one off-plan sale project shown within their assets.
- If part of the project balance is classified in the financial statements under current assets and the other part under non-current assets, the deduction resulting from applying the equation starts from the non-current portion and completes the remaining deduction-if any-from the current portion. However, if the project is classified solely under current assets or solely under non-current assets, the deduction resulting from applying the equation follows the project's accounting classification.
- The funding sources for off-plan sale projects are added according to the provisions outlined in Chapter 3 of the regulation concerning elements of additions to the Zakat base.

- When applying the above, the provisions of Article 25 of the regulation must be taken into account.

## Considerations for Deducting Off-Plan Sale Projects

The project must be licensed by the competent authority in accordance with the applicable laws in the Kingdom.

The deduction is applied according to the following equation whenever the result is greater than zero:

Deducted Amount from the Zakat Base = Project Balance at Year-End - The Value of Additions to the Project During the Year.

If part of the project balance is classified in the financial statements under current assets and the other part under non-current assets, the deduction resulting from applying the equation starts from the non-current portion and completes the remaining deduction-if any-from the current portion.

The above equation is applied separately for each project.

The funding sources for off-plan sale projects are added according to the provisions outlined in Chapter 3 of the regulation.

## Example (36):

The statement of financial position for a company as of the end of 2024 appeared as follows:

| Assets | | |
|---|---|---|
| | 2024 AD (SAR) | 2023 AD (SAR) |
| **Current Assets** | | |
| Cash and cash equivalents | 7,683,503 | 9,483,556 |
| Prepaid expenses | 5,851,263 | 4,250,967 |
| **Total Current Assets** | **13,534,766** | **13,734,523** |
| **Non-Current Assets** | | |
| Property and equipment | 21,137,134 | 22,473,540 |
| Properties under development | 37,278,111 | 27,958,583 |
| **Total Non-Current Assets** | **58,415,245** | **50,432,123** |
| **Liabilities and Equity** | | |
| **Current Liabilities** | | |
| Advance payments for the off-plan sales project | 55,670,129 | 42,698,534 |
| Creditors | 7,945,222 | 5,466,598 |
| **Total Current Liabilities** | **63,615,351** | **48,165,132** |
| **Non-Current Liabilities** | | |
| Employee benefits liabilities | 1,432,889 | 1,342,658 |
| **Total Non-Current Liabilities** | **1,432,889** | **1,342,658** |
| **Equity** | | |
| Capital | 2,000,000 | 2,000,000 |
| Statutory reserve | 210,000 | 200,000 |
| Retained earnings | 4,691,771 | 12,458,856 |
| **Total Equity** | **6,901,771** | **14,658,856** |

The following data was provided for the analysis of the "Properties Under Development" item:

| Item | Project (A) | Project (B) |
|---|---|---|
| Nature of the Project | Construction and development of units under the off-plan sales system | Construction and development of units under the off-plan sales system |
| Number of Units | 80 units | 50 units |
| Additions During the Year | 4,800,000 SAR | 19,500,000 SAR |
| End-of-period Balance for 2024 | 31,200,111 SAR | 6,078,000 SAR |

How should the assets and sources of funds of the projects mentioned in the example be treated in the company›s Zakat base?

**The Solution:**

First: The deductions amount for each project is calculated separately as follows:

| Item | Applying the Equation | Deducted Amount | Explanation |
|---|---|---|---|
| Project (A) | Project balance at year-end - Value of additions to the project during the year<br>31,200,111 – 4,800,000 | 26,400,111 SAR | Since only part of the project balance is deducted, placement procedures must be applied against the remaining undeducted amount of 4,800,000 SAR. |
| Project (B) | Project balance at year-end - Value of additions to the project during the year<br>6,078,000 – 19,500,000 | Not deducted<br>(result < 0) | Since the full project balance is not deducted, placement procedures must be applied against the entire project balance of 6,078,000 SAR. |

Second: Treatment of the funding sources for the projects:

The advance payments classified under current liabilities are not added to the Zakat base of the company, as they are classified as current liabilities.

