



ZAKAT MANAGEMENT SYSTEM

LCA 4572

Topic:

**Contemporary Fiqhi Issues on
Zakat**

Issues in Fiqh Zakat

- **Does the company is subject to zakat?**
- **Who should pay zakat on shares of the shareholders and how?**
- **Who should pay the zakat on investment accounts?**
- **Who should pay zakat on saving and current account?**

Zakat Obligation on Company

- It is settled law in Islamic jurisprudence that company as an artificial person (shaks iktibari) by itself cannot be a legal person (mukallaf). But its shareholders are natural persons and have to pay zakat.
- Hanafiyah-individual shareholders to pay zakat individually
- Jumhur: the Corporation to pay on their behalf.

Mode of Payment

- Zakat will be paid by the management.
- Urud Tijarah- market price of the capital shares plus the profits out of the business.
- Asset includes
 - 1. Cash-
 - 2. Working capital and fixed asset
 - 3. receivable debts.

Zakat on Investment Account

- Zakat will be on the investor himself
- General Investment account- on the profit that he collects
- Specific Project Financing-Zakat on both principal sum plus the profit.

Zakat on Saving Account

- Zakat will be on the holder
- Money plus the accrued gift on the saving and on the principal sum on the current account.

Investment on Zakat Collection

- First view- Qureshi, Taqi Usmani-
- the zakat collection must be disbursed immediately to the recipients.
- The state has no locus standi to invest it with the view of generating more income.
- Second View: Qardahwi, Zargha, Wahbah: Allowable

First View: Arguments

- 1. Contravene the principle of tamlik by the recipients.
- 2. Against the condition of prompt distribution
- 3. Zakat is not supposed to be reserved for future need, it is designed to alleviate present economic need.
- 4. Using zakat as income earning projects is a kind of accursed innovation in the area immutable aspect of Islam.
- 5. Any investment may incur loss and who to bare for it.

Second View: Arguments

- 1. Majority school- ruler can spend the entire zakat fund for the benefit of one class and also at different rate. Permissible based on maslahah.
- 2. It is not against principle of tamlik- feasting and clothing of the poor are allowable
- 3. Disbursement does not have to be prompt. Can be given monthly basis

Cont...

- 4. The risk on investment could be avoided by proper planning- Hanafis and Shafiis in agreement that providing poor with tools for labor from zakat fund proves that zakat can be used for future security.
- 5. It is not an innovation of denounced types as it benefit the recipients.

Cont...

- 6. According to Ibnu Hajar, Prophet allowed a group of people from Uraynah to drink milk of the zakat camel.
- 7. to benefit the recipients by providing them with working capital or tools.
- 8. Effectively help in the alleviation of property.
- 9. Productive disbursement of zakat to the poor would thwart the inflationary effect of zakat on Islamic economy.

Cont...

- Condition by the second view:-
 - 1. The ultimate ownership of its return and the capital sm be spent on the recipients.
 - 2. Only the surplus fund should be invested.
 - 3. Investment activities should be carried out with extra caution and prudent financial planning.

Resolution- Fiqh Academy 1986

- Conditionally permissible:
- 1. Allowed on the surplus of the collected zakat
- 2. to the extent of using the portion allotted to fi sabil Allah

How to Manage Investment?

- Shahatah Model:-
- 1. Zakat revenues can be used in mudharabah projects.
- 2. Loan can be provided to be-able-bodied beneficiaries who pay the money back.
- 3. Low cost houses-rent financing
- 4. leasing light fixed asset with nominal fee
- 5. interest free loans to those suffer calamities.

Cont....

- Muhammad Anwar's Model:
- 1. Establishment of a special financial institution "Awqaf-Zakat Investment Fund".
- 2. In collaboration with Islamic banks to finance project for the benefit of poor.
- 3. It has branches and affiliate offices.

Cont...

- Farah Model:
- To establish zakat investment bank bank al-ithtithmar al-zakawiyah.
- Can conduct financing activities.

Cont...

- Zaki Badawi's Model:
- Zakat al-fitr: should be used for the urgent consumer need of poor and needy.
- Zakat al-mal: Could be invested in productive ventures such as textile factories, manufacturing, low cost houses.

Kuwait Zakat House Model

- Govt institution in 1982.
- Investment approach:-
 - 1. zakat fund in 2 accounts- current and saving account.
 - 2. Interest free loans- Payment by way of installments.
 - 3. Finance the vocational training for capacity building of people capable of becoming productive citizens.
Scheme " Productive Rehabilitation Scheme"

Zakat on Company Owned By the Govt

- Government's Co:
- 1. Fully Owned- 100% Capital from the Govt.- Non-profitable organisation-Profit for national development
- 2. Partnership-
- 3. Subsidiaries-

Co. Fully Owned by the Govt

- 100% Capital from the Govt.
- Non-profitable organisation
- Profit for national development
- Welfare institution or any company, if their objective is for public benefit.
- Zakat is not obligatory

Co. shared by private and the govt

- Capital by the govt and private.
- Profit-driven entity
- Zakat could be invoked to this type of co.

Who will pay?

- Shareholders.
- Only Muslim shareholders
- Nisab and hawl
- If zakat has been paid by the company, shareholders need not have to pay.
- If otherwise, shareholders have to pay zakat

Issue on Time

- Zakat must be paid immediately at its due time.
- Deferment is prohibited unless has valid reason.
- Permissible to pay zakat in advance-
Jumhur

Issue on Transfer of Zakat

- Consensus: zakat can be transferred from one city or country to another provided that the needs of the city or country have been satisfied.

Issues on zakat owed by a deceased person

- If one dies before he pays zakat, it must be paid from his estate.

Issue on the payment of the value

- At first majority of the scholars- not permissible to pay the value instead of item itself.
- Abu Hanifah, Ibnu Qudama, Ibnu Taimiya- approved paying the value.
- Must choose the way which suffice the needs of the needy and more beneficial.