



General Guideline for Financing Activities



This guideline was issued by the Zakat, Tax and Customs Authority («ZATCA» or «Authority») to elucidate certain treatments regarding the implementation of the statutory provisions in effect as of the date of publication of this guideline. The content of this guideline may not be construed as an amendment to any of the laws and regulations applicable in the Kingdom.

Additionally, it should be noted that the indicative treatments outlined in this guideline will be carried out by the Authority in accordance with the applicable regulations. Where any clarification, explanation, or information given in this guideline is modified but the regulation remains the same, the updated indicative treatment shall then be applicable prospectively to transactions completed after the publication date of the guideline on the Authority's website.



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1. Introduction

1.1 About Zakat

Zakat is the third pillar of Islam, and the most important financial worship, and therefore often quoted in the Holy Quran. It is one of the most important pillars that distinguishes the Muslim community from others. It is a manifestation of the supremacy of Islamic legislation; as it represents a useful means to fight poverty and alleviate the suffering of the needy, leading to social solidarity in general.

1.2. Levying of Zakat

As an indication of the great status of Zakat in Islam; the state is entrusted with administering and supervising the collection of Zakat on declared funds and its distribution to the needy. The state is authorized to collect the Zakat on the declared funds and distribute it to the eligible ones, by entrusting some workers (employees engaged for Zakat collection purposes) to go through the owners of funds, throughout the Islamic state, calculate the amount of Zakat and then collect it from them, and oversee the disbursement and distribution to eligible persons.

The General Authority of Zakat & Tax (the Authority) is responsible for levying and collection of Zakat. All procedures relating to the Zakat account of the Zakat payer, from the registration of the Zakat payer, to the process of calculating the amount of Zakat, which includes supervising the submission of Zakat declarations, payment procedures, examination of data provided, and verification by the Authority's staff, until issuance of the final Zakat certificate, including the investigation of any objections that may be raised by the Zakat payer with regard to the Authority's assessment.

1.3. Application of Zakat Levying in Saudi Arabia

The collection and disbursement of Zakat to the beneficiaries is one of the basic tasks of the state, which is stipulated in the Basic Law of Governance, as stated in Article (21): (Zakat shall be collected and spent as prescribed by the Islamic Shari'ah). Article (7) thereof indicated that the state shall take care of Islamic Shari'ah obligations in general, which include levying of Zakat and its disbursement to the designed beneficiaries, where it states: (Governance in the Kingdom of



Saudi Arabia derives its authority from the Holy Quran as revealed by the God Most High and the Sunnah of his Messenger [peace and blessings be upon him], both of which govern this Law and all the laws of the State).

To confirm this, Royal Decree No. (17/2/28/8634) dated 29/6/1370H (corresponding to 6 April 1951) was issued during the reign of the founder King Abdul Aziz (may God rest his soul), which included the order for the levying of Zakat. This was emphasized in many subsequent royal decrees, implementing ministerial decisions and interpreting regulations and circulars, including Royal Decree No. (M/40), dated 2/7/1405H and its Implementing Regulations for Levy of Zakat issued under Ministerial Decree No. (2082) dated 1/6 1438H (28 February 2017) and the Implementing Regulations for Zakat Levy issued under Ministerial Decree No. (2216) dated 7/7/1440H corresponding to (14 May 2019), which shall apply to the Zakat years starting from 1 January 2019 for all Zakat payers, except those who are accounted for on deemed basis in accordance with section 4 of the Regulations whose declarations shall be subject to the regulations after 31 December 2019.

Therefore, the Implementing Regulation for Zakat Levy issued on 7/7/1440H (14 March 2019) shall not apply to financial years prior to this date, prior years are to be assessed in accordance with the regulations and instructions preceded that date, except for Zakat payers who do not maintain statutory accounts and accounted for based on deemed method, the previous Regulations are not applicable to the previous declarations filed after 2019 as per the ministerial resolution.

1.4. Zakat, Tax and Customs Authority

- The General Authority of Zakat & Tax is the agency authorized to collect Zakat in the Kingdom of Saudi Arabia, which is entrusted with levying of Zakat in accordance with the Royal Decree No (17/2/28/8634), dated 29/6/1370, which provides for levying of Zakat from those who hold Saudi citizenship.
- Established by Ministerial Resolution No. (394), dated 7/8/1370H, as one of the government bodies under the Ministry of Finance, and was entrusted with the task of the levying of Zakat.



- Royal Decree No. (61) dated 5/1/1383H was issued, which ordered the levying of Zakat in full and transferring or paying it to the Social Security Organization.
- On 20/7/1438H, The General Authority of Zakat & Tax was formed pursuant to the Council of Ministers Resolution No. (465) adopting the Authority's law and organization.
- A number of royal decrees and ministerial resolutions regulating Zakat collection activities were issued thereafter, including Royal Decree No. (M/40) dated 2/7/1405H, which included the order to collect Zakat in full from all companies, institutions and others and individuals who are subject to Zakat. Then, the Implementing Regulation of the Royal Decree (M/40) was issued under Ministerial Resolution No. (2082) dated 1/6/1438H. Then the Implementing Regulation for Levy of Zakat was issued under Ministerial Resolution No. (2216) dated 7/7/1440H, effective 1 January 2019G, which goes into effect as of 1 January 2019 and the Rules for Calculation of Zakat for Financing Activities under Ministerial Resolution No. 2215 dated 7/7/1440H.



Implementing regulations for collecting zakat

Royal Decree on 29/06/1370 AH

which stipulates that Zakat shall be collected from Saudis.

Ministerial Resolution No. (394) dated 07/08/1370 AH

establishing the Zakat Authority.

Royal Decree No. (M/40) issued on 7/2/1405/AH

which contained the order to collect Zakat in full from all companies, institutions, others, and individuals who are subject to Zakat.

Then, the Executive Regulations of the Royal Decree No. (M/40)

was issued under the Ministerial Resolution No. (2082), dated 01/06/1438 AH.

Pursuant to Ministerial Resolution No. (2216) issued on 07/07/1440 AH, which is effective January 1, 2019 AD,
The Executive Regulations for Levying Zakat was issued.

On 20/07/1438 AH,

ZACTA was formed under the Council of Ministers' Resolution No. (465), which contains approval of ZATCA's Regulations.



1.5. Functions of The General Authority of Zakat & Tax

The General Authority of Zakat & Tax functions defined in Article (3) thereof, include the following:

- Collect Zakat and taxes from the Zakat payer in accordance with the relevant regulations, rules and instructions.
- Provide high quality services to the Zakat payer to help him fulfill his duties.
- Follow up the Zakat payer and take the necessary actions to ensure levying of the payable amounts.
- Work to raise awareness of the Zakat payer and strengthen the degree of voluntary commitment and ensure his compliance with the instructions and guidelines issued by the Authority in its jurisdiction.
- Cooperate and exchange expertise with regional and international bodies and organizations, and specialized expertise organizations inside and outside the Kingdom, within the limits of the Authority's jurisdiction.
- Represent the Kingdom at regional and international organizations, bodies, forums and conferences that are related to the Authority's jurisdiction.



ZATCA's Tasks



Collecting zakat and taxes.
and customs duties



Providing high quality services
to help and serve the Taxpayers



Follow up the taxpayers
to ensure collection
of the amounts dues



Spreading awareness amongst
taxpayers and monitoring their
commitment to the instructions
and controls issued by ZATCA.



Cooperation and exchange
of experiences with regional
and international bodies and
organizations.



Representing KSA in regional
and international forums and
conferences related to ZATCA's
tasks.



1.6. Overview of this Guide

The guide provides guidance and basic information on the requirements of the Zakat levy for Financing Activities licensed by the Saudi Arabian Monetary Agency (SAMA). The instructions of this guide shall not apply to Zakat payers that conduct financing activities without being licensed by SAMA.

This guide represents the concept and interpretation of the Authority on how to apply the Implementing Regulations for Levy of Zakat and Rules for Calculation of Zakat for Financing Activities issued on 71440/7/H. It is worth mentioning that this guide is not a legal document, and its texts are for guidance only. It is not intended to include all the relevant provisions of the Zakat Levy Implementing Regulations. Although these guidelines are not binding to the Authority or any other body in respect of any performed transaction, they provide general guidance on how the Authority treats Zakat-related procedures in practice.

For guidance on any special transactions, you may visit the official website of the Authority (zatca.gov.sa), which contains a wide range of tools and information specifically designed to assist the Zakat payer, including visual guidance materials and all relevant data, as well as responses to the most frequently asked questions.



2. Zakat Concepts, Terminology and Calculation methods

a. The Regulations:

The Implementing Regulations for Zakat Levying issued under Ministerial Resolution No. (2216), dated 7/ 7/ 1440 H.

b. The Rules:

Rules for Calculation of Zakat for Financing Activities issued under Ministerial Resolution No. (2215), dated 7/ 7/ 1440 H

c. Financing Activities:

Banks and finance companies licensed by the Saudi Central Bank (SAMA)

d. SAMA:

Saudi Central Bank (SAMA)

e. Collection (Levey) of Zakat

The State shall calculate the Zakat funds subject to the Zakat, collect such funds from the Zakat payers subject to it, and transfer it to the Social Security Agency for payment to the beneficiaries of social security.

