

Shares Zakah Accounting in Malaysia: Fatawa, Manual and Practices

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Abstract

This paper aims to analyze shares zakah accounting based on manual, fatawa and practice among investors and traders. According to the calculation of Zakat Management Manual issued by the Department of Awqaf, Zakat and Hajj (JAWHAR), shares held for two purposes: first for investment purposes; and the second for business purposes. The questions arise when the fatawa issued by the *State Islamic Religious Councils* (SIRCs) in Malaysia only mentioned about shares held solely for business purposes. How about the shares are held for investment purposes? Is zakah accounting for both are the same? Based on the content analysis of secondary data, the discussion of this paper is divided into three parts. The first part will highlight briefly previous literature about shares zakah accounting background. The second part will covers current practices of zakah shares accounting of the states in Malaysia. Final part of this paper will analyze the shares zakat accounting, which should be practiced by taking previous literatures and current practices. This paper argues that by taking into account the purpose of the shareholding, then the zakah accounting shares revaluation is strongly needed as the purpose and intention of holding zakah itself is an important factor in determining accounting zakah for shares.

Keywords: Zakah Accounting, Shares, Fatawa, Investors, Traders

1.0 Introduction

The expansion of zakah that is compulsory on assets is not something new. For example, Caliph Umar al-Khattab made zakah compulsory on horses, lentils and sea products such as amber, pearls and coral (Hasbi Ash-Shiddieqy, 1976). These efforts are continually taking place up until today. For instance, in the First Zakah Congress that was held in Kuwait in year

1984 has decided zakah is compulsory on bonds, shares and *mustaghallat*¹ property. However, shares zakah accounting method was not mentioned explicitly (Ahmad & Wahid, 2005).

For instance, Hasan and Khallaf said that, shares is a type of assets that can be traded, thus shares zakah accounting method is same as the zakah for business goods (Yusuf al-Qaradawi, 1999). However in Malaysia, Manual for Zakah Accounting Management issued by the Department of Awqaf, Zakah and Hajj (JAWHAR) specified that shares are held for two purposes. First, for investment purposes; and second for business purposes. The argument is, there are fatawas issued by states in Malaysia stating about the shares held solely for business purposes. Now the question is, how about the share that is held for investment purposes? Is the zakah accounting for both types of shareholding is the same?

Based on the content analysis of primary and secondary data, this paper is divided into three parts. The first part briefly highlights on the previous writings about shares zakah accounting as the background of the study. The second part explains further about the shares zakah accounting practiced by the states in Malaysia. The last part analyzes about the shares zakah accounting that should be practiced by taking into consideration about the previous writings and the current practices.

2.0 Literatures on Shares Zakah Accounting

Zakah accounting involves several processes that start with the determination of zakah compulsory on assets up until the preparation of the report. Therefore, zakah accounting for assets involves processes of determining the assets compulsory for zakah, determining the rate of zakah, estimating the payable zakah and subsequently preparing a report.

With this, shares zakah accounting is a process of determining the shares that are compulsory for zakah, determining the rate of zakah and estimating the payable zakah by the owner. Although most zakah experts agrees on zakah is made compulsory on shares,² but there are differences in opinion between them especially when it comes to the assessment of the shares. As an implication, it has triggered diversities in zakah accounting method.

Atiyah (1995) for example, has divided the shares into two categories. First, when the shares of fixed assets are purchased for the purpose of obtaining yearly dividend or profit. Second, when the shares of current assets are purchased for the purpose of trading such as business goods.

On the other hand, Yusuf al-Qaradawi (1999: 332-333) mentioned that there are two schools of thought in the formation of zakah accounting method for shares. First, shares zakah is according the type of share issuer company. This opinion was specified by Sheikh Abdul Rahman Isa. Based on this opinion, the share issuer company can be divided into two categories. The first category is comprised of service providing companies such as hospitality, advertising and transportation. Shares of these companies are not subject to zakah. Second category comprised of companies that involved in the production of goods and trade in goods such as trading and manufacturing company. Shares of these companies are subject to zakah

¹ *Mustaghallat* property refers to fixed assets such as buildings and land that was originally not compulsory for zakah, but if it brings profits or financial benefits through rental or lease, then zakah is imposed on the profits after deducting the costs involved in the process.

