



# Simplified Guideline for the Zakat Treatment of Investments



## Types of investments in shares or equity instruments



**Investments  
in equity  
instruments  
(such as stocks)**



**Investments  
in ownership  
interests**



**Investments in  
Associate / Affiliate  
Companies**

**Investments in  
Subsidiaries**





## First: Investments in Equity Shares

### Investing in Subsidiaries:

Subsidiaries are those companies that are controlled by other companies.

### When is control achieved?

If the investing company has a high power or influence over the investee company that gives it the ability to control over the activities of the investee company, distribute the returns, or influence the returns achieved for it.

### Associate/Affiliate Companies:

The companies in which the investing company has significant impact over the investee company, i.e. the ability to participate in the financial and operating policy decisions of the investee company, but does not include control or joint control over those policies.





## Conditions for discounting investment in equity instruments:



These investments are in the form of shares in equity.



These investments must be held for non-trading (classified as non-current).



The investee company is subject to the provisions of Zakat collection.

## The method of deducting investments according to the Implementing Regulations of Zakat collection:

- Deduction of the book value of the investment shown in the audited financial statements without modification.
- Not modifying the activity in the investing company with the results of the investee company recognized in the Profit and Loss Statement, and this treatment is applied whether zakat is calculated on the components of the zakat base or the minimum base.
- The results of the re-evaluation are taken into account according to the fair value shown in the financial statements.

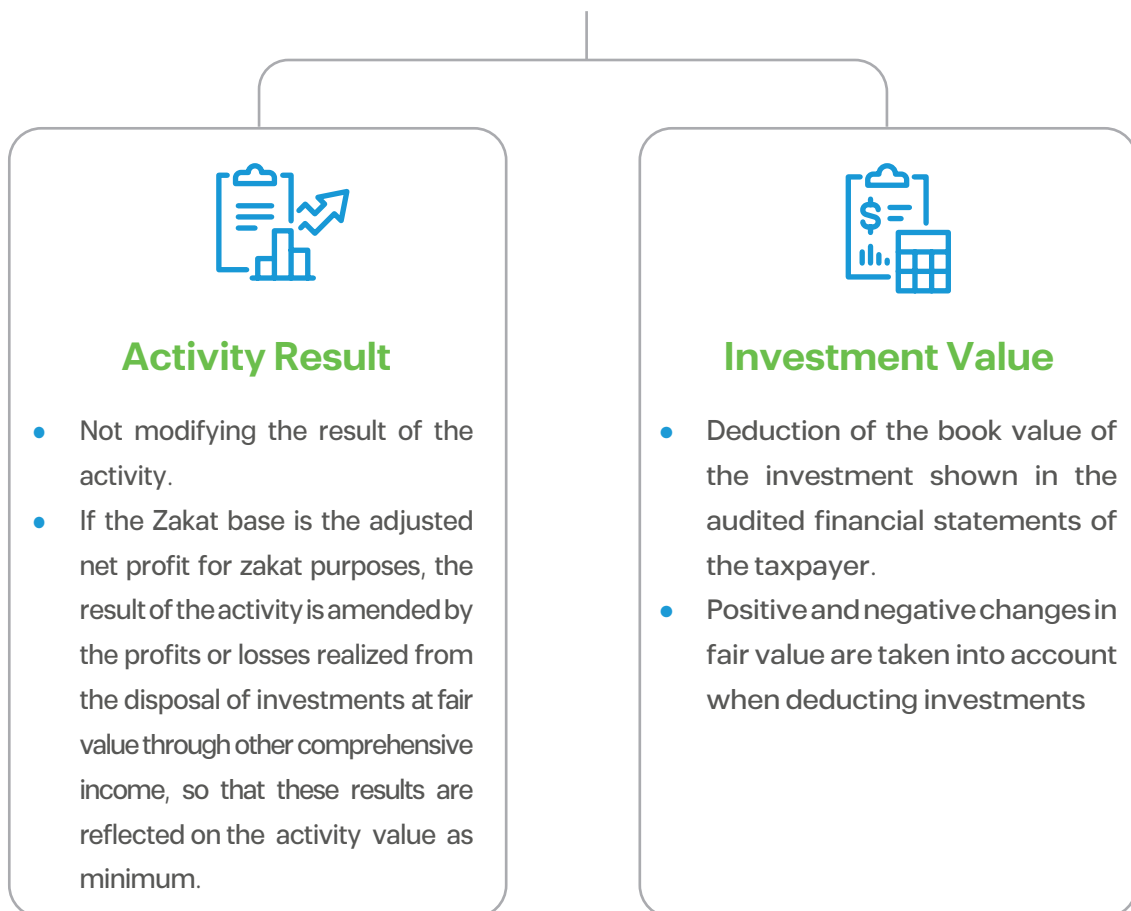
## Second: Investments in securities representing property rights, such as: (stocks)

**Conditions for discounting investment in equity instruments, which are treated in accordance with International Financial Reporting Standard No (9):**

- These investments shall be held for non-trading purposes.
- These investments shall be in establishments subject to the provisions of levying zakat in accordance with the provisions of the Regulations.



## Mechanism for resolving this type of Investment



## Foreign Investment

### Controls for deducting foreign investments:

Paragraph No. (5) of Article five of the Regulations stipulated the requirements for accepting an investment discount, which is as follows:

- These investments are in facilities outside the Kingdom.
- The purpose of keeping these investments is for non-trading purposes.
- Zakat is calculated according to a certified public accountant licensed in the Kingdom, disclosed in the Zakat declaration, and paid to the Authority.
- The minimum for these investments base should be the taxpayer's share of the accounting profit in the investee company, according to the audited financial statements for foreign investment.

## External document

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