Zakat collection is the state's mission. The Prophet (peace and blessings of Allah be upon him) used to send messengers every year to collect Zakat from all Muslims. At this time, it is carried out by The General Authority of Zakat & Tax on behalf of the state, in accordance with the relevant laws, regulations and rules. The Authority has issued regulations and rules governing Zakat levy and has provided high-quality services to the Zakat payers to help them fulfill their obligations.

f. Zakat payer

A natural or legal person who carries out an activity subject to the levying of Zakat under the Regulation, whether it is a sole proprietorship, a company, or whoever carries out business activity under a license issued by a competent authority.

g. Zakat payer not subject to Zakat:

A Zakat payer that acquires a certificate not to be subject to the levying of Zakat, in accordance with the Authority procedures.



h. Resident

A natural or legal person to whom the residency requirements specified in Article (3) of the Regulation apply.

i. Non-resident:

Any person who does not qualify as a resident.

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j. Zakat year:

The fiscal year of the Zakat payer, whether Hijri or Gregorian, short or long, at the beginning or end of activity.

Example (1)

A company was incorporated on 10/12/2018 (the date of issuance of the commercial registration). According to Articles of Association, the first financial year of the company starts from the date of issuance of the commercial registration and ends on 31/12/2019 G.

Hence, the first financial year of the company will be from 10/12/2018 to 31/12/2019

k. Zakatable year (Al Hawl):

Twelve lunar months (354 days) one Hijri year (Al Hawl) should have passed. This is a condition for Zakat and its full payment. Prophet (peace and blessings of Allah be upon him) said: "There is no Zakat on funds until they have completed Al Hawl" If the Zakat year for the Zakat payer differs from the Hijri year, Zakat payer should pay the due Zakat in proportion with the number of days of the year, according to the following formula:

Divide two and a half percent (2.5%) by the number of days of the Hijri year (354), and multiply by the number of actual days of the Zakat year for the Zakat payer.

$$\text{Number of actual days of the Zakat year for the taxpayer} \times \frac{2.5\%}{\text{Number of Days of Hijri Year (354)}}$$



The reason for accounting based on a daily basis is the inability to complete one Hijri year for every Zakatable funds, the difficulty of tracking the internal operations (transactions) of the entity, and inability to oblige the entity to issue financial statements for Zakat purposes only.

How you calculate completion of the Hijri year



Twelve lunar months have passed, (354 days) have passed since the zakatable funds (Nisab) have completed one Hijri year (Al Hawl)

$$\text{Number of actual days of the Zakat year for the taxpayer} \times \frac{2.5\%}{\text{Number of Days of Hijri Year (354)}}$$



Example (2)

The financial year of A grain company (S) starts on 1/ 1/ 2019 and ends on 31/ 12/ 2019 in the same year (Gregorian year). The Zakat base of the company for the year was SAR 2,500,000.

How to calculate the Zakat base of the company?

Zakat is calculated based on the Zakat base in the following manner:

2.5 %		Number of actual days of the Zakat year for the taxpayer		Base value excluding adjusted profit		****
Number of Hijri days	x		x		=	
354 ÷ 2.5%	x	365	x	1,600,000	x	41,242.9

l. Provisions of obligations and their impact on Zakat:

All forms of business, whether commercial, service, or other works intended to generate profit. Commercial activities include real estate, commodity trading, provision of service, securities, financing activities, insurance, all banking activities, etc.

The Shariah rules imposed Zakat on all forms of commercial activities including what is covered by the Hadeeth of Jabir bin Samra - may Allah be pleased with him- who narrated (The Messenger of Allah - peace be upon him - ordered us to pay Zakat against what we prepare for sale).

m. Terms of obligations and their impact on Zakat

Obligations relating to Zakat are divided into two parts:

- Obligations of the Zakat payer:

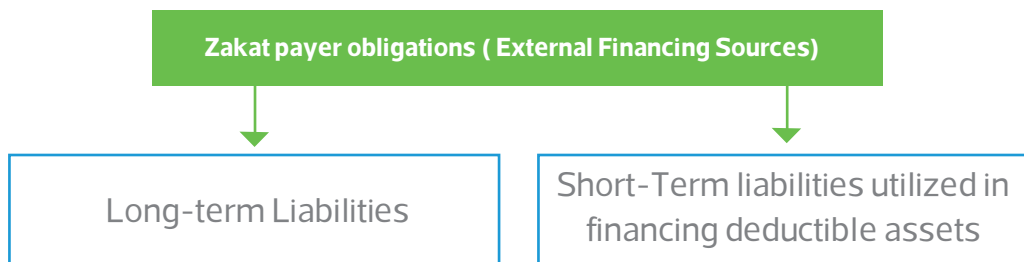
They include loans, creditors, notes payable, government and commercial finance, etc.

In general, Zakat payer's obligations reduce Zakat base of the Zakat payer. However, there is a difference in the accounting treatment between short-term and long-term liabilities.

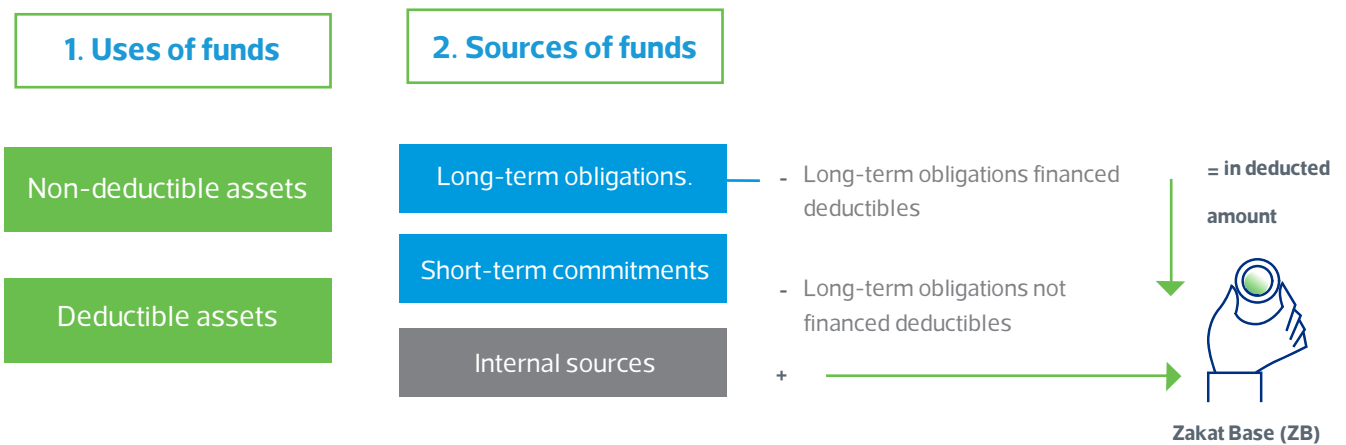
Short-term liabilities that have financed a deductible asset will be added to the Zakat base components unlike those that have not financed a deductible asset, which will not be added to the base. Long-term obligations shall be added to the components of the base, provided that the



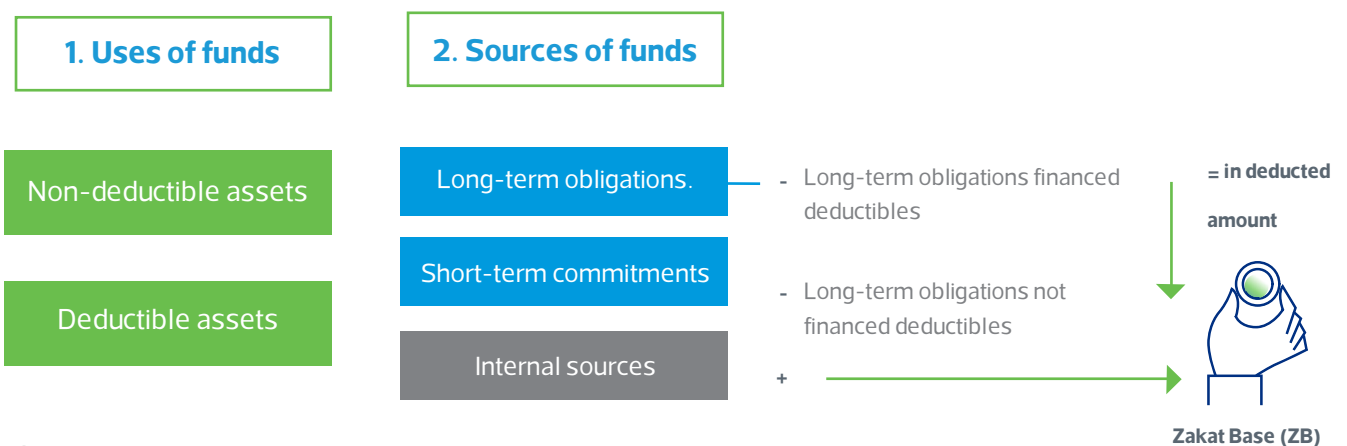
total obligations shall not exceed the amount of the deductible assets. This is adopted in order to ensure that the Zakat funds from being utilized in debt, and because such debts are secured by fixed assets shall not be utilized in debts. The debts are secured by fixed assets and equivalent deductible assets even if they have not financed such assets to fulfil balance and justice and to avoid double deduction. Accordingly, the long-term obligations reduce the Zakat base of the excess amount.