² Among the scholars who require zakah to be compulsory on shares are Yusuf al-Qaradawi, Wahbah Zauhaili, Syaiqi Ismail Syahatah, Muhammad Abu Zahrah Abdul Rahman Hasan, Abdul Wahhab Khallaf, Abdul Aziz Al-Khayyath, Abdullah bin Sulaiman bin Muni', Abdullah Bassam and Muhammad Umar Abduh (Husein Syahatah & Athiyyah Fayyadh, 2004).

similar to the business goods.

Yusuf al-Qaradawi (1999: 331-338), however, affirmed the split of the shares has no clear basis from either the source of the Qur'an, al-Sunnah, *ijma'* or *qiyas* method. In fact, shares for both categories of the company considered to be assets that can be developed and continuously profitable for their owners. But if this method would be implemented, then Yusuf al-Qaradawi (1999: 331-338) suggests zakah must be imposed at a rate of 10 percent on service providing companies' profits while for trading company is imposed at a rate of 2.5 percent of the market value.

On the other hand, the second stream does not distinguish the types of companies that issue shares. Shares are considered as an asset that can be traded *qiyas* similar to the business goods. This opinion was specified by Muhammad Abu Zahrah, Abdul Rahman Hasan and Abdul Wahab Khallaf (Yusuf al-Qadrawi, 1999: 334-335). Zakah accounting method for shares is classified as same as the business zakah. Zakah is compulsory on the share values and its profit after the maturity of *nisab* at the end of the year. The zakah is imposed at the rate of 2.5 percent.

Yusuf al-Qaradawi (1999: 335) was more inclined on the second stream if the zakah is paid individually by the shareholders because it is easier. Though if there is a law saying that the share issuer company must pay zakah on the behalf of share holders to the government, thus the first stream would be a better choice.³

Therefore, in a nutshell, it can be concluded that Yusuf al-Qaradawi (1999) claims, shares accounting zakah can be divided into two categories. First, shares zakah accounting that was intended for trade is same as the goods zakah. Zakah is imposed at a rate of 2.5 percent according to the current value of the share market. Second, shares purchased for the purpose of obtaining the yearly profits. If there is information about company's wealth status, thus zakah is imposed at a rate of 2.5 percent of the value of the shares. But if there is no information about the company's shares that is subject to zakah, there are two opinions given by the scholars (*ulama'*). First, the yearly share profits can be merged with other assets and zakah is imposed at the rate of 2.5 percent. Second, the profit share compulsory for zakah is at the rate of 10 percent on day dividend is received without waiting for maturity of haul such as the agricultural zakah.

Qal'ahji (2005) on the other hand, argued, zakah accounting for shares depends on the types of activity conducted by the share issuer company. For instance, for a trading company, zakah is compulsory and imposed on the cash flow and business goods. Zakah for this purpose is at a rate of 2.5 per cent. For a company that produces agricultural products, zakah is imposed on the agricultural yield. Zakah is imposed at the rate of five percent for agricultural crops which uses labour farces or machinery assistance. In comparison, for agricultural products which does not use any labour force or machinery assistance, zakah is imposed at the rate of 10 percent.

However, Khan (2005) has a different view and opinion compared to Qal'ahji (2005) and Yusuf al-Qadarawi (1999). He argued that the shares are a form of investment. Thus,

³ Fatwa at Majma 'al-Fiqh al-Islami in Jeddah in year 1988 ruled that the company can pay zakah on behalf of shareholders if they meet one of the following conditions:

- i. If there is a law on the obligation to pay zakah on the company.
- ii. If there is a resolution passed by the Board of Directors of the Company on payment of zakah.
- iii. If there is a resolution by the government about the obligation of zakah on the company.
- iv. If there is consent given by the shareholders to allow the company to pay the zakah on their behalf.

zakah is only imposed or made compulsory on the profit of the investment. The rate for zakah is five percent or 10 percent as same as to zakah imposed to the agricultural yield or on a building lease.

