

**REPORT OF SYMPOSIUM ON ZAKAT AND ITS APPLICATIONS IN  
THE CONTEMPORARY ECONOMY ORGANIZED BY THE DEPARTMENT OF  
ECONOMICS, KULLIYAH OF ECONOMICS AND MANAGEMENT SCIENCES,  
INTERNATIONAL ISLAMIC UNIVERSITY MALAYSIA**

**Mohamed Aslam Akbar and Mohamed Asmy Thas Thaker**

## **INTRODUCTION**

There are significant social, economic and environmental shifts going on almost everywhere in the world. In particular, recent decades have shown extraordinary improvements in wealth status, technological advancement and also the rise of emerging financial developments on all continents. Zakat institution can play an important role in complementing the Government's poverty eradication effort although its scope is for the poor and needy Muslims only. The effectiveness of the zakat institution in carrying out its duties would depend on a number of factors, i.e., expansion of new resources for zakat, the collection of zakat from tangible and intangible properties, systematic zakat management, efficient zakat distribution and the thoroughness of implementation of Islamic rules.

In this context, the Department of Economics, Kulliyyah of Economics and Management Sciences hosted a symposium on 'Zakat and its Applications in the Contemporary Economy' for a better understanding of the term, its objectives and dimensions in order to improve zakat institutions in Malaysia in terms of the prospective payers, and capacity building. This symposium included panel discussions on four subtopics namely: (i) Zakat on EPF and pension funds (ii) Zakat on BIMB or TH savings and businesses made by the institutes (iii) Zakat on investments and fixed deposits (iv) Zakat on regular salaries.

The symposium took place on 17<sup>th</sup> June 2022, Friday from 10 am to 12 pm at Ibn Taymiyyah Conference room, Kulliyyah of Economics and Management Sciences, International Islamic University Malaysia. The program was in hybrid mode i.e., zoom meeting and YouTube live. All the speakers were attending the venue face to face, however, most of the audiences attended online due to the convenience and flexibility.

The objectives of the symposium were sharing of thoughts by invited speakers, discussing sessions on identifying and understanding the term, objectives and dimensions of Zakat and its application in the contemporary world. Also, the symposium intended to create more academic collaboration and revisit the content of identified and existing economic courses.

## PROGRAM SCHEDULE

10.00 AM – 10.10 AM	Briefing Session by the MC
10.10 AM – 10.20 AM	Welcoming and Opening Remarks <b>Prof. Dr. Gairuzazmi Mat Ghani</b> Dean, KENMS, IIUM
10.20 AM – 11.30 AM  1 <sup>st</sup> round (5 – 6 minutes)  2 <sup>nd</sup> round (8 – 10 minutes)	<b>Datuk Prof. Dr. Mohamad Akram Laldin</b> Executive Director, ISRA Research Management Centre  <b>Haji Ahmad Husni Dato Abd Rahman</b> Pengurus, Unit Syariah & Antarabangsa, Pusat Pungutan Zakat  <b>Assoc. Prof. Dr. Gapur Oziev</b> Department of Economics, IIUM  <b>Dr. Ahmad Zamri Osman</b> Department of Accounting, KENMS, IIUM  <b>Moderator:</b> <b>Prof. Dr. Mohamed Aslam Haneef</b> Professor, Department of Economics, KENMS
11.30 AM – 11.50 AM	Q&A Session
11.50 AM – 12.00 PM	Wrap up & Future Direction <b>Assoc Prof. Dr. Mustafa Omar Mohammed,</b> Director, Centre of Islamic Economics, KENMS, IIUM
12.00 PM	Group Photo and Lunch

## LIST OF QUESTIONS PREPARED FOR MODERATION:

### Nisab:

1. What part of my wealth is 'zakatable' and what is not?
2. I earned a large amount of cash a few days before the zakat year was up. How do I calculate my zakat?
3. How do I fix my nisab if I am salaried?