Guidelines for adding long-term obligations to the base



Guidelines for adding short-term obligations to the base





- **Zakat Payer's Obligations:**

They include accounts receivable, notes receivables, advances, and so on. Zakat is paid on what is funded by an internal source of funding.

These represent balances with banks and other financial institutions, including deposits with SAMA, loans and advances to customers and receivables from Islamic finance, etc. They are calculated within the Zakat base of the Zakat payer. The Zakatable part thereof is the amount funded from an internal source of finance by not being deductible from the base according to the method adopted by the Authority.

- n. **Zakat Declaration:**

A form issued by The General Authority of Zakat & Tax, which contains a number of elements and items, and must be filled out and filed by every Zakat payer. The purpose of the declaration and its submission is to indicate the amount of Zakat base of the entity and enable the Authority to make the assessment in accordance with the declaration data. The types of declaration are:

- **Type I:** A declaration of the Zakat payer who maintains commercial books and statutory accounts, and issues financial statements consistent with statutory requirements.
- **Type II:** A declaration of the Zakat payer who is accounted for on deemed basis and does not maintain commercial books and statutory accounts.
- **Type III:** Information Declaration for the Zakat payers exempted from levy of Zakat, or a subsidiary that was consolidated and zakat was paid per the holding company's consolidated declaration, or united consortium. Such Zakat payer must provide a declaration that includes the disclosure of its data.

- o. **Assessment:**

A decision by the Authority indicating its acceptance or amendment of the declaration, in accordance with the information available to it at that time.

- p. **Commercial Books:**

A set of commercial books maintained by the Zakat payer, which record all commercial transactions, as described by the commercial books law promulgated by Royal Decree No. (M/61) dated 17/ 12/ 1409 H. ,and its implementing regulations and any amendments thereto.



q. Net profit⁽¹⁾ :

Means net profit after excluding the effect of Zakat provision (net profit before Zakat provision) in accordance with the audited financial statements of the Zakat payer.

r. Gross profit⁽²⁾ :

Means the total income from financing activities, less direct expenses necessary to realize income from financing activities in accordance with the audited financial statements of the Zakat payer.

s. Derivatives⁽³⁾ :

A derivative is a financial instrument with two main characteristics:

- Its value changes in response to a change in a specific interest rate, security rate, commodity price, foreign exchange rate, price index, credit arrangement, credit index, or similar variable.
- Settled at a future date.

t. Hedging⁽⁴⁾ :

It is the use of one or more financial instruments to hedge any changes in fair value or cash flows in another item, so that the effects of the hedge instrument are equivalent to those associated with the underlying instrument

u. Methods of Zakat Calculation for Companies:

Zakat for existing companies is calculated in one of two methods:

- Direct method (net of Zakatable assets method).
- Indirect method (sources of funds method).
- Attribution (Altanseeb) method.

The procedures of direct and indirect methods differ and the components used for the purposes

(1) Rules for Calculation of Zakat for Financing Activities.

(2) Rules for Calculation of Zakat for Financing Activities.

(3) Definition of derivatives, ISA 39 (Financial Tools-recognition and measurement) IFRS 9 (Financial Instruments)

(4) Hedging Accounting, ISA 39 (Financial Tools-recognition and measurement) IFRS 9 (Financial Instruments)



of calculating Zakat as well, but both match in the result (Zakat base). Both methods reach the same result if they are applied correctly and use the same standards and criteria.

While the Authority uses the -Attribution (Altanseeb) method for computation of Zakat of financing activities as will be explained in this guide.

Following is a summary of the Zakat calculation methods:

Direct method (net of Zakatable assets method):

This method is based on two basic procedures:

- Addition of all Zakatable assets of the entity, including accounts receivables for the Zakat payer.
- Deduction of the value of the obligations that financed the Zakatable assets. The result of this formula is the Zakat base of the Zakat payer.

$$\text{Zakat base} = \text{Zakatable Assets} - \text{Obligations Financed}$$

Indirect method (sources of funds method):

This method is based on two basic procedures:

- **Add:**
 - a. Sources of external funds utilized for the component deductible from the base, which include short-term liabilities and obligations that have financed deductible assets and longterm liabilities to the limit they are not exceeding the deductible assets.
 - b. All sources of internal funds of the entity (capital, retained earnings, ...).
 - c. Adjusted net profit for Zakat purpose.
- **Deduct:**
 - a. The value of non-Zakatable assets of the entity to be deducted in accordance with the conditions of the Regulations.
 - b. The value of the Zakatable assets in other entities, such as: (investment in the shares of Saudi companies).



The result of this formula is the Zakat base for the Zakat payer. This method is followed by the Authority for Zakat payers except financing activities.

Zakat base = All sources of internal funds (equity, provisions and adjusted net profit for the year) + external sources of funds not exceeding deductible assets (long-term liabilities and liabilities that are known to have financed deductible assets) - non-Zakatable assets - Zakatable assets, or adjusted net profit for the year, whichever is greater

Attribution (Altanseeb) method

This method aims to determine the sources of funds in the Zakatable assets, through the following procedures:

1. Compute the non-Zakatable assets of the Zakat payer.
2. Compute the total assets of the Zakat payer.
3. Deduct the value of paragraph (1) from that of paragraph (2), and the resulting assets will be Zakatable assets.
4. Divide Zakatable assets by total assets.
5. Multiply the result of procedure No. 4 by the sources of the Zakat payer's Zakatable funds, and the result will be the Zakat base for the financing activities.

This method is used by the Authority for financing activities

*The non-Zakatable and Zakatable assets as well as the calculation of the sources of Zakat payer funds subject to Zakat will be detailed in the following sections of this guide.



Example (3)

The data below is for a financial leasing companies licensed by the Saudi Arabian Monetary Authority as at 31/ 12/ 2019

Total assets = SAR 200,000,000

Total equity = SAR 150,000,000

Total liabilities = SR 50,000,000

The company also counted the non-Zakatable assets totaling SAR 25,000,000.

The sources of Zakatable funds amounted to 80% of the total liabilities and equity.

Accordingly, is it required to calculate the Zakat base in accordance the Attribution (Altanseeb) method for financing activities?

According to the above data, non-Zakatable assets amounted to SAR 25,000,000 out of a total asset of SAR 200,000,000, so the amount of the Zakatable assets is:

Zakatable assets = total assets - non-Zakatable assets

SAR 200,000,000 - SAR 25,000,000 = SAR 175,000,000

Sources of funds subject to Zakat- = 80% X (200,000,000) = SAR 160,000,000

Based on the above, the Zakat bases is calculated according to the Attribution (Altanseeb) method as follows:

$$\text{Zakat base} = \frac{\text{Zakatable assets} \times \text{Zakat payer's sources of funds subject to Zakat}}{\text{Total assets.}}$$

$$\frac{175,000,000 \times 160,000,000}{200,000,000}$$

Zakat base = SAR 140,000,000



v. Deemed Calculation:

A method used by the Authority to account for the Zakat payer who does not maintain commercial books and statutory accounts. This is because the origin of the Zakat base of the Zakat payer is that it is based on its statutory records containing the data through which the base can be identified. When this is not achieved, the Authority shall form a Zakat base according to the available information, so that the Zakat base can be estimated as closely as possible.

The Authority resorts to the deemed method when the Zakat payer does not comply with the deadlines for filing the declaration, or there are problems related to the confidence of the Authority in the accuracy of the data provided by the Zakat payer, according to his records, in order to approach as close as possible to his correct base. This method is not applicable to the entities that conduct financing activities.

w. The Basis of Zakat Calculation:

The calculation of Zakat of existing companies is generally based on the overall accounting principles and standards, as the concepts of the accounting standards applicable to Zakat can be applied to companies that prepare financial statements according to the accounting principles observed in Saudi Arabia, while verifying that the Zakat payer complies with the standard of presentation and disclosure and accuracy of such disclosures, such as the distinction between fixed assets and current assets, with the addition of certain requirements relating to increased disclosure of the entity, such as the type of investments owned by the entity, and whether or not they are subject to Zakat, as they do not appear in the financial statements, but they are necessary for the purpose of forming the Zakat base.

x. Deductible elements

Non-Zakatable assets and Zakatable assets in other entities (investment in the shares of other Saudi companies).



3. Identify the Zakat base for financing activities

3.1. Zakat payers subject to the Rules for Calculation of Zakat for Financing Activities

The Rules for Calculation of Zakat for Financing Activities (the Rules) were issued pursuant to the decision of His Excellency the Minister of Finance No. (2215) dated 7/ 7/ 1440 H., in which he approved the Rules for Calculation of Zakat for Financing Activities, come into effect as of the financial years beginning on 1/ 1/ 2019 and beyond.

These rules apply to banks and financing companies licensed by SAMA.

The Zakat calculation method for financing activities depends on the sources of the Zakat payer's funds used in his Zakatable assets.

The rules of financing activities

Date of issuance of effectiveness

The rules were issued pursuant to the decision of his excellency the minister of finance No. (2215) dated 7/ 7/ 1440H. , in which the approved the rules of calculation of zakat for financing activities come into effect as the financial years beginning on 1/ 1/ 2019 and beyond.