According to Syahatah and Fayyadh (2004: 134-135), they explained that zakah accounting method should be according to the duration and the purpose of owning the shares. If the duration of owning the shares is for a short term and the purpose is to trade, thus the shares zakah accounting method is qiyas to zakah on bussiness goods. In comparison, if the duration of owning the shares is for a long term and the purpose is to obtain the yearly dividend, thus the zakah accounting method is same as zakah for *mustaghallat* assest.

Opinion by Syahatah and Fayyadh (2004: 134-135) is similar to Atiyah (1995: 74). According to Atiyah (1995: 74), shares can be divided into two categories. First, fixed assets, when shares are bought for the purpose of getting the yearly dividend. Second, current assets, when shares are bought for trading such as business goods.

Shares zakah accouting method is based on duration and the purpose of owning the shares are also parallel with the decision made during the First Zakah Congress held in Kuwait in year 1984. Nevertheless, there are two opinions related to the owning of shares which is intended to obtain the yearly dividend. First, shares dividend received being merged with zakah for assests and the rate is at 2.5 percent. Second, zakah is compulsory for the shares dividends received at a rate of 10 percent *qiyas* to agricultural yields.

3.0 Fatawa and Manual for Shares Zakah Accounting in Malaysia

In Malaysia, the power in the areas of governance and legislation is divided between the federal and state governments. In the context of Islam, constitution has placed all the religious rights and matter under the State List, except for Federal Territory. Matters about Islam and Islamic law has been listed in detail in Table 9, List II of the Constitution. In other words, the affairs of the religion of Islam and Islamic law including the management of zakah are within the power of governments.

3.1 Fatawa of Shares Zakah in Malaysia

Every state in Malaysia has the jurisdiction to issue its own fatawa. For shares zakah, there are five states (35.71 percent) namely Malacca, Penang, Selangor, Perlis and Terengganu has established fatawa that made zakah compulsory on shares. For the remaining nine states (64.29) namely Negeri Sembilan, Pahang, Perak, Sabah, Sarawak, Federal Territory, Johor, Kedah and Kelantan, there is no fatawa established on shares zakah.

Penang is one of the earliest state that has issued fatawa about shares zakah on the 21st September 1983 through Penang Fatawa Committee. Fatwa issued on the obligation of zakah to the shareholders on the investment Amanah Saham Nasional (ASN). Penang Fatwa Committee decided that zakah is imposed on capital and profit received after duration of nisab and haul (Penang Fatwa Committee, 1983).

Perlis has issued fatawa about shares zakah on 11th May 1988 through Perlis Syariah Committee. State of Perlis issued fatawa by stating, whichever shares that falls under the sharia law is compulsory for zakah similar to the business zakah (Jawatankuasa Syariah Negeri Perlis, 1988). However, the method of implementing zakah accounting has not been explained in detail. Same goes to fatawa by state of Malacca and Terengganu which has not explained about the shares zakah accounting. Fatawa issued by the state of Malacca is in line with suggestion by JAWHAR. However, flexibility is given to shareholders in using the share price at the end of the haul if shareholders find it difficult to determine the

lowest price between the market price and the buying rate (Melaka Syariah Committee, 2009).

Selangor is the last state to issue a fatawa about the zakah assessment methods. Selangor Fatawa Committee has issued the method on 31th March 2011. Fatawa issued by the state of Selangor is more detailed about the shares zakah accounting method. For example, the terms and conditions of zakah compulsory on shares and obligations of shares zakah are also defined in the fatawa (Jawatankuasa Fatwa Negeri Selangor, 2011). However, the issued fatawa is focused on the shares offered in the stock exchange.

Established and issued fatawa exhibit inconsistencies in the method of shares zakah accounting. This can cause confusion to the public. Therefore, it would be good if the federal government able to standardized fatawa on the shares zakah that can be practiced in the same way in all states in Malaysia. This was issued by the Mufti of Terengganu when presenting a paperwork entitled Fatawa Institution and Current Challenges.⁴ Among the other things he mentioned as follows:

“... efforts should be made in earnest to standardize the fatawa in order to avoid confusion among Muslims.”

The statement shows that diversity in fatawa can lead to negative impact on the society. Therefore, several efforts were made to streamline the fatawa established by the states at the federal level. In addition, coordination of zakah accounting method was also made at the federal level. Among others are through the Manual for Zakah Management issued by the Department of Awqaf, Zakah and Hajj (JAWHAR) for the purpose of standardizing the zakah accounting methods in every state in Malaysia.