As a result, the liabilities added to the company›s Zakat base are as follows:

| Item | Amount (SAR) |
|---|---|
| Employee benefit liabilities | 1,432,889 |
| Adjustment for adding liabilities due to the undeduction of non-current asset (undeducted project balances) | (266,829.72) |
| **Total liabilities added to the Zakat base** | **1,166,059.28** |

The placement procedure was carried out as follows:

| Reason for Placement | Percentage | Type of Adjustment | Adjustment Amount |
|---|---|---|---|
| Undeducted non-current asset (part of Project (A) balance + Project (B) balance) | Undeducted project balances / Non-current assets | Exclusion of part of the added non-current liabilities | 1,432,889 × 18.6218% = **266,829.72 SAR** |
| | (6,078,000 + 4,800,000 ) / 58,415,245= **18.6218%** | | |

## Example (37):

The statement of financial position for a company appeared at the end of the year 2025 as follows:

| Assets | | |
|---|---|---|
| | 2025 AD (SAR) | 2024 AD (SAR) |
| **Current Assets** | | |
| Cash and cash equivalents | 87,683,503 | 79,483,5567 |
| Due from Related Parties | 1,290,522 | 7,225,996 |
| Properties under Development | 60,650,773 | 16,520,618 |
| Prepaid Expenses and Other Debit Balances | 16,880,258 | 14,250,967 |
| **Total Current Assets** | **166,505,056** | **117,481,137** |
| **Non-Current Assets** | | |
| Property and equipment | 124,407,591 | 136,848,350 |
| Investment Properties | 65,488,518 | 66,143,403 |
| Properties under development | 78,405,287 | 94,724,230 |
| Investments | 45,024,276 | 33,768,207 |
| **Total Non-Current Assets** | **313,325,672** | **331,484,190** |
| **Liabilities and Equity** | | |
| **Current Liabilities** | | |
| Suppliers | 17,955,895 | 14,765,589 |
| Accrued Expenses and Other Credit Balances | 5,887,998 | 3,665,855 |
| Zakat Provision | 9,800,659 | 8,790,326 |
| **Total Current Liabilities** | **33,644,552** | **27,221,770** |
| **Non-Current Liabilities** | | |
| Advance Payments for Off-Plan Sales Projects | 190,466,985 | 175,449,856 |
| Employee benefits liabilities | 3,774,665 | 3,225,446 |
| **Total Non-Current Liabilities** | **194,241,650** | **178,675,302** |
| **Equity** | | |
| Capital | 55,000,000 | 55,000,000 |
| Statutory reserve | 4,125,000 | 4,125,000 |
| Retained earnings | 192,819,526 | 183,943,255 |
| **Total Equity** | **251,944,526** | **243,068,255** |

The following data was provided for the analysis of the «Properties Under Development» item:

| Item | Project (A) | Project (B) | Project (C) |
|---|---|---|---|
| Nature of Project | Construction of units under the off-plan sales system | Construction of units under the off-plan sales system | Construction of units under the off-plan sales system |
| End-of-period project balance for 2025 (current) | 6,201,890 SAR | 48,550,170 SAR | 5,898,713 SAR |
| End-of-period project balance for 2025 (non-current) | 20,121,246 SAR | 13,179,041 SAR | 45,105,000 SAR |
| Additions during the year | 9,000,000 SAR | 45,000,000 SAR | 60,000,000 SAR |

How should the assets and funding sources of the projects mentioned in the example be treated in the company›s Zakat base?

## The Solution:

First: The deduction amount for each project is calculated separately as follows:

| Item | Equation Application | Deducted amount | Explanation |
|---|---|---|---|
| Project (A) | Project balance at year-end - Value of additions to the project during the year<br>(6,201,890 + 20,121,246)<br>9,000,000 | 17,323,136 SAR | The equation result is taken from the non-current portion of the project. There will remain a non-current part not deducted, amounting to 2,798,110 SAR, so placement procedures must be done for this part. |
| Project (B) | Project balance at year-end - Value of additions to the project during the year<br>(48,550,170 + 13,179,041)<br>45,000,000 | 16,729,211 SAR (13,179,041 SAR deducted from the non-current project balance, 3,550,170 SAR deducted from the current project balance) | Since the deduction amount exceeds the non-current balance of the project, the entire non-current balance is deducted, and the remaining amount is deducted from the current balance. Based on this, placement procedures must be done for the current portion deducted from the project balance, which amounts to 3,550,170 SAR. |
| Project (C) | Project balance at year-end - Value of additions to the project during the year<br>(5,898,713 + 45,105,000)<br>60,000,000 | Not deducted (result < 0) | The result is less than zero, so no deduction is made from the project's non-current balance of 45,105,000 SAR, and placement procedures must be done for this amount. |

Secondly: Treatment of the project funding sources:

The advance payments classified under non-current liabilities are added to the Zakat base, but only up to the amount of the deducted balance. The purpose of this addition is not to pay the Zakat due on the debt, but rather to match it with the non-current assets.