Zatca subjects

These rules apply to banks and financing companies licensed by SAMA.

Base calculation formula

The zakat calculation method for financing activities depends on the sources of the zakat payers funds used in his zakatable assets, as per the following formula:

Zatca base for financing activities = source of funds x (zakatable assets / total assets)



3.2 Zakat base for financing activities⁽⁵⁾

The Rules for Calculation of Zakat for Financing Activities have defined the Zakat base as the sources of the Zakat payer's funds used in its Zakatable assets. Zakat base is calculated by dividing the Zakatable assets over total assets and then multiplied by sources of funds according to the following formula:

Zakat Basis for Financing Activities = Sources of Funds X (Zakatable Assets / Total Assets)

This guide will discuss in detail the elements of the above formula in the following sections.

3.2.1. Concepts relating to Zakat base for financing activities

As indicated in the previous section, the method of calculating the Zakat base of financing activities is based on computing all sources of funds subject to Zakat as defined in the relevant rules and multiplying the result by the proportion of Zakatable assets to total assets. Sources of funds for Zakat payers conducting financing business can be limited to:

1. Internal sources of funds:

Equity, such as (capital, retained earnings, statutory reserves and any other reserves provided for in a regulation, law or accounting standard such as a cash flow hedge reserve, a foreign currency translation reserve, a change in the fair value of investments reserve and other reserves).

Certain sources of internal funds may also include provisions provided for by a Zakat payer regulation, regulation or accounting standard such as the provision for anticipated credit loss for loans and financial guarantee contracts, which are included in the liabilities in the Zakat payer's financial statements.

2. Sources of external funds:

Obligations payable by the Zakat payer which are due after one year or more (whether short-term or long-term) such as time deposits, savings deposits or deposits held as collateral against facilities granted to customers, bank and financial institutions balances in the form of current accounts, money market deposits and debt instruments such as bonds and sukuk Issued by the Zakat payer to finance his financial activities of whatever structure (Modaraba, Murabaha, financing, etc.).

(5) Item third, the Rules for Calculation of Zakat for Financing Activities



3. Other sources:

The fair value (negative) of derivatives used by the Zakat payer to hedge financial risks (hedges) which have certain types, such as hedging against the change in fair value and hedging against the change in cash flows, but due to unfavorable market conditions, such derivatives are financial obligation on the Zakat payer.

Examples of derivatives include:

- Swaps
- Futures
- Forwards
- Buying and selling options
- Derivatives held for trading purposes
- Derivatives held for hedging purposes

It is considered a source of funds if it is due after a year or more. There may also be a fair value (positive) for derivatives, but in such cases they are classified as (assets) in the financial statements due to favorable market conditions in favor of the company, as such derivatives resulted in a financial asset to the company.

After calculating the sources of funds in the above categories, Zakatable and non-Zakatable assets are calculated for the purpose of applying the Zakat base calculation formula for financing activities as it will be explained after in this guide.



Internal sources of funds:

Equity, such as (capital, retained earnings, statutory reserves and any other reserves provided for in a regulation, law or accounting standard such as a cash flow hedge reserve, a foreign currency translation reserve, a change in the fair value of investments reserve and other reserves).

Certain sources of internal funds also include provision for anticipated credit loss for loans and financial guarantee contracts, which are included in the liabilities in the Zakat payer's financial statements. This does not include the provision for regular employee vacations as they are sources of external funds.

Sources of external funds:

Certain sources of internal funds may also include provisions provided for by a Zakat payer regulation, regulation or accounting standard.

Obligations payable by the Zakat payer which are due later one year or more (whether short-term or long-term) such as time deposits, saving deposits or deposits held as collateral against facilities granted to customers, bank and financial institutions balance in the form of current account, money market deposits and debt instruments such as bonds and sukuk Issued by the Zakat payer to finance his financial activities of whatever structure (Mudaraba, Murabaha, financing, etc.).

Other sources:

The fair value (negative) of derivatives due after a year or more, used by the Zakat payer to hedge financial risks (hedges) which have certain types, such as hedging against the change in fair value and hedging against the change in cash flows, but due to unfavorable market conditions, such derivatives are financial obligation on the Zakat payer.



3.2.2. Sources of Funds Subject to Zakat⁽⁶⁾

The sources of Zakatable funds for financing activities mentioned in the Rules are as follows:

Group	Item	Amount
Sources of funds subject to Zakat	Owners' equity excluding any increase in the capital during the year from external sources, to be determined on prorata basis, to the extent of the period prior to the date of increase.	**
	Debts due from the Zakat payer with a maturity, wholly or partially, of one year or more, whether classified a long term or short term, as follows: a. Sources of financing of all types whether borrowings, Murabaha, financial lease, or any other financing contracts; b. Debt instruments issued by the zakat payer such as bonds, Sukuk, irrespective of its structure (Modaraba, Murabaha, Financing, etc.).	**
	Negative fair value for the derivatives with a maturity of one year or more, including derivatives held by companies in the form of buying and selling options, swaps and financial instruments held for hedging purposes.	**

(6) Item Fourth, the Rules for Calculation of Zakat for Financing Activities



3.2.3. Sources of Funds not Subject to Zakat

Below are some items for sources of funds not subject to Zakat for financing activities, including but not limited to:

Group	Item	Amount
Sources of funds subject to Zakat	Obligations on the Zakat payer classified as short-term (less than a year) and equivalent. deposits on demand or with no fixed maturity date, balances with banks and other financial institutions that its maturity is less than one year after the end of the fiscal year of the Zakat payer unless it , customer deposits with a maturity of less than one year, and the current portion of the long-term loan, which is due in less than one year.	**
	Negative fair value of financial derivatives which is due innless than one year after the Zakat payer's financial year end.	**



Obligations on the Zakat payer classed as short-term and equivalent

Examples:

- Deposits with no fixed maturity date
- Balances with banks and financial companies that mature less than one year after the end of the fiscal year of the Zakat payer.

Obligations on the Zakat payer that is due wholly or partially after less than one year

Examples:

- Balances with banks and other financial companies
- Customer deposits with a maturity of less than one year
- Loans that are due in less than a year.

Negative fair value of financial derivatives which is due in less than one year after the Zakat payer's financial year end

Examples:

- Financial derivatives held by companies in the form of buy and sell options
- Swaps
- Financial instruments held for hedging purposes



3.2.4. Practical examples of sources of funds subject and not subject to Zakat

Example (4)

The data below is for a leasing company licensed by SAMA as of 312019/12/. Accordingly, it is required to calculate the sources of funds subject to and not subject to Zakat in accordance with the Rules for Calculation of Zakat for Financing Activities.

Balance Sheet (Statement of Financial Position)

As at 312019/12/

(Amounts in SAR)

	2019G	2018G
	SAR	SAR
Assets		
Cash and cash equivalents	51,239,223	7,059,537
Prepayments and other assets	3,357,730	2,065,292
Islamic finance receivables	190,162,950	138,483,545
Property and equipment - net	5,509,570	4,770,762
Intangible assets - net	3,571,766	3,628,832
Total assets	253,841,239	156,007,968
Liabilities and equity		
Liabilities		
Payables	824,848	1,066,109
Provision for Zakat	3,622,637	3,022,637
Bank loans	44,726,883	29,097,117
End of service benefits	443,892	254,730



Shareholders' equity	49,618,260	33,440,593
Capital	200,000,000	120,000,000
Statutory reserve	3,547,800	3,547,800
General Reserves	94,639	94,639
Retained earnings	580,540	(1,075,064)
Total shareholders' equity	204,222,979	122,567,375
Total liabilities and shareholders' equity	253,841,239	156,007,968

Considering the following information regarding the financial statements:

- 90% of the balance of bank loans is due after more than one year (long term loans).
- 20% of the balance of payables is due after one year or more.
- Zakat provision for 2019 will be paid during the next 12 months from the end of 2019.
- 40% of the ending balance of the end of service benefit provision is expected to continue for more than 12 months as a liability of the Company.
- An increase in the company's capital from external sources occurred on 12/2019/7/.

a. Identify sources of funds from financing activities as stated in the Rules

Group	Item as stated in the Rules	Notes	Amount
			SAR
Sources of funds subject to Zakat	Owners' equity; except any increase in capital arising during the year from an outside source, determined on a prorate basis, proportionate to the extent of the period prior to the capital increase.	<p>Owners' equity at the end of the year taking into consideration:</p> <ul style="list-style-type: none"> • Increase in capital during the year by SAR 80 million, on a prorate basis proportionate with the period in which the increase took place (i.e. from the 12/2019/7/ to 31/2019/12/). 	164,222,979



Sources of funds subject to Zakat	<p>Debts due from the Zakat payer with a maturity, wholly or partially, of one year or more, whether classified as long-term or shortterm debts, as follows:</p> <p>a. Sources of financing of all types whether borrowings, Murabaha, financial lease, or any other financing contracts;</p> <p>b. Debt instruments issued by the Zakat payer such as bonds, Sukuk, irrespective of its structure.</p>	<p>Add the aggregate of:</p> <ol style="list-style-type: none"> 1. 90% of the balance of bank loans that is due after more than one year (long term loans). 2. 20% of the balance of payables that is due after one year or more. 3. Zakat provision for 2019 will be paid during the next 12 months from the end of 2019. 4. 40% of the ending balance of the end of service benefit provision that is expected to continue for more than 12 months as a liability on the Company. 	4 0, 59 6,721
	Negative fair value of financial derivatives due after one year or more, including financial derivatives held by companies in the form of buy and sell options, swaps and financial instruments held for hedging purposes.	N/A	
	Total sources of funds subject to Zakat		204,819,700