### Savings:

1. I saved some money for Hajj (Tabung Haji). Do I pay zakat on it?
2. Do I pay zakat on my pension fund/EPF?

3. Should I pay zakat on the profits that I earned from my EPF?
4. I have some shares. How do I calculate what zakat I owe?
5. How do I pay zakat on fixed deposits? 2.5 percent from the capital or 10 percent from the profit?

**Debts:**

1. Someone owes me money for work I did for him, do I pay zakat on it?
2. I lent money to someone, do I pay zakat on it?

**Businesses:**

1. How do I calculate the value of stock in my business?
2. I have 'dead stock' in my business that I have not been able to sell for many years, do I still pay zakat on it?
3. I have taken out large commercial loans to expand my business, how will this affect my zakat calculation?

**General zakat questions**

1. I gave a lot of money to charity over the year. Doesn't that count as zakat?
2. Do I pay zakat on wealth belonging to my children?

**DETAILS OF THE SPEAKERS**

**Datuk Prof. Dr. Mohamad Akram Laldin**

Datuk Prof. Dr. Mohamad Akram is currently the Executive Director of ISRA Management Centre, and Professor at INCEIF University. Prior to joining ISRA he was an Assistant Professor at the Kulliyah of Islamic Revealed Knowledge and Human Sciences, International Islamic University, Malaysia (IIUM). At present, he is the Member of Bank Negara Malaysia Shari'ah Advisory Council, Chairman of Shari'ah Board of Employees Provident Fund Malaysia (EPF), Member of Shariah Supervisory Council of Labuan Financial Services Authority (FSA), Chairman of Shariah Advisory Committee for Shariah Compliant Fund (SACF) of Amanah Saham Nasional Berhad (ASNB), and other Boards locally and internationally.

**Haji. Ahmad Husni Dato Abd Rahman**

Ahmad Husni is currently a Senior Manager Shariah & International Relation Unit PPZ-MAIWP. 17 years in the Zakat industry. He is also ASAS Membership Committee and Shariah Committee Affin Islamic Bank and Shariah Advisor AWARIS Berhad. Currently, he works on a project of publication for translation to 'Fiqh Zakat by Allamah Qaradhawi' in full Malay Language (in final stage).

**Assoc. Prof. Dr. Gapur Oziev**

Gapur Oziev is from the Republic of Ingushetia (Russian Federation). Currently, he is an associate professor at the department of economics of the faculty of economics and management science of the university teaching various undergraduate and master's courses in the area of Islamic banking and finance and Islamic economics. He has published books and a number of articles in Scopus

and ISI Thompson journals. Since 2015 he has been appointed as a member of Shariah board of experts at the National Rating Agency of Russia. Since 2018 he also has been an expert/consultant for Shariah Review Bureau of Bahrain.

**Dr. Ahmad Zamri Osman @ Hussin**

Ahmad Zamri is currently an assistant professor at the Department of Accounting teaching both undergraduate and postgraduate levels. He is normally tasked to teach Zakat Accounting and Audit and Assurance Services at undergraduate level, while at the postgraduate level he is involved as a course instructor for Islamic Accounting & Finance, and Islamic Worldview and Accounting Ethics. His research interests include waqf management, zakat management, accountability, NGO studies including qualitative research.

**Professor Dr. Mohamed Aslam Haneef**

Professor Dr. Mohamed Aslam Mohamed Haneef is currently attached to the Department of Economics, International Islamic University Malaysia (IIUM). He has published books and articles and conducted research in various areas of Economics, Development Studies and Islamic Economics. His current research interests are in socio-economic impact of awqaf and Islamic Economics and Finance Human Capital Development. He is also actively involved in numerous public and private executive training programmes, specializing in Islamic economics and contemporary development issues.



