

هيئة الزكاة والضريبة والجمارك  
Zakat, Tax and Customs Authority



# ZAKAH COLLECTION

## IN THE KINGDOM OF SAUDI ARABIA

### A FIQH-BASED PERSPECTIVE

PREPARED BY:

ZAKAT, TAX AND CUSTOMS AUTHORITY

SECOND EDITION

FOREWORD BY:

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AT ZAKAT, TAX AND CUSTOMS AUTHORITY



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**SECOND EDITION 2022**

**Zakat, Tax and Customs Authority (ZATCA)**

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**هيئة الزكاة والضريبة والجمارك**  
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Zakat, Tax and Customs Authority



## **Zakat, Tax and Customs Authority (ZATCA)**

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# Foreword



## Governor of Zakat, Tax and Customs Authority

**H.E. Engr. Suhail Bin Mohammed Abanmi**

All praise is due to Allah, the Lord of the worlds, and may His blessings and peace be upon the most honorable of Prophets and Messengers.

Spreading awareness regarding the various aspects of *Zakâh* is one of the most outstanding activities assumed by the Zakat, Tax and Customs Authority (ZATCA), whose employees and officials have realized its significance and place in charting the course for the Authority's work. This important role is highlighted in Article (3) of the Statute of Zakat, Tax and Customs Authority issued under the Ministerial Resolution No. (570), dated 22/9/1442 AH, which defines the Authority's statutory powers and duties, including: (Raising awareness of taxpayers, strengthening the level of their voluntary commitment). Yet, we hope that this publication will contribute to strengthening the Authority's role in disseminating knowledge, and that it will provide a valuable reference source for specialists and researchers.

Through this publication, in particular, ZATCA aims to acquaint researchers and those interested in the areas of *Zakâh* with the Authority's practices by explaining its norms and institutional framework. This work comes within the Authority's publication series concerned with raising awareness about *Zakâh*. The Authority also has published a number of *Zakâh*-related researches and specialized guides, as it always hastens to update and develop its awareness-raising initiative for the benefit of concerned public.

After all, by Allah's grace and then with the generous support received from the Custodian of the Two Holy Mosques King Salman Bin Abdulaziz, and His

Royal Highness the Crown Prince Mohammed Bin Salman (may Allah protect them), the Authority spares no effort in achieving its goals and implementing its policy as planned to reach its ultimate objectives. We hope that Allah, Exalted be He, will make our efforts supportive of the development and prosperity projects adopted by our wise leadership to achieve a sustainable future for next generations, Allah willing.

May Allah's peace, mercy and blessings be upon you!





# Foreword



## Chairman of the Shari'ah Committee of ZATCA

H.E. Sheikh Dr. Abdullah Bin Mohammed Al-Mutlaq

All praise is due to Allah, the Lord of the worlds, and may the blessings and peace of Allah be upon our Prophet Muhammad, his household and all of his companions.

*Zakâh* is one of the most significant and great rituals of Islam, and one of its five pillars. Many frequent texts of the Qur'an and Prophetic Sunnah confirm its great status and virtue, state its relevant rulings, define the characteristics of those entitled to it, and warn against abandoning and neglecting it. Being of such a great importance, it is always mentioned in the Qur'an along with *Salâh* (i.e. Prayer), and the Prophet (peace and blessings of Allah be upon him) himself took care of determining its shares, as he took charge of establishing *Jumu`ahs* (i.e. Friday Prayers) and congregational Prayers.

One of the actions by which the purposes of Shari'ah behind the obligation of *Zakâh* are realized is to collect *Zakâh* by the ruler, or his delegates. The Prophet (peace and blessings of Allah be upon him) used to take charge of collecting *Zakâh*, and to dispatch collectors to various regions of the Muslim country to collect it, asking people to be kind with them, and people used to pay *Zakâh* to the Prophet's delegates (*Zakâh* collectors). The rightly-guided Caliphs and the Muslim rulers thereafter followed this Prophetic Sunnah, and the Muslim scholars kept on advising Caliphs and rulers to establish and maintain this Prophetic Sunnah. Following this tradition, *Zakâh* can be collected fairly and accurately, and it becomes easier for the owners of wealth to calculate the *Zakâh* due on their wealth and pay it to those entitled to it, so as to discharge their liabilities of the obligation thereof.

The noble royal decrees in the Kingdom of Saudi Arabia, and the relevant statutes, among which is the statute issued by the Council of Ministers Resolution No. (465) on 20/7/1438 AH, decided that “**Zakat, Tax and Customs Authority**” is the entity responsible for all the works of collecting *Zakâh*. The Authority issues regulations, rules, guides, and awareness-raising publications which promotes the role of *Zakâh* in the society, and fulfils the Shari’ah purposes through paying it to cover the needs of those entitled to it.

Among the awareness-raising publications issued by Zakat, Tax and Customs Authority: “*Jibâyat Az-Zakâh Fi Al-Mamlakah Al-`Arabiyyah As-Su`ûdiyyah*” (*Zakâh Collection in the Kingdom of Saudi Arabia*), which is a Shari’ah-Based Guide concerned with introducing the *Zakâh*-related rulings and purposes, as well as its method of calculation in the Authority, and the Shari’ah basis for this method, referring to Fiqh selections, fatwas and relevant resolutions of collective *Ijtihâd* institutions.

I have read the Guide, and I am very pleased that it elaborates on a number of *Zakâh* issues which are of great importance to researchers in the Shari’ah, regulatory and accounting fields related to the Fiqh and accounting of *Zakâh*. I believe that this guide provides the *Zakâh* payers with the clear and adequate Shari’ah information necessary for fulfilling such an obligation, and contributes to covering the Shari’ah library’s need for a specialized reference in the Fiqh of *Zakâh* and the methods of its calculation. This will result in developing the field of Shari’ah research in these issues, which will be reflected in the development of the applications of *Zakâh* collection.

Introducing this Guide, Zakat, Tax and Customs Authority hopes that Allah will make it acceptable, beneficial to specialists and concerned people, explanatory to important issues in *Zakâh*, and answering to some practical problems, which increases the degree of payer’s voluntary commitment to *Zakâh*.

I ask Allah (alone) to guide us to that which He loves and is pleased with, and may Allah’s peace and blessings be upon our Prophet Muḥammad, his household and all of his companions. Verily, Allah is the Grantor of success.



# Foreword



## Deputy Governor of Research and Zakat Advisory, the Secretary General of the Shari'ah Committee

**H.E. Mr. Ammar Bin Abdullah Al-Hajjaj**

All praise is due to Allah, the Lord of the worlds, and may His blessings and peace be upon the most honorable of Prophets and Messengers.

The ritual of *Zakâh* is one of the firm pillars of Islam, and many frequent Shari'ah texts confirm its great status, virtue, and reward for performing it. Shari'ah has stated the great purposes of *Zakâh*, while highlighting the lofty wisdom behind it and establishing its rulings, which indicate its great significance. This includes the texts defining the wealth on which *Zakâh* is due, the conditions for its obligation, and the categories of those entitled to receive it, as well as other relevant Shari'ah rulings.

Being of such great importance and status in Shari'ah and people's lives, the Prophet (peace and blessings of Allah be upon him) himself took care of collecting it, distributing it among those intitled to it, and dispatching collectors to various regions of the Muslim country to collect it. The rightly-guided Caliphs and the Muslim rulers thereafter followed this Prophetic Sunnah till our current times.

In our times, the rulers in the Kingdom of Saudi Arabia -with the grace of Allah- are paying much care to the collection and disbursement of *Zakâh*. The founder King Abdulaziz (may Allah have mercy on him) issued the Royal Decree No. (17/2/28/8634), dated 29/06/1370 AH, which stated the order to collect the Shari'ah-based *Zakâh* in accordance with the provisions of the

tolerant Islamic Shari'ah. Accordingly, many royal decrees were issued to this effect. In this regard, Article (21) of the Basic Law of Governance states: "Zakat shall be collected and spent for legitimate expenses".

During the reign of the Custodian of the Two Holy Mosques, King Salman Bin Abdulaziz (may Allah protect him), the Council of Ministers Resolution No. (570), dated 22/9/1442 AH, was issued to approve the Statute of Zakat, Tax and Customs Authority. The Statute defines the Authority's statutory powers and duties, including: Providing high-quality services to taxpayers to enable them to fulfill their duties, raising awareness of taxpayers, and strengthening the level of their voluntary commitment.

That is why the Zakat, Tax and Customs Authority has taken care of raising awareness with regard to the various areas of *Zakâh*, tax and customs. This resulted in preparing and publishing this publication entitled: "*Jibâyat Az-Zakâh Fî Al-Mamlakah Al-'Arabiyyah As-Su`ûdiyyah*" (*Zakâh Collection in the Kingdom of Saudi Arabia*), by which the Authority aims to spread the *Zakâh*-related culture among those interested in these areas.

To accomplish this work, the Zakat, Tax and Customs Authority (ZATCA) has adopted the following steps:

- 1- Specifying the *Zakâh* cases that need to be studied and examined, by studying the inquiries of taxpayers, and following up on scholarly publications in these areas.
- 2- Assigning an internal team to study these cases from the Shari'ah-based, statutory and accounting perspectives, and then prepare the scientific material for this publication.
- 3- Presenting the work after its completion to a number of specialists in the Fiqh of *Zakâh*, and making necessary amendments in light of their suggestions and comments.
- 4- Peer-reviewing the publication by a number of scholars, and then making amendments to it in light of the observations suggested.
- 5- Completing the requirements for the final drafting of the publication, finalizing the linguistic revision and page layout.

Whereas the preparation of such a publication requires defining objective

rules for writing and preparing the publication, the Authority, when preparing it, took into account a number of considerations, including:

- 1- Observing conciseness when presenting and studying the cases, giving details only when required.
- 2- When stating the *Zakâh* treatment, it is limited to the Authority's method of accounting practice.
- 3- Paying attention to clarifying the statutory documents related to *Zakâh* treatments through the provisions of the Implementing Regulation for Zakat Collection issued under the Ministerial Resolution No. (2216), dated 7/7/1440 AH.
- 4- Ignoring the jurisprudential controversies resulting from the Shari'ah-based study and the jurisprudential reconciliation, except when needed.
- 5- Avoiding quotations, except when needed or the text quoted is important.
- 6- Adopting only the most important Shari'ah evidence stated in the case, explaining the essence of evidence and stating the relation of the Authority's work to it.
- 7- Reviewing the publication and presenting it to the specialists.

In conclusion, the Zakat, Tax and Customs Authority (ZATCA) has made considerable efforts to prepare this publication. I seize this opportunity to thank everyone who contributed to this publication, particularly the Chairman of the Shari'ah Committee at the Authority, H.E. Sheikh Dr. Abdullah Bin Mohammed Al-Mutlaq, the members of the Shari'ah Committee, and everyone who participated in peer-reviewing this publication and enriching its content. I also express my gratitude to the Authority's work team for their valuable efforts exerted to prepare this publication.

The Zakat, Tax and Customs Authority has launched this publication to enrich the scholarly arena, and contribute to raising awareness about the areas of *Zakâh*. Praise is due to Allah, the Almighty, Who has guided us and granted us success to accomplish this work. I hope that Allah will make this publication beneficial for researchers and specialists, and that it will contribute to the development of research in the Fiqh of *Zakâh* and its accountancy.





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# Introduction



All Praise is due to Allah, the Lord of the worlds, and may peace and blessings of Allah be upon our Prophet Muhammad, who was sent as mercy to all creation, and upon his household, companions, followers, and upon all those who followed them in righteousness until the Day of Judgment.

*Zakâh* (i.e. Obligatory Almsgiving) is the third pillar of Islam, and one of its great rituals. It is a reflection of bringing hearts together, and it was made obligatory in the previous religions.<sup>(1)</sup> Allah, Exalted be He, has mentioned *Salâh* (i.e. Prayer) along with *Zakâh* in his Noble Book in twenty-eight Verses,<sup>(2)</sup> including Allah's saying: **{“And establish *Salâh* (i.e. Compulsory Congregational Prayer), pay *Zakâh* (i.e. Obligatory Almsgiving) and bow with those who bow (in worship and obedience)”}**.<sup>(3)</sup> The Prophet (peace and blessings of Allah be upon him) stated its obligation, as being one of the pillars of Islam, as he said to Mu`âdh Ibn Jabal (may Allah be pleased with him) when he sent him to Yemen: “...so, let them know that Allah has made it obligatory for them to pay *Sadaqah* (i.e. *Zakâh*) from their property and it is to be taken from the wealthy among them and given to the poor”,<sup>(4)</sup> and he explained the punishment of those who refrain from paying it in the Hereafter.<sup>(5)</sup>

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(1) It is quite often that *Zakâh* was obligatory in the previous religions. This is indicated in many Quranic Verses, such as Allah's saying: **{“And We inspired to them the doing of good deeds, establishment of *Salâh* (i.e. Prayer), and giving of *Zakâh* (i.e. Almsgiving);...”}** [Al-Anbiyâ' (The Prophets): 73], and in His saying about Jesus, the son of Mary: **{“And He has made me blessed wherever I am and has enjoined upon me *Salâh* (i.e. Prayer) and *Zakâh* (i.e. Almsgiving)...”}** [Maryam (Mary): 31].

(2) See: “Al-Mu`jam Al-Mufâhras Li-Alfâz Al-Qur`ân Al-Karîm”, Fu`âd `Abdul-Bâqî, (P. 421).

(3) Surah Al-Baqarah (The Cow): 43.

(4) “*Sahîh Al-Bukhârî*”, hadith no. (1395); “*Sahîh Muslim*”, hadith no. (19).

Concerning its obligation, see: “*Sahîh Al-Bukhârî*”, hadith no. (8); “*Sahîh Muslim*”, hadith no. (16).

(5) The Prophet (peace and blessings of Allah be upon him) said: “If any owner of gold or silver does not pay what is due on him, when the Day of Resurrection would come, plates =

It is the financial worship that involves showing kindness towards people as well as relinquishing miserliness, where a person gives away what is much beloved to himself for the sake of Allah, the Almighty. In this regard, Allah says: {*“And indeed he (i.e. human) is, in love of goodness, intense”*};<sup>(1)</sup> goodness in this Verse means wealth.<sup>(2)</sup> Also, Allah, the Almighty, says: {*“And you love wealth with immense love”*}.<sup>(3)</sup>

Among the State’s responsibilities assumed under Shari’ah is to collect *Zakâh* from the owners of wealth and pay it to those entitled thereto.<sup>(4)</sup> The process is to assign *Zakâh* collectors<sup>(5)</sup> to pass by the owners of wealth throughout the country so as to calculate the amount of their due *Zakâh*, and then collect it from them, and supervise its disbursement and distribution to those entitled thereto.

Collecting and disbursing *Zakâh* to those entitled thereto are among the basic tasks stated in the Basic Law of Governance in the Kingdom of Saudi Arabia, issued under the Royal Decree No. (A/90), dated 27/8/1412 AH, where Article (21) states:

**“Zakat shall be collected and spent for legitimate expenses.”**

In witness thereof, the Royal Decree No. (17/2/28/8634), dated 29/6/1370 AH, corresponding to 6/4/1951 AD, which included the order to collect *Zakâh*

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= of fire would be beaten out for him; these would then be heated in the fire of Hell and his sides, his forehead and his back would be cauterized with them. Whenever these cool down, (the process is) repeated during a day the extent of which would be fifty thousand years, until judgment is pronounced among servants, and he sees whether his path is to take him to Paradise or to Hell.”

“*Sahîh Al-Bukhârî*”, hadiths no. (1402 and 1403); “*Sahîh Muslim*”, hadith no. (987). The wording of this hadith belongs to Muslim.

(1) Surah Al-`Âdiyât (The Chargers): 8.

(2) See: “*Jâmi` Al-Bayân `An Ta`wîl Al-Qur`ân*”, (3: 135); “*Al-Jâmi` Li-Ahkâm Al-Qur`ân*”, (20: 162); “*Tafsîr Al-Qur`ân Al-`Azîm*”, (8: 467).

(3) Surah Al-Fajr (The Dawn): 20.

(4) See: “*Al-Amwâl*”, Abû `Ubayd, (P. 678); “*Al-Ahkâm As-Sultâniyyah*”, Al-Mâwardî, (P. 40); “*Mu`în Al-Hukkâm Fimâ Yataraddad Bayna Al-Khasmayn Min Al-Ahkâm*”, (P. 12); “*Matâlib Ulî An-Nuhâ Fî Sharh Ghâyat Al-Muntahâ*”, (6: 464).

(5) **Zakâh Collectors:** Those assigned by the State to collect *Zakâh* from the owners of wealth, and to preserve, develop and distribute it.

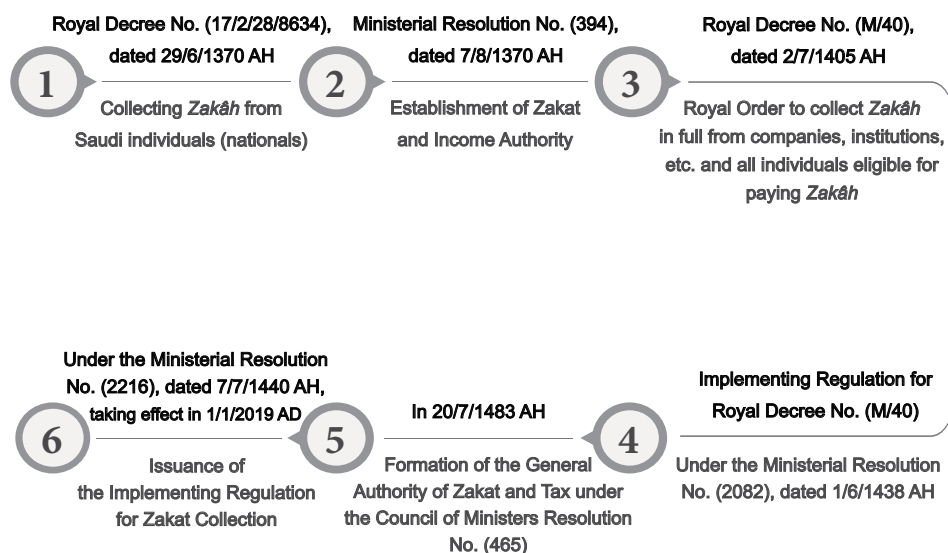
See: “*Badâi` As-Sanâi`*”, (2: 44); “*Al-Kâfi Fî Fiqh Ahl Al-Madînah*”, (1: 326).

