



RULES FOR CALCULATING THE ZAKAT ON FINANCING ACTIVITIES

issued by the General Authority of Zakat & Tax
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RULES FOR CALCULATING ZAKAT ON FINANCING ACTIVITIES

ARTICLE ONE.

1. The following words and phrases shall, whenever stated in these rules, have the meanings ascribed thereto, unless the context otherwise requires:

Rules: means Rules for Calculation of Zakat for financing activities.

Regulations: means Implementing Regulation of Zakat, issued pursuant to Minister of Finance's Resolution No. (2216) dated 071440/07/H (142019/03/G).

Financing Activities: means Banks and financing companies licensed by the Saudi Arabian Monetary Authority ("SAMA").

Other terms and words: shall have the meaning stated in Article 1 of the Regulations.

ARTICLE TWO.

A Zakat Payer carrying out Financing Activities shall be subject to the provisions of these Rules and the Regulation, except for the following provisions of the Regulations with respect to the following topics:

1. Article (4) with respect to funds subject to Zakat.
2. Article (5) with respect to deductions from the Zakat base, unless otherwise stated in the Rules.
3. Article (6) with respect to the methods and conditions for calculating the Zakat base, without prejudice to Paragraphs (2) & (3) thereof.
4. Chapter (3) on the amendment of the results of an activity.



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ARTICLE THREE.

the Zakat base for Financing Activities is the sources of Zakat Payers' funds used in their Zakat assets. The Zakat base shall be calculated by dividing Zakat assets by the total assets, multiplied by the sources of funds, in accordance with the following formula:

$$\text{Zakat Base} = \text{sources of funds} \times [\text{Zakat assets} / \text{Total assets}]$$

ARTICLE FOUR.

Sources of funds subject to Financing Activities' Zakat is limited to the following:

1. Ownership rights (Equity), except for any increase of the Zakat Payer's capital occurring during the Zakat year from a source outside the entity, which shall be determined in proportion with the part of the Zakat Year that elapsed prior to the capital increase [occurring during the same Zakat Year].
2. Zakat Payers' debt that is payable – whether in full or in part- after one year or more, regardless of whether such debt is classified as short-term or long-term debt, and are as follows:
 - a. Financing of any kind, whether through [conventional] borrowing, Murabaha, financial leasing, or any other form of financing agreements.
 - b. Debt instruments of any form– such as stocks and bonds – issued by the Zakat Payer.
3. The negative fair value of derivatives payable following one year or more.



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ARTICLE FIVE.

Zakat Payers' zakat assets shall be determined, by deducting non-zakat assets from total assets.

Non-Zakat assets are limited to the following:

1. Net fixed assets and any similar assets, as stated in Paragraph (1) of Article (5) of the Regulation.
2. Real estate, title to which vested in the Zakat Payer due to executing a mortgage [in favor of the Zakat Payer].
3. Investments in entities or ownership interests inside the Kingdom that are subject to zakat in accordance with Article 5(4) of the Regulation.
4. Investments in entities or ownership interests outside the Kingdom provided that the zakat due on such investments has been paid independently by the Zakat Payer in accordance with Article 5(5) of the Regulations.
5. Zakat Payers' debt that is payable – whether in full or in part- after one year or more, regardless of whether such debt is classified as short-term or long-term debt, and that are as follows:
 - a. Financing of any kind, whether through [conventional] borrowing, Murabaha, financial leasing, or any other form of financing agreements.
 - b. Debt instruments of any form– such as stocks and bonds – issued by the Zakat Payer.
6. Zakat Payers' investments in government issues securities the Zakat on which is assumed by the state and that are not covered under Paragraph (5)(B) of these Rules.
7. The Positive fair value of derivatives payable after one year or more.
8. Statutory deposits at SAMA.



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ARTICLE SIX.

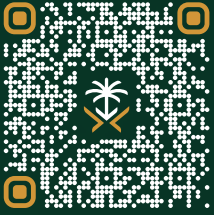
1. Except as stated in Article 4(1) of these Rules, the figures appearing in audited financial statements shall be used [as the final figures] on a net basis at the end of Zakat Year when calculating financing activities' Zakat base,
2. The provisions of Article 15(2) of the Regulation pertaining to consolidated financial statements shall be applicable to Financing Activities.
3. Article (14) of the Regulation pertaining to the Zakat percentage shall be applicable to Financing activities.
4. The zakat base for Financing Activities shall have a maximum and a minimum values as follows:
 - a. When a Zakat Payer generates net profit:
 - i. the minimum zakat base: four times the net profit as of the end of Zakat Payer 's Zakat Year, after excluding the impact of Zakat provisions on net profit.
 - ii. The maximum zakat base: eight times the net profit as of the end of Zakat Payer's Zakat Year, after excluding the impact of Zakat provisions on net profit.
 - b. When the Zakat payer does not generate net profit:
 - i. the minimum zakat base: four times 10% of the gross profit as of the end of Zakat Payer's Zakat Year.
 - ii. the maximum zakat base: eight times 10% of the gross profit as of the end of Zakat Payer's Zakat Year.
 - iii. If the Zakat Payer does not generate gross profit by the end of Zakat Year, there shall not be a maximum and minimum for the zakat base.



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5. Where a Zakat Payer subject to these Rules is owned by another Zakat Payer - according to the Regulation rules pertaining to acceptable consolidated returns- a Zakat Payer subject to these Rules may not consolidate their returns those of another Zakat Payer.

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