هيئة الزكاة والضريبة والجمارك
Zakat, Tax and Customs Authority

Guideline

for Zakat on Financing Activities According to the Implementing Regulations for Zakat Collection Issued in 1445H

Issue 1 | September 2024

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

ZATCA has issued this guideline to clarify certain treatments related to the implementation of the statutory provisions in force on the date of its issuance. The content of this Guideline shall not be deemed an amendment to any of the laws and regulations in force in the Kingdom of Saudi Arabia.

ZATCA affirms that it shall apply the explanatory treatments set out in this Guideline, where applicable, considering the relevant statutory provisions. If any clarification or content contained in this Guideline is amended in relation to an unchanged statutory provision, the updated explanatory treatment shall apply to transactions carried out after the date of publication of the updated version of the Guideline on ZATCA's official website.

Amendments

#	Version Number	Revision Date	Section / Clause	Type of Amendment	Description of Amendment	Remarks
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Table of Contents

1. Introduction	5
1.1 About Zakat	5
1.2 Collection of Zakat	5
1.3 Application of the Collection of Zakat in the Kingdom of Saudi Arabia	5
1.4 Zakat, Tax and Customs Authority	6
1.5 Purpose of the Guideline	8
2. General Concepts of Zakat and Its Calculation Methods	8
3. Determining the Zakat Base for Financing Activities	16
3.1 Zakat Payers Subject to Zakat Rules for Financing Activities According to the Implementing Regulations for Zakat Collection 1445H/2023-2024G	16
3.2 Zakat Base for Financing Activities	16
Internal Sources of Funds, including:	17
1.Internal Sources of Funds	17
2.External Sources of Funds	17
3.Other Sources	18
4.Net assets attributable	18
5.Except for banks and financing companies licensed by the Central Bank,	19
Zakat Rate	25
3.3 Upper and Lower Limits for the Zakat Base	35
3.3.1 When the Zakat payer Achieves a Net Profit	35
3.3.2 When the Zakat Payer Does Not Achieve a Net Profit	36
3.4 Zakat Return for Financing Activities	39

4. Zakat Treatment for Some Statement of Financial Position Items under the Zakat Calculation Rules for Financing Activities 40

5. Request for Ruling 44

6. Contact Us 44

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 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 fight poverty and alleviate the suffering of the needy, which leads to the achievement of social solidarity.

1.2 Collection of Zakat

What demonstrates the great significance of Zakat in Islam is entrusting its administration and supervision to the State. The State is authorized to collect Zakat on apparent wealth and distribute it to those entitled. This is done by assigning certain personnel (Zakat employees) to visit fund owners across the Islamic state, calculate their due Zakat, collect it from them, and oversee its disbursement and distribution to beneficiaries.

The Zakat, Tax and Customs Authority (henceforth 'ZATCA') carries out the task of collecting Zakat. It handles all procedures related to calculating the Zakat due from Zakat payers, starting with their registration, followed by determining the amount of Zakat owed, which includes supervising the submission of Zakat returns, payment processes, reviewing the submitted data, and verifying it through ZATCA's qualified personnel, and concluding with the issuance of the final Zakat certificate. This may also involve addressing objections raised by Zakat payers regarding the Zakat amounts assessed by ZATCA.

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

Collecting Zakat and distributing it to eligible recipients is one of the fundamental duties of the State, as stipulated in Article 21 of the Basic Law of Governance, which states: "Zakat shall be collected and spent in its legitimate channels." Article 7 also reflects the State's commitment to the obligations of Sharia and adherence to them in general, including the collection and distribution of Zakat, stating that "the government in the Kingdom of Saudi Arabia derives its power from the Qur'an and the Prophet's tradition, which govern this Law and all State regulations."

To affirm this, during the reign of the founder King Abdulaziz (may Allah have mercy on him), Royal Decree No. (8634/28/2/17) dated 29th Jumada II 1370H/ 6th April 1951G was issued, ordering the collection of Zakat. This Decree was followed by numerous Royal Decrees confirming it, Ministerial Resolutions implementing it, and explanatory regulations and circulars, including: Royal Decree No. (M/40) dated 2nd Rajab 1405H/24th March 1985G; the Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. (2082) dated 1st Jumada II 1438H/28th February 2017G; the Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. (2216) dated 7th Rajab 1440H/14th March 2019; and the Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. (1007) dated 19th Sha'ban 1445H/29th February 2024G, applicable to fiscal years beginning on or after 1st January 2024.

The Implementing Regulations for Zakat Collection specifically address the rules for commercial activities (excluding other Zakatable assets), requirements for submitting Zakat returns, procedures for assessment, review, payment, and related timelines. The Zakat revenue collected by ZATCA is deposited into the Social Security account, which is responsible for disbursing funds to the poor and needy, in accordance with Royal Decree No. (1/5/16) dated 5th Muharram 1383H 28th May1963G. Paragraph 1 of this Decree states that "Zakat shall be collected in full from all joint stock companies and others, as well as individuals subject to Zakat." Paragraph 2 stipulates that "all collected amounts shall be deposited into the Social Security Fund."

1.4 Zakat, Tax and Customs Authority

Cabinet Resolution No. (570) was issued dated 22nd Ramadan 22 1442H/ 4th May 2021G, merging the General Authority of Zakat and Tax and the General Customs Authority into a single entity named the Zakat, Tax and Customs Authority (henceforth 'ZATCA'). ZATCA works on collecting Zakat, taxes, and customs duties, ensuring the highest levels of compliance from Zakat payers in accordance with best practices and high efficiency.

ZATCA seeks to enable the Kingdom to become a global logistics hub by facilitating trade and protecting national security. It also regulates and manages all activities related to customs work and ports to ensure they reach the highest standards of efficiency, productivity, and competitiveness. This is achieved by providing high-quality, customer-centric services aligned with international best practices.

1

Royal Decree dated 29th Jumada al-Akhirah 1370H / 7th April 1951G

Collection of Zakat from those holding Saudi nationality.

2

Ministerial Decision No. (394), dated 7th Shaban 1370H / 13th May 1951G

Establishment of the Zakat Department.

3

Royal Decree No. (M/40) issued on 2nd Rajab 1405H / 23rd March 1985G

Ordering the full collection of Zakat from all companies, institutions, and others, including individuals subject to Zakat.

4

Issuance of the Implementing Regulations for Royal Decree No. (M/40) by Ministerial Decision No. (2082), dated 1st Jumada al-Akhirah 1438H / 28th February 2017G.

5

Pursuant to Ministerial Resolution No. (2216) issued on 7th Rajab 1440H / 14th March 2019G, applicable as of 1st January 2019G

The Implementing Regulations for Zakat Collection were issued.

6

On 20th Rajab 1438H / 17th April 2017G

Issuance of the Regulations of the General Authority of Zakat and Tax pursuant to the Council of Ministers Resolution No. (465).

7

22nd Ramadan 1442H / 4th May 2021G

The General Authority of Zakat and Tax was merged with the General Authority of Customs under the name Zakat, Tax and Customs Authority.

8

The Implementing Regulations for Zakat Collection issued by Decision of His Excellency the Minister of Finance No. (1007) dated 19th Shaban 1445H / 29th February 2024G

Which shall apply to fiscal years beginning after 1st January 2024G.

1.5 Purpose of the Guideline

This Guideline provides directional instructions and essential information regarding Zakat collection requirements, its application mechanism, and the obligations of Zakat payers (for Financing Activity Zakat payers) This Guideline helps create a clear understanding and offers practical guidance on the implementation of Zakat collection in the Kingdom of Saudi Arabia.