According to the manual, shares zakah accounting method is divided into two categories. First, the remaining shares after the *haul* is compulsory for zakah at the rate of 2.5 percent for the lowest price between the market price and the buying rate. Second, the shares traded during the *haul* are compulsory for zakah at the rate of 2.5 percent on the value of shares selling rate after deducting the buying cost of the shares (JAWHAR, 2008).

Some of the State Islamic Religious Council through the State Fatwa Committee also established share zakah accounting method. On the 21st of September in the year 1983, the Penang State Fatawa Committee has decided on a share zakah accounting method for ASN shares, according to the capital added to the profit obtained after the maturity of the nisab and haul (Jawatankuasa Fatwa Negeri Pulau Pinang, 1983).

Perlis Syariah Committee on 11th May in year 1988 also decided shariah compliant shares are compulsory for zakah after it has reached maturity of nisab and haul similar to the business zakah. However, zakah accounting method is not described in detail (Perlis Syariah Committee, 1988). Melaka Syariah Committee in year 2009 also specified about the shares zakah accounting method to be practiced in the country. Generally, shares zakat accounting method decided is as advocated by JAWHAR (Melaka Syariah Committee, 2009).

On the 31st March in year 2011, Selangor Fatwa Committee decided that zakah invested in the business capital market is qiyas to the business goods regardless of whether

⁴ Mufti of Terengganu, Sahibus Samahah Dato' Dr. Alias Abdullah said during presenting a paper at the Seminar on Islamic Law in Contemporary Society in Universiti Sultan Zainal Abidin (UniSZA) on 18-19 November 2011 (Utusan Malaysia, 20 November 2011).

the investment objectives are, whether to be the traded or deposited. Shares zakah accounting method is divided into two categories and shown in Table 1.

Table 1: Zakah Accounting Method in Selangor

| Category | Assessment |
|-------------------------------------|---|
| Share in the form of deposit/saving | Share value at the end of haul x 2.5 % |
| Shares for trading purpose | (Share value at the end of haul + profits – Brokerage cost) x 2.5 % |

Source: Adapted from the decision of the Selangor Fatwa Committee (2011)

Based on Table 1, shares in the form of deposits/ savings are subject to zakah at the rate of 2.5 percent of the value of the shares at the market price at the end of the haul. Traded shares are compulsory for zakah at the rate of 2.5 percent of the value of the shares at the market price at the end of the haul and added to the profits received during the haul after deducting brokerage costs (Selangor Fatwa Committee, 2011). This method was implemented by the state of Selangor starting year 2011 to replace the methods that was proposed by JAWHAR.

3.2 Shares Zakah Accounting Method

In general, shares zakah accounting method can be divided into two categories. First, shares zakah accounting for shares listed on stock exchange. Second, shares zakah accounting for shares not listed on on stock exchange. Findings on shares listed on on stock exchange showed that there are many method of separating the shares in employing the zakah assessment. Nonethelss, many states divided shares into two categories. First, shares that is being traded during the duration of the hawl. Second, shares that is not traded during the durstion of haul.

Findings revealed that shares zakah accounting method for traded shares at the zakah institution are divided into four methods. Methods are shown in Table 2.

Table 2: Zakah Accounting Methods for Traded Shares

| Method | Statement | Description |
|--------|--|--|
| 1 | Share value at the end of haul | This value refers to the share market value on the day zakah is made compulsory |
| 2 | Share value at the end of haul + profit | This value refers to the market value of the shares on the day of zakah is compulsory and profit obtained during the haul (one year) |
| 3 | Profit of selling shares | Profit of selling shares refers to the differences in share value and buying cost of the shares |
| 4 | Lowest value between the market value and buying | The lowest value between the market price and the |

| | | |
|--|------|--|
| | rate | buying rate during the duration of the haul (one year) |
|--|------|--|

Methods are divided into four types. Method 1 is based on shares value at end of the haul. This value is referred to share market value on the day that zakah is made compulsory. Method 2 depends on the share value at the end of haul adding to the profit. This value refers to the share market value on the day zakah is made compulsory together with the profit obtained during the haul (one year). Method 3 is based on the profit value. Profit obtained due to share selling refers to the difference in value of selling the share and purchase cost of buying the shares. Method 4 is based on the lowest value between the market value and buying rate. This value refers to the lowest value between the market value and buying rate during the duration of the haul. But, if the lowest value is difficult to determine, thus the lowest value during early or end of the year is used.