3.2.5. Non-Zakatable Assets⁽⁷⁾

According to the Rules, non-Zakatable assets are limited to:

Group	Item	Amount
Non - Zakatable assets	Net fixed assets, and equivalent	**
	Real estate transferred to the zakat payer as collateral under debt obligations Issued in 1440 AH	**
	Investments in entities or equity shares subject to Zakat in the Kingdom in accordance with the Zakat Implementing Regulations Issued in 1440 AH	
	Investments in entities or equity shares subject to Zakat outside the Kingdom. Zakat payer should settle Zakat separately in accordance with the Zakat Implementing Regulations Issued in 1440 AH	**
	Debts due to the zakat payer with a maturity of more than one year, long term or short term, as follows: a. Loans financing of all types including, lending, Murabaha, financial lease, or other financing contracts; b. Investments in debt instruments such as bonds, Sukuk, irrespective of the structure.	**
	Zakat payer's investments in the financing instruments issued by the Saudi Government on which the Government bears Zakat thereon on behalf of the Zakat payers as stated in the decision of His Excellency the Minister of 1440H regarding the State's/7/Finance No.(2218) dated 7 settlement of the Zakat and income tax arising from the investment in government bonds and instruments	**
	Positive fair value of financial derivatives with a maturity of one year or more, including financial derivatives held by companies in the form of buy and sell options, swaps and financial instruments held for hedging purposes.	**
	The statutory deposit with the Saudi Arabian Monetary Agency.	**

(7) Item Fifth, the Rules for Calculation of Zakat for Financing Activities



3.2.6. Zakatable assets

Zakatable assets are calculated in accordance with the Rules for Calculation of Zakat for Financing Activities by deducting non-Zakatable assets from total assets. The following table includes examples of the items of Zakatable assets:

Group	Item	Amount
Zakatable assets	Cash and cash equivalents	**
	Inventory	**
	Debt to the Zakat payer of less than one year	**
	Investments in companies outside the Kingdom unless their Zakat is paid	**
	Investments in properties under development	**
	Intangible assets purchased with intent to trade	**
	Investment in deposits or forward transactions	**
	Statutory deposits other than deposits with SAMA	**
	Deferred tax asset	**
	Financial assets held for trading	**

3.2.7. Rules for Calculating Zakat Base for Financing Activities

Rules for Calculating Zakat Base for Financing Activities apply mandatory to the banks and financing companies licensed by SAMA in the Kingdom of Saudi Arabia for the financial years beginning on 12019/1/ and thereafter as referred to in Section 1.3 of this Guide.

Accordingly, the Zakat payer who is engaged in financing activities is obliged to calculate the Zakat base according to the stated formula based on the sources of funds specified by the Rules as a percentage of Zakatable assets to total assets:



$$\text{Zakat Base for Financing Activities} = \text{Sources of Funds Subject to Zakat X (Zakatable Assets / Total Assets)}$$

It shall be taken into account that there is an upper and lower limit for the result of the above formula (see Section 2.3.3 and 3.3.3).

Percentage of Zakat(8)

Zakat shall be two and a half percent (2.5%) of the Zakat base for the Hijri year. If the fiscal year of the Zakat payer is different from the Hijri year (354 days)⁹⁻, the Zakat calculation shall be in days as follows:

$$\frac{2.5\%}{354 \text{ days}} \times \text{Number of Days} = \text{**** \%}$$

Example (5)

A leasing company licensed in the Kingdom has calculated the Zakat base according to the Rules for Calculation of Zakat for Financing Activities for the period from 1/ 1 / 2019 to 31/ 12/ 2019 and amounted to SAR 200,000,000. What is the amount of Zakat due on the base?

Based on the above information, we note that the financial period of the company is a full Gregorian calendar year (365 days), and therefore the ration must be calculated in days as follows:

Number of days: 365 days.

$$\text{Zakat Rate} = 2.5\% / 354 \times 365 = 2.578\%$$

$$\text{Zakat due} = \text{SAR } 200,000,000 \times 2.578\% = \text{SAR } 5,156,000.$$



Consolidation of the financial statements for the purposes of Zakat ⁽⁸⁾

The Regulations stipulated that a holding company and its wholly owned subsidiaries, or companies owned by the same owners, may file a consolidated Zakat declaration in accordance with the consolidated financial statements and pay the due Zakat provided that the subsidiaries are obliged to submit a declaration of information to the Authority in accordance with its independent financial statements.⁽⁹⁾

After the Holding Company and its subsidiaries have obtained approval from the Authority to file a consolidated declaration, the Company may issue financial statements showing the full results of the group's activities. On this basis the Zakat payer shall prepare the declaration according to the Authority's guidelines stipulated in the Regulation.

In accordance with the Financial Statements Consolidation Rules, the Zakat Calculation Rules have followed the text of the Implementing Regulations Issued in 1440 AH regarding the Financial Statements Consolidation Regulations in Article 15, with an exception for Zakat payers engaged in financing activities as follows:

When the Zakat payer which is subject to these Rules is owned by another Zakat payer - as per the guidelines of the consolidated Zakat declaration acceptable under the Zakat Implementing Regulations ⁽¹⁰⁾, the consolidation prepared by the Zakat payer.

(8) Article 14, Zakat Rate, Implementing Regulations

(9) Article 15, consolidated Zakat declaration may be filed based on consolidated financial statements, Implementing Regulations

(10) paragraph 5 of Item Sixth, the Rules for Calculation of Zakat for Financing Activities



Based on the above, it may be clarified to what extent it is permissible to unify the submission of the Zakat declaration to the Zakat payers subject to these rules in the following cases:

No	Status	Consolidation of financial statements for the purposes of submitting the Zakat declaration in accordance with the Rules
1	Zakat payer subject the Rules owned by another Zakat payer subject the same Rules.	Allowable
2	Zakat payer subject the Rules wholly owns a company or other companies not subject to these Rules.	Allowable
3	Zakat payer subject to these Rules owned by another Zakat payer who is not subject to these rules.	Non-allowable

Consolidation cases of Zakat declaration for Zakat payers subject to these Rules



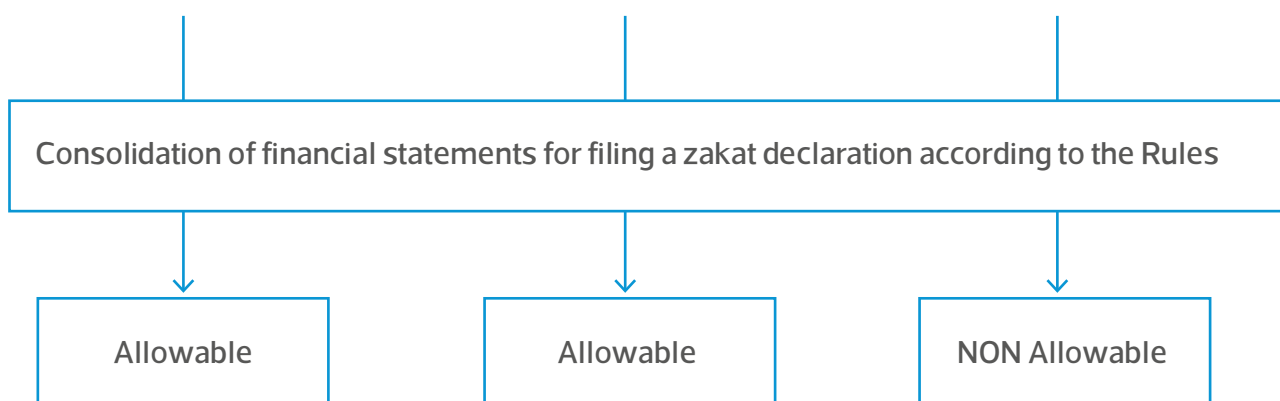
Zakat payer subject the rules owned by another Zakat payer subject the same Rules.



Zakat payer subject the Rules wholly owns a company or other companies not subject to these Rules.



Zakat payer subject to these Rules owned by another Zakat payer who is not subject to these rules.





Adoption of the values and amounts reflected in the audited financial statements of the Zakat payers⁽¹⁾

The amounts as per the audited financial statements at the end of the zakat year are considered while computing zakat base for the financing activities other than the exception of the increase in equity items from sources outside the entity that shall be determined in proportion with the period preceded the increase.

3.2.8. Practical examples

Example (6)

The below information is for a licensed bank in the Kingdom of Saudi Arabia as at 31/ 12/ 2019 Accordingly, calculate the zakat in accordance with the Rules for Calculation of Zakat for Financing Activities.