As a result, the liabilities added to the company's Zakat base are as follows:

| Item | Amount (SAR) |
|---|---|
| Advance payments for off-plan sale projects | 190,466,985 |
| Employee benefits liabilities | 3,774,665 |
| Correction of liabilities addition due to the undeduction of non-current assets (balances of undeducted non-current projects) | (29,696,828.90) |
| Correction of liabilities addition due to deduction of current assets (balances of deducted current projects) | 508,399.49 |
| **Total liabilities added to the base** | **165,053,220.59** |

Placement procedures were carried out as follows:

| Reason for placement | Percentage | Type of Adjustment | Adjustment Amount |
|---|---|---|---|
| Undeducted non-current asset (Part of Project (A)›s balance + Entire balance of Project (C)) | Undeducted non-current project balances / current assets<br>(2,798,110 + 45,105,000) / 313,325,672 = **15.2886%** | Exclusion of part of the added non-current liabilities | 194,241,650 × 15.2886% = **29,696,828.90 SAR** |

| Reason for placement | Percentage | Type of Adjustment | Adjustment Amount |
|---|---|---|---|
| Deducted current asset (Part of Project (B)›s balance) | Deducted current project balances / current assets<br>3,550,170 / 166,505,056 = **2.1322%** | Addition of part of the current liabilities not previously added | 23,843,893 × 2.1322% = **508,399.49 SAR** |

* It should be noted that the Zakat provision was excluded from the amount of current liabilities as it has been reclassified under equity items and their equivalents.

## Example (38):

The statement of financial position for a real estate company at the end of the year 2024 appeared as follows:

| Assets | | |
|---|---|---|
| | 2024 AD (SAR) | 2023 AD (SAR) |
| Current Assets | | |
| Cash and cash equivalents | 23,841,752 | 7,417,784 |
| Properties under Development | 30,325,387 | 25,260,309 |
| Prepaid Expenses and Other Debit Balances | 8,440,129 | 7,125,484 |
| Total Current Assets | 62,607,267 | 39,803,576 |
| Non-Current Assets | | |
| Property and equipment | 32,203,796 | 38,424,175 |
| Investments | 22,512,138 | 16,884,104 |
| Total Non-Current Assets | 54,715,934 | 55,308,279 |
| Liabilities and Equity | | |
| Current Liabilities | | |
| Long Term Loans | 8,977,948 | 7,382,795 |
| Accrued Expenses and Other Credit Balances | 2,943,999 | 1,832,928 |
| Zakat Provision | 4,900,330 | 4,395,163 |
| Total Current Liabilities | 16,822,276 | 13,610,885 |
| Non-Current Liabilities | | |
| Advance Payments | 55,233,493 | 48,724,928 |
| Employee benefits liabilities | 1,887,333 | 1,612,723 |
| Total Non-Current Liabilities | 57,120,825 | 50,337,651 |
| Equity | | |
| Capital | 20,000,000 | 20,000,000 |
| Statutory reserve | 3,000,000 | 3,000,000 |
| Retained earnings | 20,380,100 | 8,163,319 |
| Total Equity | 43,380,100 | 31,163,319 |

The following data was provided to analyze the item «Properties Under Development»:

| Item | Project (A) |
|---|---|
| Nature of Project | Construction of units under the off-plan sales system |
| Project balance for 2024 as shown in the statement of financial position | 30,325,387 SAR |
| Additions during the year | 15,000,000 SAR |

How are the assets and sources of funds for the project in this example treated in the company's Zakat base?

**The Solution:**

First: The deductions amount for the project is calculated as follows:

| Item | Equation Application | Deducted Amount | Explanation |
|---|---|---|---|
| Project (A) | Project balance at year-end / Value of additions to the project during the year<br>30,325,387 - 15,000,000 | 15,325,387 SAR | The result of the equation is deducted from the company›s Zakat base. Since the properties under development were classified under current assets, a placement procedure must be made against the deducted portion. |

Second: Treatment of the sources of funds for the projects:

The advance payments classified under non-current liabilities are added to the Zakat base - but only up to the amount deducted. The purpose of this addition is not to pay the Zakat due on the debt, but rather to match it with the non-current assets.