Majority states in Malaysia practice method 1. This method is practiced in five states (35.71 percent) namely Pahang, Johor, Kelantan, Perak and Terengganu. Method 2 practiced in four states (28.57 percent) namely Penang, Selangor, Kedah and Perlis. Method 3 practiced by three states (21.43 percent) namely Malacca, Sabah and Federal Territorial. Method 4 is the most least favorable and practiced by only in two states (4.29 percent) namely Negeri Sembilan and Sarawak.

There are nine states (64.29 percent), which take into account the value of the shares at the end of the haul in zakat assessment. Those states are Pahang, Penang, Selangor, Johor, Kedah, Kelantan, Perlis, Perak dan Terengganu. Five states i.e. Pahang, Johor, Kelantan, Perak and Terengganu does shares zakah accounting based on the share value at the end of the haul. Zakah assessment for the state of Penang, Selangor, Kedah and Perlis is based on the value of the shares at the end of the haul and profit. Both of the assessment methods in referring to the business goods assessment method. However, differences occur in the declaration of the profits or dividends earned. Many states declare the profit within the haul duration of the current shares value. Whereas other states do not declare the profit within the haul duration of the current shares value. In other words, the profit should be enough to haul the last year before the zakat. Applying the zakah accounting method for traded shares such as the zakah for business goods is in line with the opinion of Syahatah and Fayyadh (2004) and Atiyah (1995).

The findings also show that the method 3 suggested by JAWHAR is an unfavorable option in most states. Only as many as three states (21:43 percent) adopted this method, i.e. Melaka, Sabah and the Federal Territory. These findings indirectly demonstrate that the majority of the states in Malaysia has put aside the method suggested by JAWHAR in calculating zakah on the traded shares.

But for the share that are not traded, findings show that the shares zakah accounting method adopted can be divided into two methods. The methods are shown in Table 3.

Table 3: Zakah Accounting Method for Shares Not Traded

| Meth od | Statement | Description |
|---------|--------------------------------|---|
| 1 | Share value at the end of haul | This value refers to the share market value on the day zakah is made compulsory |

| | | |
|---|---|--|
| 2 | Lowest value between the market value and buying rate | The lowest value between the market price and the buying rate during the duration of the haul (one year) |
|---|---|--|

Table 3 presents the zakah accounting for shares that is not traded and this can be divided into two methods. Method 1 is based on the value of the shares at the end of the haul. This value refers to the market value of the shares on the day of zakah is compulsory. Method 2 is based on the lowest value between the market price and the buying rate of the shares. This value refers to the lowest value between the market price and the buying rate during the duration of the haul (one year).

The majority of the states in Malaysia implemented method 2 for the shares not traded. This method is practiced in eight states (57.14 percent) namely Melaka, Negeri Sembilan, Sabah, Sarawak, Federal Terriotorial, Johor, Kedah and Perlis. Whereas, method 1 is implemented in six states (42.86 percent), Pahang, Penang, Selangor, Kelantan, Perak and Terengganu. This practice is consistent with the method proposed by JAWHAR (2008). JAWHAR proposed zakah made compulsory on the lowest price of the market value and the buying rate that has enough nisab during the haul. Under this method, the increase in share prices over the duration of the haul is not taken into account of the zakah assessment. The decline in share price below the buying rate will be taken into account in the zakah assessment. The lowest value between the market value and the buying rate is a fixed ownership of shares during the duration of the haul. This method in fact, refers to the method of calculating zakah for savings. The majority of Jumhur fuqaha' argues, zakah is compulsory on savings that has been through a period of a year (Majid, 2003). This is attributed to the Hadith of Prophet Muhammad's PBUH narrated by Saidina Ali as follows:

“When you have 200 dirhams and have enough hawl (one year), zakah is required zakah at a rate of 5 dirham, and is not compulsory to pay zakah (gold) unless you have a 20 dinar (one of the currency olden days used in Arab countries). When you have 20 dinar and the duration of haul completed, thus it is compulsory for zakah of a half a dinar. Similarly, if the value increases, the rate is not compulsory for zakah of an asset unless reached a year” (Abu Dawud, No. 1514).