Balance Sheet (Statement of Financial Position)

As at December 31, 2019

(Amounts in SAR)

	2019G	2018G
	SAR	SAR
Assets		
Cash and balances with SAMA	25,281,696	25,063,401
Balances with banks and financial institutions	17,699,255	10,811,352
Positive fair value of derivatives	3,422,771	6,490,693
Investments - net	66,150,885	62,841,137
Loans and advances - net	112,179,348	116,244,466
Property and equipment, net	2,636,259	2,560,807



Other assets	585,644	510,538
Total assets	227,955,858	224,522,394
Liabilities and equity		
Liabilities		
Balances to banks and financial institutions	6,675,867	4,857,461
Customer Deposits	168,999,301	166,604,410
Financial derivatives	2,334,625	3,952,354
Other liabilities	8,279,313	5,114,266
Total Liabilities	186,289,106	180,528,491
Capital	20,000,000	20,000,000
Statutory reserve	17,193,239	15,811,044
General Reserves	130,000	130,000
Exchange reserve	(8,791)	(6,802)
Other reserves	501,280	282,324
Retained earnings	2,849,117	7,304,680
Proposed dividends	1,998,000	1,494,400
Treasury shares	(996,093)	(1,021,743)
Total shareholders' equity	41,666,752	43,993,903
Total liabilities and shareholders' equity	227,955,858	224,522,394

(11) paragraph 1 of Item Sixth, the Rules for Calculation of Zakat for Financing Activities



Considering the following information regarding assets, liabilities and equity:

Liabilities and equity:

1. 20% of the balances due to banks and financial companies is due after one year or more.
2. 10% of customers' deposits are due after one year or more.
3. All other liabilities have a maturity of less than one year.
4. 50% of the derivatives have a maturity of one year or more.

Assets:

1. The Bank has a statutory deposit with SAMA amounting to SAR 8,000,000.
2. 50% of the derivatives have a maturity of one year or more.
3. 50% of loans and advances have a maturity of one year or more.
4. All other assets have a maturity of less than one year.
5. 15% of the investments are represented in equity investments in Saudi Arabia.
6. 50% of the investments are represented in investments in debt instruments (Sukuk issued by the Ministry of Finance in Saudi Riyals).



Income Statement

For the period from 1/ 1/ 2019 to 31/ 12/ 2019

(Amounts in SAR)

	2019G
	SAR
Special commission income	7,309,795
Special commission expenses	1,300,460
Net special commission income	6,009,336
Commission fee income - net	956,052
Foreign exchange gains - net	281,278
Income from investments at fair value through income statement	99,268
Gains on debt securities carried at fair value through other comprehensive income	2,245
Income from other operations	415,131
Total operating income	7,824,242
Salaries of employees and others	1,100,741
Rentals	339,114
Other general and administrative expenses	100,799
Provision for credit impairment	663,895
Total operating expenses	157,246
Net income for the year	2,361,795



Computation of Zakat base

A. Step 1: Determination of non-Zakatable assets:

Non-Zakatable assets are calculated as determined in accordance with the Rules as follows:

Group	Item	Notes	Amount
			SAR
Non - Zakatable assets	Net fixed assets and equivalents	Net fixed assets is taken as at the end of the year	2,636,259
	Investments in entities or equity shares inside the Kingdom in accordance with the regulations mentioned below	15% of the value of investments is taken as it represents investments in equity inside the Kingdom for which Zakat has already been paid	9,922,633
	Investments in entities or equity shares outside the Kingdom provided that the Zakat payer shall pay its Zakat independently in accordance with the regulations mentioned below	The Bank has investments outside the Kingdom for which Zakat has not been paid, therefore they are not considered non-Zakatable assets	-
	Debts for the Zakat payer that are due wholly or partially after a year or more, whether short or long-term debts, as follows: A. Financing of all kinds, whether lending, Murabaha, finance lease or other financing contracts. B. Zakat payer's investments in debt instruments, such as Sukuk and bonds, whatever their structure;	50% of loans and advances are taken which are due after one year or more	56,089,674



	Zakat payer's investments in government debt instruments, for which Zakat is borne by the State as stated in the Minister of Finance decision No. (2218) dated 7/ 7/ 1440 H on the State's guidelines to bear Zakat and income tax arising of investment in government Sukuk and bonds	Take 50% of investments in debt instruments (Sukuk and bonds issued by the Ministry of Finance locally in Saudi Riyals)	33,075,442
	Positive fair value of financial derivatives due after one year or more, including derivatives held by companies in the form of buying and selling options, swaps and financial instruments held for hedging purposes	50% of the value of derivatives of maturity of one year or more is taken	1,711,386
	The statutory deposit with the Saudi Arabian Monetary Agency	The amount of the statutory deposit is taken as already indicated in this example	8,000,888
Total non-Zakatable assets			111,435,395



Computation of Zakat base

B. Step 2: Calculation of Zakatable assets

Based on the above, Zakatable assets are calculated by subtracting non-Zakatable assets from the total assets as follows:

Details		Amount
		SAR
Total assets	1	227,955,858
Non-Zakatable assets in accordance with the Rules for Calculation of Zakat for Financing Activities	2	2 111,435,395
Zakatable assets in accordance with the Rules for Calculation of Zakat for Financing Activities	1 - 2	116,520,463

Step 3: Identify the sources of funds from the financing activities as stated in the Rules for Calculation of Zakat for Financing Activities:

Group	Item as stated in the rules	Notes	Amount
			SAR
Sources of funds subject to Zakat	Owners' equity; except any increase in capital arising during the year from an outside source, determined on a prorata basis, proportionate to the extent of the period prior to the capital increase.	Equity is taken as at the end of the year	41,666,752



Sources of funds subject to Zakat	<p>Debts due from the Zakat payer with a maturity, wholly or partially, of one year or more, whether classified as long-term or short-term debts, as follows:</p> <p>a. Sources of financing of all types whether borrowings, Murabaha, financial lease, or any other financing contracts;</p> <p>b. Debt instruments issued by the Zakat payer such as bonds, Sukuk, irrespective of its structure.</p>	<p>A total of:</p> <p>1. Balances for banks and financial institutions at 20% as their maturity is more than one year</p> <p>2. Deposits at call at 10% with maturity of more than one year</p> <p>3. Other liabilities are not taken into consideration as the maturity date is less than one year (sources of funds not subject to Zakat).</p>	18,235,103
	<p>Negative fair value of financial derivatives due after one year or more, including financial derivatives held by companies in the form of buy and sell options, swaps and financial instruments held for hedging purposes.</p>	<p>Taken by 50% as their maturity is more than one year</p>	1,167,313
Total sources of funds subject to Zakat			61,069,168



C. Step 4: Calculation of the Zakat Base

After calculating the sources of funds subject to Zakat and Zakatable assets, the Zakat base is calculated according to the formula prescribed in the Rules as follows:

Details		Amount
		SAR
Sources of funds subject to Zakat	1	61,069,168
Zakatable assets	2	116,520,463
Total assets	3	227,955,858
Ratio of Total Zakatable assets to Total Assets	$4=2/3$	51.12%
Zakat base	4×1	31,218,559

3.3. The upper and lower limits of the Zakat base⁽¹²⁾

The Rules for Calculation of Zakat for Financing Activities prescribed a maximum and a minimum Zakat base based on the results of the Zakat payers subject to these Rules in accordance with the audited financial statements by a certified auditor licensed in the Kingdom as follows:

- A. If the Zakat payer makes a net profit in accordance with the audited financial statements (see section 3.3.1).
- B. If the Zakat payer does not make a net profit in accordance with the audited financial statements (see section 3.3.2).

3.3.1. In the event Zakat payer realizes a net profit

If the Zakat payer achieves a net profit according to the audited financial statements, the Zakat base should not be less than the minimum (four times the net profit) as at the end of the year and shall not exceed eight times the net profit as at the end of the year:

(12) paragraph 4 of Item Sixth, the Rules for Calculation of Zakat for Financing Activities



Minimum		Cap
4 x Net profit	Zakat base	8 x Net profit

For the purpose of the application of these Rules, net profit is defined as profit after excluding the effect of the Zakat provision charged on net profit (profit before Zakat provision).

* **Note:** the result of this Zakat base is not considered final as we will apply the rule of upper and lower limits of the base according to paragraph 4 of item sixth of the Rules.

3.3.2. In the event Zakat payer does not make a net profit

If the Zakat payer does not realize a net profit according to the audited financial statements, for the purpose of calculating the Zakat base according to these Rules, the following shall be considered:

In the event that the Zakat payer does not realize a net profit (i.e. loss) of his business results according to the audited financial statements, the gross profit shall be considered as a basis for calculating the minimum and maximum Zakat base as follows:

Minimum		Cap
4 x 10% Of the gross profit	Zakat base	8 x 10% Of the gross profit

For the purpose of these Rules, gross profit is defined as the main sources of income of the Zakat payer realized from the financing activity after deducting direct expenses to realize the main sources of income from the financing activity.

In case the Zakat payer fails to realize a gross profit according to the audited financial statements: The Rules stipulate that in cases where the Zakat payer does not realize a gross profit at the end of the Zakat year, the Zakat base has no upper and lower limits. Accordingly, the Zakat payer must calculate the Zakat base and Zakat based on the result of the previous formula.

