

ZAKAT ON LEGAL ENTITIES: Towards Concept Perfection and Its Regulations in Indonesia

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DOI: 10.30631/al-risalah.v21i1.734

Submitted: March 28, 2020; Revised: June 02, 2020; Accepted: June 25, 2020

Abstract: This paper discusses zakat on *legal entities* and provides evidence why it requires perfection in concept and regulations if applied in Indonesia. Although it has not been discussed by previous scholars, the majority of contemporary scholars oblige *legal entities* to pay zakat. However, how it becomes mandatory, what criteria must be met, what are the *nisab*, the *hawl*, the mandatory percentage, and the requirements have not received significant attention from previous researchers. To make matters worse, regulations for zakat on *legal entities* in Indonesia are still unclear and strict, particularly concerning sanctions and methods of zakat calculation, making this paper crucial on the issue. Focusing on zakat on *legal entities*, this paper will highlight the development of the *mukallaf* meaning, criteria for *legal entities* that are obliged to pay zakat, provisions of the *nisab*, *hawl*, the obligatory percentage, and all the requirements. After examining relevant literature, this paper demonstrates that assets owned by a *legal entity* are required for zakat if they have met the general provisions and requirements stipulated in Islamic law (*fiqh*). As for the *nisab* provisions, the compulsory percentage and the zakat *hawl* is equal to zakat on trade, which is 85 grams of gold or 600 grams of silver, while the obligatory percentage of zakat is two and a half percent (2.5% or 1/40) and *hawl* is mandatory at the end of the year. This paper suggests that it is necessary to improve the concept and regulations of zakat on *legal entities* in Indonesia by combining *fiqh* studies and adopting the models that have been applied by neighbouring countries and other Muslim countries.

Keywords: Zakat, *Legal entities*, Concept, Regulations, Indonesia

Abstrak: Tulisan ini mendiskusikan zakat untuk badan hukum (*legal entity*) sekaligus membuktikan bahwa ia memerlukan penyempurnaan konsep dan regulasi jika diterapkan di Indonesia. Walaupun ia belum dibahas oleh ulama terdahulu, mayoritas para ulama kontemporer mewajibkannya. Hanya saja, bagaimana ia menjadi menjadi wajib, apa kriteria yang harus dipenuhi, serta bagaimana ketentuan *nisab*, *hawl*, kadar wajib, dan syarat-syaratnya, belum mendapatkan perhatian yang berarti dari para peneliti terdahulu. Ditambahkan lagi belum jelas dan tegasnya regulasi zakat badan hukum di Indonesia mengenai sanksi dan metode perhitungan zakat yang kompre-

hensif, menjadikan tulisan ini penting untuk dikemukakan. Berfokus pada zakat untuk badan hukum, tulisan ini akan menguraikan pengembangan makna *mukallaḥ*, kriteria-kriteria badan hukum yang wajib berzakat, ketentuan *nisab*, *ḥawl*, kadar wajib, dan syarat-syaratnya. Setelah menelaah sumber-sumber pustaka yang relevan, tulisan ini menunjukkan bahwa aset yang dimiliki oleh badan hukum wajib dikeluarkan zakatnya bila telah memenuhi ketentuan-ketentuan umum dan syarat-syarat yang telah ditetapkan dalam hukum Islam (*fiqh*). Adapun ketentuan *nisab*, kadar wajib dan *ḥawl*-nya disamakan dengan zakat perdagangan yaitu senilai 85-gram emas atau 600-gram perak, sedangkan kadar wajib zakatnya adalah 2,5% atau 1/40 dan wajib adanya *ḥawl* pada akhir tahun. Tulisan ini berimplikasi bahwa perlu penyempurnaan konsep dan regulasi zakat badan hukum di Indonesia dengan memadukan antara kajian-kajian *fiqh* dan mengadopsi model yang telah diterapkan oleh negara tetangga dan negara muslim lainnya.

