



TITLE :

ZAKAT OBLIGATION FOR PUBLIC LISTED COMPANIES

Presenter :

ADIBAH BINTI AB WAHAB

CONTENT

- Introduction
- Literature Review
- Discussion
- Conclusion



INTRODUCTION



INTRODUCTION

Zakat institution is considered as the cornerstone of the Islamic finance in the **economic system**.

Zakat has been described, as major source of public finance

Zakat is treated, as **critical component of socioeconomic** justice



INTRODUCTION

- ❑ There are several studies on the economic impact of zakat and almost all, find the positive impact to the economy via **effective mechanism** to **raise the standard of living** of the poor, as well as an important **source of public revenue** in enhancing the expenditure of developing nations.



INTRODUCTION

- ❑ Norulazidah (2010) discovers that implementation of **zakat can raise the capital-labor ratio;**
- ❑ Adel Sarea (2012) finds that zakat can also be used as a **benchmark for economic growth**
- ❑ Marghoob A. Quraishi (1999) proves that **zakat can increase in money supply and a consequent increase in the demand for goods and services.**
- ❑ In the case of poverty, (Fuadah, 2004), Hairunnizam (2004), Patmawati (2006) and Adibah (2009) discover that zakat can **reduce poverty incidence, reduce the extent of poverty and lessen the severity of poverty.**



INTRODUCTION

Zakat institution is considered as the cornerstone of the Islamic finance in the economic system where zakat has been described, as major source of public finance and treated, as critical component of socioeconomic justice (Quran, 57:25).

□ There are several impact to the well as an nations.

□ Norulaz ratio;

- ✓ studies have shown the importance of zakat to the nation
- ✓ Zakat collection need to be optimized
- ✓ Public Listed Companies is one of the main source

the positive of the poor, as of developing capital-labor economic growth supply and a

Case study, (2004), (2004), (2006) and h (2009) discover that zakat can reduce poverty incidence, reduce the extent of ty and lessen the severity of poverty.



LITERATURE REVIEW



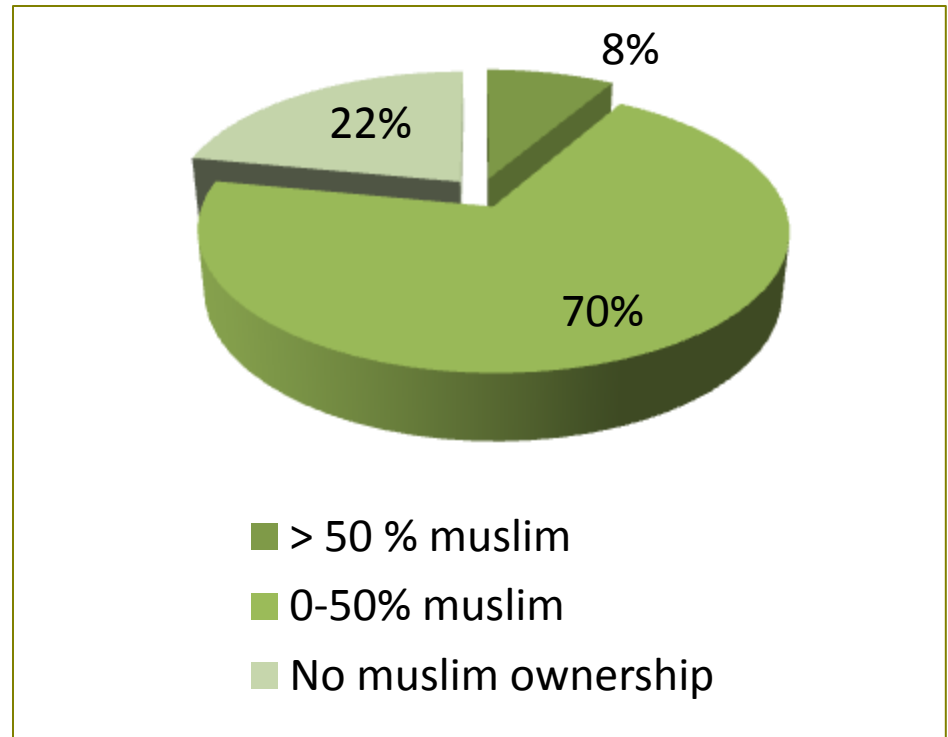
LITERATURE REVIEW

According to Security Commission Malaysia, Malaysia's capital market has grown from a market size of RM717.5 billion in 2000 to RM2.0 trillion in 2010 where from year 2000 to 2010; Malaysia's stock market capitalization grew by 11.1% yearly.

As at 2012, there were 895 syariah compliance companies out of 923 listed companies in Malaysia.

This research attempts to determine Muslim ownership among PLC in Malaysia based on certain conditions.

69 companies (8.51%) owned by more than 50% Muslim, 564 companies (69.54%) owned by 1-50% Muslim and 178 companies (21.95%) are non-Muslim owned



LITERATURE REVIEW

Market Category	Sectors	Syariah Compliance Company	Company with available info	Estimation of Muslim Ownership		
				50-100%	1-49%	0%
Main Board	Consumer Products	125	124	4	89	31
	Industrial Products	253	234	10	172	52
	Mining	1	1	0	0	1
	Construction	43	43	9	30	4
	Trading/Services	178	153	28	100	25
	Properties	74	73	5	55	13
	Plantation	39	39	4	23	12
	Technology	95	29	3	18	8
	Infrastructure	7	7	2	5	0
	Finance	2	2	2	0	0
	Hotels	0	0	0	0	0
	Closed-end funds	0	0	0	0	0
	Total	817	705	67	492	146
Ace Market	Industrial	18	18	0	12	6
	Technology	66	66	2	44	20
	Trading/Services	22	22	0	16	6
	Total	106	106	2	72	32
	TOTAL	923	811	69	564	178
	Percentage (%)		100	8.51	69.54	21.95