## Introduction

was issued during the era of the founder King Abdulaziz. In the same year, the Ministerial Resolution No. (394), dated 7/8/1370 AH, which included the establishment of the Zakat and Income Authority, was issued.

Following this Royal Decree, a number of decrees confirming it, ministerial resolutions implementing it, and statutes and circulars explaining and clarifying it, were issued, including: Royal Decree No. (M/40), dated 2/7/1405 AH, and Implementing Regulation for Zakat Collection issued under the Ministerial Resolution No. (2082), dated 1/6/1438 AH, corresponding to 28/2/2017 AD, and the Implementing Regulation for Zakat Collection issued under the Ministerial Resolution No. (2216), dated 7/7/1440 AH, corresponding to 14/3/2019 AD.

### Phases of Organizing *Zakâh* Collection



Zakat, Tax and Customs Authority (ZATCA)<sup>(1)</sup> is currently responsible for the collection of *Zakâh* in the Kingdom of Saudi Arabia, where it undertakes all procedures related to *Zakâh* payers,<sup>(2)</sup> starting with registration, and passing through the process of filing *Zakâh* declarations,<sup>(3)</sup> the issuance of *Zakâh* assessments,<sup>(4)</sup> payment procedures, examination of submitted data and information, and verification of them through human competencies and contemporary automated technologies of the Authority, and ending with the issuance of the final *Zakâh* certificate, and any other procedures thereafter related to studying the objections of *Zakâh* payer to the Authority's *Zakâh* assessments.

The Implementing Regulation for Zakat Collection paid much attention to explaining the provisions of *Zakâh* collection with regard to commercial activities to the exclusion of any other zakatable wealth, clarifying the rules for *Zakâh* accounting, and specifying the requirements for filling the *Zakâh* declaration, the procedures of valuation, examination and payment, as well as any other procedures related to the process of objection and appeal, and their respective time limits.

Zakat, Tax and Customs Authority (ZATCA) transfers and deposits the collected proceeds of *Zakâh* in the account specified for this purpose in the

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- (1) **Translator:** In its resolution no. (570), dated 22/9/1442, corresponding to 4/5/2021 AD, the Saudi Council of Ministers has approved the merger of the General Authority of Zakat and Tax and the General Authority of Customs into one authority under the name of Zakat, Tax and Customs Authority (ZATCA).
  - (2) ***Zakâh* Payer:** A natural or legal person who carries out an activity that is subject to Zakat, Tax and customs regulations whether the activity is a sole proprietorship, a company, or whoever carries out a business activity under a license issued by a competent authority. See: Article (1) of the Implementing Regulation for Zakat Collection issued under the Ministerial Resolution No. (2216), dated 7/7/1440 AH.
  - (3) ***Zakâh* Declaration:** A form issued by ZATCA, which contains a number of elements and items, must be filled out and submitted by each *Zakâh* payer. The purpose of the declaration and its submission is to indicate the amount of *Zakâh* base of the entity and to enable the Authority to make the assessment in accordance with the declaration data. See: Ibid.
  - (4) ***Zakâh* Assessment:** A decision by ZATCA that discloses its acceptance of the declaration or its amendment according to the information available to it, and the applicable procedures in ZATCA. Article (1) of the Implementing Regulation for Zakat Collection. See: Ibid.

## Introduction

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Saudi Central Bank. The Ministry of Finance disburses the full amount of collected *Zakâh* to the Shari'ah designated channels of *Zakâh*, in accordance with the Royal Decree issued on 5/1/1383 AH, which included the directive to transfer all amounts of collected *Zakâh* to the Social Security Agency Fund.

The role of Zakat, Tax and Customs Authority extends to include raising awareness about collecting *Zakâh*, and approximating such a process in various ways. Therefore, the Authority decided to issue: "***Jibâyat Az-Zakâh Fî Al-Mamlakah Al-'Arabiyyah As-Su`ûdiyyah***" (***Zakâh Collection in the Kingdom of Saudi Arabia***), which explains the method of calculating *Zakâh* in the Kingdom, and clarifies its Shari'ah basis, accounting principles, and statutory documents founded thereon, which contributes to raising awareness of the Fiqh of calculating *Zakâh*, and helps raise voluntary commitment to it.

This is our effort, may Allah grant us help and success. May Allah's peace and blessings be upon our Prophet Muhammad, his household and companions.







# [1]

## Zakâh: Concept, Status and Impacts



### [1-1] Definition of Zakâh

#### Linguistic meaning of Zakâh:

In Arabic language, *Zakâh* is a noun derived from the Arabic verb *Zakâ Yazkû*. Its infinitive is *Zakâ'*,<sup>(1)</sup> which indicates the meaning of growth and increase.<sup>(2)</sup>

*Zakâh* is used linguistically to suggest several meanings, including: *Tahârah* (i.e. purification),<sup>(3)</sup> *Namâ'* (i.e. growth),<sup>(4)</sup> uprightness (by doing righteous good deeds) and prosperity, ..... and other meanings.<sup>(5)</sup>

(1) Refer to the root “Zâý, Kâf, Wâw [i.e. Z K W (ج ك و)]” in “*Al-Qâmûs Al-Muhîtt*”, (P. 1667).

(2) Refer to the root “Zâý, Kâf, Yâ’ (i.e. Z K Á) [ج ك ج]” in “*Maqâýis Al-Lughah*”, (3: 17).

(3) Such as Allah’s saying: {“**He has certainly succeeded who purifies himself**”}, [Surah *Al-A`lâ* (The Most Exalted): 14], which means purifying it (i.e. his soul) from vices or bad manners. “*Tafsîr Al-Qur`ân Al-`Azîm*”, (5: 412).

(4) In his “*Maqâýis Al-Lughah*”, Ibn Faris states: “The (Arabic letters) ‘Zâý, Kâf, and the letter Yâ’ (i.e. Z K Á) [ج ك ج]’ represent a trilateral root which means to grow and increase.”

In Arabic, it is said: “*Zakâ or Yazkû Az-Zar`*” (i.e. plants grow and increase), as in the statement of `Alî (may Allah be pleased with him): “Knowledge increases and grows (Yazkû) when it is given away (and shared with others).” Related by Abû Nu`aym Al-Ashbahâni in “*Hilyat Al-Awliyâ`*”, (1: 79), and Al-Khatîb Al-Baghdádi (through Abû Nu`aym’s narration) in “*Al-Faqîh Wal-Mutafaqqih*”, (1: 182); “*Târikh Dimashq*”, Ibn `Asâkir, (14: 17) and (50: 252); “*Tahdhîb Al-Kamâl*”, Al-Mizzî, (24: 220); “*Tadhkirat Al-Huffâz*”, Adh-Dhahabi, (1: 11).

(5) See: “*An-Nihâyah Fî Gharîb Al-`Hadîth Wal-Athar*”, (2: 307); “*Al-Qâmûs Al-Muhîtt*”, (P. 1667).

All these meanings are implied in the ritual of *Zakâh*, as it results in the growth of wealth, as the Prophet (peace and blessings of Allah be upon him) said:

*“Sadaqah (i.e. Giving in charity) does not diminish wealth.”*<sup>(1)</sup>

By giving it away, *Zakâh* payer is purified from the filth of sin and the evils of soul, such as selfishness and miserliness, as Allah, the Almighty, says:

*{“Take, (O, Muhammad), from their wealth a Sadaqah (i.e. Zakâh) by which you purify them and cause them increase, and invoke [Allah’s blessings] upon them ...”}*<sup>(2)</sup>

The one who gives it with a willing heart is praised, and paying it brings the benefit of the people and the country, as well as the blessings in this world and the Hereafter.

### **Terminological meaning of *Zakâh*:**

In Shari’ah convention, *Zakâh* is defined as:

**“A Shari’ah-estimated share paid out of a specific wealth, for particular categories (of people), in a particular way.”**<sup>(3)</sup>

“A Shari’ah-estimated share” means that the zakatable wealth is to reach the *Nisâb* (i.e. minimum amount determining a person’s zakatability) at which *Zakâh* becomes due.

“A specific wealth” means the designated types of wealth on which *Zakâh* is due. Zakatable wealth are of four types:

- ◆ Gold and silver, and any other kind of cash.
- ◆ Goods stocked for trade.
- ◆ Livestock.
- ◆ Products of land.

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(1) *“Sahîh Muslim”*, hadith no. (2588), on the authority of Abû Hurayrah (may Allah be pleased with him).

(2) Surah *At-Tawbah* (Repentance): 103.

(3) See: *“Al-Iqnâ”*, (1: 387); *“Al-Binâyah Sharh Al-Hidâyah”*, (3: 340); *“Mawâhib Al-Jalîl”*, (3: 81); *“Al-Hâwi Al-Kabîr”*, (3: 71).

**“Particular categories (of people)”** means the eight categories of people entitled to receive *Zakâh* as mentioned in the Quranic Verse:

*{“Indeed, Sadaqât (i.e. Zakâh) are only (to be given) to the poor and the needy, and to those who employed to collect it, and to those whose hearts have been (recently) reconciled (to Islam), and to (free) those in bondage, and to those in debt (the debt-ridden), and for the cause of Allah, and to the wayfarer. (This is) an obligation (enjoined) by Allah. And Allah is All-Knowing, All-Wise.”}*<sup>(1)</sup>

**“In a particular way”** means the conditions considered for the obligation and validity of *Zakâh*; such as Islam, freedom, absolute ownership of wealth, and the intention to pay *Zakâh*. If one of these conditions is missed, then the wealth to be paid out is not to be considered as *Zakâh*.

Defining *Zakâh* in such a way considers the essence of wealth paid out. Some scholars of Fiqh, however, consider the meaning of payment. In this regard, some scholars of Fiqh state:

*“Zakâh is to transfer ownership of (an amount of) wealth (specified by the Lawgiver) to a poor Muslim who is not Hashimite or his emancipator, with no material benefit returning to the transferor/giver in any way, for the sake of Allah, the Most Exalted.”*<sup>(2)</sup>

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(1) Surah *At-Tawbah* (Repentance): 60.

(2) *“Kanz Ad-Daqâ’iq”*, (1: 251).

## [1-2] Shari'ah Purposes and Economic Impacts of Zakâh

Allah, Exalted be He, has made *Zakâh* a pillar of this true religion, and one of its great rituals, through which a Muslim performs an act of worship in compliance with the command of Allah, seeking His pleasure, and submitting to His judgment. *Zakâh* is a basic and essential component of the Shari'ah obligations. The devotional meanings of *Zakâh* are confirmed by Allah's saying:

***{“And they were commanded only to worship Allah, devoting their faith to Him alone, and to establish Salâh (i.e. Compulsory Congregational Prayer), pay Zakâh (i.e. Obligatory Almsgiving) ...”}*<sup>(1)</sup>**

So, Allah has made the payment *Zakâh* among the matters through which the pure faith is realized.

*Zakâh* has many Shari'ah purposes<sup>(2)</sup> and economic impacts, including the following:

### [1-2-1] Purification of both wealth and *Zakâh* payer:

Among the Shari'ah purposes of *Zakâh* is that it purifies wealth, negates its evil consequences, and protects it from getting misused or damaged. Also, *Zakâh* purifies the *Zakâh* payer from parsimony and miserliness, cleanses him of the defilements of sin and wrongdoing, and gets him used to spending in the cause of Allah.<sup>(3)</sup>

In this regard, Allah, the Almighty, says:

***{“Take, (O, Muhammad), from their wealth a Sadaqah (i.e. Zakâh) by which you purify them and cause them increase, ...”}*<sup>(4)</sup>**

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(1) Surah *Al-Bayyinah* (The Clear Evidence): 5.

(2) **Shari'ah Purposes:** The meanings, wisdom, and observed secrets of the Lawgiver in His legislations. See: “*Maqâsid Ash-Shari'ah Al-Islâmiyyah*”, (2: 51).

(3) See: “*Al-Majmû'*”, (5: 330).

(4) Surah *At-Tawbah* (Repentance): 103.

Also, the Prophet (peace and blessings of Allah be upon him) said:

*“Sadaqah (i.e. Giving in charity) extinguishes (i.e. removes) sin as water extinguishes fire.”*<sup>(1)</sup>

### **[1-2-2] Promoting *Muwâsâh* and solidarity among people:**

Among the Shari’ah purposes of *Zakâh* is to show kindness and *Muwâsâh* (i.e. charity and support which does not cause hardship to the owner and is sufficient for the poor) to the poor, to provide the essential needs of the needy, and to aid the debtors who are unable to repay their debts, which ensures stability and security for all the members of the society. Therefore, *Zakâh* channels encompass all categories of the needy,<sup>(2)</sup> fulfill their needs, and provides them with the necessities of life. This why *Zakâh* is a reason for kindness and showing mercy among people.<sup>(3)</sup>

### **[1-2-3] Growth of the payer’s wealth:**

Another Shari’ah purpose of *Zakâh* is that it brings growth (in abundance) and blessings to the wealth. This is indicated by many Quranic Verses and Prophetic hadiths, including Allah’s saying:

*“Allah destroys Ribâ (i.e. usurious transactions) and gives increase for Sadaqât (deeds of charity, alms, etc.) And Allah does not like every sinning disbeliever”*;<sup>(4)</sup> which means to grow and multiply it.<sup>(5)</sup>

And His saying:

*“... and whatever thing you spend (in Allah’s cause), He will compensate it; and He is the best of providers”*;<sup>(6)</sup> which means to replace it for you in this world with a compensation, and in the Hereafter with a reward.<sup>(7)</sup>

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(1) “*Musnad Ahmad*”, (5: 231, 248); “*Jâmi` At-Tirmidhi*”, Book of Faith, Chapter: What has been related about the scaredness of *Salâh*, hadith no. (2616), and he said, “This is a *Hasan* (i.e. good) *Sahîh* (i.e. authentic) hadith.”

(2) See: “*Âthar Az-Zakâh `Alâ Tashghîl Al-Mawârid Al-Iqtisâdiyyah*”, (P. 145).

(3) See: “*Zâd Al-Ma`âd*”, (2: 9).

(4) Surah *Al-Baqarah* (The Cow): 276.

(5) See: “*Tafsîr Al-Qur`ân Al-`Azîm*”, (1: 311).

(6) Surah *Saba* (Sheba): 39.

(7) See: “*Tafsîr Al-Qur`ân Al-`Azîm*”, (3: 519).

Also, the Prophet (peace and blessings of Allah be upon him) said:

*“There is never a day wherein servants (of Allah) get up at morn, but two Angels come down. One of them says: ‘O Allah, give him more who spends (for the sake of Allah),’ and the other (Angel) says: ‘O Allah, bring destruction to one who withholds to spend (for the sake of Allah).”*<sup>(1)</sup>

And his saying:

*“Sadaqah (i.e. Giving in charity) does not diminish wealth.”*<sup>(2)</sup>

### **[1-2-4] Economic growth:**

One of the economic impacts of *Zakâh* is that it helps developing the economy through the circulation of wealth among the members of the society without monopolizing it among the rich. In this regard, Allah, the Almighty, says:

*{“... so that it will not be a perpetual distribution among the rich from among you...”}*<sup>(3)</sup>

The circulation of wealth among most of the society’s members enables the poor to consume, and this leads to an increase in demand for products and services, which in turn causes an increase in production and job opportunities for the labor force in these areas.<sup>(4)</sup>

### **[1-2-5] Exploiting economic resources:**

Among the economic impacts of *Zakâh* is that it helps exploiting the economic resources, through motivating merchants to exchange their wealth so as not to diminish over time, and thus they cannot hoard or monopolize it inflecting damage upon the society.<sup>(5)</sup> Among the indications of this impact is to waive the *Zakâh* due on productive, operating and income-generating

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(1) “*Sahîh Al-Bukhârî*”, hadith no. (1442); “*Sahîh Muslim*”, hadith no. (1010).


(2) “*Sahîh Muslim*”, hadith no. (2588), on the authority of Abû Hurayrah (may Allah be pleased with him).

(3) Surah *Al-Hashr* (The Mustering): 7.

(4) See: “*Āthar Az-Zakâh ‘Alâ Tashghîl Al-Mawârid Al-Iqtisâdiyyah*”, (P. 145).

(5) See: “*Al-Āthâr Al-Iqtisâdiyyah Liz-Zakâh*”, (P. 17); “*Hikmat At-Tashrî‘ Wa-Falsafatih*”, (1: 178).

assets, such as factories and cars, as long as they are not put up for sale, which encourages merchants to promote service facilities, instead of restricting themselves to buy and sell transactions, or manipulating goods and real estate for higher prices.<sup>(1)</sup>



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(1) See: *"Athar Az-Zakâh 'Alâ Tashghîl Al-Mawârid Al-Iqtisâdiyyah"*, (P. 182).

## [1-3] Essence of Zakatable Wealth

### **Preface:**

Shari'ah has obligated *Zakâh* on a variety of wealth designated by the Noble Qur'an and the Prophetic Sunnah, such as:

- ◆ *Zakâh* payable on gold and silver as indicated by the Quranic Verse:

*{“... and those who hoard gold and silver and spend it not in the way of Allah, give them tidings of a painful punishment.”}*<sup>(1)</sup>

- ◆ *Zakâh* payable on goods stocked for trade as indicated by the Quranic Verse:

*{“... spend from the good things which you have earned ...”}*<sup>(2)</sup>

- ◆ *Zakâh* payable on crops and fruits as indicated by the Quranic Verse:

*{“... and give its due (Zakâh) on the day of its harvest...”}*<sup>(3)</sup>

There are other Verses in the Qur'an indicating the obligation of *Zakâh* on certain types of wealth.

The detailed rulings on *Zakâh* payable on these types of wealth are explained and clarified by the Prophetic Sunnah as to various aspects, including the rulings related to its collection.

The Prophet (peace and blessings of Allah be upon him) used to dispatch the collectors to collect *Zakâh* for some types of wealth excluding other types.