Kata Kunci: Zakat, Badan Hukum, Konsep, Peraturan, Indonesia

Introduction

Zakat obligation for *legal entities* - associations both on a small scale such as *waqf* institutions, foundations, and organizations, as well as on a large scale in which humans are no longer visible like PT. Pertamina, PT. Kereta Api Indonesia, PT. Telkom and others¹ - have not yet obtained legitimacy in the classical *fiqh*. This shortcoming has led contemporary scholars seeking *ijtihād* in finding the right concept of zakat for *legal entities*. The majority of scholars such as Yūsuf al-Qaraḍāwī, Wahbah al-Zuhaylī, ‘Alī al-Thalūs, Muhy al-Dīn al-Asfār, ‘Abī ‘Ubayd Qāsim ibn Salām, Mustafā Aḥmad al-Zarqā’ and others require *legal entities* to pay zakat.² In Indonesia, the Indonesian

Ulema Council (MUI) at the *Ijtimā’ Ulama* of the Third Indonesian Fatwa Commission in 2009 in Padang Panjang, West Sumatra³ and in Chapter I of the General Provisions, Articles 1 and 4 of Law Number 23 of 2011 concerning Management of Zakat,⁴ also obliges it. Likewise, the International Seminar on Zakat I held on 29 Rajab 1404 H / 3 April 1984 in Kuwait also resulted in the same decision. This phenomenon has also been the case in Indonesia.

The problem is, who is responsible for paying zakat owned by *legal entities*? Can *legal entities* (legal subjects) be considered *mukallaḥ* to pay zakat? If so, there is a consequence relating to sins and rewards, and the two also relate to heaven and hell. In addition, is the zakat paid on behalf of *legal entities* and shareholders or is it given to shareholders first, before the zakat is distributed like what has been the case so far? Moreover, what are the provisions of the *nisab*, *ḥawl* and the amount of za-

¹ A A Gede D H Santosa, "Perbedaan Badan Hukum Publik Dan Badan Hukum Privat," *Jurnal Komunikasi Hukum (JKH)* 5, no. 2 (2019): 152-66; Luqman Abdullah, Muhammad Ikhlas Rosele, and Wan Marhaini Wan Ahmad, "The Concept of Legal Entity from the Islamic Law Perspectives," *Pertanika* 28, no. 4 (2020): 3207-21; Elvia Arcelia Quintana Adriano, "The Natural Person, Legal Entity or Juridical Person and Juridical Personality," *Penn State Journal of Law & International Affairs* 4, no. 1 (2015): 363-91; Kenneth Ayotte and Henry Hansmann, "A Nexus of Contracts Theory of Legal Entities," *International Review of Law and Economics* 42 (2015): 1-12.

² Said Bouheraoua, "Zakah Obligations on Islamic Financial Institutions," in Research Paper (ISRA, 2012); Aznan Hasan, "Zakat on Legal Entities

(Shakhsiyyah I'tibariyyah): A Shari'ah Analysis," *Al-Shajarah: Journal of the International Institute of Islamic Thought and Civilization (ISTAC)*, 2018, 255-82; Abdullah, Rosele, and Ahmad, "The Concept of Legal Entity from the Islamic Law Perspectives."

³ Fatwa of the Indonesian Ulema Council in the *Ijtimā' Ulama of the Third Indonesian Fatwa Commission* in 2009, in Padang Panjang.

⁴ *Law of the Republic of Indonesia Number 23 of 2011 concerning Management of Zakat*, Articles 1 and 4.

kat that must be paid, as well as the conditions related to them?