Symposium Invited Speakers



H. AHMAD HUSN ABDRAHMAN  
Unit Syarikh, Pusat Pengajian Zakat (PPZ)



ASSOC. PROF. DR. G. APUR OZIEV  
Department of Economics, KENMS, IIUM



DR. AHMAD ZAMRI OSMAN  
Department of Accounting, KENMS, IIUM

Moderator



PROF. DR. MOHAMED ASI AMHANIEF  
Department of Economics, KENMS, IIUM

ZAKAT AND ITS APPLICATIONS IN THE CONTEMPORARY ECONOMY

FRIDAY 10AM - 12PM

17 JUNE 2022

IBN TAYMIYYAH CONFERENCE ROOM,  
LEVEL 3, KENMS, IIUM

Zoom Meeting ID: 994 7073 6365 Passcode: 378620  
YouTube LIVE @ KENMS TV

## DISCUSSIONS

Mohamed Akram affirmed that Zakat is a very important aspect of our lives that combines both the spiritual and material dimensions. In the Quran, Allah tells us that a part of the wealth we own belongs to someone else. Therefore, zakat is mandatory from the Shariah point of view although, from the legal perspective, the Muslim authorities at this point do not have the ability to chase you if you don't pay. Islam brought this solution to the income gap, extreme poverty, and poor living conditions. The main concern now is how to pay zakat on whatever is in your account yearly (if it is above the nisaab and the money extracted is not for basic needs and necessities such as non-zakatable food items, hospital bills, education etc.)

EPF does not have the common zakat arrangement such as Tabung Haji because Tabung Haji claims to give zakat on behalf of those who hold their money in it. EPF is working on it, however, is not there yet. They need to look at Islamic economics as a whole picture, instead of seeing Islamic banking and finance and Islamic economics as two separate entities. Zakat and waqf need to be institutionalized under the umbrella of Islamic Economics. Also, we need to take zakat to the next level and utilize it in ways that can benefit the poor most, an example being to use the amount as collateral for Shariah complaint loans for the SMEs to expand.

Question: Can zakat be used for immediate funds on a business, or should it be invested as capital for the company?

Answer: It should be invested as that is the best option for long-term growth, however, humans want immediate returns/benefits. According to the need of an individual, it can be assessed how zakat can be given to the poor to help them in the best manner.

The next speaker Ahmad Husni elaborated that there are separate divisions on zakat collection and distribution. Pusat Pungutan Zakat (PPZ) is responsible for zakat collection. There are thirty schemes put in place for the eight asnaaf to make sure that the zakat collected is distributed and utilized appropriately. In 2021 while the pandemic hit hard, to our surprise zakat collection reached all-time high although it was expected to decrease. Through the grace of Allah, people paid zakat even more during the pandemic. The scholars are trapped with the classical/older view of zakat collection, distribution, and implementation. We are now evolving in terms of methods of zakat collection as well as distribution; not simply giving it to the asnaaf to use it how they want. Instead, it is invested and made beneficial for the majority.

Zakat on EPF, 2.5% should be paid immediately after withdrawal as soon as a person has complete possession of the EPF funds. Zakat is only exempted from the 'first house'. After that, all others are zakatable. Funds used for Umrah and Hajj are not zakatable. Also, withdrawal for needs is not zakatable, however, if it is withdrawn for 'so-called' needs but then invested somewhere else, it is zakatable. If the EPF is withdrawn yearly from 55 years old, zakat must be paid on the nisaab yearly. However, if the entire amount is withdrawn at 60 years old then 2.5% is deducted from the whole amount. The usual zakat calculation method is 'Principle + Profit - All Costs = Total Amount' Zakat is payable on 2.5% of the total amount if it has reached the nisaab and a lunar year has passed. Tabung Haji does not disclose their method of Zakat calculation and collection. There is a huge gap between the amount of zakat payable and the amount actually paid.

Ahmad Husni further emphasized the importance of Ijtihad in terms of *Islaah* and *Tajdeed* and insisted that there must be an agreement on the terms of zakat and also the implementation of it.