This resulted in dividing the zakatable wealth into what is conventionally known among the scholars of Fiqh as: **(apparent and non-apparent wealth)**.

The definition thereof, and the explanation of the impact of their division on contemporary types of wealth are clarified as follows:

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(1) Surah *At-Tawbah* (Repentance): 34.

(2) Surah *Al-Baqarah* (The Cow): 267.

(3) Surah *Al-An`âm* (Cattle): 141.



### **[1-3-1] Apparent and non-apparent wealth according to earlier scholars of Fiqh:**

Many Shari'ah rulings are based on the terms of "apparent and non-apparent wealth". The scholars of Fiqh paid much attention to distinguishing between them, and detecting the reason for such a differentiation between them.<sup>(1)</sup>

In this regard, Abû Ya`lâ said:

"Zakatable wealth are of two types: apparent and non-apparent. The apparent wealth is an unconcealable wealth, including: crops, fruits and livestock, and the non-apparent wealth is a concealable wealth, including: gold, silver, and goods stocked for trade."<sup>(2)</sup>

The Prophet (peace and blessings of Allah be upon him) used to dispatch the collectors to collect *Zakâh* for livestock, crops and fruits, but not for all other types of wealth. The scholars of Fiqh tried to find the reason behind restricting the collection of *Zakâh* to these types of wealth specifically. They mentioned, among other things, that this wealth is apparent to people, and the hearts of the poor are attached to it, unlike the non-apparent wealth which are readily concealable.<sup>(3)</sup>

### **[1-3-2] Apparent and non-apparent wealth according to contemporary scholars of Fiqh:**

Among the most important changes occurred to people's lives is the tremendous development in all aspects of commercial business, representing a reflection of the economic movement that affected the financial activity, and subsequently resulted in the emergence of modern companies, financial regulations, and the governance of public commercial activities.

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(1) See: "*Badâ'i` As-Sanâ'i`*", (2: 35); "*Al-Ahkâm As-Sultâniyyah*", Al-Mâwardî, (P. 153); "*Al-Ahkâm As-Sultâniyyah*", Abû Ya`lâ, (P. 115); "*Majmû` Al-Fatâwâ*", (25: 45).

(2) "*Al-Ahkâm As-Sultâniyyah*", Abû Ya`lâ, (P. 115).

In "*At-Tawjih At-Tashri`i Fi Al-Islâm*" (within the researches of the conferences of Islamic Research Academy), (2: 149), it is stated: "There is no doubt that naming the first one as apparent and the other one as non-apparent is clearly based on the nature of wealth itself, as cattle are not hidden from people, and the *Zakâh* collector can count it, while the other one can only be ascertained through attempts to reveal them, and one way to reveal it may be scouting to find out the wealth to be evaded or hidden."

(3) See: "*Al-Arwâl*", Abû `Ubayd, (P. 535); "*Zâd Al-Ma`âd*", (2: 10); "*Fath Al-Bâri*", (3: 376).

This economic development has been accompanied by a change in the concept of apparent and non-apparent wealth. That is, what was considered as non-apparent wealth in previous times may be considered as apparent wealth nowadays. Apparentness and non-apparentness of wealth are not fixed; rather, they are changing. The conditions may change and non-apparent wealth may become apparent, and when this wealth appears it shall fall into apparent wealth and take its ruling. This is because for the wealth to be considered as apparent, it shall be visible to all people, and the hearts of the poor shall be attached to it, unlike non-apparent wealth which is concealable.

On further reflection, we find that goods stocked for trade are no longer considered as non-apparent wealth; rather, it may have become one of the most apparent wealth. This is because these commercial transactions are no longer hidden, as merchants nowadays publicly declare the capital, name the business activities they practice, keep commercial books/records, and practice their business activities under a license and a commercial register, etc. In addition, goods stocked for trade have become the basis for achieving growth in trade and investment, and other zakatable wealth such as livestock<sup>(1)</sup> can hardly be comparable to it with regard to importance and size of circulation among people.

**In this regard, the scholars of Fiqh have resolved:**

- ◆ “Changes in rulings due to changed circumstances shall never be denied”.<sup>(2)</sup>
- ◆ “The ruling concerning all matters of Shari’ah that consider customs, shall change, when such customs change, in accordance with the requirements of the new custom.”<sup>(3)</sup>

To this effect the resolutions of a number of collective *Ijtihâd* (i.e. legal reasoning and discretion) institutions has been issued, and a number of

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(1) For this reason, when this wealth became apparent upon disposing of it in various regions, it resembled livestock, and thus employees (i.e. collectors) were assigned to take the due amount of *Zakâh* on it. In “*Ahkâm Al-Qur’ân*”, by Al-Jassâs, (3: 225), it is mentioned that ‘Umar Ibn ‘Abdul-‘Azîz used to write letters to his governors asking them to take half a dinar for each twenty dinars of the trades of any Muslim.

(2) “*T’lâm Al-Muwaqqi’în*”, (3: 41).

(3) “*Al-Ihkâm Fî Tamyîz Al-Fatâwâ ‘An Al-Ahkâm Wa-Taṣarrufât Al-Qâḍî Wal-Imâm*”, Al-Qarâfi, (pp. 218-226).

researchers have adopted it.<sup>(1)</sup> The recommendations of the 5<sup>th</sup> symposium on “*Contemporary Zakâh Issues*”, held in 1415 AH, reached a conclusion:

“The wealth of joint-stock companies is to be considered as apparent wealth.”<sup>(2)</sup>

If this is established, then modern companies and commercial stores are to be considered as apparent wealth in our times, since their apparentness is more fulfilled than livestock, crops and fruits.

In this regard, Sheikh Ibn `Uthaymîn said:

“What they have mentioned as being apparent wealth requires further consideration, because the merchant is known to people, and he may, for example, have car showrooms, tool stores, great types of fabrics, and many shops of jewelry. So, which is more apparent, this wealth or a wealth of goats in a desert that belongs to a Bedouin who is unknown in the market?! The first one, of course, is more apparent, because apparentness and non-apparentness are relative matters, as the apparent may become non-apparent and vice versa.”<sup>(3)</sup>

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(1) This is the opinion adopted by a number of researchers in the 5<sup>th</sup> symposium on “*Contemporary Zakâh Issues*”. In the footnotes of the book “*Ar-Rawḍ Al-Murabi` Sharḥ Zâd Al-Mustaqni`*”, it is mentioned: “Apparent wealth includes crops, fruits, livestock, and the non-apparent wealth includes gold and silver, as well as goods stocked for trade. However, this requires further consideration because the apparentness and non-apparentness are relative, as it may differ according to the change of times and places. In our recent times, goods stocked for trade have become more visible and apparent to the poor than grazing livestock.”

See: “*Researches of the 5<sup>th</sup> Symposium on Contemporary Zakâh Issues*”, (pp. 211-306); “*Ar-Rawḍ Al-Murabi` Sharḥ Zâd Al-Mustaqni`*”, verified by Prof. Dr. `Abdullâh At-Tayyâr, Dr. Ibrâhîm Al-Ghuṣn and Dr. Khâlid Al-Mushayqih, (4: 24).

(2) “*Fatwas and Recommendations of the Symposiums on Contemporary Zakâh Issues*”, (P. 85)

(3) “*Ash-Sharḥ Al-Mumtî` `Alâ Zâd Al-Mustaqni`*”, (6: 35).

## [1-4] Conditions for Zakâh Obligation

It is well-established in Shari'ah that for *Zakâh* to be obligatory, certain conditions shall be fulfilled together. However, if one of these conditions is lacked, *Zakâh* shall not fall obligatory. These conditions are generally agreed upon among the scholars of Fiqh, and they are as follows:

### [1-4-1] Islam:

*Zakâh* is not obligatory for non-Muslims, as Allah, Exalted be He, says:

*{“Take, (O, Muhammad), from their wealth a Sadaqah (i.e. Zakâh) by which you purify them and cause them increase...”}*<sup>(1)</sup>

In this Quranic Verse, Allah has commanded the Prophet (peace and blessings of Allah be upon him) to take *Zakâh* from the Muslims only.<sup>(2)</sup>

The Prophetic Sunnah states that when Allah's Messenger (peace and blessings of Allah be upon him) sent Mu`âdh Ibn Jabal (may Allah be pleased with him) to Yemen (as a governor), he said (to him):

*“You are going to (some) people from amongst the people of the Book. So, the very first thing to which you should call them is to worship Allah (alone), and when they come to know Allah, then inform them that Allah has enjoined upon them five Salâhs (i.e. Compulsory Congregational Prayers) in every day and night, and if they observe so, then inform them that Allah has enjoined upon them a Zakâh (which would be collected) from their wealth and distributed among their poor. If they obey (you) in this respect, then take (it) from them and beware of (taking as a share of Zakâh) the best (most expensive) belongings of people.”*<sup>(3)</sup>

In this hadith, the Prophet made the obligation of *Zakâh* conditional on observing the fundamentals of Islam.<sup>(4)</sup>

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(1) Surah *At-Tawbah* (Repentance): 103.

(2) See: *“Tafsîr Ibn `Atiyyah”*, (3: 78).

(3) *“Sahîh Al-Bukhârî”*, hadith no. (1458); *“Sahîh Muslim”*, hadith no. (19).

(4) See: *“Thkâm Al-Ahkâm Sharh `Umdat Al-Ahkâm”*, (1: 375).

### [1-4-2] Absolute ownership:

The scholars of Fiqh agreed that among the conditions for the obligation of *Zakâh* is that the wealth shall be fully owned;<sup>(1)</sup> as Allah, Exalted be He, says:

***{“Take, (O, Muḥammad), from their wealth a Sadaqah (i.e. Zakâh) by which you purify them and cause them increase...”}***<sup>(2)</sup>

Attaching wealth to them indicates the establishment of absolute ownership.

Absolute ownership means stability of the owned wealth with the ability to grow it, even if it is not under the owner’s control or he is unable to dispose of it in all forms.<sup>(3)</sup>

Accordingly, the fulfilment of the condition of absolute ownership is contingent on three characteristics, which are:<sup>(4)</sup>

**First:** The specificity of the wealth owner (i.e. the wealth shall be owned by a specific person or group), or otherwise the ownership is not to be established. Accordingly, *Zakâh* is not obligatory on the wealth owned by unspecified persons, be he an individual or a group.<sup>(5)</sup> An example of this is the wealth assigned as *Waqf*/endowment for the poor and the needy.<sup>(6)</sup>

**Second:** The establishment and stability of original ownership (i.e. the cause of ownership shall be established and stable), as *Zakâh* is not due on wealth the original ownership thereof is not established and stable for *Zakâh* payer. An example of this is the profit which the speculator realizes after profits become known but before being divided.<sup>(7)</sup>

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(1) See: “*Fath Al-Qadîr*”, (2: 155); “*Hâshiyat Ad-Dusûqî*”, (1: 431); “*Al-Majmû` Sharḥ Al-Muhaddhab*”, (5: 326); “*Al-Furû`*”, (2: 328).

(2) Surah *At-Tawbah* (Repentance): 103.

(3) See: “*Adh-Dhakhîrah*”, (3: 40-41); “*Shari’ah Standard No. (35): Zakah*” issued by AAOIFI, (P. 873); “*Shart Al-Milk At-Tâm Fî Az-Zakâh Wa-Atharuh Fî Ba`d At-Taṭbîqât Al-Mu`âsirah*”, (P. 5).

(4) See: “*Al-`Azîz Sharḥ Al-Wajîz*”, regarding the wealth contingent on fulfilling this condition, (2: 539).

(5) See: The research of Dr. Muḥammad `Uthmân Shabîr submitted within the researches of the 13<sup>th</sup> symposium on “*Contemporary Zakâh Issues*”, (P. 258).

(6) See: “*Kashshâf Al-Qinâ`*”, (4: 314).

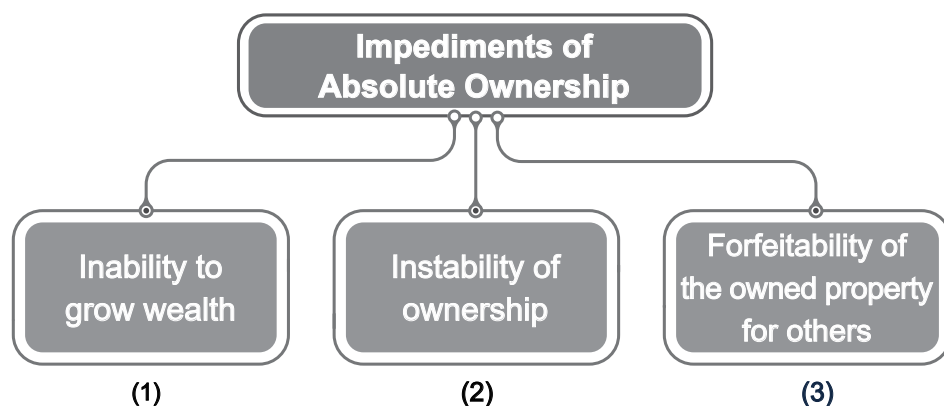
(7) Ibid.

**Third:** The ability to grow the wealth, or otherwise *Zakâh* is not to be obligatory.<sup>(1)</sup> An example of this is the absent wealth which is non-repayable, extorted, stolen, or repudiated when there is no evidence.<sup>(2)</sup>

If these three characteristics are fulfilled, the wealth is to be considered absolutely owned, and the condition for *Zakâh* obligation is fulfilled thereon.

To observe this condition, Implementing Regulation for Zakat Collection has stipulated the following:

- 1- *Zakâh* is due on shares obtained for trade, because they are owned by the shareholders, and their growth is realized by them.
- 2- *Zakâh* is not due on regulatory deposit,<sup>(3)</sup> because it is a retained wealth, and not invested by its owner, so the condition of absolute ownership is not fulfilled as a result of the inability to grow wealth.<sup>(4)</sup>



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(1) See: "*Shart Tamâm Al-Milk Wa-Atharuh Fî Ba`d Qadâyâ Az-Zakâh Al-Mu`âsirah*", by Dr. Sâlih Al-Fawzân, (P. 10).

(2) See: "*Badâ'i` As-Sanâ'i`*", (2: 9).

(3) **Regulatory Deposit:** A deposit required by the competent authorities to grant a license to the company. This deposit cannot be withdrawn or disposed of without the approval of the concerned authority. See: "*Al-Idârah Al-`Ilmiyyah Lil-Masârif At-Tijâriyyah*", (P. 67).

(4) See: Designating the Deductible Items (Article 5) of the Implementing Regulation for Zakat Collection; and see: Paragraph no. (3) of (Article 8) of the Implementing Regulation for Zakat Collection.

### [1-4-3]: Reaching the *Nisâb*:

This means that the wealth upon which *Zakâh* is due shall reach the *Nisâb*, which is the minimum amount determining a person's zakatability.<sup>(1)</sup> The scholars of Fiqh have agreed on stipulating the *Nisâb*.<sup>(2)</sup>

This condition is evidenced by the statement of the Prophet (peace and blessings of Allah be upon him):

*"No (obligatory) Sadaqah (i.e. Zakâh) is payable on less than five Wasqs;<sup>(3)</sup> no (obligatory) Sadaqah is payable on less than five Dhawd (i.e. heads of camels);<sup>(4)</sup> and no (obligatory) Sadaqah is payable on less than five Ūqiyyahs."<sup>(5)</sup>*

He (peace and blessings of Allah be upon him) mentioned the *Nisâb* of land products, which is five *Wasqs*; and the *Nisâb* of camels, which is five *Dhawd*; and the *Nisâb* of silver, which is five *Ūqiyyahs*.<sup>(6)</sup>

In this hadith, the Prophet states that *Zakâh* is not due unless the wealth reaches a certain threshold (i.e. the minimum amount), which is the *Nisâb* upon which *Zakâh* becomes due.<sup>(7)</sup>

(1) See: "*Bidâyat Al-Mujtahid*", (1: 254); "*Ahkâm Wa-Fatâwâ Az-Zakâh Wan-Nudhûr Wal-Kaffârât*", Kuwait Zakat House, (P. 19); "*Ash-Sharh Al-Mumti` `Alâ Zâd Al-Mustaqni`*", (6: 16).

(2) See: "*Radd Al-Muhtâr*", (5: 423); "*Sharh Al-Khurashî `Alâ Mukhtasar Khalîl*", (2: 148); "*Hâshiyat Al-Bujayramî `Alâ Sharh Al-Khatîb*", (3: 10); "*Al-Iqnâ`*", (1: 388).

(3) *Wasqs* is the plural of *Wasq*. A *Wasq* equals sixty *Ṣâ`* (i.e. a measurement of volume), and five *Wasqs* equal (612 kg).

The basis for this is concluded by most researchers that the weight of a *Ṣâ`* equals (2.040 kg). Knowing that the *Nisâb* is five *Wasqs*, which equal (300) *Ṣâ`*, then the *Nisâb* of *Zakâh* payable on the products of land is (612 Kg).

See: "*Ash-Sharh Al-Mumti` `Alâ Zâd Al-Mustaqni`*", (6: 70); "*Recommendations of the 7<sup>th</sup> Symposium of the Kuwait Zakat House*".

(4) *Dhawd* is a non-singular noun, and it is often defined as a number of camels between three and ten.

See: The root "*Dhâl, Wâw, Dâl* [i.e. *DH W D* (ذ و د)]" in "*Maqâyîs Al-Lughah*", (2: 365).

(5) "*Sahîh Al-Bukhârî*", hadith no. (1405); "*Sahîh Muslim*", hadith no. (979).

(6) *Ūqiyyahs* is a plural of *Ūqiyyah*. An *Ūqiyyah* equals 40 dirhams (of silver), and five *Ūqiyyahs* equal two hundred dirhams (595 gm).

See: "*Shari'ah Standard No. (35): Zakah*" issued by AAOIFI, (P. 874).

(7) See: "*Sharh An-Nawawî `Alâ Sahîh Muslim*", (4: 43).