The result is that the liabilities added to the company's Zakat base are as follows:

| Item | Amount (SAR) |
|---|---|
| Advance payments | 55,233,493 |
| Employee benefits liabilities | 1,887,333 |
| Adjustment for adding liabilities due to deduction of current asset (part of the deducted current balance of Project (A)) | 2,918,325.47 |
| **Total liabilities added to the Zakat base** | **60,039,151.47** |

Placement procedures were carried out as follows:

| Reason for Attribution | Percentage | Type of Adjustment | Adjustment Amount |
|---|---|---|---|
| Deducted current asset (part of Project (A)›s balance) | Deducted current project balances / current assets<br>15,325,387 / 62,607,267 = **24.4786%** | Adding part of the current liabilities not previously added | 11,921,946 × 24.4786% = **2,918,325.47 SAR** |

* It is noted that the Zakat provision was excluded from the amount of current liabilities, as it has been reclassified under equity items and their equivalents

### 3.6.3. Statutory Deposits

A statutory deposit can be defined as the cash amounts that require regulatory bodies (such as central banks or financial authorities) financial and commercial entities to be deposited as part of compliance with relevant regulations. The objectives and purposes of statutory deposits include ensuring the financial stability of the entity, enhancing confidence in the sector's financial system, and providing additional protection to depositors in financial institutions.

Typically, the depositing entity cannot dispose of the cash deposited; however, these cash deposits appear in the statement of financial position of the depositing entity as assets, considering its right to recover the deposit at a later time.

Based on this, Article 56 of the regulations considers statutory deposits as deduction items from the Zakat base if the following conditions are met:

A. The entity is required to deposit them with the competent authority according to the relevant regulations.
B. The Zakat payer does not earn any returns on them.

Therefore, the entity will not be able to deduct statutory deposits from its Zakat base if it earns any interest or profits on them. Additionally, for the deposit to be deducted from the Zakat base, the Zakat payer must be required to deposit it with the competent authorities.

### Example (39):

The following data appeared in the current assets section of the statement of financial position for a company:

| Assets | | |
|---|---|---|
| | 2024 AD (SAR) | 2023 AD (SAR) |
| **Current Assets** | | |
| Cash and Cash Equivalents | 17,541,563 | 18,126,284 |
| Prepaid Expenses and Other Debit Balances | 23,256,776 | 21,685,609 |
| Due from Related Parties | 22,118,288 | 22,562,674 |
| **Total Current Assets** | **62,916,627** | **62,374,567** |

- According to the notes to the company's financial statements, the other debit balances include statutory deposits amounting to 15,233,562 SAR, which the company is required by law to deposit with the competent authorities, and no returns are due on these deposits to the company.

Can the company deduct the balance of statutory deposits from its Zakat base?

### The Solution:

Yes, the company can deduct the end-of-period balance of statutory deposits from its Zakat base, as the conditions for deduction are met. The company is required to deposit the funds with the competent authorities according to the relevant regulations, and no returns are due on these deposits to the company.

In this case, deducting the statutory deposits requires correcting the liability additions in accordance with the provisions of Article 25 of the regulations.

**Example (40):**

Referring to the previous example, if the company earned a return of 1% on these deposits, can the company deduct the balance of these statutory deposits from its Zakat base?

**The Solution:**

No, the company cannot deduct the balance of these deposits from its Zakat base, as the condition of the Zakat payer not earning any returns from depositing these amounts has not been met.

### 3.6.4. Deferred Tax Asset

A deferred tax asset is an asset that arises from temporary differences between tax rules and accounting rules, which lead to the company paying more taxes in the current period due to these temporary differences, granting the company the right to recover these taxes in future periods. This applies to the following:

- Deducted temporary differences, i.e., those that can be deducted from taxable profit in future periods.
- Unused tax losses carried forward to future periods.
- Unused tax credits carried forward to future periods.

Such an item appears in companies subject to tax, mixed companies, or companies whose consolidated financial statements include subsidiaries that are subject to tax. International Accounting Standard 12 (IAS 12) - Income Taxes addresses the accounting for income taxes and the resulting assets and liabilities. According to the requirements of the standard, deferred tax assets and liabilities should be evaluated using the expected tax equations which will be applied when the assets are recovered or the liabilities are settled. These assets and liabilities should also be revaluated at the end of each financial period to ensure that the evaluation reflects the current and future circumstances.