The next speaker Gapur Oziev highlighted that zakat is tax exempted in Malaysia. The interesting part is that the way zakat is calculated is the same way tax is calculated. Zakat is an Islamic ruling, a pillar of Islam. It should be coming 100% from the Qur'an and Sunnah. He further clarified the method of zakat calculation according to the Shari'ah requirement. The issue is with the formula used to calculate Zakat which is like *slaughtering the goat twice*: For example, a person lent \$100,000 and the debtor is willing to return this amount of money to the creditor. The creditor is to pay zakat yearly on the amount lent because the money is expected to be received. Similarly, the debtor has to count that money as part of his wealth when calculating zakat. This is because he is keeping the wealth and is not defaulting so he is not in dire need of it in the sense that he cannot pay it back. The zakat on this \$100,000 is therefore paid twice.

Finally, the last speaker Ahmad Zamri Osman explained that the accounting of zakat institutions will always be done according to the prevalent Shariah ruling of the scholars. There are two main financial statements that we can make use of: The statement of Profit and Loss (SOPL) and the Statement of Financial Position (SOFP). The growth quality of zakatable items can be seen much better in the balance sheet as compared to the income statement

Further, Ahmad Zamri emphasized the basis of zakat calculation. Current Assets – Current Liabilities; these are cash, inventory, accounts receivable, accounts payable all of which are found in the Balance Sheet or SOFP. In Zakat accounting, you need to clarify it differently according to the *niyyah*. For example, shares bought for trade and shares bought for investment will be treated differently in the zakat calculation. We must check our intention, is the intention for long-term investment or trade? This would make the calculation different, whether to pay on the principal or on the profit.

After the first round of speech, the floor was open to the audience for question and answer session which was handled by the moderator as follows:

*How to calculate or record the intention?*

The companies must categorize whether it is for trade or long-term investment. If they change from one period to another they will be caught by the Securities Commission. (Mustafa Omar Added) The place of the intention is the heart. The fact that you are going to the mosque at the time of Salah, it is obvious that the intention is to pray. The motive of action can be determined by the action itself. *Al Umooru Bi Maqaadseediha*.

*Giving assistance to students who do not have enough to pay the tuition fee. Even if they are not categorized among the poor and needy, as in their families, can it be considered Zakat or not?*

We must check the income of the parents, if it is above the minimum level, then the amount paid to assist them will not be considered Zakat.

*What is the ruling on buying assets with the intention of saving money and not as an investment?*  
The heart's condition is known by Allah alone. If a person has bought land for his five years old son, he doesn't have to pay Zakat on it. However, Allah knows the true intention and one cannot force a person to pay.

*Zakat payment on gold for trade and personal use as well as on land.*

If gold reaches the *nisaab* whether it is used as personal jewelry, zakat is payable on it according to the best opinion of the scholars. However, if it has not reached the *nisaab* it is not zakatable. The market value of the gold bought for trade must be estimated and zakat paid on that value. Zakat is paid on the original value of the land and not the current market value of it.

*Paying Zakat to NGOs and other organizations helping the asnaaf.*

We should not doubt the correct use of the money without necessity, and do not believe in rumors. However, if there is a good reason to believe that the money is not used in a correct manner, then it is best to not pay zakat to the organization, rather give it to trusted bodies responsible for zakat collection and distribution. The hadith states: "*Leave what you doubt to what you do not doubt.*"

## CONCLUDING REMARKS

Mustafa Omar Mohammed summarized the symposium and gave insights on the current practices of zakat and on areas of future research. The following are seven areas that can be researched in the future:

1. The idea of the potential of zakat in terms of fixed assets and current assets - There should be a national guideline. Lots of potential of zakat is lost also when it comes to gold and silver jewelry.
2. Moral, ethical, and spiritual dimensions - The quality of *giving* in the Sahaba reached in level of *Ithaar*, preferring others over themselves.
3. Institutionalization of zakat and making it part of the government operations or keeping it as a totally separate entity.
4. Integration of zakat, waqaf, etc in the third sector.
5. The issue of zakat benchmark, should it be the same as the current benchmark used for taxation?
6. Standards must be there - should add Shariah standards for zakat for EPF.
7. Zakat and SDGs – Sustainable cities, should expand to make it an important flagship of our Kulliyah.