To reach the amount of *Nisâb*, particularly with regard to gold, silver and goods stocked for trade, the value of goods is to be combined with gold and silver (or their equivalent currencies), according to the consensus of the scholars of Fiqh.<sup>(1)</sup>

### **Impact of collecting *Zakâh* on the condition of reaching the *Nisâb*:**

Since it may be difficult for the procedures of collecting *Zakâh* to realize the condition of reaching the *Nisâb*, and examine its status, the Shari'ah indicates the possibility of expanding the application of this condition where permitted by Shari'ah reasons, such as the principle of *Khultah* (i.e. mixed wealth) in zakatable wealth.<sup>(2)</sup> That is, the State treats mixed (i.e. combined) wealth as one wealth upon collecting *Zakâh*, even if their owners are different and include those for whom *Zakâh* is not obligatory.

An example of this is when one of the shareholders in joint-stock company owns a wealth that is below the *Nisâb*, or when his liability is burdened by debts that will consume the entire *Nisâb* of his wealth to be paid off. When collecting *Zakâh*, the company's wealth is treated as a single person's wealth, and it is not necessary to verify that such a condition applies to individual owners.

Public wealth, for example, is not originally subject to *Zakâh*, but if it is invested in commercial shares, then it shall be subject to *Zakâh* based on the principle of mixed wealth.<sup>(3)</sup>

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(1) Regarding such a consensus, refer to: "*Ma`âlim As-Sunan*", (2: 16); "*Al-Mughni*", (2: 318); "*Fath Al-Qadîr*", (2: 221).

(2) *Kultah* is a situation when the wealth of two owners (or more) is mixed together and be regarded as belonging to one owner only upon paying *Zakâh*.

In this regard, the Prophetic hadith states: "*Neither the property of different people may be taken together nor the joint property may be divided (when assessing Zakâh) for fear of (paying more, or receiving less) Sadaqah (i.e. Zakâh).*" [*Sahîh Al-Bukhârî*], hadith no. (1450). [See: "*Al-Muhadhhab*", (1: 150); "*Mughni Al-Muhtaj*", (1: 376)].

(3) To this effect, the Permanent Committee for Scholarly Research and Ifta has issued its fatwa no. (22665) which stated:

"In companies where government agencies have shares, *Zakâh* is to be imposed on all of their zakatable wealth, ..."

See: "*Fatwas of the Permanent Committee for Scholarly Research and Ifta*", Third Collection, (1: 542-543).



### [1-4-4]: Elapse of a full lunar year (Hawl):

It is the passing of a full lunar year (354 days)<sup>(1)</sup> since the stability of wealth ownership for the *Zakâh* payer, and since the wealth has reached the amount of *Nisâb*.<sup>(2)</sup>

If the ownership is ended during the Hawl, then *Zakâh* is not to be due, even if the ownership has been retained afterwards. Likewise, if the wealth owned during the Hawl has fallen below the *Nisâb*.<sup>(3)</sup>

The elapse of a full lunar year (i.e. Hawl) is one of the conditions of *Zakâh* unanimously agreed upon among the scholars of Fiqh,<sup>(4)</sup> based on the hadith stating:

*“No Zakâh (is to be paid) for a wealth until Hawl (i.e. Zakâh year) has passed.”*<sup>(5)</sup>

If there is an increase resulting from the growth of the wealth itself, such as the profit generated from trade, or the product of grazing livestock, then it is unanimously agreed upon by the scholars of Fiqh that the Hawl of this increase is the Hawl for its principal.<sup>(6)</sup>

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(1) The scholars of Fiqh agreed that the Hawl of *Zakâh* is calculated on the basis of the Hijri calendar (i.e. lunar year) starting with the Hawl of the principal. However, a number of collective *Ijtihâd* institutions resolved that it is permissible to calculate *Zakâh* on the basis of the Gregorian calendar (i.e. solar year) which is 365 days, taking into account the increase in the payable rate occurred because of the difference of days between the solar year and the lunar year, and the payable rate is (2.577%). The obligation of *Zakâh* remains, however, attached to the Hijri calendar (i.e. lunar year).

See: “*Al-Mabsûr*”, (2: 15); “*Bidâyat Al-Mujtahid*”, (3: 114); “*Al-Bayân Fî Fiqh Al-Imâm Ash-Shâfi`i*”, (3: 155); “*Ash-Sharh Al-Kabîr `Alâ Al-Muqni`*”, (6: 350); “*Shari`ah Standard No. (35): Zakah*”, issued by AAOIFI, (P. 874); “*Ahkâm Wa-Fatâwâ Az-Zakâh Was-Sadaqât Wan-Nudhûr Wal-Kaffârât*”, issued by the Kuwait Zakat House, (P. 20).

(2) “*Daqâ`iq Uli An-Nuhâ Fî Sharh Al-Muntahâ*”, (1: 389).

(3) See: “*Kashshâf Al-Qinâ`*”, (4: 33).

(4) See: “*Hâshiyat Ibn `Âbdîn*”, (5: 424); “*Hâshiyat Al-Khurashî `Alâ Mukhtasar Khalîl*”, (2: 148); “*Hâshiyat Al-Bujayramî `Alâ Sharh Al-Khatîb*”, (3: 10); “*Al-Iqnâ`*”, (1: 393).

(5) “*Sunan Abû Dâwûd*”, hadiths no. (1872, 1573), on the authority of `Alî; “*Sunan Ibn Mâjah*”, hadith no. (1792), on the authority of `Â`ishah. The wording here belongs to her; “*Jâmi` At-Tirmidhî*”, hadith no. (632), on the authority of Ibn `Umar who narrated it as a *Mawqûf* (i.e. untraceable) hadith.

(6) See: “*Al-Ishrâf*”, (3: 53); “*Sharh As-Sunnah*”, (6: 29); “*Al-Mughni*”, (2: 258); “*Al-Jâmi` Li-Ahkâm Al-Qur`ân*”, (8: 124); “*Al-Binâyah Sharh Al-Hidâyah*”, (3: 353).

The same ruling applies to acquired wealth,<sup>(1)</sup> as it is to be combined together with the principal of wealth in the *Hawl* as well, if it is of the same kind, such as the increase in the capital.<sup>(2)</sup>

### **Impact of collecting *Zakâh* on the condition of the elapse of a full lunar year (*Hawl*):**

Public interest that does not contradict with the Shari'ah rulings of *Zakâh* shall be taken into consideration when collecting *Zakâh*, so that the process of collection does not inflict any harm or hardship upon the general public or upon the collectors as to complying with the rulings thereof.

Following an easy and kind approach regarding the application of *Zakâh* conditions is a type of removing the hardship, such as the case when *Zakâh* is collected even if a full lunar year (*Hawl*) has not yet elapsed.

To this effect, Al-Qâsim Ibn Muḥammad reported:

“When Abû Bakr As-Siddîq was giving people their allowances he would ask them, ‘Do you have any property on which *Zakâh* is due?’ If they said, ‘Yes,’ he would take the *Zakâh* on that property out of their allowances. If they said, ‘No,’ he would hand over their allowances to them without deducting anything from them.”<sup>(3)</sup>

This indicates that the State entrusted with the task of collecting *Zakâh* has acted on the basis of the public interest with regard to the condition of the elapse of a full lunar year (*Hawl*). Thus, whoever possesses a property on which *Zakâh* is due shall pay *Zakâh* upon receiving the allowance.<sup>(4)</sup>

To explain the consequences of collection and the difference in conditions and circumstances of people, the scholars of Fiqh states that it is permissible to delay *Zakâh* or pay it in advance to coincide with the time of dispatching the collectors by the ruler. In this regard, Al-Juwaynî says:

“If the conditions of wealth differ, then the ruler shall specify a month

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(1) **Acquired wealth** is the property owned during the *Hawl*. See: “*Badâ'i' As-Sanâ'i'*”, (2: 14); “*Hâshiyat Ad-Dusûqi'*”, (1: 432); “*Al-Majmû'*”, (6: 57); “*Al-Mughni'*”, (2: 258).

(2) “*Shari'ah Standard No. (35): Zakah'*”, issued by AAOIFI, (P. 875).

(3) “*Muwatta' Mâlik'*”, (1: 211); “*Al-Amwâl'*”, Abû `Ubayd, (P. 504).

(4) See: “*Nihâyat Al-Matlab'*”, (3: 186).

in the year during which the owners of wealth shall pay their due *Zakâh*. Hence, if *Zakâh* becomes due beforehand, the owner will wait for the arrival of the collector to pay *Zakâh*. If the collectors arrive at the time for *Zakâh* to be due on him, then he will pay it at its collection due time. However, if the *Zakâh* is not due on him yet, then it is desirable for him to pay the *Zakâh* in advance, so that he may not inflict any hardship on the collector to return once again when the *Zakâh* becomes due.”<sup>(1)</sup>

This represents an easy kind approach regarding applying the condition of the elapse of a full lunar year (*Hawl*), acting on the basis of public interest resulting from the State’s responsibility for collecting *Zakâh*.



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(1) “*Nihâyat Al-Maṭlab*”, (3: 171).



## [2]

# Role of the State in Collecting *Zakâh*



## [2-1] Authority to Collect *Zakâh*

Linguistically speaking, the Arabic term “*Jibâyah*” means collection.<sup>(1)</sup>

According to the definition given by Shari’ah scholars, the *Jâbî* (i.e. *Zakâh* collector) is the person authorized by the ruler to collect *Zakâh* from *Zakâh*-payers.<sup>(2)</sup>

Allah, the Almighty, has imposed *Zakâh* on Muslims’ wealth, and imposed the responsibility of collecting and allocating it on the State.

In this regard, Allah, the Almighty, says:

***{“Take, (O, Muḥammad), from their wealth a Sadaqah (i.e. Zakâh) by which you purify them and cause them increase, ...”}***<sup>(3)</sup>

Imam Ash-Shâfi`î (may Allah be blessed with him) said:

“Rulers cannot leave *Zakâh* to be collected by *Zakâh* payers themselves because rulers are responsible for collecting it for the benefit of those entitled to it.”<sup>(4)</sup>

The collection of *Zakâh* is a Shari’ah mandate that is aimed at collecting *Zakâh* in a just and disciplined manner, as a means of facilitation for the owners

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(1) See: “*Maqâyîs Al-Lughah*”, (1: 503).

(2) See: “*Mu`jam Lughat Al-Fuqahâ*”, Muḥammad Rawwâs Qal`ah Jî, (P. 138).

(3) Surah *At-Tawbah* (Repentance): 103.

(4) “*Al-Umm*”, (2: 89).

of wealth. The reasons why *Zakâh* is to be collected by the State include the following:

### 1- Protecting the ritual of *Zakâh*:

One of the purposes of Shari'ah in assigning the collection of *Zakâh* to the ruler is to verify the control of *Zakâh* wealth, to ensure that it is spent in its Shari'ah-designated channels in a just manner, to avoid inflicting oppression upon the poor or the owners of wealth, and to prevent the disposition thereof in a way that causes damage to or abuse of this ritual.<sup>(1)</sup>

### 2- Helping people to pay *Zakâh*:

One of the purposes of Shari'ah in assigning collection of *Zakâh* to the ruler is to help people pay *Zakâh* and remind them of it. This is because if it is left to the choice of individuals, they will almost be lenient in paying it, as experienced from people attitude in past and present times. Moreover, there are people who do not know the amount of the *Zakâh* due on their wealth, so the ruler shall inform them about the amounts to be paid when collecting *Zakâh*.<sup>(2)</sup>

### 3- Glorifying the ritual of *Zakâh*:

One of the purposes of Shari'ah in assigning collection of *Zakâh* to the ruler is to stress on the importance of this ritual. Contemplating the pillars of Islam, one can find that these pillars have apparent characteristics and signs through which Muslims can fulfill and perform the rituals of such pillars. But *Zakâh* remains the least of these pillars with regard to the place and time characteristics. That is, there is no certain time or place for *Zakâh*. This is why the responsibility for collecting *Zakâh* is entrusted to the ruler as a landmark that helps establish its rituals, strengthen its foundation, and eternalize mentioning and reminding of it among the people.<sup>(3)</sup>

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(1) See: "Athar Al-Jibâyah Fî Zakât Al-As-hum", Dr. Khâlid Al-Muzaynî, (P. 5); "Jibâyat Az-Zakâh Bayna Maqâsid Ash-Shari'ah Wal-Hawkamah Ar-Rashidah: Binâ' Wa-Tawzîf", Sulaymân An-Najrân, (P. 101).

(2) See: "Al-Bayân Wat-Tahsîl", (2: 438).

(3) See: "At-Tamhîd", (16: 170); "Jibâyat Az-Zakâh Bayna Maqâsid Ash-Shari'ah Wal-Hawkamah Ar-Rashidah: Binâ' Wa-Tawzîf", Sulaymân An-Najrân, (P. 101).

The Prophet (peace and blessings of Allah be upon him)<sup>(1)</sup> and his rightly-guided Caliphs have assumed the responsibility of collecting *Zakâh*. The people used to pay it to the Prophet's delegates (i.e. *Zakâh* collectors), as agreed upon by the entire Muslim Nation.<sup>(2)</sup> Then the rulers assumed such a responsibility, and the Muslim scholars kept on advising Caliphs and rulers to establish and maintain this Prophetic Sunnah.<sup>(3)</sup> Accordingly, the collection of *Zakâh* has been apparently established among the people to fulfill the interests, goals and purposes for which *Zakâh* has been prescribed,<sup>(4)</sup> and it is the responsibility of the ruler, which he shall fulfill in order to achieve the interest of the general public.

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- (1) The Prophet (peace and blessings of Allah be upon him) used to dispatch collectors to various regions of the Muslim Country to collect and distribute it, asking people to be kind with them.

Among the hadiths to this effect are the following:

- The hadith in which the Prophet (peace and blessings of Allah be upon him) says: *"Keep your Zakâh collectors pleased."*

[*"Sahîh Muslim"*, hadith no. (989)]

- Also, the hadith narrated by Jâbir Ibn `Atîk that the Prophet (peace and blessings of Allah be upon him) said:

*"Riders who are objects of dislike to you will come to you, but you must welcome them when they come to you, and give them a free hand regarding what they desire. If they are just, they will receive credit for it, but if they are unjust, they will be held responsible. Please them, for the perfection of your Zakâh consists in their good pleasure, and let them ask a blessing for you."*

[*"Sunan Abû Dâwûd"*, hadith no. (1588)]

Abû Dâwûd did not comment on this hadith.

In his *"Sunan"*, (4: 114), Al-Bayhaqî says: "This hadith is disagreed upon with regard to its *Isnâd* (i.e. chain of transmission)." Al-Mundhirî and Ibn Hajar deemed it as a *Hasan* (i.e. good) hadith.

See: *"At-Targhîb Wat-Tarhîb"*, (2: 27); *"Takhrij Mishkât Al-Masâbih"*, (2: 250).

- (2) See: *"Al-Ijmâ'"*, Ibnul-Mundhir, (1: 194).
- (3) Abû Yûsuf, advising the Commander of the Faithful, Hârûn Ar-Rashîd, as in the Book of *"Al-Kharâj"* (P. 93), said:

*"O Commander of the Faithful! Order that an honest, trustworthy, chaste, and reliable man to collect Sadaqahs (i.e. Zakâh) in the country."*

- (4) See: *"Al-Mufhim Limâ Ashkal Min Talkhîs Kitâb Muslim"*, (3: 133); *"Jibâyat Az-Zakâh Bayna Maqâsid Ash-Sharî'ah Wal-Hawkamah Ar-Rashidah: Binâ' Wa-Tawzîf"*, Sulaymân An-Najrân, (P. 93).

This meaning is established by the Shari'ah scholars. Explaining the tasks of the ruler, Al-Mâwardî asked:

“What is entrusted to him (i.e. the ruler) of the general matters is 10 things, ...the seventh: The collection of *Fay'* (i.e. booty gained without fight) and *Sadaqahs* (i.e. *Zakâh*) in accordance with Shari'ah without fear or oppression.”<sup>(1)</sup>

Also, An-Nawawî says:

“The Imam (i.e. the ruler) shall dispatch collectors to collect *Sadaqahs* (i.e. *Zakâh*).”<sup>(2)</sup>

#### 4- Achieving justice among *Zakâh* payers:

One of the purposes of Shari'ah in assigning the collection of *Zakâh* to the ruler is to achieve justice among *Zakâh* payers, through applying *Zakâh* procedures on them on an equal basis. That is, some people may be negligent or lenient in paying *Zakâh* and verifying the discharge of their liability thereof, which results in lacking equality between him and the one who paid it. This is why collecting *Zakâh* contributes to promoting solidarity of all the wealthy with the needy in a way that establishes justice among the rich and achieves the interests of the poor.

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(1) “*Al-Ahkâm As-Sultâniyyah*”, (P. 40).

(2) “*Al-Majmû' Sharh Al-Muhadhdhab*”, (6: 168). See: “*Matâlib Uli An-Nuhâ Fî Sharh Ghâyat Al-Muntahâ*”, (6: 464).



## [2-2] The Obligation to Pay Zakâh

Since it is established that the collection of *Zakâh* is the responsibility of the ruler, then people shall obey him in this regard. They shall commit to pay it so as to achieve the purpose of the Shari'ah in imposing *Zakâh*, and stressing its importance through entrusting the collection thereof to the ruler.

The Prophet (peace and blessings of Allah be upon him) used to obligate the rich to pay *Zakâh* to the collectors, as being the right of the poor. The Muslim shall voluntarily and satisfactorily pay it. So, if he delays *Zakâh*, or procrastinates the right of the poor and the people entitled to it, then Shari'ah-based punishment may be inflicted upon him.

Indication that Muslims shall pay *Zakâh* to the ruler when being required to do so is included in the following Verse:

*{“Take, (O, Muḥammad), from their wealth a Sadaqah (i.e. Zakâh) by which you purify them and cause them increase, ...”}*<sup>(1)</sup>

Accordingly, the ruler shall collect *Zakâh*, and this can only be achieved through paying *Zakâh* to him.<sup>(2)</sup>

Also, the Prophet (peace and blessings of Allah be upon him) described *Zakâh* as an amount to be taken from the rich, as he said to Mu`âdh Ibn Jabal (may Allah be pleased with him) when he sent him to Yemen:

*“...so, let them know that Allah has made it obligatory for them to pay Sadaqah (i.e. Zakâh) from their property and it is to be taken from the wealthy among them and given to the poor.”*<sup>(3)</sup>

Here, collection is to be undertaken by the State or the competent authority appointed by it for this purpose.<sup>(4)</sup>

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(1) Surah *At-Tawbah* (Repentance): 103.