According to the requirements of the standard, the following must be declared:

- Components of deferred taxes: Details of deferred tax assets and liabilities should be declared, including the temporary differences associated with them.
- Applicable tax rates: The tax equations used to evaluate deferred tax assets and liabilities should be clarified.

- Revaluation of deferred tax assets and liabilities: Any significant changes in the evaluating of deferred tax assets or liabilities should be declared, whether resulting from a change in tax rates or changes in economic conditions.

From a Zakat perspective, the deferred tax asset is deducted from the Zakat base. For example, if the statement of financial position of a mixed company includes a deferred tax asset classified under non-current assets, in this case, the deferred tax asset item is deducted from the company's Zakat base at the end-of-period balance as part of the deduction items. This is in accordance with Article 26 of the regulations, which states that the deferred tax asset is considered a deduction item from the Zakat base.

**Example (41):**

The statement of financial position of a company at the end of 2024 includes the following asset items:

| Item | Accounting Classification | Opening inventory (SAR) | Ending Balance (SAR) |
|---|---|---|---|
| Cash and Cash Equivalents | Current | 7,016,625 | 7,250,514 |
| Deferred Tax Assets | Non-current | 3,109,590 | 2,356,695 |
| Debtors | Current | 8,847,315 | 9,025,070 |
| Inventory | Current | 6,193,120 | 6,317,548 |

Which of the above asset items can be deducted from the Zakat base of the company and at which balance?

**The Solution:**

The company can deduct the deferred tax asset balance from its Zakat base in accordance with Article 26 of the regulations. The deduction is made at the end-of-period balance (2,356,695 SAR).

## 3.7. Comprehensive Applications

### Example (42):

The following data shows the items of assets in the statement of financial position of a company at the end of 2024:

| Statement of Financial Position | | |
|---|---|---|
| **Assets** | | |
| | **2024 AD (SAR)** | **2023 AD (SAR)** |
| **Current Assets** | | |
| Cash and Cash Equivalents | 15,750,000 | 16,931,250 |
| Inventory | 23,625,000 | 19,687,500 |
| Prepaid Expenses and Other Debit Balances | 12,750,000 | 17,625,000 |
| **Total Current Assets** | **52,125,000** | **54,243,750** |
| **Non-Current Assets** | | |
| Property, Plant, and Equipment | 23,625,000 | 24,412,500 |
| Intangible Assets | 5,906,250 | 6,693,750 |
| Right-of-Use Assets | 11,812,500 | 9,276,875 |
| Investment Properties | 40,559,224 | 43,599,658 |
| **Total Non-Current Assets** | **81,902,974** | **83,982,783** |

The following data was obtained from the financial statement disclosures of the company:

- The inventory item consists of the following:

| Item | Amount (Riyals) | Details |
|---|---|---|
| Spare Parts | 5,600,000 | Not intended for sale |
| Finished Goods | 18,025,000 | For the purpose of sale |

- The assets classified under non-current assets are intended for use by the company and are not for the purpose of sale.

What are the deduction items from the company's Zakat base?

**The Solution:**

The deduction items from the Zakat base of the company are as follows:

| Item | Amount (Riyals) |
|---|---|
| Property, Plant, and Equipment | 23,625,000 |
| Intangible Assets | 5,906,250 |
| Right-of-Use Assets | 11,812,500 |
| Investment Properties | 40,559,224 |
| Spare Parts Inventory | 5,600,000 |
| **Total Deduction Items** | **87,502,974** |

- It is necessary to carry out the placement procedures since certain items classified as current assets were deducted.

## Example (43):

The following data shows the items of assets in the statement of financial position of a company at the end of 2024:

| Statement of Financial Position | | |
|---|---|---|
| **Assets** | | |
| | **2024 AD (SAR)** | **2023 AD (SAR)** |
| **Current Assets** | | |
| Cash and Cash Equivalents | 31,500,000 | 33,862,500 |
| Projects Under Construction | 92,250,000 | 108,825,000 |
| Debtors and Other Debit Balances | 45,500,000 | 55,250,000 |
| **Total Current Assets** | **169,250,000** | **197,937,500** |
| **Non-Current Assets** | | |
| Property and Equipment | 108,850,000 | 48,825,000 |
| Intangible Assets | 11,812,500 | 13,387,500 |
| Projects Under Construction | 20,940,000 | 15,870,000 |
| Right-of-Use Assets | 23,625,000 | 20,553,750 |
| Contract Costs | 20,790,000 | 21,987,000 |
| Financial Assets | 45,500,000 | 47,250,000 |
| Investment Properties | 77,000,000 | 79,200,000 |
| Due from Related Parties | 39,375,000 | 27,562,500 |
| Employee Loans | 11,181,250 | 12,826,875 |
| Deferred Tax Assets | 15,750,000 | 11,025,000 |
| Vital Assets | 26,031,000 | 22,080,000 |
| **Total Non-Current Assets** | **400,854,750** | **320,567,625** |

The following data was obtained from the financial statement notes of the company:

- The Property and Equipment item includes the following:

| Item | Amount (SAR) | Details |
|---|---|---|
| Water station construction project | 61,600,000 | A Build, Own, Operate, Transfer (BOOT) project |
| Machinery and Equipment | 47,250,000 | Owned by the company |

- The Vital Assets item includes the following:

| Item | Amount (SAR) | Details |
|---|---|---|
| Livestock Vital Assets | 26,031,000 | Not intended for sale |

- The Properties Under Construction item includes the following:

| Item | Project 1 | Project 2 | Project 3 |
|---|---|---|---|
| Sold Properties (at cost) | 9,000,000 | 35,000,000 | 10,750,000 |
| Beginning Inventory | 27,000,000 | 45,000,000 | 42,000,000 |
| Additions During the Year | 6,000,000 | 15,000,000 | 12,000,000 |
| End-of-period balance | 24,000,000 | 25,000,000 | 43,250,000 |

- The Debtors and Other Debit Balances item includes the following:

| Item | Amount (SAR) | Details |
|---|---|---|
| Statutory Deposits | 12,000,000 | No returns are due on it.<br>The company is obligated to deposit them by la |

- The Financial Assets item includes the following:

| Item | Amount (SAR) | Details |
|---|---|---|
| Investment in Company (A) | 5,000,000 | A company established in the Kingdom and registered with the authority |
| Investment in Company (B) | 2,000,000 | A company established in England, and its share of Zakat has not been paid |
| Investment in Company (C) | 9,000,000 | A company established in the Kingdom and not subject to the regulations' provisions, and the company paid its share of the Zakat of the invested company |
| Investment in Fund (S) | 12,000,000 | Investment in a real estate investment fund within the Kingdom, and the company paid its share of the Zakat of the fund |
| Investment in Fund (P) | 9,000,000 | Investment in a financing fund within the Kingdom for non-trading purposes |
| Investment in Non-Government Sukuk | 8,500,000 | The issuer of these sukuks treated them as capital in its Zakat base |

- The Due from Related Parties item includes the following

| Item | Amount (SAR) | Details |
|---|---|---|
| Due from Company (A) | 39,375,000 | Company (A) is fully owned by the Zakat payer |

- Employee Loans item includes the following:

| Item | Amount (SAR) | Details |
|---|---|---|
| Housing Loans | 1,181,2501 | Employee financing through an interest-free loan for 7 years. |

What are the items for deduction from the company's Zakat base?

**The Solution:**

The items for deduction from the Zakat base of the company are as follows:

| Item | Amount (SAR) |
|---|---|
| Property and Equipment | 108,850,000 |
| Intangible Assets | 11,812,500 |
| Projects Under Construction | 20,940,000 |
| Right-of-Use Assets | 23,625,000 |
| Contract Costs | 20,790,000 |
| Investment in Company (A) | 5,000,000 |
| Investment in Company (C) | 9,000,000 |
| Investment in Fund (S) | 12,000,000 |
| Investment in Fund (P) | 9,000,000 |
| Investment in Non-Governmental Sukuk | 8,500,000 |
| Investment Properties | 77,000,000 |
| Due from Company (A) | 39,375,000 |
| Employee Loans | 11,181,250 |
| Deferred Tax Assets | 15,750,000 |
| Vital Assets (Livestock) | 26,031,000 |
| Properties Under Construction | 43,250,000 |
| Statutory Deposits | 12,000,000 |
| **Total Deduction Items from the Zakat Base** | **454,104,750** |

- Only the third project was deducted under properties under construction, as the sales cost percentage for the project did not exceed 25%.
- Placement procedures are required, as items classified under current assets were deducted, while items classified under non-current assets were not deducted.