Based on the hadith, any increase in the value during the haul is not subject to zakah unless it has been through a period of a year (Mahmood Zuhdi Abd. Majid, 2003). Therefore, states that implemented qiyas on shares compulsory for zakah on savings chosen is based on the lowest value between the market value and buying rate (method 2).

4.0 Intention and Shares Zakah Accounting Method in Malaysia

For both traded and not traded shares, findings show that there are a similarities and differences in method that being used. For those states that use the same method for traded and not traded shares are consist of Negeri Sembilan, Pahang, Penang, Sarawak, Selangor, Kelantan and Terengganu. Malacca, Sabah, Federal Terriotorial, Johor, Kedah, Perak and Perlis distinguish the zakah accounting method for these two types of shares.

States that use the same accounting methods for both types of shares are likely

to be caused by the interpretation and understanding of the shares. For instance, Selangor and Penang qiyas the shares to business goods regardless of purpose or the intention of owning the shares. Thus, the shares zakat accounting method is not differentiated whether the share is traded or not traded. This method was pioneered by Muhammad Abu Zahrah Abdul Rahman Hasan and Abdul Wahhab Khallaf (Yusuf al-Qaradawi, 1999: 331-338). The same scenario happened in Negeri Sembilan and Sarawak which similar to shares zakah with the zakah for savings. Therefore, zakah is treated as same as zakah for savings. Zakah is imposed on the lowest value between the market value and cost price.

These findings demonstrate some of the states in Malaysia (50 percent) distinguish the shares zakah accounting method based on the purpose or intention of holding or owning of such shares. Whereas, other remaining states do not distinguish the intention of shareholding in determining the shares zakah accounting method. The question is what are the factors of intention in owning the shares in determining the shares zakah accounting method?

To gain insight into these questions, four scholars in Malaysia were interviewed. They are, first, a mufti who is advanced in expressing his view. He is a Board Member As-Sahabah Zakah, the Islamic Religious Council of Penang (MAINPP), Chairman of the Shariah Review Panel (PKS), Department of Islamic Development Malaysia (JAKIM), Member of the Shariah Advisory Council of the Security Commission Malaysia and Member of the member of National Shariah Advisory Council.

Second, a member of Terengganu State Fatwa Committee. He is a research panel for Aqidah JAKIM, Shariah Review Panel JAKIM, and Shariah Advisory Panel for Tabung Haji and Bank Muamalat. He also collected and compiled fatawas on contemporary zakah in a book entitled Contemporary Zakah Fatawa.

Third, a professor in the field of banking and financial economics at the National University of Malaysia. He is also a director at the Islamic Economics and Finance Research Center (EKONIS), Universiti Kebangsaan Malaysia, Syariah Advisory Council Chairman, Citibank Berhad, advisor to government bodies and become a member of several professional bodies.

Fourth, an expert of Islamic studies. He is an Associate Professor at Universiti Teknologi MARA (UiTM). In addition, he is also the Director of the Institute of Zakah Malaysia (IKaz). He is very active in research on zakah.

The findings of interviews with these five scholars in Malaysia gesture with the intention of shareholdings that may affect the shares zakah accounting method. This is because they believe that the intention and purpose of owning the shares plays an important role in determining the law. This relies on one of the method namely *al-umur bi maqasidiha* (matters shall be judged by their objectives). A person's practice will give a different legal effect due to the different intentions. The same method applies to the shares zakah accounting method. Among others, he mentioned:

“... because of intention becomes the outline to force law. ... the role of intention is to determine the law of certain matter which is *al-umur bi maqasidiha* method. Some matter will become a business trading if there is a business intention and zakah must be based on what he intended. Thus, the intention being determinant of a law is enforced.”