Further, this Guideline represents ZATCA's concept and interpretation regarding the application of the Implementing Regulations for Zakat Collection issued on 19th Sha'ban 1445H

For guidance on any specific transaction, you can visit the official website of ZATCA at zatca.gov.sa, which contains a wide range of tools and information designed specifically to assist Zakat payers, including visual instructional materials, all relevant data, and responses to frequently asked questions (FAQs).

2. General Concepts of Zakat and Its Calculation Methods

a. **The Regulations:** The Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. (1007) dated 19th Sha'ban 1445H/29th February 2024G.

b. **Financing Activities Zakat payer**: Any Zakat Payer in the form of banks, and financing and refinancing companies, licensed by the Saudi Central Bank (SAMA); and finance funds licensed by the Capital Market Authority, during the Zakat Year.

c. **Institution:** The Saudi Central Bank.

d. **Zakat Collection:** The process by which the State calculates Zakat on funds subject to Zakat, collects it from the liable Zakat payer, and transfers it to the competent authority for disbursement. Zakat collection is one of the State's duties. The Prophet (peace be upon him) used to send collectors every year to collect Zakat from liable Muslims. At present, this responsibility is carried out on behalf of the ruler by ZATCA in accordance with relevant laws and regulations. ZATCA has issued regulations governing Zakat collection and provides high-quality services to assist Zakat payers in fulfilling their obligations.

e. **Activity:** Any act performed for the purpose of continuously and regularly generating profit under a license issued by the relevant entities, or which requires a license by the relevant entity prior to its performance, as per the relevant laws and regulations applicable in the Kingdom; whether commercial, vocational, service, industrial, or other activity.

f. **Zakat payer:** A person who is subject to the provisions of the Regulations and practices an activity, or who issued a license to conduct said activity.

g. **Resident:** A natural or legal person meeting residency requirements stated in Article 4 of the Regulations during the Zakat Year.

h. **Non-Resident:** Any person who does not meet the criteria of a Resident.

i. **Zakat Year:** A Zakat Payer's fiscal year, irrespective of Hijri or Gregorian Calendars, short or long, or at the commencement or closing of business dates.

Example 1: A company was established on 10th December 2024G (date of issuance of the commercial registration). The incorporation contract stipulated that the first financial year would begin from the date of issuance of the commercial registration and end on 31st December 2024G. Accordingly, the company's first financial year will be from 10th December 2024G, to 31st December 2024G.

j. **Accounting Based on the Daily Basis:** If the Zakat Year for the Zakat payer differs from the Hijri year, Article 15 of the Regulations stipulates that Zakat should be calculated according to the actual number of days in the Zakat payer's Zakat Year, using the following formula:

$$\frac{2.5\%}{\text{Number of days in the Hijri year}} \times \text{Actual number of days in the Zakat Payer's Zakat Year}$$

$$\text{Actual number of days in the Zakat Payer's Zakat Year} \times \frac{2.5\%}{\text{Number of days in the Hijri year}}$$

.

Example 2: The financial year for Company Seen for Grains begins on 1st January 2024G, and ends on 31st December 2024G. The Zakat base for the company this year amounted to SAR 2,500,000.

How is the Zakat for the Company Calculated?

Zakat is calculated based on the Zakat base as follows:

$$\frac{2.5\%}{\text{Number of days in hijri year}} \times \text{actual number of days in the zakat payer's Zakat Year}$$

$$\frac{2.5\%}{354} \times 366 \times 2{,}500{,}000 = 64{,}618.6$$

k. **Excluded Items:** Non-Zakatable assets and Zakatable assets invested in other entities (investments in shares of Saudi companies).

l. **Rules of Liabilities and Their Impact on Zakat:** Zakat-related liabilities are classified into two categories:

- **Liabilities owed by the Zakat payer:**
  These include loans, creditors, payment notes, government and commercial financing, and similar items.
  As a general principle, liabilities are deducted from the Zakat base. The accounting treatment applied by ZATCA differs between short-term and long-term liabilities. Non-current liabilities are matched against non-current assets, regardless of which arose first, and current liabilities are matched against current assets, regardless of which arose first.
- **Debts owed to the Zakat payer:**
  These include debit balances held with banks and other financial institutions, including deposits with the Saudi Central Bank, loans and advances provided to clients, receivables from Islamic financing, and similar items. These are calculated based on the Zakat base of the Zakat payer.

m. **Zakat Return:** A form prepared by ZATCA, containing several elements and items, which must be completed and submitted by every Zakat payer. The purpose of the return and its submission is to state the Zakat base of the establishment and enable ZATCA to perform an assessment in accordance with the data provided in the return. The types of returns are:

- **First Type:** A return for the Zakat payer who maintains commercial books and statutory accounts and issues financial statements in compliance with regulatory requirements.
- **Second Type:** An information return for the Zakat payer exempt from Zakat collection, or for whom Zakat has been paid, such as a subsidiary company included within a consolidated return of a holding company, or consortia. Such Zakat payer must submit a return disclosing its data.

n. **Assessment:** A decision issued by ZATCA approving or amending a Zakat return, or identifying the Zakat amount payable by ZP-AA, or the Zakat Payer holding accounts, in accordance with the information available and practices adopted by ZATCA.

o. **Commercial Books:** The set of commercial books maintained by the Zakat payer, in which all commercial transactions are recorded, as stipulated in the Commercial Books Law issued by Royal Decree No. (M/61) dated 17th Dhul-Hijjah 1409H/20th July 1989G, its Implementing Regulations, and any amendments thereto.

p. **Net Profit:** For the purposes of financing activities, it refers to the net profit after excluding the effect of the Zakat provision (net profit before Zakat provision), in accordance with the Zakat payer's audited financial statements.

q. **Gross Profit:** The total income from the establishment's activity after deducting the direct expenses necessary to generate such income, in accordance with the Zakat payer's audited financial statements.

r. **Derivatives:** A derivative is a financial instrument characterized by two essential features: (1) its value changes in response to changes in a specified interest rate, security price, commodity price, foreign exchange rate, price index, credit rating, credit index, or a similar variable, and (2) it is settled at a future date.

s. **Hedging:** The use of one or more financial instruments to hedge against any changes in fair value or cash flows of another item, where the effects resulting from the hedging instrument offset the effects related to the original instrument.

t. **Methods of Calculating Zakat for Companies:** Zakat for contemporary companies is calculated according to one of the following methods:

- **Direct Method (Net Zakatable Assets Method)**
- **Indirect Method (Sources of Funds Method)**
- **Pro-rata Method**

With respect to the Direct and Indirect Methods of calculating Zakat, each method differs from the other in the procedures and items used for Zakat calculation purposes, while both agree on the result (the Zakat base), as both methods lead to the same result if correctly applied using the same standards and data.

As for the Pro-rata Method, it is the method adopted by ZATCA for calculating Zakat on financing activities, as will be explained later in this Guideline.

The following is a brief statement on the methods of calculating Zakat for companies:

Direct Method (Net Zakatable Assets Method):

This method is based on two main steps:

1. Adding all Zakatable assets of the establishment, including receivables due to the Zakat payer.
2. Deducting the value of the liabilities that financed the Zakat assets. The result of this equation is the Zakat base of the Zakat payer.

Zakat Base = All Zakatable assets – All liabilities that financed them

Indirect Method (Sources of Funds (SOF) Method):

This method is based on two main steps:

Add: a. Equity and its equivalents. b. Liabilities, within the limits of the deducted assets. c. The difference between the adjusted net profit/loss and the book net profit/loss after Zakat and tax, whether the result is positive or negative.