The questions above are important to answer because they are not yet studied in depth by previous researchers. Existing studies range from legal zakat procedures,⁵ the legitimacy of Islamic financial institutions as *legal entities* of zakat,⁶ corporate zakat from the perspective of Islamic Economic Law,⁷ and corporate zakat management models.⁸ Although Aznan Hasan and Luqman Abdullah et.al have reviewed the issue from the perspective of *fiqh* and offered a concept of zakat on *legal entities*, yet their study merely focuses on the istinbat of *legal entity* instead of perfecting the concept. In the Indonesian context, attention should be devoted to improvements of legal regulations, rather than debating companies' obligation to pay zakat as a result of zakat on *legal entities*.⁹

This paper discusses zakat on *legal entities* with an Indonesian context focusing on, first, how is the development of the *mukallaf* meaning when associated with *legal entities* as legal subjects of zakat? Second, what are the criteria that must be met by *legal entities* as legal subjects of zakat? Third, what are the provisions of the *nisab*, *hawl*, the mandatory level, and the conditions regarding *legal entities* as legal subjects of zakat?

Legal Subjects, *Mukallaf*, and Zakat Obligation of Legal entities

Positive law as a law that develops and is applied in Indonesia, such as civil law, explains in detail the classification of legal subjects, namely legal subjects of persons or known as *natuurlijke persoon* and *legal entities* (*recht persoon*).¹⁰

According to law, naturally everyone is a legal subject. Humans are considered to have had rights from birth to death. Even a baby in the womb can be considered a legal subject if there are matters or interests that require it. However, there are several groups that are seen as legal subjects who are "incompetent" of the law. Hence, in carrying out legal actions, they must be represented or assisted by other people, for example children who are minors, immature, or unmarried, as well as people who are on probation, namely those who are mentally ill, drunk, and wasteful.¹¹ Thus, there are groups which by law are declared "incapable" or "incompetent" to act alone in carrying out legal actions, so they must be represented or assisted by others.¹²

In addition to human beings as rights bearers, there are also bodies (groups of people) that are given the status of *persoon* by law who have rights and obligations like humans or commonly referred to as *legal entities*. *Legal entities* are association bodies, namely people (*persoon*) that are created by law. *Legal entities* as legal subjects can act legally (do legal actions) like humans. Thus, a *legal entity* as a right bearer and soulless body can act as a carrier of human rights such as making agreements and possessing assets that are complete-

5 Imam Mustofa, "Pelaksanaan Zakat Badan Hukum," *AKADEMIKA: Jurnal Pemikiran Islam* 20, no. 2 (2015): 295-322.

6 Imam Mustofa, "Zakat Lembaga Keuangan Syariah Sebagai Badan Hukum," *Millah: Jurnal Studi Agama* 14, no. 1 (2014): 171-200.

7 A Chairul Hadi, "Corporate Social Responsibility Dan Zakat Perusahaan Dalam Perspektif Hukum Ekonomi Islam," *AHKAM: Jurnal Ilmu Syariah* 16, no. 2 (2016): 229-40.

8 Syamsuri Rahim, "Model Pengelolaan Zakat Perusahaan," *Jurnal Akuntansi Multiparadigma* 8, no. 1 (2017): 200-215.

9 Tun Abdul Hamid Mohamad, "Obligation of Companies to Pay Zakat: Issues Arising from Effects of Separate Legal Entity," *The Law Review*, 2012, 481-98.

10 CST. Kansil, *Pengantar Ilmu Hukum dan Tata Hukum Indonesia* (Jakarta: Balai Pustaka, 1989), p. 117; Dyah Hapsari Prananingrum, "Telaah Terhadap Esensi Subjek Hukum: Manusia Dan Badan Hukum," *Refleksi Hukum: Jurnal Ilmu Hukum* 8, no. 1 (2014): 73-92.

11 Titik Triwulan Tutik, *Hukum Perdata dalam Sistem Hukum Nasional* (Jakarta: Kencana, 2008), p. 44.

12 CST. Kansil, *Pengantar Ilmu Hukum dan Tata Hukum Indonesia*, p. 118.

ly independent of the assets of its members. The difference from humans is that *legal entities* cannot marry or be imprisoned, and they can only be fined.¹³

In Islamic law, a subject of law is not only about rights and obligations, or the relationship between people, but also about obedience and disobedience of a servant to the Creator of the Law, namely Allah. Obedience and disobedience of a servant are related to rewards and sins, in the sense that people who obey the Creator of the Law will be given rewards, and people who deny Him will be rewarded in the form of sin. Likewise, people who get rewards will be placed in heaven while those sinful will go to hell.