(2) See: *“At-Tamhîd”*, (3: 134).

(3) *“Ṣaḥîḥ Al-Bukhârî”*, hadith no. (1395); *“Ṣaḥîḥ Muslim”*, hadith no. (19).

(4) See: *“Thkâm Al-Aḥkâm Sharḥ ‘Umdat Al-Aḥkâm”*, (1: 376).

## [2-3] Fulfilment of the Obligation by Paying *Zakâh* to the State

If a Muslim pays the *Zakâh* due on his wealth to the State, his liability is to be discharged of the obligation, for he has paid *Zakâh* as required from him. This is because the State is the representative of the beneficiaries, and acts on their behalf. The proof that the obligation of *Zakâh* is to be fulfilled when *Zakâh* is paid to the State is based on the hadith in which a person said (to the Prophet):

*“If I pay Zakâh to your delegate, will I be discharged from it before Allah and His Messenger? The Prophet (peace and blessings of Allah be upon him) said, ‘Yes, if you give it to my delegate, then you will be discharged from it.’”*<sup>(1)</sup>

The Permanent Committee for Scholarly Research and Ifta’ states:

*“..If the ruler levies it; it is permissible to hand it over by means of fulfilling the pledge of hearing and obedience in *Ma`rûf* (that which is judged as good, beneficial, or fitting by Islamic law and Muslims of sound intellect). Accordingly, a person is acquitted of the obligation.”*<sup>(2)</sup>

Sheikh Ibn Bâz said:

*“As long as it is required from you under the name of *Zakâh*, and you pay it with the intention of paying the *Zakâh* due, then it is to be *Zakâh*. This is because the ruler has the right to claim *Zakâh* from the rich to spend it in its due channels, and you do not have to pay another *Zakâh* on the wealth for which *Zakâh* has been already paid to the State.”*<sup>(3)</sup>

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(1) *“Musnad Ahmad”*, hadith no. (12394); *“Al-Mustadrak”*, Al-Hâkim, (2: 360). Al-Hâkim deemed it as a *Sahîh* (i.e. authentic) hadith based on the conditions of Al-Bukhârî and Muslim, and Adh-Dhahabî agreed with him.

(2) *“Fatwas of the Permanent Committee for Scholarly Research and Ifta’”*, (9: 424), Fatwa no. (1393).

(3) *“Majmû` Fatâwâ Wa-Maqâlât Mutanawwi`ah”*, Ibn Bâz, (14: 261).

## [2-4] Punishment for Withholding Zakâh

### [2.4.1] The afterlife punishment for withholding Zakâh:

In His Noble Book, Allah threatens those who withhold the Zakâh due on their wealth with severe punishment, as He, the Almighty, says:

*{“... and those who hoard gold and silver and spend it not in the way of Allah, give them tidings of a painful punishment. The Day when it will be heated in the fire of Hell and seared therewith will be their foreheads, their flanks, and their backs, (it will be said), “This is what you hoarded for yourselves, so taste what you used to hoard.”}*<sup>(1)</sup>

Hoard here means to withhold the Zakâh due on wealth, for this is the afterlife punishment for those who abandon the payment of Zakâh.

Also, the Prophet (peace and blessings of Allah be upon him) says:

*“Whomever Allah has given wealth but he does not pay its Zakâh, his wealth will be presented to him on the Day of Resurrection in the shape of a bald-headed snake with two black spots (over its eyes or two poisonous glands in its mouth) and it will encircle itself around his neck and bite him over his cheeks and say, ‘I am your wealth, I am your treasure.’”*<sup>(2)</sup>

### [2.4.2] The worldly punishment for withholding Zakâh:

The Prophet (peace and blessings of Allah be upon him) explained that there is a general worldly divine punishment for those withholding Zakâh, saying:

*“... They do not withhold the Zakâh of their wealth, but rain will be withheld from the sky, and were it not for the animals, no rain would fall on them...”*<sup>(3)</sup>

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(1) Surah *At-Tawbah* (Repentance): 34-35.

(2) *“Sahîh Al-Bukhârî”*, hadith no. (1403).

(3) *“Sunan Ibn Mâjah”*, hadith no. (4019); *“Al-Mu`jam Al-Kabîr”*, At-Tabarânî, hadith no. (13619). Al-Buṣayrî said: “This is a valid hadith to act accordingly.” In his *“Sahîh Al-Jâmi`”*, (2: 1321), Al-Albânî deemed it as a *Sahîh* (i.e. authentic) hadith.

Also, the Prophet (peace and blessings of Allah be upon him) said:

*“I have been commanded (by Allah) to fight against the people until they testify that Lâ Ilâha Illâ Allah, Wa-Anna Muḥammadan Rasûlul-Lâh (i.e. none has the right to be worshipped but Allah, and that Muḥammad is the Messenger of Allah), establish Salâh (i.e. Compulsory Congregational Prayer), and pay Zakâh (i.e. Obligatory Almsgiving). When they do that, they will save their lives and property from me, except for a right that is due in Islam (i.e. unless they commit acts that are punishable in Islam), and their reckoning (accounts) will be with (i.e. done by) Allah.”<sup>(1)</sup>*

This is why the companions of the Prophet (peace and blessings of Allah be upon him) fought those who refrained from paying Zakâh from the Arab tribes after the death of the Prophet (peace and blessings of Allah be upon him).

In this regard, Caliph Abû Bakr (may Allah be pleased with him) said:

*“I swear by Allah that I will certainly fight with those who make a distinction between Salâh (i.e. Prayer) and Zakâh, for Zakâh is (the amount) due on wealth.”<sup>(2)</sup>*

Fighting those who refused to pay Zakâh is an indication of the greatness and importance of this pillar of Islam.

Also, the Prophet (peace and blessings of Allah be upon him) imposed a penalty on those who abstained from paying Zakâh, so as to deter people from falling short in the matter of this ritual, or wasting the rights of those entitled to it. Bahz Ibn Ḥakîm narrated that the Prophet (peace and blessings of Allah be upon him) said:

*“For every forty grazing camels, a Bint Labûn (i.e. a she-camel in its third year, is to be taken as Zakâh). No differentiation is to be made between camels when calculating them. Whoever gives it (willingly) seeking reward (from Allah) will be rewarded for it. Whoever withholds it, we will take it along with half of his camels (as a punishment), [in another narration:]<sup>(3)</sup>*

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(1) “*Sahîh Al-Bukhârî*”, hadith no. (25); “*Sahîh Muslim*”, hadith no. (22).

(2) “*Sahîh Al-Bukhârî*”, hadiths no. (1399, 1400, 6924, 6925); “*Sahîh Muslim*”, hadith no. (20).

(3) “*Sunan Abû Dâwûd*”, hadith no. (1575).

‘... along with half of his wealth (as a punishment)’], as one of the rights of our Lord.”<sup>(1)</sup>

The Prophet (peace and blessings of Allah be upon him) decided to impose penalty (fine) on the person withholding *Zakâh*. In this regard, Ibnul-Qayyim says:

“As for imposing fines, the Prophet (peace and blessings of Allah be upon him) prescribed it for many cases..., it includes confiscating half of the wealth owned by the one refusing to pay *Zakâh*.”<sup>(2)</sup>

Also, Ibn `Uthaymîn said:

“The sound opinion (with regard to the one refusing to pay *Zakâh*) is that he is to be punished based on the hadith narrated by Bahz Ibn Hakîm.”<sup>(3)</sup>

This is an opinion adopted by many scholars of Fiqh.<sup>(4)</sup>



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(1) “*Musnad Ahmad*”, hadith no. (20016); “*Sunan Abû Dâwûd*”, hadith no. (1575); “*Sunan An-Nasâ’î*”, hadiths no. (2444 and 2449).

(2) “*T`lâm Al-Muwaqqi`in*”, (2: 17).

(3) “*Ash-Sharh Al-Mumti`*”, (6: 200-201).

(4) Including Al-Awzâ`î, Ishâq Ibn Râhawayh, Ash-Shâfi`î in his old school, and Ahmad in a narration on his authority, selected by Abû Bakr Ibn `Abdul-`Azîz, Ibnul-Qayyim, and Ibn `Uthaymîn (may Allah confer mercy upon them).

See: “*Al-Mughni*”, (2: 228); “*Al-Majmû`*”, (5: 331); “*Rawdat At-Tâlibîn*”, (2: 208); “*Hâshiyat Al-Jamal*”, (2: 293); “*Al-Furû`*”, (2: 415); “*Al-Insâf*”, (3: 188); “*T`lâm Al-Muwaqqi`in*”, (2: 17); “*Hâshiyat Ibnul-Qayyim `Alâ As-Sunan*”, (4: 318); “*Ash-Sharh Al-Mumti`*”, (6: 200-201).



[3]

## ***Zakâh* Calculation Method at Zakat, Tax and Customs Authority**



### **[3-1] Methods of Calculating *Zakâh***

Corporate *Zakâh* is calculated and their *Zakâh* base is determined in accordance with one of two ways, as follows:

- 1- **Direct method**, which is called wealth uses method.
- 2- **Indirect method**, which is called wealth sources method.

The idea of direct method for calculating *Zakâh* (wealth uses method) is based on direct access to the *Zakâh* base, through counting the zakatable assets, and then deducting the liabilities that decrease the *Zakâh* base.

Meanwhile, indirect method of calculating *Zakâh* (wealth sources method) is based on indirect access to the *Zakâh* base through determining the equity used in the zakatable assets. This is done by adding wealth sources, and then deducting the non-zakatable assets, so that the wealth sources used in the zakatable assets remains in the *Zakâh* base.

Despite the difference of the two methods with regard to their procedures, and treatments of the items used for the purpose of calculating *Zakâh*, they both lead to the same result concerning the extracted *Zakâh* base in case the two methods are applied correctly, and the differences between their two bases of assessment are well recognized, based on Fiqh compatible selections.<sup>(1)</sup>

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(1) See: “*Shari’ah Standards*”, Shari’ah Standard no. (35): *Zakah*, (P. 870); “*Ad-Dalil Al-Irshâdî Al-’Âmm Liz-Zakâh*”, 1<sup>st</sup> edition, (P. 18).

**The following is an explanation of these two methods:**

**[3-1-1] Direct method of calculating *Zakâh*<sup>(1)</sup>**

This method has many names, such as wealth uses method, net working capital method, net current assets method, and net assets method.

This method relies on two major procedures to determine the *Zakâh* base:

**First:** Adding all the institution's zakatable assets, such as cash assets, which are easy to convert into cash during a financial period that does not exceed a year, such as trading securities, etc.

**Second:** Deduction of zakatable assets liabilities, such as short-term liabilities to be paid within a financial period that does not exceed a year, such as loans.

The direct method for calculating *Zakâh* can be described in this equation:

$$\boxed{[Zakâh \text{ Base} = \text{All Zakatable Assets} - \text{Zakatable Assets Liabilities}]}$$

The Origin of this equation is traced back to Maymûn Ibn Mihrân, who said:

“If the date of your *Zakâh* accrual became due, check all your wealth and subtract the debts you owe, then pay the due *Zakâh* on the remaining wealth (if it reaches the *Nisâb* that obligates *Zakâh*).”<sup>(2)</sup>

In another narration:

“If the date of your *Zakâh* accrual became due, check what is in your possession of cash or goods for sale (i.e. commercial goods), then measure it at the value of cash, calculate any debt owed to you by a solvent (who is a non-procrastinating debtor), and subtract the debts you owe, then pay the due *Zakâh* on the remaining wealth (if it reaches the *Nisâb* that obligates *Zakâh*).”<sup>(3)</sup>

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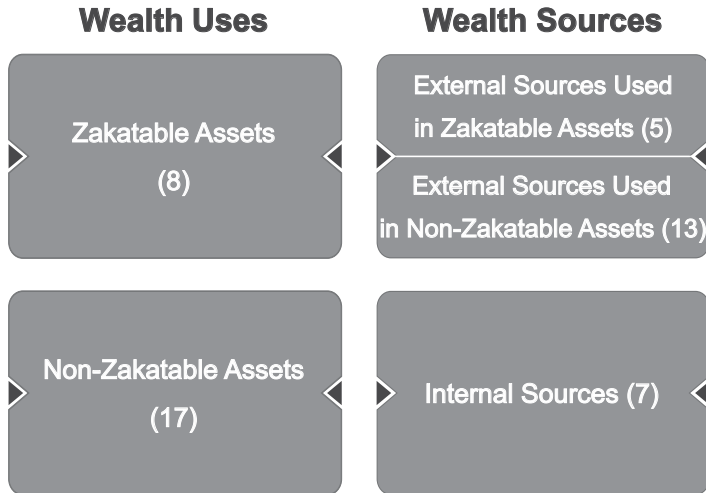
(1) See: “*Dalîl Al-Irshâdât Li-Hisâb Zakât Ash-Sharikât*”, (pp. 40 and 56).

(2) “*Al-Amwâl*”, Abû `Ubayd Al-Qâsim Ibn Sallâm, (P. 521); “*Musannaf Ibn Abû Shaybah*”, (3: 194).

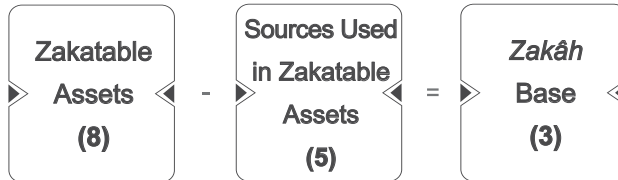
(3) “*Al-Amwâl*”, Abû `Ubayd Al-Qâsim Ibn Sallâm, (P. 891); “*Musannaf Ibn Abû Shaybah*”, (3: 162).



**Direct Method**



**EX:**



This method of calculating *Zakâh* is suitable for individuals and institutions who voluntarily pay *Zakâh* due on their wealth, since it is easy and clear, and because it helps access to the *Zakâh* base directly. However, it is not suitable for entities collecting *Zakâh* obligatorily, since this makes it easier for the *Zakâh* payer to circumvent *Zakâh* and reduce his *Zakâh* base exploiting the lack of relevant controls and restrictions. This can be done, for example, by reducing the value of current assets, or inflating current liabilities.<sup>(1)</sup>

(1) See: “*Turuq Qiyâs Wi`â` Az-Zakâh*”, (P. 2).

### **[3-1-2] Indirect method of calculating *Zakâh*<sup>(1)</sup>**

This method has many names, such as finance sources method, and sources of invested funds method.

Accounting speaking, this method is based on adding specific elements to the *Zakâh* base, and deducting other elements according to the following:

#### **First: Additions**

- 1- All internal wealth sources for the institution, such as capital, periodic profits, reserves, and others.
- 2- External wealth sources, in addition to long-term liabilities, taking into account that they shall not exceed the value of deducted assets, and short-term liabilities if it is known that they finance one of the deducted assets.
- 3- The annual adjusted net profit.

#### **Second: Deductions**

- 1- Non-zakatable assets of the institution, such as fixed assets.
- 2- Zakatable assets of other institutions, such as investment in the shares of Saudi companies.

Indirect method of calculating *Zakâh* can be described in the following equation:

$$\text{[Zakâh Base = Internal Wealth Sources + External Wealth Sources As Much As Used in Deducted Assets - Non-Zakatable Assets - Zakatable Assets]}$$

This is the method applied in the Kingdom of Saudi Arabia according to the Implementing Regulation for Zakat Collection.<sup>(2)</sup> It is suitable for all authorities that collect *Zakâh* obligatorily, since it is based on all sources of the *Zakâh* payer's wealth. This enables the collection authority to verify the accuracy of the data provided, track them, and recognize the mechanism of

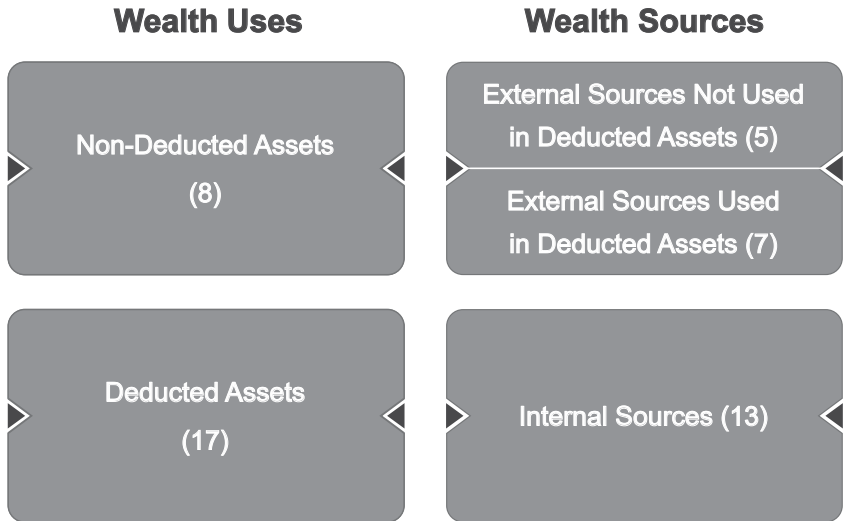
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(1) For more information, refer to "Implementing Regulation for Zakat Collection", issued by Ministerial Resolution No. (2216), dated 7/7/1440 AH, (Articles 4, 5, and 6); "Ad-Dalîl Al-Irshâdî Al-`Âmm Liz-Zakâh", 1<sup>st</sup> edition, (P. 18).

(2) See: "Implementing Regulation for Zakat Collection", issued by Ministerial Resolution No. (2216), dated 7/7/1440 AH, (Articles 4, 5, and 6).

using them, and thus reduces the chances of *Zakâh* evasion and falsification of the financial statements. This is because the elements of addition are represented in the institution's finances approved by authorized persons which makes it difficult to circumvent the *Zakâh* base.