Deduct: a. The value of the non-Zakat assets of the establishment required to be deducted according to the conditions of the Regulation. b. The value of assets for which Zakat has been paid in other establishments, such as investment in shares of Saudi companies.

The result of this calculation is the Zakat base of the Zakat payer. This method is applied by the ZATCA for Zakat payers, except for financing activities.

Non-current assets and properties, and their equivalents, listed in the financial statements of an accounts-based Zakat payer shall be deducted according to the following conditions:

a. a. They are acquired for use and not for resale.

b. b. Non-current assets and properties, and their equivalents, listed in the financial statements of an accounts-based Zakat payer but not registered in its name, shall be deducted in any of the following cases:

- There is an impediment preventing the transfer of ownership to the company's name.
- They are used in the company's activity.
- They constitute an in-kind share in the capital.
- Their revenues or expenses are recognized in the financial statements.

The Pro-rata Method:

This method aims to determine the portion of sources of funds utilized in Zakatable assets through the following steps:

c. a. Identifying the Zakat payer's non-Zakatable assets.

d. b. Identifying the Zakat payer's total assets.

e. c. Deducting the non-Zakatable assets (a) from the total assets (b) to extract the Zakatable assets.

f. d. Dividing the Zakatable assets by the total assets.

g. e. Multiplying the result of step (d) by the Zakat payer's Zakat-liable sources of funds. The result is the zakat base for financing activities.

This method is applied by ZATCA for financing activities.

* Detailed instructions on identifying non-Zakatable and Zakatable assets, as well as funds subject to Zakat, are provided in subsequent sections of this Guideline.

This method aims to determine the proportion of funds used in Zakatable assets through the following procedures:

Identifying the Zakat payer's non-Zakatable assets.	Identifying the Zakat payer's total assets.

The calculations are as follows:

Total assets of the Zakat payer – Total non-Zakatable assets = Zakatable assets
(Zakatable assets / Total assets) = Proportion of Zakatable assets to total assets
Result of step (2) × Zakatable sources of the Zakat payer's funds = Zakatable base for a Zakat payer engaged in financing activities

Example 3: The following data pertains to a licensed financial leasing company as of 31st December 2024G:

- Total Assets = SAR 200,000,000
- Total Equity = SAR 150,000,000
- Total Liabilities = SAR 50,000,000

The company identified non-Zakatable assets amounting to SAR 25,000,000. The Zakat-liable sources of funds represent 80% of the total liabilities and equity.

Based on the above, it is required to calculate the Zakat base according to the Pro-rata Method followed for financing activities.

Referring to the data above, non-Zakat assets amounted to SAR 25,000,000 out of a total asset value of 200,000,000 SAR; therefore, the amount of Zakat assets is:

Zakat Assets = Total Assets - Non-Zakatable Assets = SAR 200,000,000 –SAR 25,000,000 = SAR 175,000,000

Sources of funds subject to Zakat: 80 * SAR 200,000,000 (representing Equity + Liabilities) = SAR 160,000,000.

Based on the foregoing, the Zakat base is calculated according to the Pro-rata Method as follows:

=SAR 175,000,000 ÷SAR 200,000,000 ×SAR 160,000,000

Zakat Base=SAR 140,000,000

u. **Estimated Assessment**

A method used by ZATCA to assess a Zakat payer who does not maintain commercial books and statutory accounts. The principle in determining the Zakat payer's Zakat base is that it should rely on the Zakat payer's official records containing data that enables the calculation of the base. When this is not possible, ZATCA establishes a Zakat base for the Zakat payer based on the available information, aiming to approximate the correct Zakat base as closely as possible.

This method is not applied to Zakat payers engaged in financing activities.

3. Determining the Zakat Base for Financing Activities

3.1 Zakat Payers Subject to Zakat Rules for Financing Activities According to the Implementing Regulations for Zakat Collection 1445H/2023-2024G

The Implementing Regulations for Zakat Collection 1445H/2023-2024G were issued by Ministerial Resolution No. (1007) dated 19th Sha'ban 1445H/29th February 2024G and apply to fiscal years beginning on or after 1st January 2024G.

These rules apply to banks, financing companies, refinancing companies licensed by the Saudi Central Bank, and financing funds licensed by the Capital Market Authority during the Zakat Year. The method for calculating Zakat for financing activities is based on the Zakat payer's sources of funds utilized in its Zakatable assets.

Zakat Base Calculation Formula

The method for calculating Zakat for financing activities is based on the Zakat payer's sources of funds used in its Zakatable assets, as shown in the following formula:

Zakat Base for Financing Activities = Sources of Funds × (Zakatable Assets ÷ Total Assets)



Zakat Base for Financing Activities



Sources of Funds



Zakatable Assets ÷ Total Assets

3.2 Zakat Base for Financing Activities

The Implementing Regulations for Zakat Collection have defined the Zakat base as the Zakat payer's sources of funds utilized in its Zakatable assets. The Zakat base is calculated by dividing Zakatable assets by total assets, then multiplying by sources of funds, according to the following formula:

Zakat Base for Financing Activities = Sources of Funds × (Zakatable Assets ÷ Total Assets)

The components of the above formula will be explained in detail in the subsequent sections of this Guideline.

3.2.1 Concepts Related to the Zakat Base for Financing Activities

The method for calculating the Zakat base for financing activities is based on identifying all Zakat-liable sources of funds as stipulated in the Regulations and multiplying them by the ratio of Zakatable assets to total assets.

3.2.2 Zakat-liable Sources of Funds

Zakat-liable Sources of Funds for Zakat payers engaged in financing activities can be categorized as follows:

Internal Sources of Funds, including:

1. Internal Sources of Funds

These include equity, such as capital, retained earnings, statutory reserves, and any other reserves required to be recorded by a regulation, law, or accounting standard, such as cash flow hedge reserves, foreign currency translation reserves, fair value reserves for investments, and other reserves. Internal sources of funds may also include rules required to be recorded by a regulation, legislation, or accounting standard by the Zakat payer, such as the provision for expected credit losses (ECL) for loans and financial guarantee contracts appearing within liabilities in the Zakat payer's financial statements.

2. External Sources of Funds

These include the Zakat payer's liabilities due for payment, or a portion thereof, after one year or more (whether classified as short-term or long-term), such as term deposits, savings deposits, or deposits held as guarantees against facilities granted to customers; balances of banks and financial companies in the form of current accounts; money market deposits; and debt instruments such as bonds and Sukuk issued by the Zakat payer to finance its financial activities, regardless of their structure (Mudaraba/partnership, Murabaha/cost-plus financing, financing, etc.).

3. Other Sources

These consist of the (negative) fair value of financial derivatives used by the Zakat payer to cover financial risks (known as hedging), which takes specific forms, such as hedging against fair value change risks and hedging against cash flow change risks. However, due to unfavorable market conditions, these financial derivatives result in a financial liability for the Zakat payer.

Examples of financial derivatives include:

- Swaps
- Futures contracts
- Forward contracts
- Put and call options
- Derivatives acquired for trading purposes
- Derivatives acquired for hedging purposes

These are considered sources of funds if they are payable after one year or more. There may also be positive fair values for financial derivatives; in such cases, they are classified as assets in the financial statements due to favorable market conditions resulting in a financial asset for the company.

After identifying sources of funds under the categories mentioned above, Zakatable and non-Zakatable assets are calculated and classified for the purpose of applying the Zakat base calculation formula for financing activities.

