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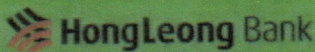


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## **Bridging the Design of Company Zakat: A Conceptual Model of Accounting and Reporting System**

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### **Abstract**

Until now, Research on zakat still discussing about themes related to the personal zakat, zakat benefit economically, and the relationship of zakat and poverty eradication. The development of basic research of the charity is currently associated with investments, shares and zakat for rental. There are no previous studies that discuss the essence of company zakat, fundamentally and holistically, covering the validity of company zakat, calculation base of company zakat, and accounting and reporting systems of company zakat.

This research is an exploratory study, using the technique of thematic studies involving 'Ulama and accounting experts. Therefore, the data and information reviewed through focus group discussion (FGD) with the media "Bahstul Masail" to review the rules of law relating to the legal basis of company zakat, and the time period (haul) of zakat for company.

FGD results of the first stage will be used as the basis for determining the accounting and reporting systems of the company zakat at the next FGD stage. This research uses the sharia perspective as the basis of the study to determine the law of zakat for the company, and use the research results to formulate the accounting and reporting system of company zakat from the accounting perspectives.

The focus of zakat in this study is the zakat of the trading property (zakat tijaroh). Therefore, the definition of company zakat in this study is a zakat for manufacturing and trading company. This research contributions related to some research findings as follows: 1) the validity of company zakat, as a proxy of the zakat owner of shares of the company; 2) appropriate accounting system design for zakat of the company; and 3) "Haul" systems and zakat reporting for the company.

***Key words:*** *Company Zakat, Accounting Systems of Company Zakat, Haul System, Company Zakat Reporting System.*

## 1. Background

Zakat, as one of the fourth pillars of Islam, is a personal obligation for every Muslim. In At-Taubah 103 of Al-Qur'an (Surah 9:103) stated that alms (read: zakat) is a mandatory provision in Islam and must be drawn from the Muzakki. The terminology of mandatory is shown a compulsory for every Muslim that taking from the meaning of the word "khudz", which means "command for taking zakat". In a different context, this terminology means "command to issue a zakat".

The study of the zakat, which has been done by some previous researchers linked to poverty alleviation (Farooq, 2008); fiscal (Azharisyah, 2011); tax evasion (Craig, 2011); investment (Nyazee, 2013; Rahman, 2014b; Rahman, 2014a); pension plan (Rahman, 2014b) and corporate social responsibility (Abdulrahman Anam, 2010; Majumdar, 2014). Some previous researchers had not been investigated for zakat companies. This is because that by definition, zakat is intended for personal, not for the company.

The purpose of this study is to explore the possibility of zakat company based *ijma'* method (method of taking decisions by consensus of Ulama). The meaning of Company Zakat is the amount of zakat from the owner measured by stock ownership. If the company pays zakat, the dividends distributed to the owners have been clean and free from zakat provisions. If the model of company zakat allowed by sharia, the benefits for stockholders is that they can directly determine the proportion of zakat by involving of all elements of the company's operations.

The implications of the calculation of company zakat are that Zakat should be paid in accordance with the provisions of haul which is calculated based on the date of the first time the company operates. This provision is to avoid delays in payment of zakat, which is prohibited in Islam (Qordlowi, 2010). Therefore need to design some of the concepts as follows, firstly, the calculation of the company zakat as a representation of owner's zakat. Secondly, the design of the financial reporting system which contains elements of the zakat reporting.

This research is important to do as an effort to set the value and haul zakat (alms period) in the company's financial reporting system. In particular, the motivation of this study is to design a system of accounting and reporting of "zakat *tijarah*" (alms of trade). Thus, the results of this study can be utilized by the merchandising and manufacturing company.

## 2. Research Problem

Zakat as one of the pillars of Islam is an obligation that must be fulfilled by every Muslim with certain provisions based on the nisab calculation (minimum treasure mandatory of Zakat) and haul (zakat payment period). This charity is actually a personal obligation, which is calculated periodically (haul) based on the Hijriyyah calendar (Qordlowi, 2010). If by Ijma' it can be determined that the zakat company may represent of zakat personal from dividends received by the owner, the problem is, firstly, how to calculate of company zakat representing the owners' zakat? Secondly, how is the design of the financial reporting system which contains elements of zakat reporting?

## 3. Theoretical Framework

This section discusses some of the conceptual and operational aspects related to the definition of charity (zakat); zakat of tijaroh and zakat of shirkah; haul of zakat and how to design the accounting and reporting systems of zakat from tijaroh or shirkah.