Calculation of Zakat base according to these Rules can be summarized as follows:



Minimum Limit / upper limit	In case a net profit is realized	In case a net profit is not realized	In case a gross profit is not realized
Minimum limit	4 times net profit	4 x 10% Of the gross profit	There is no minimum or maximum limit
Upper limit	8 times net profit	8 x 10% Of the gross profit	

3.3.3 Practical examples

Example (7):

Calculation of the minimum and maximum limits when calculating the net profit

Based on the data in example 6 where Zakat base of bank A was calculated at SAR 31,218,559. To apply the rule of minimum and maximum limit by verifying the net profit amount in the bank's income statement of SAR 2,361,795, the upper and lower limits are calculated as follows:

Net profit	Minimum limit (4 times net profit)	Cap (8 times net profit)
2,361,795 SAR	9,447,180 SAR	18,894,360 SAR

Through the above, Zakat base calculated in accordance with the Rules is greater than the upper limit (SAR 18,894,360) and accordingly the upper limit (SAR 18,894,360) is adopted as a Zakat base for the purposes of these Rules and the calculation of zakat.

If the Zakat base in accordance with the above equation is SR (15,122,120), then the same amount shall be adopted as a Zakat base in accordance with the Rules because it falls between the minimum and the maximum calculated limits above.

In cases where the Zakat base calculated in accordance with the Rules is less than the minimum limit (SAR 9,447,180), the minimum limit will be adopted as a Zakat base.



Example (8):

Calculation of the minimum and maximum limits in case the Zakat payer does not achieve a net profit and achieves a gross profit

The income statement reflected the following data for a financial institution licensed by SAMA as at 31/ 12/ 2019

Item	Amount
Gross profit	SAR 3,000,000
Net profit (loss) before Zakat provision	SAR (1,500,000)

The Company has calculated the Zakat base in accordance with the Zakat calculation rules for financing activities amounting to SAR 2,000,000.

Since the company has not achieved a net profit, the gross profit is adopted as a basis for calculating the Zakat base as follows:

Gross profit	Minimum limit (10% of 4 times gross profit)	Cap (10% of 8 times gross profit)
3,000,000 SAR	1,200,000 SAR	2,400,000 SAR

Since the Zakat base of SAR 2,000,000 is between the minimum and the maximum limits calculated in the table above, the same amount shall be used as the basis for calculating Zakat.

3.4 Zakat declaration for financing activities

3.4.1 How to prepare and file the declaration

The Authority has adopted a special Zakat return form for Zakat payers subject to the Rules for Calculation of Zakat for Financing Activities. It includes the mechanism of calculating the Zakat base and Zakat according to the Rules (Attribution (Altanseeb) method).



Accordingly, the Zakat payer subject to these Rules must complete the form approved by the Authority and the schedule attached with the Zakat declaration. Upon completion of filling out the declaration, the Zakat payer should print out the final form of the declaration, review it thoroughly and verify the information contained therein.

The Zakat payer must stamp and sign the declaration and attach the signed copy of the form along with a copy of the audited financial statements in Arabic and upload them to the ERAD system. The declaration is then filed.

3.4.2. How to settle the amounts due under the declaration

Upon filing of the Zakat declaration, (ERAD) system issues a direct electronic invoice notification containing the payment number and the total amount of Zakat due under the declaration. The Zakat payer shall settle the Zakat due through a bank transfer through "SADAD" electronic system.

Payment shall be made before the expiration of the statutory period mentioned in the above section 9 (120 days from the end of the fiscal year).



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الترتيب و الأعداد

هذا الإصدار خاص بالمشرفين الذين يتعاملون مع أنظمة والتحكم والتحكم العمومي بما لدى الهيئة العامة للإقامة والدخول والتحكم بأعداد حارس الإقامة وهو يعد حساب إدارة أنشطة الترخيص والتحكم العمومي.

يجب تعبئة الإقرار وسبقه بالكتابة العمومية والتسديد الإقرار/ العمومية المسجلة من والده طابك ملكه وعلمين يوماً من انتهاء السنة المالية

يتم تعبئة إقرار صحة ما ورد في إقرار المكلف من إيرادات ومصروفات وأي بيانات أخرى على المكلف. وهي حالة عدم تمكنه من إثبات صحة ما ورد في إقراره. يجوز للهيئة إيمانه إلى تطبيق أي بيانات نظامية أخرى. عدم إدارة المصروف الذي لا يتم إثبات صحته من قبل المكلف أو الغامر

بما لا يزيد وفقاً لوجه نظر الهيئة في ضوء الظروف والتفاصيل المتعلقة بالبيانات والمعلومات المتاحة للهيئة.

يجب أن يتضمن الإقرار المقدم على أنشاء الرئيس والأنشطة العمومية الأخرى

لا بد من الإقرار ما لم تكن هناك مشكلة مع تعبئة كافة الشكوك والملاحظات المطلوبة

يجب الإقرار مقدماً بموجب إقرار رسمي من قبل الهيئة على أشكاله سواء الإلكترونية أو الورقية، ويكون المصادق عليه.

يجب تحديث جميع بيانات الأنشطة العمومية وذلك سواء العنصرية وبيانات الترخيص من تقديم الإقرار

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تفاصيل المكلف

المالكين الإقرار

الإقرار: النسبة المئوية: الفترة من التاريخ: إلى التاريخ:

تفاصيل المكلف

المكلف: البريد الإلكتروني: رقم الهاتف: النوع:

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الإيرادات 0.00

إيرادات النشاط الرئيسي: 0.00

إيرادات النشاط الرئيسي: 0.00

إيرادات أخرى 0.00

مكاتب (جسارت) أو لوائح مالية: يتبقى لا يتبقى

إيرادات أخرى: 0.00

إجمالي الإيرادات الأخرى: 0.00

إجمالي الإيرادات: 0.00

ملاحظة الإقرار: 0.00

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4. Zakat treatment of certain items of the statement of financial position in accordance with the Rules for Calculation of Zakat for Financing Activities

Item	Zakat treatment in accordance with the Rules
Assets	
Cash in hand and cash equivalents	Zakatable assets
Cash at correspondent banks and ATM If its maturity is more than a year	Zakatable assets
The statutory deposit with SAMA	Non-Zakatable assets
Accounts with NOSTRO correspondents	Zakatable assets
Current Accounts	Zakatable assets
Money market deposits with SAMA	Zakatable assets
Other cash balances	Zakatable assets
Time deposits maturity date after one year or more	Non-Zakatable assets
Time deposits maturity date after less than a year	Zakatable assets
Non-interest-bearing deposits	Zakatable assets
Saving deposits maturity date after one year or more	Non-Zakatable assets
Saving deposits maturity date after less than a year	Zakatable assets
Positive fair value of derivatives, which is due after one year or more	Non-Zakatable assets
Positive fair value of derivatives that are due within less than one year	Zakatable assets
Investments at fair value through other comprehensive income Fulfilling the conditions stipulated in the regulations and rules.	Non-Zakatable assets



Investments at fair value through profit and loss Fulfilling the conditions stipulated in the regulations and rules.	Non-Zakatable assets
Investments at amortized cost Fulfilling the conditions stipulated in the regulations and rules.	Non-Zakatable assets
Investments in Government Sukuk issued locally by the Ministry of Finance in Saudi Riyals Fulfilling the conditions stipulated in the regulations and rules.	Non-Zakatable assets
Investments in bonds and treasury bills	Non-Zakatable assets
Real Estate Investments Fulfilling the conditions stipulated in the regulations and rules.	Non-Zakatable assets
Investments in subsidiaries	Non-Zakatable assets provided that they are subject to the provisions of levying of Zakat in accordance with the Regulations
Investments in associates	Non-Zakatable assets provided that they are subject to the provisions of levying of Zakat in accordance with the Regulations
Investments in joint ventures	Non-Zakatable assets provided that they are subject to the provisions of levying of Zakat in accordance with the Regulations
Investments in investment funds	Non-Zakatable assets, unless subject to the provisions of levying of Zakat in accordance with the Regulations



Net investment in finance lease mature after one year or more	Non-Zakatable assets
Net investment in finance lease is matures in less than a year later	Zakatable assets
Net investment in Murabaha financing due after one year or more	Non-Zakatable assets
Net investment in Murabaha financing due after less than a year	Zakatable assets
Loans and advances, due after one year or more	Non-Zakatable assets
Loans and advances of maturity less than one year	Zakatable assets
Finance - Net (trade finance, installment sale, Murabaha, credit cards) maturing after one year or more	Non-Zakatable assets
Financing - Net (trade finance, installment sale, Murabaha, credit cards) with maturity less than one year	Zakatable assets
Islamic finance receivables that are due after one year or more	Non-Zakatable assets
Islamic finance receivables that are due after less than one year	Zakatable assets
Property and equipment	Non-Zakatable assets
Intangible assets	Non-Zakatable assets
goodwill	Non-Zakatable assets
Assets acquired in exchange for claims	Non-Zakatable assets
Prepaid expenses	Zakatable assets
Advance payment on an investment account	Zakatable assets