4. Net assets attributable

to unit holders in direct and indirect financing funds. These consist of the fund's internal sources of funds attributable to unit holders, represented by what is known in accounting as equity .elements or the net asset value attributable to investment unit holders in the fund

5. 5. Except for banks and financing companies licensed by the Central Bank,

all sources of funds for direct and indirect financing funds are considered equivalent to sources of funds subject to Zakat, except for liabilities due within less than one year.

3.2.3 Non-Zakatable Sources of Funds

Below are examples of sources of funds not subject to Zakat for financing activities, provided by way of example and not limitation:

Category	Item	Amount
Non-Zakatable Sources of Funds	Liabilities owed by the Zakat payer, the repayment of which falls due within one year or, such as Liabilities of the Zakat payer classified as short-term and their equivalents, such as deposits with no specific maturity date; balances due to banks and financial companies.	****
	Liabilities of the Zakat payer due for payment, or a portion thereof, in less than one year, such as balances due to banks and other financial institutions.	****
	Negative fair value of financial derivatives due in less than one year from the end of the Zakat payer's fiscal year, such as financial derivatives owned by companies in the form of put and call options, swap contracts, and financial instruments acquired for hedging purposes.	****

3.2.4 Practical Examples of Zakatable and Non-Zakatable Sources of Funds

Example 4: The following data pertains to a financial leasing company licensed by the Saudi Central Bank as of 31st December 2024G. Based on this, it is required to calculate Zakatable and non-Zakatable sources of funds in accordance with the Implementing Regulations for Zakat Collection.

Statement of Financial Position

As of 31st December 2024G (Amounts in SAR)

Item	2024 (SAR)	2023 (SAR)
Cash and cash equivalents	51,239,223	7,059,537
Prepaid expenses and other assets	3,357,730	2,065,292
Islamic financing receivables	190,162,950	138,483,545
Property and equipment – net	5,509,570	4,770,762
Intangible assets – net	3,571,766	3,628,832
Total Assets	253,841,239	156,007,968
Liabilities and Equity	2024 (SAR)	2023 (SAR)
Liabilities		
Creditors	824,848	1,066,109
Zakat provision	3,622,637	3,022,637
Bank loans	44,726,883	29,097,117
Provision for end-of-service benefits	443,892	254,730
Total Liabilities	49,618,260	33,440,593
Capital	200,000,000	120,000,000
Statutory reserve	3,547,800	3,547,800
General reserves	94,639	94,639
Retained earnings	580,540	(1,075,064)
Total Shareholders' Equity	204,222,979	122,567,375
Total Liabilities and Shareholders' Equity	253,841,239	156,007,968

Taking into account the following information regarding the financial statements:

1. 90% of bank loans are due after more than one year (long-term loans).
2. 20% of creditors' balances are due after one year or more.
3. The Zakat provision for 2024G will be settled within the twelve months following the end of 2024G.
4. 40% of the end-of-service benefit provision is expected to remain as a liability for more than 12 months following the end of 2024G.
5. An increase in the company's capital from external sources occurred on 1st July 2024G.

A. Identification of Zakat-Subject Sources of Funds from Financing Activities as Stated in the Regulations

Group	Item as stated in the Regulations	Clarifications	Amount (SAR)
Zakat-Subject Sources of Funds	Equity: At the end-of-period balance + Zakat provision according to Article 24 of the Regulations	The Equity item is taken at the end-of-period balance regardless of any increase made to it during the year.	207,845,616
	Debts due from the Zakat payer where the maturity date or part thereof is after one year or more, whether called short-term or long-term debts, as follows: a. All types of financing, whether via borrowing, Murabaha/cost-plus financing, finance lease, or other financing contracts. b. Debt instruments, such as Sukuk and bonds, issued by the Zakat payer regardless of their structure.	A total of the following is added: 1. 90% of the bank loans balance due after more than one year (long-term loans). 2. 20% of the outstanding balance of creditors due after one year or more 3. 40% of the period-end balance of the provision for end-of-service benefits expected to continue for more than 12 months.	40,596,721
	Negative fair value of financial derivatives due after one year or more, including derivatives held in the form of call and put options, swap contracts, and financial instruments acquired for hedging purposes	Not applicable	****
	Total Zakat-Subject Sources of Funds		248,442,054

3.2.5 Non-Zakatable Assets

According to the Regulations, non-zakatable assets include:

Group	Item	Amount
Non-Zakat Assets	Net fixed assets and their equivalents, according to the Regulations.	****
	Real estate transferred to the financing activities Zakat payer by virtue of foreclosure on a mortgage.	****
	Investment in establishments or ownership shares subject to Zakat within the Kingdom, taking into account Section 4, Chapter 5, Part 2 of the Regulations.	****
	Investment in direct and indirect financing funds registered with ZATCA according to the Regulations.	****
	Investment in investment funds within the Kingdom, according to the Regulations.	****
	Investments in establishments or ownership shares outside the Kingdom, provided the Zakat payer pays its Zakat independently, taking into account Section 4, Chapter 5, Part 2 of the Regulations.	****
	Debts due to the Zakat payer where the maturity date or part thereof is after one year or more, whether called short-term or long-term debts, as follows: a. All types of provided financing (loans, Murabaha/cost-plus financing, finance lease, etc.). b. Zakat payer investments in debt instruments (Sukuk, bonds), regardless of structure.	****
	Zakat payer investments in government debt instruments where the State bears the Zakat, as per the Minister of Finance Resolution No. (2218) dated 7th Rajab 1440H/14th March 2019G and its amendments regarding the rules for the State bearing Zakat and income tax arising from investment in sukuk and bonds issued by the Ministry of Finance in Saudi Riyals.	****
	Positive fair value of financial derivatives due after one year or more, including derivatives held in the form of call and put options, swap contracts, and financial instruments acquired for hedging purposes.	****
	Statutory deposit with the Saudi Central Bank.	****

3.2.6 Zakat Assets

Zakatable assets, according to the rules of the Regulations for calculating Zakat on financing activities, are determined by deducting non-Zakatable assets from total assets. The following table provides examples of Zakatable asset items:

Group	Item	Amount
Zakat Assets	Cash and cash equivalents	****
	Inventory	****
	Debts due to the Zakat payer maturing in less than one year	****
	Investments in companies based outside the Kingdom, for which Zakat has not been paid	****
	Intangible assets purchased with the intent of trading	****
	Investment in deposits or forward transactions	****
	Statutory deposits other than those with the Saudi Central Bank	****
	Financial assets held for trading purposes	****

3.2.7 Calculation of the Zakat Base for Financing Activities

The provisions of the Implementing Regulations for Zakat Collection related to Zakat calculation for financing activities are mandatory for banks and refinancing companies licensed by the Saudi Central Bank, and financing funds licensed by the Capital Market Authority in the Kingdom of Saudi Arabia, for fiscal years beginning on or after 1st January 2024G, as previously noted in Section 3.1 of this Guideline.

Accordingly, a Zakat payer engaged in financing activities is required to calculate the Zakat base in accordance with the prescribed formula, based on the sources of funds determined by the rules as a ratio of Zakatable assets to total assets:

Zakat Base for Financing Activities =Zakatable Sources of Funds ×(Zakatable Assets ÷Total Assets)

It should be noted that there are maximum and minimum limits for the result of the above formula (see Sections 2.3.3 and 3.3.3).

