



Simplified Guideline for Information and Communication Services Sector



Information and Communication Services Activities:

This sector includes the production and distribution of information and cultural products and the provision and means of transport and distribution of such products, as well as the transmission and distribution of data, information and communications technology activities, data processing and other information service activities.

This Sector Includes the Following Activities:

1. Publishing activities.
2. Production activities of films, videos, television programs, sound recordings and music publishing.
3. Programming and broadcasting activities.
4. Telecommunications.
5. Computer programming, consultancy and related activities.
6. Information services activities.



The Authority's Method to Calculate the Zakat Base for Zakat Payers Who Keep Commercial Books

The Authority uses the indirect method (the sources of funds method) to reach the zakat base. This method is based on the following:

(Additions): Adding the zakat payer's internal sources of funds and sources of external funds utilized for the deductible financing.

(Deductions): Non-Zakatable and Zakatable assets are deducted.

$$\text{Zakat base} = \text{Additions} - \text{Deductibles}$$

Additions:

1. Capital.
2. Revenue and advance payments.
3. Long-term liabilities (maximum total deductions from the base).
4. Reserves at the beginning of the year.
5. Retained earnings.
6. Profit under distribution.
7. Adjusted net profit.
8. Provisions at the beginning of the year.
9. Change in fair value.
10. Any item utilized in financing deductible asset.

Deductibles:

1. Net fixed assets.
2. Capital work in progress
3. Intangible assets.
4. Zakatable investment.
5. Incorporation expenses.
6. Adjusted net loss for the year.
7. Adjusted accumulated loss or according to the statement, whichever is less.
8. Property and equipment.



Example of Calculating Company's Zakat:

The following data is for a company as at the end of the fiscal year:

Statement of Financial Position			
Assets		Liabilities and Equity	
Current assets	9,000	Current liabilities	6,000
non-current assets (Communication network equipment)	8,000	Non-current liabilities	7,000
		Equity	4,000
Total	17,000 SAR	Total	17,000 SAR

The external sources of funding are added to the base first to meet them with deductions, not exceeding the total value of the deductions, and then internal sources of funding are added. Therefore, in the example above, long-term liabilities were added for the entire base because they were less than the deductions, and then equity was added, as in the following table:

Item	SAR
Long-term assets	7,000
Equity	4,000
Less: non-zakatable assets	8,000
Zakat Base	3,000



Rules for Zakat Base:

Minimum

For zakat collection purposes, the zakat base cannot be less than the adjusted net profit.

Beginning of the zakat payer's fiscal year

The Zakat year begins earlier than the following:

1. Issuance of the commercial register.
2. Obtaining the necessary licenses.
3. Date of deposit of capital

(Unless the zakat payer determines a further date for the commencement of the activity based on documentary evidence)

Zakat Ratio

1. Zakat is two and a half percent 2.5% of the zakat base for the Hijri year.
2. If the zakat payer's fiscal year differs from the Hijri year; the zakat calculation is based on the zakat payer's actual number of days, and the zakat ratio can be calculated as follows:

Zakat percentage according to the numbers of days

$$\frac{2.5\%}{\text{Numbers of days in the Hijri year}} \times \text{Numbers of zakat payer's fiscal year}$$

- Adjusted net profit is applied to it (2.5%) for any financial period.
- The short financial period at the end of the company's activity is not subject to zakat, if the number of days of the period is less than three hundred and fifty-four (354) days.



The Most Important Items in the Statement of Financial Position for Information and Communication Sector and Their Zakat Treatment:

Non-current assets

Contract costs	Represents the costs incurred to fulfill contracts when conditions are met)	Non-deductible assets	Not deductible from the base as they are zakatable assets.
Production of audiovisual materials	Represent the rights to produce audiovisual materials and recordings	Deductible assets	Deductible from the base as they are non-zakatable assets
Contract assets	Represent the assets in exchange for transferring goods or services to customers prior to payment of the compensation or before maturity	Non-deductible assets	Not deductible from the base as they are zakatable assets
Networks and communication equipment	Represents the equipment necessary to operate telecommunication services	Deductible assets	Deductible from the base as they are non-zakatable assets
IT systems and servers	Represents the equipment necessary to operate telecommunication services	Deductible assets	Deductible from the base as they are non-zakatable assets
Intangible assets (telecommunication licenses)	Represents a telecommunication license to operate in a specific area	Deductible assets	Deductible from the base as they are zakatable assets
Intangible assets - irrevocable rights of use	Is the right to use a part of the terrestrial transmission cable	Deductible assets	Deductible from the base as they are non-zakatable assets
Telephones and equipment at the customer's site	Represent the equipment at the customer's premises to provide the service while the ownership is for the company	Deductible assets	Deductible from the base as they are non-zakatable assets



Prepaid cards and recharge	Represent prepaid and recharge cards ready for sale to customers	Non-deductible assets	Not deductible from the base as they are zakatable assets
Restricted in-kind assets associated with government grants	Represent the value of properties and equipment related to restricted government grants	Deductible assets	Deductible from the base as they are non-zakatable assets
Telecom licenses	Represent the cost of operating licenses and service charges	Deductible assets	Deductible from the base as they are non-zakatable assets

Current liabilities

Deferred revenue from government grants	Represents the current portion of conditional government grants	External sources of funds utilized in financing deductible asset	Added to the Zakat base to meet deductible assets
Deferred financial obligations from government grants	Represents the current portion of conditional government grants	External sources of funds utilized in financing deductible asset	Added to the Zakat base unless it has been deferred for more than 354 days

Non-current liabilities

Government grant revenue	Represents the non-current portion of conditional government grants	External sources of funds utilized in financing deductible asset	Added to the Zakat base to meet deductible assets
Contract obligations	Represent deferred services revenue	External sources of funds utilized in financing deductible asset	Added to the zakat base to meet deductible assets

External document

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