**Wealth Sources Method**



❖ **EX:**



## [3-2] Basic Rules for the Authority's Method of Calculating *Zakâh*

The method of calculating *Zakâh* at Zakat, Tax and Customs Authority takes into account the following rules:

### [3-2-1] Annual basis rule:

It means that *Zakâh* shall be paid once a year. This rule affects *Zakâh* accounting through valuating *Zakâh* on a daily basis. The benefit of this rule emerges in several forms, including when the fiscal year differs from the Hijri year, and when fiscal years differ in length. Then, based on the application of this rule, accounting is carried out by dividing the due amount of *Zakâh* (2.5%) on the number of days of the Hijri year, multiplied by the number of actual days of the payer's *Zakâh* year,<sup>(1)</sup> according to the following equation:

$$\frac{2.5\%}{\text{Number of days of the Hijri year}} \times \text{Number of actual days of the payer's } \textit{Zakâh} \text{ year}$$

### [3-2-2] Access to zakatable assets rule:

Among the bases on which the Authority's method of calculating *Zakâh* is based is the distinction between the concept of the components of the *Zakâh* base, and the concept of the assets subject to *Zakâh*. Not all elements added to the *Zakâh* base are subject to *Zakâh*, but the purpose of addition is to reach the zakatable assets, through reaching the equity used in the zakatable assets. This rule is based on the accounting concept requiring the balance of the budget, which means equating the wealth sources with the wealth uses, so every wealth source corresponds to one of the assets. If the wealth sources (elements of addition) are added, and the non-zakatable assets are deducted from them, then the zakatable assets will be reached.

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(1) See: "*Implementing Regulation for Zakat Collection*", issued by Ministerial Resolution No. (2216), dated 7/7/1440 AH, (Article: 14).

This rule helps to form the *Zakâh* base precisely, as it is not intended for directly subjecting current assets to *Zakâh*, since the *Zakâh* payer can manipulate the items of the financial list and decrease the dues of *Zakâh*, but for reaching the zakatable assets by adding external finance sources, not exceeding the value of the deductions, to reach the liabilities used in the elements of deduction, and adding internal finance sources to reach the net zakatable assets.

This is clear through the aforementioned procedures for calculating *Zakâh*,<sup>(1)</sup> where the reasons for addition are the following:

- 1- Matching the deducted assets with the liabilities used in them.
- 2- Reaching the zakatable assets financed by internal wealth sources.

The accurate application of this rule refutes any problems related to it. That is, not all elements added to the *Zakâh* base are subject to *Zakâh*, but they are added to match the deductions of non-zakatable assets, so as to avoid the deduction of assets whose wealth sources have not been added, for the purpose of reaching the zakatable assets.

### **[3.2.3] Independence of *Zakâh* years rule:**

The rule of the independence of *Zakâh* years is related to the annual basis rule. It means that each *Zakâh* year is to be considered independently from other years with regard to *Zakâh* accounting. The employment of this rule includes the cases in which the *Zakâh* due on the *Zakâh* payer is calculated on the basis of a short or long fiscal year, then the calculation for the following year shall be separate from that of the current one.<sup>(2)</sup>

The benefit of this rule appears in several items, including the provisions for *Zakâh*, for example, which is added to the *Zakâh* payer's base and becomes subject to *Zakâh*, since the zakatable wealth of the following year is separate from the *Zakâh* payable for the previous year, and is not to be calculated accordingly.

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(1) See: [3.1] Methods of Calculating *Zakâh*, in this book, explaining indirect method of calculating *Zakâh*.

(2) See: "*Dalîl Muhâsabat Az-Zakâh Lil-Afrâd Wash-Sharikât*", (P. 193).

**[3-2-4] Estimation in *Zakâh* accounting rule:**

The nature of preparing the financial statements and the requirements for their auditing and approval call for considering estimation and measurement as well as using *Zakâh* accounting in accordance with the approved standards.<sup>(1)</sup> This is because the accounting of commercial institutions is based in many of its items on estimation and general assumptions, such as relying on book value in calculating *Zakâh*, rates of consumption, valuation data, and provisions that are not added to the *Zakâh* payer's base, such as the end of service benefits, and the acceptance of the accrual principle that requires recognition of expenses and revenues, and their impact on the items of the financial statements pertaining to the accounting period without waiting for or requiring payment or receipt of the amounts due.

The importance of this rule is clear according to the fact that the calculation of the *Zakâh* due on contemporary companies is based on the accounting principles in general, in addition to the requirements necessary for the formation of the *Zakâh* base.

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(1) See: "*Implementing Regulation for Zakat Collection*", issued by Ministerial Resolution No. (2216), dated 7/7/1440 AH, (Article: 12).

## [3-3] Applied Example of the Authority's Method of Calculating *Zakâh*

*Zakâh* accounting depends on the financial data listed in the statements of commercial institutions. These data are measured and classified according to the accounting principles and standards that take care of presenting these data properly and accurately, as well as classifying them into similar and homogeneous groups to reach the sub-items called "Classification of Statement of Financial Position".

Since financial statements express the reality of the institution and clarify its assets and liabilities in a balanced manner, it is highly reliable for identifying the creditworthiness of the institution, its ability to expand and achieve growth, and for determining the *Zakâh* base, through matching liabilities (wealth sources) with assets (wealth uses). In this regard, it is suitable to explain the meanings of these terms, the way of using them with regard to *Zakâh*, and their impacts on the *Zakâh* base.

### **First: Wealth Sources**

#### **(a) Non-current liabilities:**

They are long-term liabilities, which will become due after one year from the date of preparing the balance sheet.

Examples of non-current liabilities items include:

- ◆ Loans.
- ◆ Long-term payment papers.
- ◆ Pension liabilities.
- ◆ Lease contract liabilities.

#### **(b) Current liabilities:**

They are short-term liabilities, which will become due within one year or less from the date of preparing the balance sheet.

Examples of current liabilities items include:

- ◆ Short-term payment papers.
- ◆ Payable salaries.
- ◆ Accrued expenses.
- ◆ Due rents.<sup>(1)</sup>

The definition of non-current liabilities, current liabilities and the items designation can show that liabilities and the items included are broader than the concept of debt adopted by the scholar of Fiqh. That is, from an accounting perspective, the concept of liabilities is not limited to the rights claimed by the institution only, but it also includes all liabilities related to the institution's business, even if the reason for their fulfillment has not occurred yet, such as end of service benefits, vacations, etc.<sup>(2)</sup>

### (c) Equity:

According to the Statement of Financial Accounting Concepts issued by the Saudi Organization for Certified Public Accountants (SOCPA), "Equity or net assets is the residual interest in the assets of an entity that remains after deducting its liabilities, which means that it is always equal to net assets."<sup>(3)</sup>

Examples of Equity include:

- ◆ Capital.
- ◆ Retained Profits.
- ◆ Reserves.

Through this definition, it becomes clear that equity, from an accounting perspective, represents the rights of the owners in the entity. But from the Shari'ah perspective, it is considered as the entity's capital provided by the owners. As for the profits and actions pertaining thereof,<sup>(4)</sup> they are to be considered as the profits of trade and the capital growth.

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(1) See: "Mabâdi' Al-Muhâsabâh Wat-Taqrîr Al-Mâlî", Dr. Walîd Ash-Shibânî (pp. 196-201).

(2) See: "Fiqh of Estimation in Calculating Zakâh", (P. 184).

(3) "Mafâhîm Al-Muhâsabâh Al-Mâlîyyah", (P. 209).

(4) Such as retaining some profits, and so on. See: "Al-Wi'â' Az-Zakawî Lish-Sharikât Al-Mu'âsirah", (P. 400).



## Second: Wealth Uses

### (a) Current assets:

It is cash, and assets expected to be converted into cash within a year or within the operating period, whichever is longer, or will be used during this period, including:

- ◆ Inventory.
- ◆ Debtors.
- ◆ Receipt papers.
- ◆ Prepaid expenses.<sup>(1)</sup>

### (b) Non-current assets:

They are the assets not expected to be converted into cash within a year, including:

- ◆ **Fixed assets:** They are the assets with a long-term useful life that the entity uses in managing business and which are acquired for the purpose of use.
- ◆ **Intangible assets:** They are non-physical assets owned by the entity, and it has the right to use them in its business, such as trademarks, trade names, patents, etc.
- ◆ **Non-trading long-term investments,** which include the entity's investments in the shares and stocks of other companies, as well as its investments in long-term assets that are neither used nor utilized in the entity's activity.

Through the definitions of current assets, non-current assets, and the accounting items listed under them, it is noted that (an asset) is not required to be owned by the entity, and that for a property to be considered an asset, the benefits thereof shall be controlled<sup>(2)</sup> even if it is not actually owned by the entity.<sup>(3)</sup>

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(1) See: "Al-Muḥâsabâh: Mabâdî'uhâ Wa-Ususuhâ", (1: 125).

(2) See: "Itâr Mafâhîm At-Taqrîr Al-Mâlî" [Conceptual Framework for Financial Reporting], Paragraph (4.12).

(3) See: "Fiqh of Estimation in Calculating Zakâh", (P. 184).

The accounting items representing the entity's rights and liabilities are to be classified according to the aforementioned classifications. Equity and liabilities which represent the entity's wealth sources is to be matched with the assets used for the entity's wealth. The purposes for this matching include verifying the validity of the accounting record from the stage of conducting the process to the issuance of the financial statements.

**The statement of financial position appears as follows:**

Assets		Value	Liabilities and Equity		Value
<b>Current Assets</b>	Inventory	6	<b>Short-Term Liabilities</b>	Finance Used in Zakatable Assets	5
<b>Fixed Assets</b>	Production Machinery	7	<b>Long-Term Liabilities</b>	Bill of Exchange for Purchasing Machinery	3
<b>Long-Term Investments</b>	Investment in Saudi's Companies (Zakatable)	9		Long-Term Finance	10
	Investment in Companies Outside Saudi Arabia (Non-Zakatable)	3	<b>Equity</b>	Capital	7
<b>Total Assets</b>		<b>25</b>	<b>Total Liabilities and Equity</b>		<b>25</b>

Through these apparent data, required, for being considered, to be prepared according to the standards issued by the concerned authorities, *Zakâh* can be calculated to get the *Zakâh* base accurately, according to the Implementing Regulation for Zakat Collection, where *Zakâh* base is determined according to the following:<sup>(1)</sup>

(1) See: "Implementing Regulation for Zakat Collection", issued by Ministerial Resolution No. (2216), dated 7/7/1440 AH, (Articles: 4 and 5).

$$\text{Zakâh Base} = \text{Added Items} - \text{Deducted Items}$$

It is clear through this equation that the *Zakâh* base is based on the classification of items in terms of addition and deduction. Therefore, the entity's financial items listed on the statement of financial position are classified in terms of *Zakâh* into four categories, which are:

- 1- **Items added to the base**, which represent the column of liabilities to which the addition conditions and equity apply.<sup>(1)</sup>
- 2- **Items not added to the base**, which represent the column of liabilities in which the addition conditions are not fulfilled.<sup>(2)</sup>
- 3- **Deducted items**, which represent the column of fixed assets, long-term investments, and others items classified under non-current assets.<sup>(3)</sup>
- 4- **Undeducted items**, which represent the column of current assets in which the conditions for being considered as deductible items have not been realized.<sup>(4)</sup>

Through the statement of financial position mentioned above, these items are classified, based on being added or not, or being deducted or not, into the following:

Items Added to the Base	Value
Long-Term Finance	10
Bill of Exchange for Purchasing Machinery	3
Equity	7
<b>Total Additions</b>	<b>20</b>

(1) See: "Implementing Regulation for Zakat Collection", issued by Ministerial Resolution No. (2216), dated 7/7/1440 AH, (Article: 4).

(2) See: "Ad-Dalil Al-Irshâdi Al- 'Âmm Liz-Zakâh", (P. 37).

(3) See: "Implementing Regulation for Zakat Collection", issued by Ministerial Resolution No. (2216), dated 7/7/1440 AH, (Article: 5).

(4) See: "Ad-Dalil Al-Irshâdi Al- 'Âmm Liz-Zakâh", (P. 37).

## Zakâh Collection in the Kingdom of Saudi Arabia

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<b>Deducted Items</b>	<b>Value</b>
Production Machinery	7
Investment in Saudi Companies (Zakatable)	9
<b>Total Deductions</b>	<b>16</b>

According to this data, the total base consists of the following:

<b>Zakâh Base</b>	<b>Value</b>
Total Additions	20
Total Deductions	16
<b>Zakâh Base</b>	<b>4</b>
The Due Amount	0.1
<b>Items Not Added to the Base</b>	
Finance Used in Zakatable Assets	5

<b>Undeducted Items</b>	<b>Value</b>
Inventory	6
Investment in Companies Outside Saudi Arabia (Non-Zakatable)	3



[4]

## Bases for *Zakâh* Calculation Method at Zakat, Tax and Customs Authority



### [4.1] Adopting Accounting Data in Calculating *Zakâh*

The calculation of contemporary corporate *Zakâh* is generally based on financial statements prepared in accordance with the accounting principles and standards in general. The reason for this is that the Shari'ah concepts of *Zakâh* can be applied to companies that prepare financial statements in accordance with the accounting standards in force inside the Kingdom of Saudi Arabia. This is with regard to the extent of the *Zakâh* payer's commitment to the standard of presentation and general disclosure and the accuracy of the stated clarifications, such as distinguishing between fixed assets and current assets. This is in addition to some requirements related to increasing the disclosure of the entity, such as the type of investments owned by the entity, and the extent to which they are subject to *Zakâh* or not, as they are necessary for the purposes of forming the *Zakâh* base.

The Authority approves the statement of financial position to determine the *Zakâh* base of the *Zakâh* payer,<sup>(1)</sup> which is the statement that expresses the financial position of the entity and its balances. This is because it gives a list of accurate information about the company's assets and liabilities at the end of the fiscal year, which allows reaching the *Zakâh* base.

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(1) See: "Implementing Regulation for Zakat Collection", issued by Ministerial Resolution No. (2216), dated 7/7/1440 AH, (Articles: 4 and 5).

The most important characteristics of the statement of financial position are the following:<sup>(1)</sup>

- 1- It shows all the assets and liabilities of the company, in a manner appropriate to the operations of calculating *Zakâh*, as assets are divided into fixed assets (non-zakatable) and current assets (zakatable), and liabilities and equity are classified. That is, such a statement is tantamount to a disclosure of the entity's assets and equities at the end of the fiscal year.
- 2- When preparing it, it requires a commitment to realism, and so it reflects all the costs incurred in return for owning its fixed and current assets, with the necessity of classifying them and clarifying their requirements.
- 3- It expresses reality as it is, which means that among its characteristics and acceptance requirements is that the principle of neutrality and control of apparent financial values are to be taken into account when preparing it.

The availability of these characteristics in the financial statements, and the statement of financial position in particular, allows reliance on them in calculating *Zakâh*, which comes in agreement with the resolutions of a number of the institutions of collective *Ijtihâd*, including:

- ◆ Recommendation of the 7<sup>th</sup> symposium on “*Contemporary Zakâh Issues*”, in which it is stated:

“To calculate *Zakâh* on trade, zakatable assets are to be inventoried and valued on the day *Zakâh* is due, using the statement of financial position (the balance sheet) regardless of whether there is a profit or loss in the profit and loss account.”<sup>(2)</sup>

- ◆ The Shari'ah Standard on *Zakâh* issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), which includes:

“... What matters to the Institutions in *Zakâh* calculation is the financial data included in the balance sheet of the institution (the budget), which comprises assets, liabilities, and their related allocations.”<sup>(3)</sup>

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(1) See: “*Al-Qawâ'id Al-Muhâsabiyyah Li-Taḥdîd Al-Markaz Al-Mâlî Min Wijhat Nazar Hisâb Az-Zakâh*”, (P. 4).

(2) “*Fatwas and Recommendations of the Symposiums on Contemporary Zakâh Issues*”, (P. 115).

(3) “*Shari'ah Standards*”, Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), (P. 872).

## **Shari'ah bases for the adoption of accounting data in calculating Zakâh:**

Shari'ah bases calling for considering the statement of financial position (balance sheet) in calculating *Zakâh* are the following:

**First:** The statement of financial position aims at disclosing assets and liabilities, and it is not limited to disclosing income and what is related to revenues and expenses, which achieves the requirements of determining the *Zakâh* on goods stocked for trade. This is because determining relevant *Zakâh* base depends on balancing between assets and liabilities.<sup>(1)</sup>

**Second:** The statement of financial position is based on the ownership of the *Zakâh* payer, and the sources of such an ownership, and it is not concerned with revealing the level of achieving profits and incurring losses. In this sense, it is consistent with the theory of *Zakâh*, since *Zakâh* is a consequent of owning the *Nisâb* (i.e. minimum amount determining a person's zakatability) of zakatable wealth, whether it results in profit or loss. That is, as long as the owner's activity is trade and he owns the assets with the intention of reselling them, then *Zakâh* is obligatory for him.<sup>(2)</sup>

**Third:** The possibility of verifying the fulfillment of conditions for *Zakâh* obligation on the entity through considering its financial position. This includes, for example, the condition of the intention to trade with regard to the *Zakâh* on goods stocked for trade. That is, one of the purposes of classification of the statement of financial position is to distinguish between assets intended for sale, listed under the column: (inventories) or column: (goods), and assets intended for personal use or lease, and so on, listed under (non-current assets). Of course, this does not mean to rely on the classification without verifying its accuracy, particularly when there are evidences that require referring to other clarifications or financial statements that contribute to accurate disclosure of the *Zakâh* base.<sup>(3)</sup>

These Shari'ah bases require the acceptance of *Zakâh* calculation according to the data listed in the statement of financial position.

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(1) See: "Tawzîf Qâ'imât Al-Markaz Al-Mâli Li-Ihtisâb Wi`â' Zakât `Urûd At-Tijârah", (P. 16).

(2) See: "Al-Itâr Al-Muhâsabi Li-Zakât Ash-Sharikât At-Tijâriyyah", (P. 131).

(3) See: "Fiqh of Estimation in Calculating Zakâh", (P. 281).

## [4-2] Considering All Activities Subject to *Zakâh* As Being Goods Stocked for Trade

Zakat, Tax and Customs Authority (ZATCA) considers all activities intended for profit, such as investing wealth or efforts, as being activities subject to *Zakâh*, be they trading in goods or services, or be they banking or financing activities.<sup>(1)</sup>

Hence, it becomes clear that the Authority's method equalizes all commercial activities in terms of liability to *Zakâh*. Commercial activities related to the provision of services, such as: vehicle rental companies, or hotel business, fall under the same ruling as goods stocked for trade in terms of their being subject to *Zakâh*. The same applies to professional entities, such as medical clinics, law and accounting firms, and so on.