Zakat Rate

Zakat is calculated at a rate of two and a half percent (2.5%) of the Zakat base for the Hijri year. If the Zakat payer's fiscal year differs from the Hijri year (354 days), Zakat is calculated on a daily basis as follows:

$$\left(\frac{2.5\%}{354}\right) \times \text{Number of Days} = ****\%$$

Example 5: A financial leasing company licensed in the Kingdom calculated its Zakat base in accordance with the rules for financing activities for the period from 1st January 2024G to 31st December 2024G, amounting to SAR 200,000,000.

What is the zakat amount due on this base?

Based on the above data, the company's financial period is a full Gregorian year (365 days). Accordingly, the rate shall be calculated on a day-count basis as follows:

Number of days: 366

Zakat rate = (2.5% ÷ 354) × 366 = 2.578%

Zakat due = 200,000,000 × 2.585% = SAR 5,170,000

Consolidation of Financial Statements for Zakat Purposes

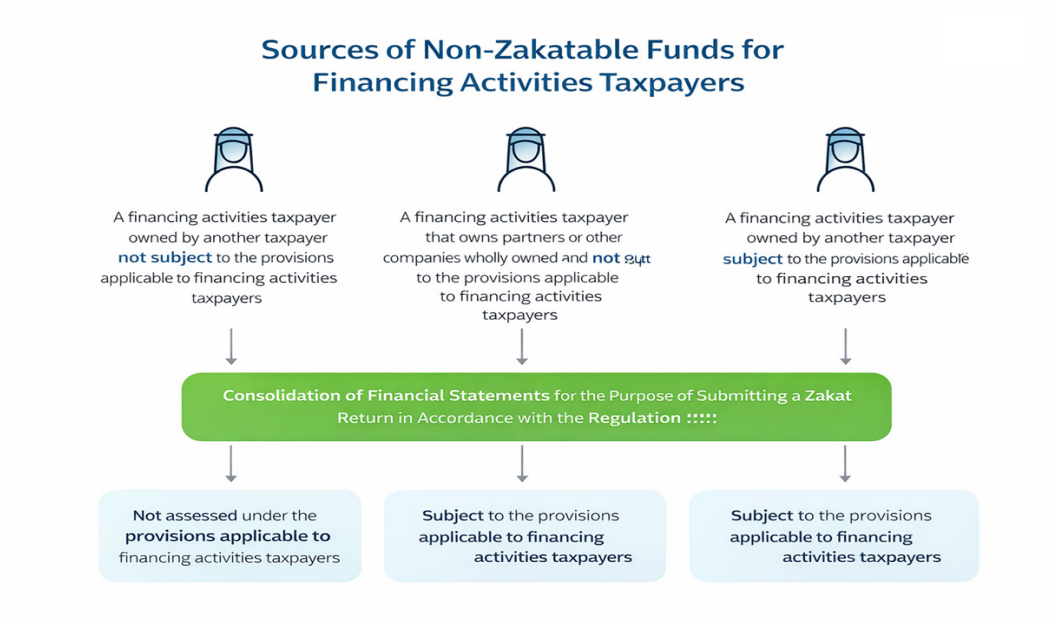
Article 16, Paragraph 1 of the Implementing Regulations stipulates that a holding company and its wholly owned subsidiaries, or companies owned by the same shareholders, may submit a consolidated Zakat return based on consolidated financial statements and pay the Zakat due, provided that the subsidiaries submit an information return to ZATCA based on their separate financial statements.

After obtaining approval from ZATCA to submit a consolidated return, the holding company and its subsidiaries may issue financial statements showing the full results of the group's operations, based on which the Zakat payer prepares the return in accordance with the rules outlined in the Regulations.

In line with the rules for consolidating financial statements according to the Implementing Regulations issued in 1445H/2023-2024G regarding the rules in Article 16, with a specific exception for Zakat payers engaged in financing activities as follows: When a financing activities Zakat payer is owned by a Zakat payer that is not subject to the financing activities rules and submits a consolidated Zakat return, the financing activities Zakat payer shall not be assessed according to Section 1, Chapter 7, Part 2.

Based on the above, the permissibility of consolidating the Zakat return for Zakat payers subject to the regulation can be clarified in the following cases:

#	Case	Consolidation of Financial Statements for the Purpose of Submitting a Zakat Return According to the Rules for Financing Activities Zakat payers
1	A financing activities Zakat payer owned by another Zakat payer subject to the rules applicable to financing activities Zakat payers	Permissible
2	A financing activities Zakat payer that owns partners or other companies wholly owned and not subject to the rules applicable to financing activities Zakat payers	Permissible
3	A financing activities Zakat payer owned by another Zakat payer not subject to the rules applicable to financing activities Zakat payers	Not permissible



Adoption of Values and Amounts Appearing in the Audited Financial Statements of Zakat payers

To calculate the Zakat base for a financing activities Zakat payer by determining the Zakat-subject sources of funds, the values appearing in the audited financial statements at the end of the Zakat Year shall be adopted on a net basis, when calculating the Zakat base of a financing activities Zakat payer.

3.2.8 Applied Examples

Example 6: The data below is for a bank licensed in the Kingdom of Saudi Arabia as of 31st December 2024G. Accordingly, it is required to calculate the Zakat.

Statement of Financial Position As of 31st December 2024G (Amounts in SAR)

Item	2024 (SAR)	2023 (SAR)
Assets	----	-----
Cash and balances with the Saudi Central Bank	25,281,696	25,063,401
Balances with banks and financial institutions	17,699,255	10,811,352
Positive fair value of financial derivatives	3,422,771	6,490,693
Investments - net	66,150,885	62,841,137
Loans and advances - net	112,179,348	116,244,466
Property and equipment, net	2,636,259	2,560,807
Other assets	585,644	510,538
Total Assets	227,955,858	224,522,394
Liabilities and Equity	----	-----
Liabilities	----	-----
Balances due to banks and financial institutions	6,675,867	4,857,461
Customer deposits	168,999,301	166,604,410
Financial derivatives	2,334,625	3,952,354
Other liabilities	8,279,313	5,114,266
Total Liabilities	186,289,106	180,528,491
Capital	20,000,000	20,000,000
Statutory reserve	17,193,239	15,811,044
General reserves	130,000	130,000
Currency exchange reserve	(8,791)	(6,802)
Other reserves	501,280	282,324
Retained earnings	2,849,117	7,304,680
Proposed dividends	1,998,000	1,494,400
Treasury shares	(996,093)	(1,021,743)
Total Shareholders' Equity	41,666,752	43,993,903
Total Liabilities and Shareholders' Equity	227,955,858	224,522,394

Taking into account the following information regarding assets, liabilities, and equity:
Liabilities and Equity:

1. 20% of the balances due to banks and financial companies mature after one year or more.
2. 10% of customer deposits mature after one year or more.
3. All other liabilities have a maturity date of less than one year.
4. 50% of financial derivatives have a maturity date of one year or more.

Assets:

1. The bank has a statutory deposit with the Saudi Central Bank amounting to 8,000,000 SAR.
2. 50% of derivatives have a maturity date of one year or more.
3. 50% of loans and advances have a maturity date after one year or more.
4. All other assets have a maturity date of less than one year.
5. 15% of investments consist of equity investments in the Kingdom of Saudi Arabia.
6. 50% of investments consist of investments in debt instruments (Sukuk issued locally by the Ministry of Finance in Saudi Riyals).