# 4. Conclusion of the Guideline

## 4.1. Conclusion

Based on what has been presented in this Guideline, the deduction items are an important and influential component in calculating Zakat for Zakat payers holding statutory accounts, as the Zakat due on the Zakat payer holding statutory accounts is calculated based on the result of the Zakat base, which includes the addition items outlined in the regulation, minus the deduction items mentioned in general in Article 26 of the regulation. These deductions require adherence to the procedures and conditions stated in the regulation.

The deduction items can be summarized into five main groups, under which all the deduction items mentioned in the regulation fall, as follows:

1. Assets and Properties Used in the Activity:
   - Fixed assets
   - Intangible assets
   - Vital assets
   - Capitalized constructions
2. Real Estate:
   - Investment properties and undeveloped land used in the activity.
   - Employee housing ownership programs.
3. Investments:
   - Investment in entities inside and outside the Kingdom or not subject to the provisions of the regulation.
   - Investment in investment funds within the Kingdom.
   - Investment in sukuk and bonds.

4. Debts and amounts owed by others:
    - Partners' debit loans.
    - Delayed government dues.
5. Other Deduction Items:
    - Deductible inventory items.
    - Assets held for sale.
    - Properties under construction intended for sale and deductible.
    - Statutory deposits.
    - Deferred tax asset.

For the purposes of deductions, all deduction items are deducted from the Zakat base using the end-of-period balance, regardless of the acquisition date of the asset or any transactions that occurred during the year. When deducting the items of deduction, the detailed controls and conditions outlined in the regulation, which must be met for the deduction from the Zakat base, should be taken into account, as detailed in this Guideline. The deduction items include necessary controls and conditions for the deduction purpose due to their impact on the Zakat base, including the following:

1. Reduction of the Zakat base result.
2. Considering it as maximum limit for adding liabilities to the Zakat base.
3. Allowance for deducting the depreciation expense.
4. Application of the provisions for placement of liabilities based on this.
5. Reaching the non-deducted assets.

## 4.2. Frequently Asked Questions

1. In the case of the base transferring to the minimum limit and Zakat is calculated based on the adjusted net profit, can the net book profit be amended by the profits or losses from investments in affiliate and subsidiary companies?

   According to what is stated in Article 27 of the regulation, the minimum limit of the base is considered an alternative base that is not affected by the addition and deduction items, and the base reflects the result of the Zakat payer's activity, including the activity of the companies invested in. Therefore, the net profit cannot be adjusted based on any profits or losses resulting from the Zakat payer's investments.

2. Can a holding company submit a consolidated Zakat return if its fully owned company is outside the Kingdom?

   Yes, according to Article 16 of the regulation, a consolidated Zakat declaration can be submitted if the company it owns is either inside or outside the Kingdom.

3. Can the Zakat payer deduct the partners' debit loans if they are classified within current assets?

   Partners' debit loans can be deducted if classified as current assets, provided that the conditions for item deduction, as outlined in Article 31 of the regulation and detailed in paragraph 3.5.1 of this Guideline, are met. It is not a requirement for them to be classified as non-current assets in order for it to be eligible for deduction.

4. What is the delay period for paying government dues after which the due amount can be deducted from the Zakat base?

   The regulation does not specify a certain delay period for accepting the deduction of government entities dues. Government dues can be deducted whenever they are delayed, provided that the conditions outlined in the regulation are met.

5. Is it permissible to deduct the statutory deposit made with a regulatory authority if the regulatory authority invests this deposit and generates returns from it?

   In the case that the Zakat payer is entitled to any investment returns from the regulatory authority of the deposit, it is not permissible to deduct these returns from the Zakat payer's Zakat base. However, the deduction is allowed if the returns due from the deposit do not belong to the Zakat payer but are entirely allocated to the regulatory authority, provided that other deduction conditions are met.

6. Are investment funds required to submit a Zakat declaration and pay Zakat accordingly?

   According to Article 76 of the regulation, the fund submits an information declaration for the purpose of disclosure, and the fund is not obligated to pay Zakat. Instead, the responsibility falls on the unit owners, except financing funds.

7. In what cases can sukuk and bonds be deducted?

   Sukuk and bonds can be deducted if they are not for trading purposes and the issuer has declared through any document accepted by the authority that they should be treated as capital in the Zakat declaration.



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