Liabilities	
Balances to banks and other financial institutions in the form of current accounts If the maturity is less than one year	Sources of external funds not subject to Zakat
Balances to banks and other financial institutions in the form of financial market deposits If the maturity is less than one year	Sources of external funds not subject to Zakat
Current Accounts - Clients If the maturity is less than one year , or has no fixed maturity date.	Sources of external funds not subject to Zakat
Current accounts - employees If the maturity is less than one year , or has no fixed maturity date.	Sources of external funds not subject to Zakat
Investments by banks and other financial institutions	Sources of external funds subject to Zakat provided they have a maturity date after one year or more
Time deposits maturity date after one year or more	Sources of external funds subject to Zakat
Time deposits maturity date after less than a year	Sources of external funds not subject to Zakat
Interest-free deposits If the maturity is less than one year , or has no fixed maturity date.	Sources of external funds not subject to Zakat
Savings deposits due after one year or more	Sources of external funds subject to Zakat
Saving deposits due after less than a year	Sources of external funds not subject to Zakat
Negative fair value of derivatives, which are due after one year or more	Sources of external funds subject to Zakat
Negative fair value of derivatives of maturity less than one year	Sources of external funds not subject to Zakat
Debt bonds issued	Sources of external funds subject to Zakat
Secondary debt securities	Sources of external funds subject to Zakat



Sukuk to enhanced capital	Sources of external funds subject to Zakat
Islamic banking financing which is due after one year or more	Sources of external funds subject to Zakat
Islamic banking finance, which is due after less than one year Sources of external funds	not subject to Zakat
Accrued expenses and payables (creditors) If the maturity is less than one year, or has no fixed maturity date.	Sources of external funds not subject to Zakat
Provision for indirect credit facilities	Internal sources of funds.
Provision for end of service benefits	Internal sources of funds.
Provision for Zakat and Income Tax	Internal sources of funds.
Withdrawals due If the maturity is less than one year.	Sources of external funds not subject to Zakat
Payable to employees	Sources of external funds not subject to Zakat
Customer collaterals If the maturity is less than one year.	Sources of external funds not subject to Zakat
Deferred revenues	Sources of external funds subject to zakat, except for the part due after one year or more
Insurance premiums due for leased assets If the maturity is less than one year.	Sources of external funds not subject to Zakat
Insurance claims under settlement If the maturity is less than one year.	Sources of external funds not subject to Zakat
Dues related to the proposed lease If the maturity is less than one year.	Sources of external funds not subject to Zakat



Item	Zakat treatment in accordance with the Rules
Equity	<p data-bbox="989 896 1420 1254">Internal sources of funds subject to Zakat, and if the increase is from an external source, then it is added proportionately taking into account negative items, such as treasury shares.</p>
Capital	
Statutory reserve	
General reserve	
Foreign currency reserve	
Other reserves	
Retained earnings	
Proposed dividends	
Shares held for employee options	
Issuance of bonus shares	
Fair value reserve for investments at fair value through other comprehensive income	
Tier 1 Sukuk	
Non-controlled equity	
Treasury share	
Proposed capital increase	



5. Contact us

For more information on any Zakat transaction, please visit our website gazit.gov.sa or contact us at [19993](tel:19993).

6. Appendix: Frequently Asked Questions (FAQ)

1. What percentage is used for the amount of Zakat according to the Rules for Calculation of Zakat for Financing Activities?

According to the Zakat Regulations, the Zakat rate for the Zakat payer who uses the georgian year is calculated by dividing two and a half percent (2.5%) by the number of days of the Hijri year (354 days) multiplied by the number of actual days of the year for the Zakat payer. If the adjusted net profit is the Zakat base, the Zakat rate is 2.5%.

2. If the Zakat payer is a mixed company (Saudi and non-Saudi partners) and there is a change in ownership percentages during the year, how shall the sources of funds be calculated for the purposes of these Rules?

The percentage of ownership for the purposes of these rules shall be adopted as at the end of the Zakat year. However, in the event of a change in ownership ratios during the year, the percentage of the Saudi partner subject to Zakat under these Rules is calculated on prorata basis with the number of days.

3. Are negative items in equity (such as treasury shares) taken into account when calculating the Zakat base for the purposes of these Rules?

Yes, generally, the equity item consists of capital, retained earnings, statutory reserves and any reserves required by the Zakat payer to be incorporated under an accounting system, regulation, law or standard including negative items such as treasury shares from previous years.



Treasury shares are those shares that the issuing company repurchases from the financial market via a purchase transaction through the stock market. These shares are not entitled to any distributions or voting rights during the period of ownership of the company. The company holds them for the purpose of reducing capital and distributing dividends in the form of bonus shares.

4. In case of cessation of activity or liquidation, how will Zakat be calculated for the purposes of these Rules?

In case that the company is liquidated or discontinues its activities during the Zakat year, by the rules and regulations of Saudi Central Bank (SAMA); Zakat is not calculated in accordance with the formula stated in the rules.

5. How to determine the maturity date (less than or more than a year) for the items of assets and liabilities set out in the Rules?

In general, the items of assets and liabilities are classified in the financial statements based on the 12-month operating cycle and the extent to which the assets are depreciated, used or realized during or after the next operating cycle. Concerning obligations, they depend on whether the Company is able to meet its obligations during or after the next operational cycle. Accordingly, a special system and supporting documents, including the report of the External Auditor certified of the Bank's financial statements, are required to approve the classification of the Bank's items and obligations in its financial statements.

6. Certain assets and liabilities are classified under 'unspecified maturity date', such as interest-free deposits. How will such items be treated for the purposes of the Rules for Calculation of Zakat for Financing Activities?

According to general accounting conventions, liabilities or assets that do not have a fixed term are classified as current assets or liabilities. Accordingly, the depreciation or recognition of such assets or liabilities ceases during the operating cycle (i.e. the 12-month period of the company). therefore, for the purposes of the Rules for Calculation of Zakat for Financing Activities, such items are non-zakatable (in the case of assets) and sources of zakatable funds (in the case of liabilities) except for the statutory deposit, it is deducted regardless of its maturity date.



7. In what cases can a company subject to the Rules for Calculation of Zakat for Financing Activities file a consolidated declaration with its 100% owned subsidiaries?

A company subject to the Rules for Calculation of Zakat for Financing Activities may submit a consolidated (unified) declaration with its 100% owned subsidiaries. If a company is subject to these Rules and is owned by another company subject to the same Rules, in this case, a consolidated Zakat declaration may be filed. Similarly, if the company subject to these Rules 100% owns a company or other companies not subject to these Rules, a unified Zakat return is also permissible.

However, if the company subject to these Rules is owned by a company that is not subject to the same Rules, the Zakat declaration may not be consolidated.

8. Are insurance companies and other financial companies regulating their activities under the supervision of the Capital Market Authority, such as brokerage firms, fall under the umbrella of the Rules for Calculation of Zakat for Financing Activities?

According to the definition of financing activities mentioned in item (First) of the Rules, which stipulated that banks and finance companies licensed by SAMA are subject to the Rules, the entities mentioned in the question are not subject to these Rules.

9. Are deposits considered among the sources of funds subject to Zakat according to the Rules?

Deposits are of two types: time-bound and non-term deposits. Deposits not bound by time are not considered as sources of funds subject to Zakat according to the Rules for Calculation of Zakat for Financing Activities, whereas for time deposits, maturity should be considered; if more than one year, they are sources of funds, but if less than one year, they shall not be considered as sources of funds.



10. If SAMA issued 10-year Sukuk or bonds with a 5-year redemption right, how can Zakat be treated if five years have passed. Shall they be considered a source of funds subject to Zakat according to these Rules? If the bank called them during the current year and has added them to the zakat base within the sources of funds for the past year, how shall be treated?

In this case, they shall be treated as early repayment as calling them shall not have effect on the Zakat base for the following year because they were added to the sources of funds last year.

11. With regard to savings accounts, will they be treated as fixed-term deposits and thus be among the sources of funds subject to Zakat and increase the Zakat base?

The term of saving accounts is not required to be one year, and if they are one year or more, they are treated as fixed-term deposits and it is added to the Zakat base

12. If the mortgage was executed on assets other than real estate such as equity investments and their ownership was transferred to the bank, would they be treated as real estate and deducted from the zakat base?

In this case, these shares will be considered as investments and therefore treated as such.

13. If the bank is investing in an external bank and wants to compute the Zakat of this investment, will the Zakat be calculated in accordance with the Zakat Regulations or in accordance with Rules for Calculation of Zakat for Financing Activities?

Zakat is calculated in accordance with the Zakat Regulations, as these Rules are for companies licensed by SAMA.



14. With respect to investments for which Zakat has been paid independently, if the Zakat base is calculated and it is less than the minimum, should investments of which Zakat has been paid be taken into consideration and raise the base to reach the minimum limit as the Zakat payer had paid their Zakat independently?

No, when the minimum is reached, it is determined by the net profit (or total profit) without considering the components of the base including external investment.

15. If the bank owns companies or if it is a subsidiary of a holding company, in what cases is it permitted to apply the Rules for Calculation of Zakat for Financing Activities?

First, if the bank owns several companies 100% , the Authority must approve the consolidation of the financial statements. If the Authority approves the consolidation, it will be subject to the Rules for Calculation of Zakat for Financing Activities.

Case 2: If the bank is owned by a holding company, these Rules shall not apply unless it separated from the group and files its declaration independently.

16. What is the Authority's method of Zakat for Investment in Government Sukuk for financing activities?

As for financing activities, they are considered as non-Zakatable assets, so the Zakat payer is not required to pay Zakat, and the Zakat payer is not required to file a special declaration for them. On condition that the bank fills out the declaration correctly and places the instruments in their correct place within the declaration.



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