Income Statement For the period from 1st January 2024G, to 31st December 2024G (Amounts in SAR)

Item	2024 (SAR)
Special commission income	7,309,795
Special commission expenses	1,300,460
Net special commission income	6,009,336
Fee and commission income - net	956,052
Foreign exchange gains - net	281,278
Investment income at fair value through profit or loss	99,268
Trading income - net	60,932
Gains on debt securities at fair value through other comprehensive income	2,245
Income from other operations	415,131
Total operating income	7,824,242
Salaries and employee-related costs	1,100,741
Rents	339,114
Other general and administrative expenses	100,799
Allowance for credit losses	663,895
Total operating expenses	157,246
Net income for the year	2,361,795

Zakat Base Calculation:

A. Step One: Identification of Non-Zakat Assets

Non-Zakat assets are identified as determined by the rules as follows:

Group	Item	Clarifications	Amount (SAR)
Non-Zakat Assets	Net fixed assets and their equivalents	Net fixed assets are taken as at the end of the year	2,636,259
	Investments in establishments or ownership shares inside the Kingdom, in accordance with the regulation.	15% of the investment value is taken as it represents equity investments inside the Kingdom for which Zakat was previously paid	9,922,633
	Investments in entities or equity interests outside the Kingdom, provided that the Zakat payer settles their Zakat independently in accordance with the regulation.	The bank has investments outside the Kingdom, but the legally mandated Zakat has not been paid for them; accordingly, they are not treated as non-Zakatable assets	****
	Debts due to the Zakat payer where the maturity date or part thereof is after one year or more, whether called short-term or long-term debts, as follows: a. All types of provided financing, whether through lending, Murabaha/cost-plus financing, finance lease, or other financing contracts. b. Zakat payer investments in debt instruments, such as Sukuk and bonds, regardless of their structure.	50% of loans and advances with a maturity date of one year or more are taken	56,089,674

Non-Zakat Assets	Investments in government debt instruments for which the State bears the Zakat, as set out in the Minister of Finance Resolution No. (2218) dated 7th Rajab 1440H/14th March 2019G concerning the rules for the State's assumption of Zakat and income tax arising from investment in local Sukuk issued by the Ministry of Finance in Saudi Riyals.	50% of investments in debt instruments (Sukuk issued locally by the Ministry of Finance in SAR) are taken	33,075,442
	Positive fair value of financial derivatives due after one year or more, including derivatives held by companies in the form of put and call options, swap contracts, and financial instruments held for hedging purposes	50% of the value of derivatives with a maturity date of one year or more is taken	1,711,386
	Statutory deposit with the Saudi Central Bank	The amount of the statutory deposit is taken as previously indicated in this example	8,000,000
Total Non-Zakat Assets			111,435,395

B. Step Two: Calculation of Zakat Assets

Based on the above, Zakat assets are calculated by subtracting non-Zakat assets from the total assets as follows:

Details		Amount (SAR)
Total Assets	1	227,955,858
Non-Zakat assets according to the Zakat calculation rules for financing activities	2	111,435,395
Zakat assets according to the Zakat calculation rules for financing activities	1 - 2	116,520,463

C. Step Three: Identification of Sources of Funds from financing.

Group	Item as stated in the Regulations	Clarifications	Amount (SAR)
Zakat payer's Sources of Funds	Equity according to the end-of-period balance	The Equity item is taken as at the end of the year	41,666,752
Zakat payer's Sources of Funds	**Debts due from the Zakat payer** where the maturity date or part thereof is after one year or more, whether called short-term or long-term debts, as follows: a. All types of financing, whether via borrowing, Murabaha/cost-plus financing, finance lease, or other financing contracts. b. Debt instruments, such as Sukuk and bonds, issued by the Zakat payer regardless of their structure.	A total of the following is taken: 1. 20% of balances due to banks and financial institutions, as their maturity date is more than one year. 2. 10% of demand deposits, as their maturity date is more than one year. 3. The "Other Liabilities" item is not taken into account as its maturity date is less than one year (non-Zakat subject sources of funds).	18,235,103

—	Negative fair value of financial derivatives due after one year or more, including derivatives held as call and put options, swap contracts, and financial instruments acquired for hedging purposes.	50% is taken as the maturity date is more than one year.	1,167,313
Total Zakatable sources of funds			61,069,168

D. Step Four: Calculation of the Zakat Base

After calculating Zakatable sources of funds and Zakatable assets, the Zakat base is computed according to the formula in the rules:

Details		Amount (SAR)
Zakatable sources of funds	1	61,069,168
Zakat assets	2	116,520,463
Total assets	3	227,955,858
Ratio of total Zakat assets to total assets	4=2 / 3	51.12%
Zakat Base*	4*1	31,218,559

Note: This base is not final, as the upper and lower limits of the base are applied later according to Articles 71 and 72 of the Implementing Regulations for Zakat Collection (issued by Ministerial Resolution No. 1007 dated 19th Sha'ban 1445H/29th February 2024G).

Cases for calculating the Zakat Base for Financing Activites TaxPayers

If neither gross profit nor net profit is achieved	Lower Limit / Upper Limit
4 x net profit (After excluding the effect of the Zakat provision charged to the net profit)	Lower Limit
8x net profit (After excluding the effect of the Zakat provision charged to the net profit)	Upper Limit

If no gross profit is achieved	If no net profit is achieved	Lower Limit / Upper Limit
No lower or upper limit applies	40% of gross profit	Lower Limit
	80% of gross profit	Upper Limit

3.3 Upper and Lower Limits for the Zakat Base

The Implementing Regulations for Zakat Collection regarding the rules for calculating Zakat for financing activities included an (upper) limit and a (lower) limit for the Zakat base, depending on the operational results of the Zakat payers subject to the financing activities rules, according to the financial statements audited by a licensed auditor in the Kingdom, as follows:

a. If the Zakat payer achieves a net profit according to the audited financial statements (see Section 3.3.1).

b. If the Zakat payer does not achieve a net profit according to the audited financial statements (see Section 3.3.2).

3.3.1 When the Zakat payer Achieves a Net Profit

If the Zakat payer achieves a net profit according to the audited financial statements, the Zakat base must not be less than the lower limit (four times the net profit) as at the end of the year, and shall not exceed eight times the net profit as at the end of the year:

Lower Limit	Upper Limit
4 × Net Profit	8 × Net Profit

For the purposes of applying these rules of the Implementing Regulations, net profit means: the profit after excluding the effect of the Zakat provision charged to the net profit appearing in the financial statements at the end of the Zakat Year.

3.3.2 When the Zakat Payer Does Not Achieve a Net Profit

If the Zakat payer does not achieve a net profit according to the audited financial statements, then for the purposes of calculating the Zakat base according to the provisions of the Regulation, the following shall be considered:

If the Zakat payer does not achieve a net profit (i.e., a loss) from its operational results according to the audited financial statements, the gross profit is considered as the basis for calculating the lower and upper limits of the Zakat base, as follows:

First:

Lower Limit	Upper Limit
40% of Gross Profit	80% of Gross Profit

For these rules, gross profit means the establishment's income realized from the activity after deducting direct expenses.

Secondly:

If the Zakat payer does not achieve a gross profit according to the audited financial statements:

The Implementing Regulations for Zakat Collection stipulate that in cases where the Zakat payer has not achieved a gross profit at the end of the Zakat Year, the base shall have no upper or lower limit, and the Zakat payer must calculate the Zakat base and Zakat based on the result of the previously mentioned formula.