Therefore, *fiqh* scholars have difficulty in determining *legal entities* as legal subjects. Thus, in Islamic law there are no rules regarding the legality of *legal entities* as legal subjects, but *legal entities* have been widely used in the Islamic economic system due to the rapid development of community economic activities, which results in economic actors being in need of institutions capable of managing their assets (money). This has resulted in financial institutions¹⁴ and scholars looking for arguments relating to *legal entities* as legal subjects, in particular on the implementation of zakat obligations. Although today's contemporary scholars have not yet reached a consensus on zakat on *legal entities*, some of them have tried to make regulations regarding the mechanism of *legal entities* as legal subjects of zakat based on their individual *ijtihad*. There are also those who conduct studies on Islamic law through seminars on *legal entities* as subjects of the zakat law such as the International Zakat Seminar by

Islamic economists and contemporary scholars on 29 Rajab 1404 H / 3 April 1984 in Kuwait,¹⁵ the Seminar of the Islamic *fiqh* Committee which is located under the auspices of the Organization of the Islamic Conference (OIC) in Jeddah,¹⁶ and the Fatwa of the Indonesian Ulema Council in the *Ijtima* 'Ulama of the Third Indonesian Fatwa Commission of 2009 in Padang Panjang, West Sumatra.¹⁷ These efforts have outlined that *legal entities* that have fulfilled the compulsory requirements for zakat are obliged to issue zakat, either as *shakhsīyyah i' tibāriyyah* or as a substitute (*wākil*) of shareholders.

In addition, contemporary scholars also studied zakat on *legal entities* in the following ways: first, analogizing (*qiyās*) *legal entities* to business unions (*shirkah*) discussed in classical *fiqh* books. Although there are still obvious similarities and differences, at least the issue has been elaborated in classical *fiqh* books, as follows:

In conducting economic transactions an association or cooperation must fulfill the terms and conditions stipulated in the respective body (*shirkah*). The pillars of *shirkah* in general are shighat (*ijab and qabul*), the party conducting the transactions (*shahibul mal and rabbul mal*),¹⁸ and the object of the contract (project / business).¹⁹ As for the conditions that must be met in general are the ability of a person to do or not to take legal actions in the category of

13 John A Bottega and Linda F Powell, "Creating a Linchpin for Financial Data: Toward a Universal Legal Entity Identifier," *Journal of Economics and Business* 64, no. 1 (2012): 105-15; Ka Kei Chan and Alistair Milne, "The Global Legal Entity Identifier System: How Can It Deliver?" *Journal of Risk and Financial Management* 12, no. 1 (2019): 1-29.

14 M. Nur Rianto al-Arif, *Lembaga Keuangan Syariah* (Bandung: Pustaka Setia, 2012), p. 79.

15 Results of the *International Seminar on Zakat I*, held on 29 Rajab 1404 H / 3 April 1984, in Kuwait.

16 Results of the Seminar on the Islamic Jurisprudence Committee under the auspices of the Organization of the Islamic Conference (OIC) in Jeddah.

17 Fatwa of the Indonesian Ulema Council in the *Ijtima* 'Ulama of the *Third Indonesia Fatwa Commission of 2009* in Padang Panjang, West Sumatra.

18 *Shāhib al-māl* is a property owner (capital) while *rabb al-māl* is a person who manages the property (capital)/*nazir*. These two terms are used by Imam al-Shafi'i especially in the discussion of zakat. See *Muḥammad ibn Idrīs al-Shāfi'ī, al-Umm*, Vol. II (Beirut: Dār al-Fikr, 1983), p. 38.

19 Sayyid Sābiq, *Fiqh al-Sunnah*, Vol. III (Kuwait: Dar el-Bayan, 1968), p. 294.

Ahliyat al-adā' and *Ahliyat al-wujūb*. *Ijab-qabul* aims to tie oneself into a partnership between one party and another, based on the willingness and freedom of each party. Meanwhile, the object of the contract is in accordance with the forms of *shirkah*, regarding a certain aspect which must fulfill tangible and clear matters.