Article (1) of the Implementing Regulation for Zakat Collection defines the meaning of the activity subject to *Zakâh* as:

“Any business established for the purpose of earning money, whether it is commercial, industrial.....etc”

This method adopted by the Authority helps support the balance between commercial activities in the public economic sector, and avoid directing invested wealth towards certain activities. This is because exempting service and professional activities and other similar activities that do not involve trading in goods is a reason for limiting investments to such activities, due to the distinction between those activities with regard to the difference in the *Zakâh* obligation. However, when all commercial activities are subjected to *Zakâh*, such a problem is to be excluded, which helps realize some of the purposes of collecting *Zakâh*, namely observing justice on the part of the *Zakâh* payer.

Accordingly, *Zakâh* is not due on the value of the fixed assets of the activities that do not involve trading in goods since they belong to properties obtained

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(1) See: “*Ad-Dalîl Al-Irshâdî Al-`Âmm Liz-Zakâh*”, (P. 109).



for *Qunyah* (i.e. acquisition and personal use). However, *Zakâh* is due on the revenues and profits resulting from these activities, as well as the income of lease and self-employment.

That is, the *Zakâh* due on these activities is to be calculated in accordance with their assets, pursuant to the Shari'ah ruling stating that paying *Zakâh* is obligatory for goods stocked for trade and the profits thereof, as well as the income of lease and self-employment, but it is not payable for properties obtained for *Qunyah*.

### **Shari'ah bases for considering all activities subject to *Zakâh* as being goods stocked for trade:**

The proofs that all activities subject to *Zakâh* are to be considered as being goods stocked for trade are as follows:

1- General rulings indicating the obligation of *Zakâh*, such as Allah's saying:

**{“O you who believe! Spend of the good things which you have (legally) earned,...”}**<sup>(1)</sup>

The Verse states that *Zakâh* is obligatory on all types of wealth subject to profit and growth, and all commercial activities in which this meaning is realized.

2- The consensus of the scholars of Fiqh that *Zakâh* is due on wealth intended for trade upon the elapse of *Hawl* (i.e. *Zakâh* year).<sup>(2)</sup> This indicates that *Zakâh* is obligatory on commercial activities, including activities based on selling goods, renting assets, or efforts.


3- Despite the fact that *Zakâh* is not obligatory on fixed assets generating income and intended for lease, it is obligatory for the remainder of its revenues at the end of the *Hawl* (i.e. *Zakâh* year).<sup>(3)</sup> Therefore, commercial entities engaged in service and professional activities are subject to *Zakâh* due to the existence of these revenues on which *Zakâh* is due.

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(1) Surah *Al-Baqarah* (The Cow): 267.

(2) See: “*Al-Ijmâ’*”, Ibnul-Mundhir, (1: 48).

(3) See: “*Badâ'i' As-Sana'i'*”, (2: 6); “*Hâshiyat Ibn 'Âbidîn*”, (2: 231); “*Al-Muwatta'*”, Narration of Yahyâ Ibn Yahyâ, (1: 246); “*Al-Istidhkâr*”, (1: 246); “*Al-Hâwî Al-Kabîr*”, (3: 274); “*Al-Mubdi'*”, (2: 384); “*Kashshâf Al-Qinâ'*”, (4: 331).

- 4- Commercial activities mostly trade in commodities or its equivalents, such as trading in cash or real estate. As for service activities, they are to trade in the usufruct of these commodities, as their activities are service-oriented. Both commercial and service activities are aimed at making profits and benefits, and thus *Zakâh* is to be obligatory on them.
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## [4-3] Calculating the Amount of *Zakâh* on a Daily Basis

**This principle means:** To calculate the amount the *Zakâh* payer is to pay at the end of the *Zakâh* year (*Hawl*) in accordance with the number of the *Zakâh* payer's actual activity days of the year.

Since commercial entities do not prepare their financial statements in accordance with the Hijri calendar (i.e. lunar year) counting (354 days), the Authority's method of calculating *Zakâh* tends to consider the days percentage of the *Hawl* to reach the due amount of *Zakâh* by dividing (2.5%) by the number of days of the Hijri year (i.e. 354 days), multiplied by the number of actual days of the payer's *Zakâh* year.<sup>(1)</sup>

The implementation of this principle in calculating *Zakâh* becomes clear in the example where a company starts its activity on 1/7 adopting a short fiscal year, then its first fiscal year will end on 31/12. According to the Authority's method of calculating *Zakâh*, the percentage of the due amount of *Zakâh* is to be reached through dividing (2.5%) by the number of days of the Hijri year (i.e. 354 days), multiplied by the number of actual days of the payer's *Zakâh* year (i.e. 183 days).

This treatment conforms with the Implementing Regulation for Zakat Collection stating:

“If the fiscal year of the *Zakâh* payer differs from the Hijri year (i.e. lunar year), then *Zakâh* is to be calculated in days, through dividing two and a half percent (2.5%) by the number of days of the Hijri year, multiplied by the number of actual days of the payer's *Zakâh* year.”<sup>(2)</sup>

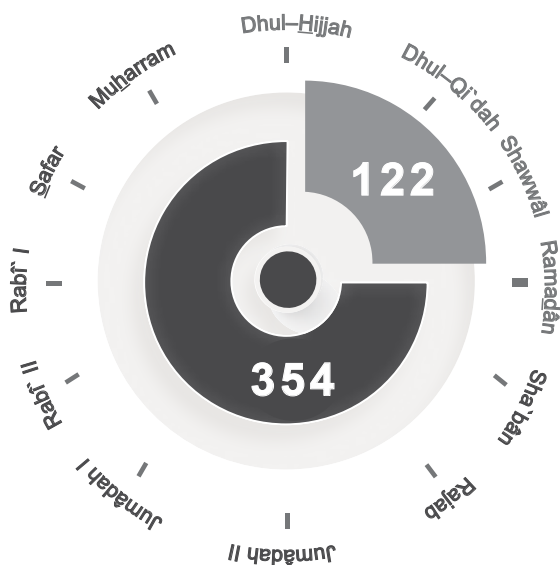
The following examples clarifies such a statement of the Implementing Regulation:

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(1) See: “*Implementing Regulation for Zakat Collection*”, issued by Ministerial Resolution No. (2216), dated 7/7/1440 AH, (Article: 14).

(2) Ibid.

### Shari'ah-Estimated Zakâh (2.5%)



- Number of days of the Hijri year
- Number of days of the payer's fiscal year

An entity subject to *Zakâh* commences its activities on 1/9/2020, and its fiscal year ends on 31/12/2020, how can its due *Zakâh* be calculated according to the principle of accounting on a daily basis?

*Zakâh*, here, is to be calculated according to the following method:

$$\begin{aligned}
 & \text{Percentage of Shari'ah-estimated Zakâh} \div \text{Number of days of the Hijri year} \times \text{Number of days of the payer's fiscal year} = \text{Zakâh Payable} \\
 & 2.5\% \div 354 \times 122 = 0.860
 \end{aligned}$$

The importance of implementing this basis in *Zakâh* accounting is that commercial entities prepare their financial statements based on the Gregorian calendar (i.e. solar year) which is eleven days more than the Hijri calendar (i.e. lunar year). Yet overlooking such a basis, leads to forsaking the *Zakâh* due for these extra days of each year.

The reality of accounting on a daily basis is represented in the fact that the payer's *Zakâh* year, be it a full solar year, a short or long fiscal year, is to be determined through estimating the number of actual days of the *Zakâh* payer's activity, and then determining its due percentage of the Hijri year (i.e. lunar year).

### **Shari'ah basis for calculating the amount of *Zakâh* on a daily basis:**

The most important Shari'ah bases for this treatment can be summarized as follows:

- 1- It is permissible to pay *Zakâh* based on the Gregorian calendar (i.e. solar year) when the need arises, taking into account the difference in the number of days between the Gregorian calendar (i.e. solar year) and the Hijri calendar (i.e. lunar year), and so the percentage of the due *Zakâh* is approximately (2.577%), which is the percentage determined by a number of collective *Ijtihâd* institutions.<sup>(1)</sup> This reveals that each day of the fiscal year has its own percentage. If the *Zakâh* payer's fiscal year is more or less than the Hijri year (i.e. lunar year), then *Zakâh* is to be calculated based on the number of days of the fiscal year and its percentage of the *Zakâh* due.
- 2- Establishing justice through balancing between the rights of the poor to the *Zakâh* wealth, and the *Zakâh* payer's right to be able to grow the wealth. This is can be clarified through two aspects:

**First aspect:** Failure to consider accounting on a daily basis may lead to waste the right of the poor to *Zakâh*. This is because calculating the *Zakâh* due for a long year at the same rate as the *Zakâh* due for the Hijri year leads to waive the *Zakâh* due for some days of the year.

**Second aspect:** Neglecting this concept may lead to unfairness on the part of the *Zakâh* payer, if his fiscal year is less than the Hijri year. That is, if an

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(1) The scholars of Fiqh agreed that the *Hawl* (i.e. *Zakâh* year) of *Zakâh* is to be calculated in accordance with the Hijri (lunar) year, starting from the *Hawl* of the principal.

See: "*Al-Mabsûr*", (2: 15); "*Bidâyat Al-Mujtahid*", (3: 114); "*Al-Bayân Fî Fiqh Al-Imâm Ash-Shâfi 'i*", (3: 155); "*Ash-Sharh Al-Kabîr 'Alâ Al-Muqni*", (6: 350); "*Shari'ah Standards*", Standard no. (35): *Zakâh*, (P. 874); "*Ahkâm Wa-Fatâwâ Az-Zakâh Wan-Nudhûr Wal-Kaffârât*", Kuwait Zakat House, (P. 20).

entity commences its commercial activity in the last quarter of the year, and it becomes subject to *Zakâh*, then calculating the *Zakâh* due on it for a full year inflicts harm upon it. This is because such an entity will suffer an increase of the *Zakâh* burdens, as a result of overlooking the wisdom behind stipulating the elapse of a full lunar year (*Hawl*).

Apparently, the fairest approach is to balance between the right of the *Zakâh* payers and that of the poor, through taking into account the actual days of the *Zakâh* payer's activity when calculating the amount of *Zakâh*. That is, the *Zakâh* due on his wealth is to be calculated according to the period through which he is able to grow his wealth.

- 3- Facilitating the collection of *Zakâh*, which is one of the purposes of Shari'ah behind this ritual. One of the manifestations of this facilitation is related to the condition of the elapse of a full lunar year (*Hawl*). Some precepts of Fiqh<sup>(1)</sup> state that it is permissible to make the collection of the *Zakâh* due on livestock contingent on the rising of the Pleiades, which is based on the Gregorian calendar (i.e. solar year). This is because this achieves the public interest, even if it leads to one year (*Hawl*) being dropped from every thirty-three years due to the increase in the days of the solar year over the Hijri (lunar) year.



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(1) In "*Mawâhib Al-Jalîl Fî Sharh Mukhtaṣar Khalîl*", (2: 270), it is stated: "The opinion adopted by many scholars of the school is that the *Zakâh* on livestock is to be taken in this manner, even if it leads to one *Hawl* being dropped from every thirty-three years." In "*At-Tawdîh*", he said: "Mâlik rested the ruling here on solar years, even if it leads to one *Hawl* being dropped from every thirty-three years, for the sake of public interest...."

## [4-4] Impact of Debts on *Zakâh* Base

The method of Zakat, Tax and Customs Authority in dealing with liabilities of the *Zakâh* payer is based on paying attention to the differences among the types of these obligations through two considerations:

**First: The term of debt**, through distinguishing between the treatment of long-term and short-term debts.

**Second: The use of debt**, through distinguishing between the ruling on debts financing deducted assets, and the ruling on debts financing undeducted assets.

Short-term liabilities financing deducted assets are to be added to the *Zakâh* base, unlike those that do not finance deducted assets, which are not to be added to the *Zakâh* base.

As for long-term liabilities, they are to be added to the components of the *Zakâh* base, provided that the total items added shall not exceed the amount of the deducted items. This is to protect the *Zakâh* base through refraining from adding debts to it,<sup>(1)</sup> and because these debts are secured by fixed assets and its equivalents of deducted assets, even though they do not finance them. This is to establish balance and justice, and to avoid duplicated deduction.

**This can be illustrated by the following example:**

Assets	Value	Liabilities and Equity	Value
Cash	1100	Short-Term Debts	400
Fixed Assets	400	Long-Term Debts	500
		Equity	600
<b>Total Assets</b>	<b>1500</b>	<b>Total Liabilities and Equity</b>	<b>1500</b>

(1) See: “*Implementing Regulation for Zakat Collection*”, issued by Ministerial Resolution No. (2216), dated 7/7/1440 AH, (Article: 4).

**[Zakâh Base = Long-Term Debts (Maximum Amount of Deducted Items)**

**+ Equity - Deducted Items]**

$$\underline{\underline{Zakâh Base = 400 + 600 - 400 = 600}}$$

**This example clarifies that:**

- 1- (400) of the value of long-term debts have been added as a counterpart to the deducted assets, while the remaining value has not been added, as it exceeds the value of the items to be deducted.
- 2- The value of equity has been added to the base (600).
- 3- The value of short-term debts (400) has not been added, because this debt had not financed any of the items to be deducted.  
So, the total additions have become (1000).
- 4- The value of the fixed assets has been deducted as being one of the non-zakatable assets.

The output of the *Zakâh* base is: (600).

This example clarifies that the purpose of adding debts owed by the *Zakâh* payer is not to pay *Zakâh* on them, but to prevent the impact of the deducted assets financed by this debt on the *Zakâh* base, so that the base is to be only the equities used in the zakatable assets.

This course of action adopted by the Authority regarding the impact of the debt on the base requires, from an accounting point of view, the realization of two matters:

**First:** Employing balance of budget principle, through matching between wealth source and wealth use, so that none of wealth sources (liabilities) is to be added before determining the use thereof. Accordingly, the *Zakâh* base, after adding liabilities and deducting non-zakatable assets, becomes free of debts and their impacts. This is unlike the case when liabilities are added without considering their use, which will lead to debts being included in the *Zakâh* base, and the case when assets financed by debts are deducted without adding these debts, as the impact of debt will be doubled.



**Second:** The customary practice with regard to accounting standards is to recognize the value of fixed assets, which represents a part of the deductions, according to the principle of fair value, not at historical cost. This excludes all wealth sources used in non-zakatable assets, as only the wealth sources used in zakatable items remain.

This method agrees with the opinion adopted by a group of Shari'ah scholars stating that debts of the *Zakâh* payer are to be matched, when being deducted, with the non-zakatable assets of the debtor. Hence, the *Zakâh* payer deducts from his fixed assets matching the debt.

This is the opinion adopted by the Malikites,<sup>(1)</sup> and a narration of the Hanblites,<sup>(2)</sup> maintained by Ibn Qudâmah,<sup>(3)</sup> and Abû `Ubayd,<sup>(4)</sup> in his "*Al-Amwâl*". Also<sup>(5)</sup> the recommendations of the 2<sup>nd</sup> symposium on "*Contemporary Zakâh Issues*",<sup>(6)</sup> and the Shari'ah Standard on *Zakâh* of the Accounting

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- (1) In "*Al-Muwatta*", Mâlik said, "According to the narration of Yahyâ Ibn Yahyâ Al-Laythî, (1: 253): 'Our opinion regarding a man who owes a debt and has goods that are sufficient to pay off his debt, and has cash on which *Zakâh* is due, is that he is to pay *Zakâh* on this cash. However, if he has cash and goods that are only sufficient to satisfy his debt, then he is not to pay *Zakâh* unless and until he has cash in excess of his debt, for which *Zakâh* is due.'"
- (2) See: "*Al-Insâf*", (3: 26).
- (3) In "*Al-Mughni*", (2: 344), Ibn Qudâmah said: "The opinion of Aḥmad indicates that a debt is to be matched with the amount from which the debt is to be paid. Regarding a person who owns one thousand and owes one thousand, and has goods that equal one thousand, Aḥmad said: 'If the goods are intended for trade, *Zakâh* is to be paid for them, otherwise such a person is not obligated to pay *Zakâh*...' Here, the statement of Aḥmad may be interpreted as meaning that goods are related to the basic needs of such a person, and are not in excess of such needs, then he is not obligated to use it to settle his debt. This is because basic needs are to be met first. This is why *Zakâh* is not due on jewelry intended for personal use. This is a sound opinion as the person, in this case, owns a *Niṣâb* that is in excess of his basic needs and debts, and accordingly he shall pay *Zakâh* as if he does not owe a debt."
- (4) See: "*Al-Amwâl*", (P. 535).
- (5) It is noted that those who adopted this opinion differed regarding matching between debts and non-zakatable assets. Some of them argue that the debt that prevents *Zakâh* is the amount in excess of non-zakatable assets, while others argue that the debt that prevents *Zakâh* is the debt financing non-zakatable assets. The common point between the two parties is that the debt, if considered, is to prevent the obligation of *Zakâh*.
- (6) See: "*Fatwas and Recommendations of the Symposiums on Contemporary Zakâh Issues*", (P. 40).

and Auditing Organization for Islamic Financial Institutions,<sup>(1)</sup> have been issued to that effect. Moreover, many researchers in the Fiqh of *Zakâh* gave preponderance to this opinion.<sup>(2)</sup>

The recommendations of the 2<sup>nd</sup> symposium on “*Contemporary Zakâh Issues*” states:

“All debts that finance a commercial business shall be deducted from the zakatable assets, if the debtor does not have properties (fixed assets) obtained for *Qunyah* (i.e. acquisition and personal use) in excess of his basic needs.”<sup>(3)</sup>

The Shari’ah Standard regarding *Zakâh*, issued by Sharia Board of the Accounting and Auditing Organization for Islamic Financial Institutions states:

“If the debts owed by the Institution have arisen from obtaining current zakatable assets for the purpose of trade, they should be deducted from the *Zakâh* base. If the debts owed by the Institution have arisen from obtaining non-zakatable fixed assets, they should not be deducted from the *Zakâh* base.”<sup>(4)</sup>

### **Shari’ah basis for matching debts with non-zakatable assets:**

The Shari’ah bases for this treatment can be summarized as follows:

**First:** If the *Zakâh* payer owns goods in excess of his basic needs that can

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(1) See: “*Shari’ah Standards*”, Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), (pp. 888-889).