The limits of the Zakat base, according to these rules, can be summarized as follows:

Lower Limit / Upper Limit	In case of achieving a Net Profit	In case of not achieving a Net Profit but achieving a Gross Profit	In case of not achieving Net Profit or Gross Profit
Lower Limit	4 × Net Profit	40% of Gross Profit	No lower or upper limit
Upper Limit	8 × Net Profit	80% of Gross Profit	No lower or upper limit

3.3.3 Applied Examples

Example 7: Calculation of the lower and upper limits of the Zakat base in case of achieving a net profit, based on the data provided in Example 6, where the Zakat base for Bank A was calculated at SAR 31,218,559.

To apply the lower and upper limit rule by verifying the net profit amount stated in the bank's income statement, which is SAR 2,361,795, the upper and lower limits are calculated as follows:

Net Profit	(Lower Limit) 4 times Net Profit	(Upper Limit) 8 times Net Profit
SAR 2,361,795	SAR 9,447,180	SAR 18,894,360

Based on the foregoing, the Zakat base calculated in accordance with the rules of the Regulations exceeds the upper limit of SAR 18,894,360. Accordingly, the upper limit of SAR 18,894,360 shall be adopted as the Zakat base for the purpose of calculating the legally-mandated Zakat. Where the Zakat base calculated in accordance with the prescribed formula amounts to SAR 15,122,120, the same amount shall be adopted as the Zakat base, as it falls between the calculated lower and upper limits.

In cases where the calculated Zakat base is below the lower limit of SAR 9,447,180, the lower limit shall be adopted as the Zakat base.

Example 8: Calculation of the lower and upper limits of the Zakat base where the Zakat payer does not achieve a net profit but achieves a gross profit:

The income statement for a financial company licensed by the Saudi Central Bank as of 31st December 2024G shows the following data:

Item	Amount
Gross profit	SAR 3,000,000
Net (loss) before Zakat provision	(SAR 1,500,000)

The company calculated the Zakat base in accordance with the Zakat Regulations at SAR 2,000,000. Since the company did not achieve a net profit, the gross profit is used as the basis for determining the lower and upper limits of the Zakat base, as follows:

Gross Profit	Lower Limit (40%) of Gross Profit	Upper Limit (80)% of Gross Profit
SAR 3,000,000	SAR 1,200,000	SAR 2,400,000

As the calculated Zakat base of SAR 2,000,000 falls between the lower and upper limits shown above, the same amount shall be adopted as the basis for calculating Zakat.

3.4 Zakat Return for Financing Activities

3.4.1 Method of Preparing and Submitting the Return:

ZATCA has adopted a specific Zakat return form for financing activities Zakat payers, which includes the mechanism for calculating the Zakat base and Zakat in accordance with the Regulations (the Pro-rata Method).

Accordingly, Zakat payers are required to submit the Zakat return and pay the Zakat due thereunder to ZATCA within a period not exceeding 180 days from the end of the Zakat Year. If the end of this period coincides with an official holiday, the due date shall be extended to the first working day following the holiday.

The accounts Zakat payer must also submit the Zakat return using the designated Zakat return form for accounts Zakat payers through ZATCA's electronic system, along with supporting documents corresponding to the information reported in the return. Zakat dues must be paid via bank transfer through the "SADAD" system or through any other payment methods approved by ZATCA.

3.4.2 Method of Paying Due Amounts under the Return

Upon submission of the Zakat return, the "ERAD" system issues an immediate electronic invoice notice including the payment number and the total Zakat amount due under the return. The Zakat payer must pay the due Zakat via bank transfer through the electronic "SADAD" system, provided that payment is made before the expiry of the statutory period (120 days from the end of the fiscal year).

4. Zakat Treatment for Some Statement of Financial Position Items under the Zakat Calculation Rules for Financing Activities

Item	Zakat Treatment under the Regulations Rules
Assets	—
Cash in hand and its equivalents	Zakat assets
Cash with correspondents and ATMs, if maturity is more than one year	Non-Zakat assets
Statutory deposit with the Saudi Central Bank	Non-Zakat assets
Accounts with correspondents (NOSTRO)	Zakat assets
Current accounts	Zakat assets
Money market deposits with the Saudi Central Bank	Zakat assets
Term deposits maturing after one year or more	Non-Zakat assets
Term deposits maturing in less than one year	Zakat assets
Demand deposits	Zakat assets
Savings deposits maturing after one year or more	Non-Zakat assets
Savings deposits maturing in less than one year	Zakat assets
Positive fair value of derivatives due after one year or more	Non-Zakat assets
Positive fair value of derivatives due in less than one year	Zakat assets
Investments at fair value through other comprehensive income (FVOCI) meeting the conditions in the Regulations and the Guideline	Non-Zakat assets
Investments at fair value through profit or loss (FVTPL) meeting the conditions in the Regulations and the Guideline	Non-Zakat assets
Investments at amortized cost meeting the conditions in the Regulations and the Guideline	Non-Zakat assets
Investments in government Sukuk issued by the Ministry of Finance locally in SAR, meeting the conditions in the rules and the Ministerial Resolution	Non-Zakat assets

Investments in Sukuk, bonds, and treasury bills maturing after one year	Non-Zakat assets
Investments in subsidiary companies	Non-Zakat assets, provided they are subject to Zakat collection rules under the Regulations
Investments in associate companies	Non-Zakat assets, provided they are subject to Zakat collection rules under the Regulations
Investments in joint ventures	Non-Zakat assets, provided they are subject to Zakat collection rules under the Regulations
Investments in investment funds	Non-Zakat assets, provided that their Zakat is calculated and paid to the Authority in accordance with the conditions of the Regulations.
Net investment in finance lease maturing after one year or more	Non-Zakat assets
Net investment in finance lease maturing in less than one year	Zakat assets
Net investment in Murabaha financing maturing after one year or more	Non-Zakat assets
Net investment in Murabaha financing maturing in less than one year	Zakat assets
Loans and advances maturing after one year or more	Non-Zakat assets
Loans and advances maturing in less than one year	Zakat assets
Financing - net (trading finance, installment sales, Murabaha/cost-plus financing, credit cards) maturing after one year or more	Non-Zakat assets
Financing - net (trading finance, installment sales, Murabaha/cost-plus financing, credit cards) maturing in less than one year	Zakat assets
Debtors of Islamic financing, maturing after one year or more	Non-Zakat assets
Debtors of Islamic financing, maturing in less than one year	Zakat assets
Property and equipment - net	Non-Zakat assets
Long-term intangible assets	Non-Zakat assets

Goodwill	Non-Zakat assets
Assets acquired in exchange for claims	Non-Zakat assets
Prepaid expenses due in less than one year	Zakat assets
Advance payment on investment account	Zakat assets
Liabilities	—
Balances due to banks and other financial institutions (current accounts) if maturity is less than one year	External sources of funds not subject to Zakat
Balances due to banks and other financial institutions (money market deposits) if maturity is less than one year	External sources of funds not subject to Zakat
Current accounts - customers, if maturity is less than one year or no specific maturity	External sources of funds not subject to Zakat
Current accounts - employees, if maturity is less than one year or no specific maturity	External sources of funds not subject to Zakat
Term investments of banks and other financial institutions	External sources of funds subject to Zakat, provided maturity is after one year or more
Term deposits maturing after one year or more	External sources of funds subject to Zakat
Term deposits maturing in less than one year	External sources of funds not subject to Zakat
Demand deposits if maturity is less than one year or no specific maturity	External sources of funds not subject to Zakat
Savings deposits maturing after one year or more	External sources of funds subject to Zakat
Savings deposits maturing in less than one year	External sources of funds not subject to Zakat
Negative fair value of derivatives due after one year or more	External sources of funds subject to Zakat
Negative fair value of derivatives due in less than one year	External sources of funds not subject to Zakat
Islamic bank financing due after one year or more	External sources of funds subject to Zakat
Islamic bank financing due in less than one year	External sources of funds subject to Zakat
Accrued expenses and accounts payable if maturity is less than one year or no specific maturity	External sources of funds not subject to Zakat
Provision for indirect credit facilities	Internal sources of funds
Accrued withdrawals maturing in less than one year	External sources of funds not subject to Zakat