### 3.1. Definition of Zakat

Zakat defined as "increased" or growing. Zakat also means of purification by setting aside some of the assets to be given to those entitled. Zakat also cleans of the assets of Muzakki (Qordlowi, 2010). In Fiqhuzzakah, Qordlowi (2010) states:

تعريف الزكاة : الزكاة لغة: الزيادة والنماء وتدل أيضاً على الطهارة؛ فهي تزكي المال الذي تخرج منه ، وتزكي نفس المزكي، تُنمى الفقير

In a broader definition, zakat is expressed as the duty of every Muslim who has a property with a certain minimum limit (Nisab) for a certain period (haul) to remove the part of his property. The basis for the implementation of this charity is the Holy of Quran in Attaubat 103 (Surah 9: 103):

قال تعالى: ﴿خُذْ مِنْ أَمْوَالِهِمْ صَدَقَةً تُطَهِّرُهُمْ وَتُزَكِّيهِمْ بِهَا وَصَلِّ عَلَيْهِمْ إِنَّ صَلَاتَكَ سَكَنٌ لَهُمْ وَاللَّهُ سَمِيعٌ عَلِيمٌ﴾

While the basic of hadith used are:

كما بين صلى الله عليه وسلم أن الزكاة ثلاثة دعائم الإسلام بقوله في حديث ابن عمر المشهور : "بني الإسلام على خمس شهادة أن لا إله إلا الله وأن محمداً رسول الله، وإقام الصلاة، وإيتاء الزكاة، وصوم رمضان، وحج البيت لمن استطاع إليه سبيلاً" (متفق عليه).

### 3.2. Zakat of Tijaroh and Zakat of Syirkah

The Zakat of Tijaroh is zakat of trading. If linked to the type of industry, the zakat of tijaroh comes from the manufacturing or merchandise industry. Provision of zakat is counted by 2.5% of net assets. Nisab value is determined based on the present value of 85 grams of pure gold (Qordlowi, 2010). While the period of property ownership must meet the haul (period) based on the Hijriyyah calendar (Qordlowi, 2010).

If the value of net asset has reached more than one nisab and one haul, the owners of the company are required to issue a zakat amounting to 2.5% of net assets. If the owner of the company is a group of people who unite their capital, the zakat then called as zakat of shirkah. The question is whether the net assets of the company may be used as a proxy for calculating the zakat owner?

Based on the concept of net assets, the basis of calculation used is

$$\text{Net assets} = \sum \text{Assets} - \sum \text{Liability} \dots \dots \dots (1)$$

The value of the net assets should reflect the current net asset value (Qordlowi, 2010), and therefore the net asset value should be reduced by non-monetary assets and recognized as non-current assets. Therefore, equation (1) becomes

$$\text{Net Asstes} = \sum \text{Assets} - \sum \text{Non-monetary Assets} - \sum \text{liability} \dots \dots \dots (2)$$

### 3.3. Haul of Zakat and Zakat of Investation

The fundamental issue related to charity is a "haul". Qordlowi stated that the haul should be calculated based on the Hijriyyah, because of differences in the number of days between AD calendar with the Hijriyyah calendar (Qordlowi, 2010).

معناه: أن يمر على المَلِك في ملك المالك اثنا عشر شهرًا عربيًا، وهذا الشرط إنما هو بالنسبة للأنعام والنقود، والسلع التجارية (وهو ما يمكن أن يدخل تحت اسم زكاة رأس المال). أما الزروع والثمار والعسل والمستخرج من المعادن

The legal owner of an asset should calculate the ownership period of up to one haul, which is calculated based on the 12 month of Hijriyyah calendar. Under these provisions, the charity must be reported if the period of ownership has reached one haul.

Another issue is when Muzakki have investments that have economic benefits (Craig, 2011; Siddiqui, 2011; Nyazee, 2013; Rahman, 2014a). In terms of investment, the owners must calculate zakat of investment separately if the haul of investment is different from the haul of net assets (Qordlowi, 2010). Therefore, the basis for calculating net assets are as in equation (3) below:

$$\text{Net Asstes} = \sum \text{Asset} - (\sum \text{non monetary Asstes} + \text{Invetsments} + \sum \text{liability}) \dots \dots \dots (3)$$

### 3.4. Accounting System and Zakat Reporting

After the net asset value can be determined, then the net asset value is multiplied by 2.5% to determine the value of zakat to be paid. The journal entries for the zakat accrued are:

Zakat Accrued	xxxx
Zakat Liability	xxxx

The financial statements that reflect the financial statements after zakat can be hypothesized in Figure 1.

Figure 1. The statement of financial position hypothesis

Khalia Zia, Inc Statement of Net Financial Position 30 Jumadil Ula 14xx			
Assets		Liability and Equity	
Current Asstes Total	xxxxxxx	Other Liability	xxxxxxx
Investation	xxxxxxx	Zakat Liability	xxxxxxx
Non Monetary Asset	xxxxxxx	Equity (Bruto)	xxxxxxx
		Zakat Accrued	(xxxx)
		Net Equity	xxxxxxx
Assets Total	xxxxxxx	Liab & Equity Total	xxxxxxx

It has been stated previously that the haul should be determined for 12 months calculated based on the Hijriyyah calendar. Therefore, the date of the Statement of Net Financial Position must show in Hijriyyah calendar.

#### **4. Reseacrh Method**

This study is an exploratory study. The research data is primary data were assessed through focus group discussion (FGD). Participants in the FGD is some 'Ulama and professional accountants. Model FGD conducted through Bahtsul Masail forum, an assessment method that is often done by the scholars from the Nahdlatul Ulama Organization. Bahtsul Masail approach taken to obtain legal rulings based on Ijma' of the company zakat, haul of company zakat, zakat recognition, and financial reports after zakat accrued (net of financial statements).

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