



Zakat Simplified Guideline for Agriculture Sector

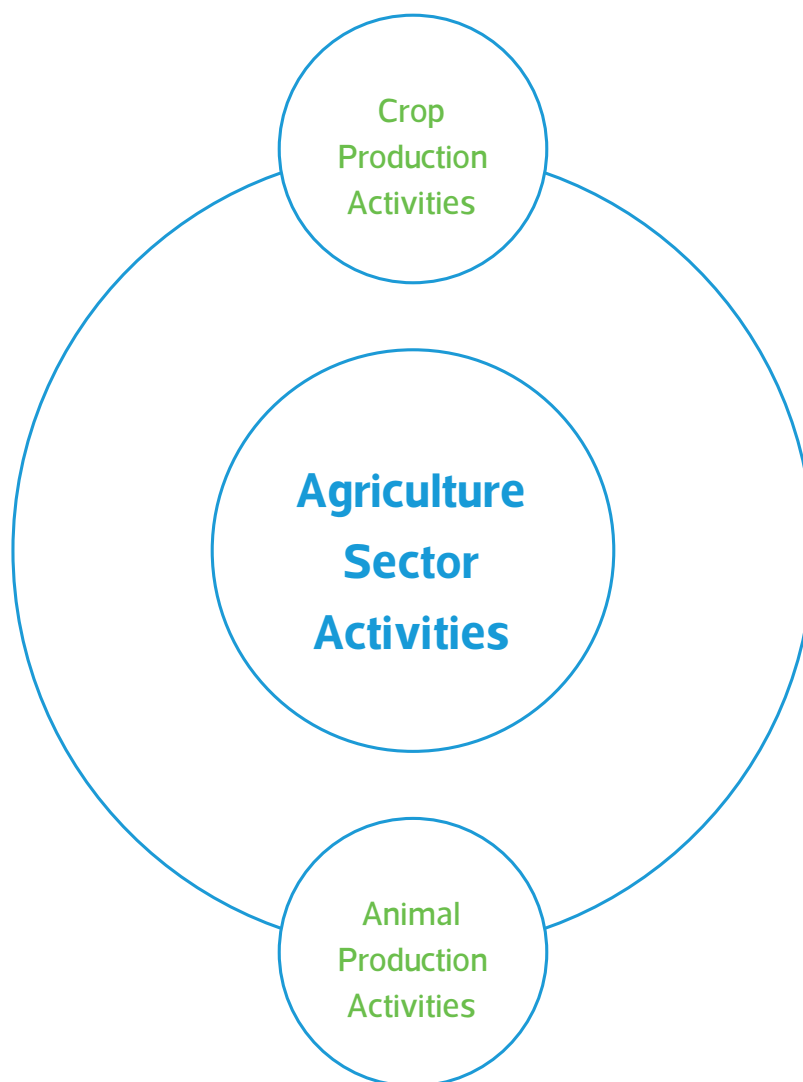
The Zakat, Tax and Customs Authority ("ZATCA", "Authority") has issued this Guide for the purpose of clarifying certain tax treatments concerning the implementation of the statutory provisions in force as of the Guide's issue date. The content of this Guide shall not be considered as an amendment to any of the provisions of the Laws and Regulations applicable in the Kingdom.

Furthermore, the Authority would like to highlight that the clarifications and indicative tax treatments prescribed in this Guide, where applicable, shall be implemented by the Authority in light of the relevant statutory texts. Where any clarification, interpretation or content provided in this Guide is modified - in relation to unchanged statutory text - the updated indicative tax treatment shall then be applicable prospectively, in respect of transactions made after the publication date of the updated version of the Guide on the Authority's website.



Agriculture Sector:

This sector is defined as the exploitation of natural plant and animal resources, and consists of crop cultivation, animal breeding, collection of timber and other plants, animals or animal products





The Authority's Method to Calculate the Zakat Base for Zakat Payers Who Keep Commercial Books

The Authority uses the indirect method (the sources of funds method) to reach the zakat base. This method is based on the following:

(Additions): Adding the zakat payer's internal sources of funds and sources of external funds utilized for the deductible financing.