This opinion is supported by other scholar as well. Among other things, he mentioned the intention of owning the shares will have implications on the zakah assessment methods. For instance, shares intended to be traded is assessed similar to the business zakat. Otherwise shares that are not intended to be traded, is not assessed as business zakat. He explains this as follows:

“... shares are to be traded and which are not traded and placed as savings. ...If one’s intention at that time is to business, then we calculate it as business zakah, if not, then it cannot be called as business zakah.”

In the meantime, a scholar to sees from the aspect of the goal of owning assets and associate it with the zakah assessment method. He explained as follows:

“In this case, the investor’s purpose is important. ... thus, method that is developed is based on that. I’m not sure about the assessment method, but only if it is qiyas to business goods. The same method is used as the business goods. Qiyas for savings zakah, is used the same method as for the savings zakah”.

Another scholar does compare the role of intention in shares zakah assessment by comparing with the gold zakah. According to him, if gold is for the purpose of jewellery, thus the gold is not subject to zakah. Conversely, if the gold is for being kept, then gold is subject to zakah. In other words, he mentioned:

“... zakah assessment should be differentiated according to the purpose or intention of the purchase of the shares. The method also as what (types of assets) that qiyas. If qiyas to a business, it is calculated as a way of business.”

He also criticized the zakah assessment method towards several inconsistent current types of assets. He therefore proposed share zakah accounting method as follows:

“Unlike now, for some of the assets qiyas to agricultural zakat, the rate for zakah is still at 2.5 percent. As similar to income zakah, ... to me, if an asset is being *qiyas* to source of assets at the time of the Prophet Muhammad PBUH, the calculation method of haul, nisab and the rate should be based on the original source. For the shares that is intended to obtain annual dividend and not for buying and selling, my view is it is qiyas to agricultural zakah. Zakah is imposed at the rate of 10 percent. Same as agricultural zakah. Imposed on dividend. There is no *hawl* requirement. This method is more advantageous to the *asnaf*.”

The findings of interviews over gesture holding a share of the zakat accounting method. Thus, by assuming all shares held for business purposes are not reasonable. Similarly, also by assuming all shares are held for the purpose of investment or savings. This is because not all of the shares are held solely for the intention of obtaining an annual profit. Those despite not all shares are held with the intention for business only.

Thus, the assets zakah accounting method framework formed by Kamal Muhammad Atiyah (1995) is based on the asset category that is useable. He divides the property into two categories: the first is the fixed assets; and the second is the current

assets. Fixed assets are the property used to benefit from an ongoing basis. Zakat on fixed assets is charged to the income from such property at the rate of five percent, 10 percent and 20 percent. Real change is also a simple property transferred or modified as business goods or other assets readily convertible to cash. Zakah for current assets is compulsory on assets and income from such assets is at the rate of 2.5 percent. For a newly found asset, according to Kamal Muhammad Atiyah (1995), the asset can be categorized as either fixed assets or current assets. Zakah accounting method depends on the category of the assets.

Taking into account the opinion of zakah scholars and zakah accounting framework established by Muhammad Kamal Atiyah (1995), shares zakat accounting method will be determined by the intention for the purpose of owning the shares. If shares traded, thus the shares are categorized as current assets. Zakah accounting method is based on the value of the shares and profit. If the shares are not traded, thus the shares are categorized as fixed assets. Zakah accounting method is based solely on the profit or the annual dividend. However, both of these categories can be changed by changing the intention of the shareholding.

5.0 Conclusions

The detailed surveillance on the manual issued by JAWHAR and the *fatwa* issued by the Islamic State Council shows there is a difference in zakah accounting method. Zakah accounting method for shares is actually formed through the *qiyas* application. Shares are *qiyased* to wealth resource that has been *nas* for *qat'i*. In general, shares zakah accounting method is divided into two, i.e, shares zakah accounting for traded shares and shares not being traded. Shares zakah accounting method for shares that is being traded is based on the share value and profit. Meanwhile, for the share that is not being traded, shares zakah accounting method is solely based on yearly profits or dividend. JAWAHR as an agency at the federal level must be taking into account about the meaning of share holders and regulating shares zakah accounting method. Therefore, re-evaluating the shares zakah accounting method is crucial because the ultimate purpose and intention of the share holders becomes an important factor in determining the shares zakah accounting.

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