(2) See: “*Mudhakkirah Bi-Sha’n Zakât Ad-Diyûn*”, a note attached to the draft of Zakat Collection Regulation in Commercial Activities, Dr. `Abdur-Rahmân Al-Atram; “*Zakât Ad-Diyûn At-Tijâriyyah*”, Dr. Yûsuf As-Shubîlî, (P. 19); “*Madâ Ta’tîr Ad-Diyûn Al-Istithmâriyyah Wal-Iskâniyyah Al-Mu’ajjalah Fî Tahdîd Wi`â` Az-Zakâh*”, a research published within “*Abhâth Fiqhiyyah Fî Qadâ’iyâ Az-Zakâh Al-Mu`âsirah*”, Dr. Muḥammad Shabîr, (1: 318); “*Nawâzil Az-Zakâh*”, Dr. `Abdullâh Al-Ghufflî, (P. 73); “*Zakât Ad-Diyûn Al-Mu`âsirah*”, Dr. `Abdullâh Al-`Âyidî, (P. 91).

(3) See: “*Fatwas and Recommendations of the Symposiums on Contemporary Zakâh Issues*”, (P. 40).

(4) See: “*Shari’ah Standards*”, Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), (pp. 888-889).

be matched with the debt and thus he owns zakatable wealth, then he is to be regarded as owning a *Nisâb* that is surplus to his basic needs and payment of his debt. Hence, he has to pay *Zakâh*, as if he has no debts due on him. In this sense, Ibn Qudâmah says:

“In such a case, a *Nisâb* that is surplus to his basic needs and payment of his debt, and thus, he has to pay *Zakâh*, as if he does not owe any debts.”<sup>(1)</sup>

**Second:** Lacking the matching between debts and properties obtained for *Qunyah* (i.e. acquisition and personal use) in excess of the basic needs leads to withholding *Zakâh* or reducing its amount for the rich who invest their wealth in properties obtained for *Qunyah*, exploited assets, or other types of wealth for which *Zakâh* is not obligatory.<sup>(2)</sup>

**Third:** Deducting debts without matching them with properties obtained for *Qunyah* leads to duplicated deduction. This is because deducting these debts, even though they are used in items for which *Zakâh* is not due, such as fixed assets and the like, results in deducting them twice.<sup>(3)</sup>



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(1) “*Al-Mughni*”, (2: 344); “*Al-Amwâl*”, (P. 535); “*Al-Muntaqâ Sharh Al-Muwatta*”, (2: 119).

(2) See: “*Hâshiyat As-Sâwi `Alâ Ash-Sharh As-Saghîr*”, (3: 181).

(3) See: “*Zakât Ad-Diyûn At-Tijâriyyah*”, Dr. Yûsuf As-Shubîlî, (P. 19).

## [4-5] Setting Minimum Limit for *Zakâh* Base

The minimum limit of *Zakâh* base means: A base presumed by the Authority in the event that the base resulting from the Authority's calculation (addition items - deduction items) is less than the adjusted net profit.

The minimum limit of *Zakâh* base is estimated as the adjusted net profit for *Zakâh* purposes. The first paragraph of Article (6) of the Implementing Regulation for Zakat Collection states:

“The *Zakâh* base for the *Zakâh* payer shall not be less than the adjusted net profit for the purposes of collecting *Zakâh* in accordance with the provisions of the regulation.”<sup>(1)</sup>

### **An example of applying the minimum limit of *Zakâh* base:**

If the *Zakâh* base for a *Zakâh* payer amounts to 1,000,000 riyals, and the adjusted net profit is 1,100,000 riyals, then the *Zakâh* base for this *Zakâh* payer will be less than the adjusted profit for *Zakâh*. According to the procedures of the Zakat, Tax and Customs Authority, *Zakâh* is to be calculated based on the adjusted profit, thus the amount of the *Zakâh* due is 27,500 riyals.

### **Cases of considering the minimum limit for *Zakâh* base:**

Zakat, Tax and Customs Authority considers the net profit as a minimum limit for the *Zakâh* base in cases where the *Zakâh* base is less than the profits achieved during the year,<sup>(2)</sup> as follows:

- 1- If the *Zakâh* base is less than the adjusted net profit for the *Zakâh* year.
- 2- If the *Zakâh* base is negative.

### **Method for reaching the minimum limit of *Zakâh* base:**

We have clarified that the adjusted net profit for the purposes of *Zakâh* is the minimum limit of *Zakâh*.

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(1) “*Implementing Regulation for Zakat Collection*”, issued by Ministerial Resolution No. (2216), dated 7/7/1440 AH, (Article: 6).

(2) See: “*Ad-Dalil Al-Irshâdî Al-`Âmm Liz-Zakâh*”, (P. 57).

Adjusted net profit can be reached through adjusting the expenses and revenues according to the following:

- 1- Net book profit or loss for the year is to be added to the *Zakâh* base.
- 2- Non-deductible expenses are to be added to the *Zakâh* base. These expenses are represented in expenses and costs not related to the *Zakâh* payer's activity, expenses that are not supported by documents or other evidence acceptable to the Authority, the due or paid *Zakâh* and tax, or bad liabilities that does not meet the conditions for accepting bad debt, or other items that cannot be deducted according to the Authority.<sup>(1)</sup>
- 3- The result is the adjusted net profit or loss for *Zakâh* purposes.

### **Shari'ah basis for setting minimum limit for *Zakâh* base:**

Setting a minimum limit for the *Zakâh* base by modifying the result of the activity is considered a Shari'ah policy, and one of the powers of the *Zakâh* collection Authority with regard to controlling the people subject to *Zakâh*. This is because activity in these entities is aimed at making profits which represent a basic amount in the entity's balance sheet. Hence, the decrease of the *Zakâh* base, of which profit is a component, from the adjusted net profit, makes the base not inclusive of all its components.

In addition, the consuming profits realized during the *Zakâh* year for non-zakatable assets leads to withholding a *Zakâh* payable from its channels, although the company's business at the end of the year is profitable.

Therefore, all profits realized at the end of the year shall be considered within the *Zakâh* base.

Accordingly, accepting the adjusted profit as a minimum limit for the *Zakâh* base is related to the competence of the ruler to perform the task of collection, and just as the Shari'ah policy responds to issues of transactions, it also responds to issues of worship, particularly when worship-related matters are delegated to the ruler.<sup>(2)</sup>

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(1) "Implementing Regulation for Zakat Collection", issued by Ministerial Resolution No. (2216), dated 7/7/1440 AH, (Article: 8).

(2) See: "At-Ta'liq 'Alâ Kitâb As-Siyâsah Ash-Shar'iyah Fî Islâh Ar-Ra'î War-Ra'iyah", =

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= (P. 9).

This is evidenced by the practice of `Umar Ibnul-Khattâb when he approbated collecting *Zakâh* on horses and slaves. This is because the Prophet (peace and blessings of Allah be upon him) exempted horses and slaves from *Zakâh* when Muslims were in need therefor and there were few of them.

It is narrated that when `Umar was appointed as Caliph, and the Muslim conquered more lands and the wealth increased, Muslims traded in horses and kept them as wealth, so `Umar approbated to impose *Zakâh* on horses, as they had fallen under the ruling of livestock. "*Sahîh Ibn Khuzaymah*", hadith no. (1299); and "*Sunan Ad-Dâraquṭni*", hadith no. (2: 199)].

This is a form of Shari`ah policy, which is to be applied here because the collection of *Zakâh* is one of the duties of the ruler.

## [4-6] Assumptions of *Zakâh* Accounting

As mentioned above, the Authority's method of calculating *Zakâh* is executed through matching between the items of addition and the items of deduction.

This method is intended for reaching the internal wealth sources used in zakatable assets. Since the Authority's method depends on the balance of budget principle, this necessitates the process of making assumptions to achieve balance between the zakatable asset and liabilities of the *Zakâh* payer, in order to control the items to be added, as well as the items to be deducted.

These assumptions used by the Authority to calculate *Zakâh* are due to the nature of the wealth uses at commercial entities. That is, entities' businesses are generally based on the fact that non-current deducted assets are financed by non-current external wealth sources, and that current assets are financed by current external wealth sources.

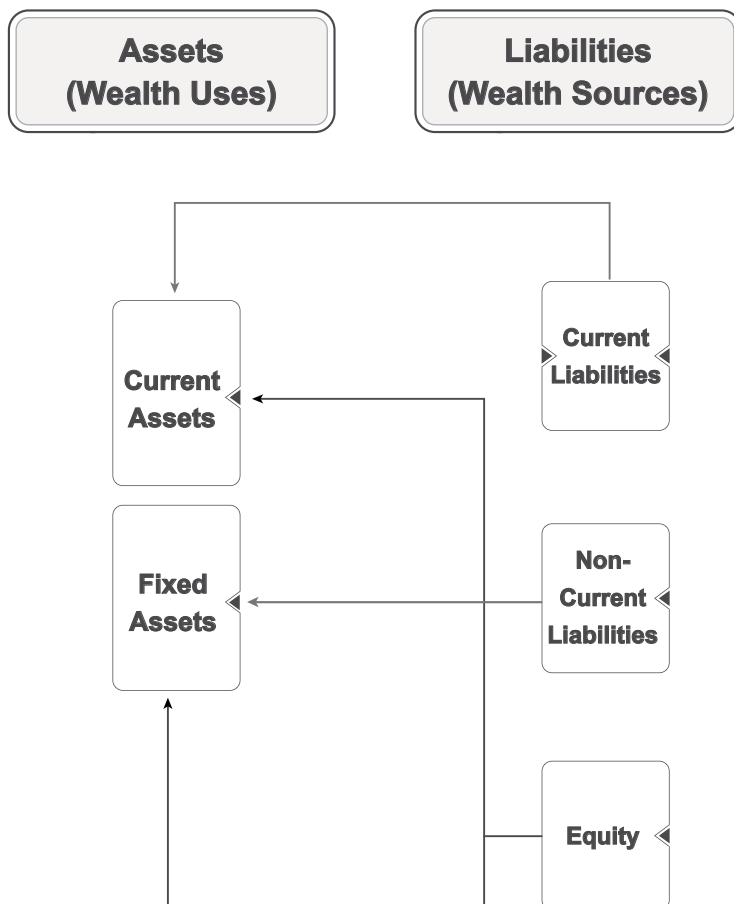
This connection between wealth sources and wealth uses in current and non-current assets is not considered upon application, as it is actually realized. Rather, they are to be matched together in terms of payability, even if it is not actually realized.

That is, if a *Zakâh* payer proves that the non-current assets are not financed by non-current external wealth sources, but they are financed by equity, then such a proof is not to be considered, as long as non-current external wealth sources are among the entity's wealth sources.

**Therefore, the Authority adopts the following assumptions:**

- (a) Matching short liabilities with current assets.
- (b) Matching long liabilities with non-current assets.
- (c) Equity completes the shortfall in the source of financing non-current assets, and then current assets.

(d) Connection is to be made with payability not with chronological sequence.<sup>(1)</sup>



The reasons for adopting these financial and accounting assumptions can be summarized as follows:

**First:** The nature of wealth sources in commercial activities is limited to equity, short-term liabilities, and long-term liabilities. Usually, long-term liabilities arise from the purpose of financing fixed assets and the

(1) What is meant by this assumption is to connect assets with the acquisition of such assets in first place. When the entity goes bankrupt, for example, non-current assets are reserved to creditors before the owners of the entity, which supports the connection between them. Similarly, when the entity is financed by a long-term debt, then its non-current assets are intended for guaranteeing this debt.



like. This is because the amount of debt in these liabilities is high, which requires that the term be longer, and thus repayment is to be performed over more than one fiscal year.

**Second:** Short-term liabilities often arise from financing undeducted items (zakatable assets). This is because these assets can be easily liquidated and converted into cash, which makes the fulfillment of these liabilities arising from these assets possible during the fiscal year.

**Third:** Fixed assets may be mortgaged due to the stability of the ownership thereof and the unwillingness to trade in them, which urges the institutions accepting to provide finance and credit to hedge against long-term finances by fixed assets, unlike undeducted assets, which despite being subject to mortgage, their circulation reduces the feasibility of documenting the debt in them. On the contrary, credit, in short-term liabilities, does not require to be documented by mortgage, since the ability of the financed entity to repay can be measured accurately, and thus such liabilities often arise from current assets.

**Fourth:** An indication that payability is to be connected with the finance source is that financing institutions do not provide credit facilitations to commercial entities except when the debts are secured by non-current assets, Therefore, if the entity wants to acquire a non-current asset, it shall finance it with long-term debts to be a cover for financing when the default occurs.

### **Shari'ah basis for assumptions of *Zakâh* accounting:**

After mentioning the reasons calling for adopting assumptions of *Zakâh* accounting, it is noted that they arise from the consideration of financial custom in finance and credit operations. This can be attached to what has been decided in Shari'ah maxims with regard to considering the opinion of experts in *Zakâh* and other Shari'ah estimates.

The relevance of these assumptions according to the opinion of experts can be stressed by the fact that their implementation is indicated by accounting and financial treatments based on practices of specialists. Scholars of Fiqh adopted the views of experts in some areas of *Zakâh*, including:

**First:** *Khars*<sup>(1)</sup> (i.e. assessment): The performer of *Khars* shall be an expert. This is because *Khars* is an effort exerted to determine the amount of wealth, and the amount of *Zakâh* due thereon. The decision (assessment) of such a person is to be adopted based on and due to his experience.<sup>(2)</sup> In this regard, Ibn Muflih said:

“A person performing *Khars* (i.e. assessment) is sufficient, since he acts based on his diligence... He shall be Muslim, trustworthy and expert.”<sup>(3)</sup>

**Second:** The valuation of goods stocked for trade, as the opinions of experts are to be adopted even if being made by the owner of the wealth. In this regard, some scholars of Fiqh state:

“Assessment made by an expert owner is to be taken into consideration, and shall be approved by the collector of *Zakâh*.”<sup>(4)</sup>

This means that the opinions of experts regarding the assessment and valuation of the *Zakâh* amount is to be relied upon.

Confirming this Shari’ah-based meaning, Ibn Taymiyyah says:

“The decisions of experts are to be referred to, unlike those who do not have the same experience as theirs, even though having greater religious knowledge. This is based on the Prophetic hadith, in which the Prophet (peace and blessings of Allah be upon him) says with regard to pollination of palm trees:

*“You have better knowledge (of technical skills) in the affairs of your life. However, if it is one of the matters of your religion, then refer it to me.”*<sup>(5)</sup>

Accordingly, the Shari’ah ruling is to be based on the opinions of the experts, as in the case of valuation, estimation, *Khars*, etc.”<sup>(6)</sup>

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(1) *Khars*: Exerting efforts to assess a quantity of fruits. It is a kind of measures and standards. See: “*Ma`âlim As-Sunan*”, (2: 212).

(2) See: “*Al-Mudawwanah*”, (3: 284); “*Sharh As-Sunnah*”, (6: 38); “*Majmû` Al-Fatâwâ*”, (32: 236); “*Sharh Az-Zarkashî` Alâ Mukhtasar Al-Khiraqî*”, (2: 514).

(3) “*Al-Furû`*”, (2: 429)

(4) “*Nihâyat Al-Muhtâj*”, (4: 106).

(5) “*Sahîh Muslim*”, hadith no. (2363).

(6) “*Majmû` Al-Fatâwâ*”, (29: 493).

In this regard, Ibnul-Qayyim said:

“The role of the scholar of Fiqh is to clarify permissible and prohibited matters based on the Qur’an, the Sunnah, and the opinions of the Prophet’s companions. As for determining that some issues represent risk, gambling, *Gharar* (i.e. uncertainty), this is not of his role. Rather, this is the role of experts, whose opinions are to be referred to. This applies to all matters that require experience to be determined, including whether a description of something is defected or not, whether a sale is profitable or not, and whether the commodity is salable or not based on different matters, such as time and place, and the like of other tangible descriptions and customary matters in which scholars of Fiqh are not experienced, just as the experts of these matters have no knowledge with regard to Shari’ah rulings.”<sup>(1)</sup>



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(1) “*T’lâm Al-Muwaqqi`în*”, (5: 4).



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# Transliteration System



Arabic Character	Symbol	Example		Arabic Character	Symbol	Example	
ء	'	مؤتة	Mu'tah	غ	gh	مغرب	Maghrib
أ	a	ثور	Thawr	ف	f	فقه	Fiqh
ب	b	بدر	Badr	ق	q	قرض	Qard
ت	t	تكافل	Takâful	ك	k	كوثر	Kawthar
ث	th	ثقيف	Thaqîf	ل	l	لقمان	Luqmân
ج	j	حج	<u>H</u> ajj	م	m	مروة	Marwah
ح	<u>h</u>	حوالة	<u>H</u> awâlah	ن	n	نسيئة	Nasî'ah
خ	kh	خرسان	Khurasân	ه	h	هلال	Hilâl
د	d	دعاء	Du'â'	ة	h/at	زكاة / زكاة الفطر	Zakâh/ Zakâtul-Fitr
ذ	dh	ذكر	Dhikr	و	w	وتر	Witr
ر	r	ربا	Ribâ	ي	y	تلبية	Talbiyah
ز	z	زمزم	Zamzam	:	a	فضل	Faḍl
س	s	سقر	Saqar	:	i	نكاح	Nikâh
ش	sh	شرك	Shirk	:	u	خطبة	Khutbah
ص	<u>s</u>	أصول	Uṣûl	آ	â	سواك	Siwâk
ض	<u>d</u>	إفاداة	Ifâdah	ؤ	û	داود	Dâwûd
ط	<u>t</u>	طهارة	Tahârah	ي	î	حنفي	<u>H</u> anafi
ظ	<u>z</u>	ظهر	<u>Z</u> uhr	ؤ	aw	عورة	'Awrah
ع	`	عمرة	'Umrah	أي	ay	بيان	Bayân