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Market Category	Sectors	Syariah Compliance Company	Company with available info	Estimation of Muslim Ownership		
				50-100%	1-49%	0%
	Consumer Products	125	124	4	89	31
	Industrial				72	52
	Technology				0	1
	Trading/Services				0	4
	Based on the latest findings on muslim ownership in capital market				00	25
	> 50 % muslim		69	9	15	13
	30-50 % muslim		50	6	13	12
	0-29% muslim		514	63	8	8
	No muslim ownership		178	22	5	0
			811	100	0	0
	Total	817	705	67	492	146
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Main Board



LITERATURE REVIEW

Zakat is Imposed on Business Assets

Islam Introduces the Principle of *Khukah* (Mixture)

Islam Acknowledges the Principle of Legal Entity

Fatwa Ruling



LITERATURE REVIEW

Islam Impose zakat on Business Assets

Zakat obligation on business assets is derived from the Qur'an and Sunnah

Almost all jurist decided zakat is imposed on business assets

The calculation based on current assets :

- inventory / merchandise for sale,
- cash on hand or in the bank and
- trade creditor

Less

- the trade debtor

Zakat on business is compulsory



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LITERATURE REVIEW

Principle of Khultah

Khultah Principle served as a basis for zakat treatment of contemporary corporations



Khultah means an admixture of things.

Khultah principle is a common Islamic principle and all scholars generally accept it based on hadis sahih:

ولا يجمع بين متفرق لا يفرق بين مجتمع مخافة الصدقة

“The separate assets should neither be joined together nor the joint assets should be separated to avoid zakat and whatever that belongs to two persons, they must settle their account in proportion to their ownership”



LITERATURE REVIEW

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LITERATURE REVIEW

Islam Acknowledges the Principle of Legal Entity

Many Muslim jurists recognize:-

- the concept of legal entity
- with the full legal capacity
- acquire rights and
- undertake obligations.

Basis, Islam introduce:-

- communal obligation (*fard kifayah*) - group obligation considering group as a whole rather than individual
- Waqaf (charitable endowments) - Muslim jurists have treated the Waqaf as a separate legal entity and have ascribed to it some characteristics similar to those of a natural person.
 - Mudarabah - capital provider has separate entity with the business that he is entering
 - Extension from principle of partnership - partnerships respectively have similarity with modern form of corporate

The establishment of company in the modern world is the extension from Islamic teaching



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LITERATURE REVIEW

Fatwa Ruling

Malaysian Syariah scholars have made their stand on payment of zakat by companies



1992 - National : Business company is obliged to pay when it fulfills these conditions

2001 - National and 2004: Selangor - Business zakat only imposed on muslim

2003 - Selangor : firms and consultation companies are obliged to pay zakat

2003 - Selangor and 2005 – National : Felda and its member are obliged to pay zakat



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DISCUSSION



DISCUSSION

- 1 **Status of zakat obligation**
 - PLC is treated as one entity with group responsibility

- 2 **Status of non-Muslim shareholding**
 - Zakat obligation is only imposed on muslim ownership and not to non-Muslim

- 3 **Nisab ***
 - Calculating zakat based on one nisab

- 4 **Hawl**
 - The indentifying of hawl happens at group-level and not the individual level.

* Current Nisab = RM11,650.00



DISCUSSION

- 5 **Zakat on Shares vs Zakat on Business**
- If a company pays zakat on business, shareholders are not required to pay zakat on his shares
- 6 **Effect of zakat payment to PLC financial reporting**
- Zakat should be treated as a corporate philanthropy activity like corporate social responsibility
 - the source of fund for paying zakat should be taken from companies fund and treated as an expense in the financial reporting.
 - Muslim shareholder must be able to explain about the importance and the effect of zakat payment to the community



DISCUSSION

7 **Status of Government Shares**

- The governmental element in PLC has been diluted and they are treated as a pure legal entity.
- Zakat provides mechanism to speed up money circulation, eradicate poverty, reduce unemployment, and stimulate economic performance.
- PLC should pay zakat under the spirit of maslahah (consideration of public interest).
- Both instruments are government owned but zakat institution provides more prudent assistance channel to the needy and the desperate
- Policy maker of GLCs and GLICs with regard to the issue of zakat settlement should give more priority to fundamental interests of the needy
- Federal and state government should make a policy for the GLC and GLIC to perform zakat obligation
- Bursa Malaysia and Security Commission should also urge all PLCs to fulfill this responsibility
- Multiplying effect of zakat can enhance the welfare of the society and accelerate economic growth.



CONCLUSION



CONCLUSION

- ✓ PLCs are corporations created under the law by a group of natural or artificial persons with discrete legal entity as a juristic person with group responsibility
- ✓ The obligation of zakat among PLC is based on the principle of *khultah* and *syakhsiiyyah i'tibariyah*.
- ✓ The listing status is irrelevant to its zakatability
Public Listed Companies is one of the main source
- ✓ The involvements of GLC and GLIC as shareholders in PLCs are not exempted from the responsibility of paying zakat
- ✓ PLCs are entities with full responsibility to perform zakat obligation
- ✓ PLCs are considered as artificial persons but the ultimate aim of the incorporation is for the interest of the shareholders as the owners.



**Zakat is not an option but
obligation**

Thank you

adibah@e-zakat.com.my or
adibahabdulwahab@gmail.com