(Deductions): Non-Zakatable and Zakatable assets are deducted.

$$\text{Zakat base} = \text{Additions} - \text{Deductibles}$$

Additions:

1. Capital.
2. Revenue and advance payments.
3. Long-term liabilities (maximum total deductions from the base).
4. Reserves at the beginning of the year.
5. Retained earnings.
6. Profits under distribution.
7. Adjusted net profit.
8. Provisions at the beginning of the year.
9. Change in fair value.
10. Any item utilized in financing deductible asset.

Deductions:

1. Net fixed assets
2. Capital work in progress
3. Intangible assets.
4. Zakatable investments.
5. Incorporation expenses.
6. Adjusted net loss for the year.
7. Adjusted accumulated loss or according to the lists, whichever is less.
8. Property and equipment.



Example of Calculating Company's Zakat:

The following data is for a company as at the end of the fiscal year:

Statement of Financial Position			
Assets		Liabilities and Equity	
Current assets	9000	Current liabilities	6000
non-current assets (Communication network equipment)	8000	Non-current liabilities	7000
		Equity	4000
Total	17000 SAR	Total	17000 SAR

The external sources of funding are added to the base first to meet them with deductions, not exceeding the total value of the deductions, and then internal sources of funding are added. Therefore, in the example above, long-term liabilities were added for the entire base because they were less than the deductions, and then equity was added, as in the following table:

Item	SAR
Long-term assets	7000
Equity	4000
Less: non-zakatable assets	8000
Zakat base	3000



Rules for Zakat Base:

The minimum

For zakat collection purposes, the zakat base cannot be less than the adjusted net profit.

Beginning of the zakat payer's fiscal year

The Zakat year begins earlier than the following:

- Issuance of the commercial register.
- Obtaining the necessary licenses.
- Date of deposit of capital

(Unless the zakat payer determines a further date for the commencement of the activity based on documentary evidence)

Zakat Ratio

1. Zakat is two and a half percent 2.5% of the zakat base for the Hijri year.
2. If the zakat payer's fiscal year differs from the Hijri year; the zakat calculation is based on the zakat payer's actual number of days, and the zakat ratio can be calculated as follows:

Zakat percentage according to the numbers of days

$$\frac{2.5\%}{\text{Numbers of days in the Hijri year}} \times \text{Numbers of zakat payer's fiscal year}$$

- Adjusted net profit is applied to it (2.5%) for any financial period.
- The short financial period at the end of the activity of the company is not subject to zakat, if the number of days of the period is less than three hundred and fifty-four (354) days.



Agriculture Items

Item	Zakat Treatment
<p>Agricultural inputs are non-Zakatable assets deductible from the Zakat base because they are not intended for sale but for use in agricultural activity.</p>	<p>Agricultural inputs: They are defined as the inputs of agricultural production from raw materials such as seeds, fertilizers, and pesticides, stored and purchased for use in production by the Zakat payer engaged in agricultural activity.</p>
	<p>Agricultural biological assets: They are not cultivated or sold as they are, but man benefits from their additional associated assets while they survive, such as fruit trees and all trees from which heating wood is cut off while keeping the tree itself. The carrying biological assets are not agricultural crops but self-growing assets.</p>
	<p>Animal biological assets: They are not sold as they are, but man benefits from their additional associated assets while they survive, such as live animals that produce milk and laying hens. Carrying assets are self-growing assets, not for sale or consumption themselves.</p>
	<p>Inventories of fish and shrimp products and food products (vegetables, fruits, and trees)</p>
<p>They are not deductible from the Zakat base because they are intended for sale. They are zakatable assets.</p>	<p>Inventories of biological assets held for sale</p>



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