Customer insurance if the due date is less than one year	External sources of funds not subject to Zakat
Deferred income	External sources of funds not subject to Zakat, except for the portion maturing after one year or more
Insurance premiums due for leased assets with maturity less than one year	External sources of funds not subject to Zakat
Insurance claims under settlement with maturity less than one year	External sources of funds not subject to Zakat
Payables related to proposed leasing with maturity less than one year	External sources of funds not subject to Zakat
Equity	Internal sources of funds subject to Zakat
Capital	
Statutory reserve	
General reserve	
Foreign currency translation reserve (FCTR)	
Other reserves	
Retained earnings	
Proposed dividends	
Shares held for employee options	
Bonus share issuance	
Fair value reserve for investments at Fair Value Through Other Comprehensive Income (FVOCI)	
Tier 1 Sukuk	
Non-controlling interests	
Treasury shares	

5. Request for Ruling

f you are not aware of how to apply zakat to a certain activity or transaction you carry out, or plan to carry out, after referring to the respective statutory provisions and Guideline, you can submit an application to ZATCA for issuing a Ruling decision according to the Implementing Regulations for Zakat Collection issued by the Ministerial Resolution No. (1007) dated 19 Shaaban 1445H corresponding to 29 February 2024.

6. Contact Us

For further information regarding any Zakat-subject transaction, please visit the website: zatca.gov.sa or contact us on 19993.

7. Frequently Asked Questions (FAQs)

1. What is the percentage used for the Zakat amount according to the Zakat calculation rules for financing activities?

According to the Implementing Regulations for Zakat, the Zakat percentage for a Zakat payer using the Gregorian year is determined by dividing two and a half percent (2.5%) by the number of days in the Hijri year (354 days), multiplied by the actual number of days in the Zakat payer's Zakat Year.

2. Are negative items in equity (such as treasury shares) taken into account when calculating the Zakat base under these rules?

Yes. Generally, the equity item consists of capital, retained earnings, statutory reserves, and any reserves the Zakat payer is required to include by law, regulation, or accounting standard, including negative items such as treasury shares from previous years. The establishment is obligated to declare liabilities within its income whenever they are collected.

Treasury shares are shares that the issuing company repurchases from the financial market through a purchase process. These shares are not entitled to any distribution or voting rights during the period of the company's ownership. The company holds them for objectives such as capital reduction or distributing profits in the form of bonus shares.

3. In the event of cessation of activity or liquidation, how is Zakat calculated under these rules?

In the event of the company's liquidation or the cessation of its activity during the Zakat Year, in accordance with the laws and regulations in force at the Saudi Central Bank, Zakat is not calculated according to the formula mentioned in the Regulations.

4. How is the maturity date (less or more than a year) determined for asset and liability items mentioned in the rules?

Generally, asset and liability items in the financial statements are classified based on the operating cycle of 12 months and the extent to which assets can be consumed, used, or realized during or after the next operating cycle.

Regarding liabilities, it depends on the company's ability to fulfill its obligations during or after the next operating cycle. Accordingly, a special system and supporting documents must be available, including the report of the certified external auditor for the bank's or company's financial statements, to approve the classification of items and liabilities in its financial statements.

5. Some assets and liabilities fall under the classification of "unspecified maturity date," such as demand deposits. How will such items be treated under the rules of Zakat calculation for financing activities?

For the purposes of Zakat calculation for financing activities, such items that do not have a specific maturity date are considered Zakat-subject (in the case of assets) and non-subject sources of funds (in the case of liabilities). Rules and the like are excluded from this, as they are treated as equity.

6. In which cases can a company subject to the financing activities rules submit a consolidated return with its 100%-owned subsidiaries?

A company subject to the Zakat calculation rules for financing activities may submit a consolidated return with its 100%-owned subsidiaries if it is a company subject to financing activities rules and is owned by another company subject to the same rules. In such cases, submission of a consolidated Zakat return is allowed. In addition, if a company subject to these rules owns one or more companies that are not subject to these rules at 100% ownership, submission of a consolidated Zakat return is also allowed.

However, if the company subject to these rules is owned by a company that is not subject to the same rules, then the rules applicable to financing-activity Zakat payers shall not apply to it.

7. Are insurance companies and financial companies regulated by the Capital Market Authority (such as brokerage firms) included under the umbrella of Zakat calculation rules for financing activities?

According to the definition of a "financing activities Zakat payer" in Article 1 of the Regulations, it refers to an accounts Zakat payer from banks, financing companies, and refinancing companies licensed by the Saudi Central Bank, and financing funds licensed by the Capital Market Authority, during the Zakat Year.

8. Are deposits considered among the sources of funds subject to Zakat according to the rules of the Regulations?

Deposits are of two types: fixed-term and non-fixed-term. Non-fixed-term deposits are not considered zakatable funding sources under the Regulations. Fixed-term deposits are assessed based on their maturity: if the term exceeds one year, they are considered funding sources; if less than one year, they are not.

9. If an institution issues sukuk or bonds with a maturity of ten years and an early redemption option after five years, how is zakat treated once the five years have elapsed? Are they considered zakatable funding sources? If the bank redeems them during the current year and had included them in the funding sources for the previous year, how are they treated?

In this case, the treatment follows that of early settlement. Redeeming them has no impact on the Zakat base for the subsequent year, as they were already included among funding sources in the previous year.

10. Regarding savings accounts, will they be treated as fixed-term deposits and thus be among the Zakat-subject sources of funds, increasing the Zakat base?

Savings accounts are not required to have a term of one year. If the term is one year or more, they are treated as fixed-term deposits and added to the Zakat base.

11. If the mortgage is on assets other than real estate, such as investments in shares, and these are held by the bank, are they subject to the same rules as real estate and deducted from the mortgage base?

In this case, these shares will be considered part of the investments and therefore treated accordingly.

12. If a bank is an investor in a foreign bank and wants to calculate the Zakat for this investment, does it calculate Zakat according to the Zakat Implementing Regulations or according to the financing activities Zakat rules?

Its Zakat is calculated according to the Zakat Implementing Regulations.

13. Regarding investments that are "Zakat-paid" or whose Zakat is paid independently: if the base was calculated and was less than the lower limit, are these investments taken into account to raise the base to the lower limit since the Zakat payer paid their Zakat independently?

No. Upon reaching the lower limit, it is determined through the net profit (or gross profit) without consideration of the components of the base, including foreign investments.

14. If the bank owns companies or is a subsidiary of a holding company, in what cases is it allowed to apply the financing activities Zakat rules?

There are two cases:

First: If the bank owns several companies by 100%, ZATCA must approve the consolidation of statements. If approved, it becomes subject to financing Activity Provisions.

Second: If the bank is owned by a holding company, these rules shall not apply unless the bank exits the group and submits its Zakat return independently.

15. What is ZATCA's approach to Zakat on investments in government sukuk for financing activities?

For financing activities, such investments are classified as non-Zakatable assets. Accordingly, the Zakat payer shall not pay Zakat on them, nor submit a separate return for them, provided that the bank completes the Zakat return correctly and classifies the sukuk appropriately within the return.



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