Apart from the conditions in line with the pillars above, there are also general terms of *shirkah* such as mutual representation, clarity on profit distribution, and profits are determined in percentages.²⁰

In addition, the initial concept of *shirkah* forms already in existence in classical *fiqh* books cannot be understood separately from today's development of *shirkah* (contemporary), because it is the complexity of *shirkah* that has been developed by scholars from different schools of thought (*mazhab*), as explained by Wahbah al-Zuhayli that *shirkah amwāl* occurs because of the participation of assets that are mixed for business capital. *Shirkah 'abdan* occurs because of a "unification" of skills to process goods, so it has added value while *shirkah wujūh* occurs due to business credibility of two or more *shārik* without including capital.²¹ It also links *legal entities* as a contemporary *shirkah* with pre-existing *shirkah*.²² This is because the similarities in characteristics between *legal entities* and *shirkah* known to Muslims so far are very much noticeable. It can even be argued that the current form of *legal entities* is a legal development of the *shirkah* itself, because what applies to *shirkah* also applies to *legal entities*. Thus, as for *qiyās*²³, although in classical *fiqh* books there is no theory about the legality of *legal entities* engaging in transactional relationships, there are legal loopholes available in the *shirkah* theory and the legal requirements of contract. Neverthe-

less, analogy (*qiyās*) between the theory of *shirkah* and *legal entities* as legal subjects (*maḥkūm 'alayh*) is still not accurate, because in *shirkah*, the human aspect is still visible, or the person is still intact. In *legal entities*, on the other hand, the person is no longer visible, or the *legal entity* is lifeless. Therefore, the use of analogy (*qiyās*) for this case is improper or invalid, or does not meet *qiyās* conditions (*qiyās ma'a al-fāriq*).

Second, analogizing (*qiyās*) to skills, the matter of debate is related to the obligation to pay zakat which is on the provisions of whether children and mentally ill individuals are obliged to pay zakat on their assets. This debate arose because of differences in understanding the concept of *taklīf* (legal burden). Children and individuals with mental disorders are not burdened with *taklīf*. They are considered having no perfect *ahliyat al-adā'*. The obligation to carry out Allah's orders, including zakat, is only borne by those who have perfect *ahliyat al-adā'*, namely *mukallaf* (people who are pubescent and sane).

As for the requirements that must be fulfilled so that a person is considered a believer is to be able to understand arguments of the law by himself, or by means of other people, and that person is competent for what is imposed on him. "Competency" here means appropriateness that exists in a person. Parties engaged in a contract must meet the two conditions above, while other parties who are not subject to law (*maḥkūm 'alayh*) such as insane people or children have no right or are restricted in carrying out economic transactions.

By analogizing (*qiyās*) between *legal entities* as legal subjects (*maḥkūm alaihi*) with the obligation to pay zakat on assets of children and insane individuals is still not right and there is a clear difference between the two, because children and insane individuals are still humans in general, or the identity of the people is still visible. In contrast, *legal entities* are not a group of people who do not know each other, whose human appearance is no longer visible.

20 Rachmat Syafe'i, *Fiqh Muamalah* (Bandung: Pustaka Setia, 2001), p. 194; see also Sayyid Sābiq, *Fiqh al-Sunnah*, Vol. III, p. 295.

21 Wahbah al-Zuhayli, *al-Fiqh al-Islāmī wa Adillatuhu*, Vol. V (*Damshik: Dār al-Fikr*, 1989), p. 515.

22 Ibid.

23 Rachmat Syafe'i, *Fiqh Muamalah*, pp. 119-124.

Hence, the use of analogy (*qiyās*) in this case is not correct or *qiyās* of aṣl and far' are different (*qiyās ma'a al-fāriq*), so they cannot be analogized (*qiyās*).

From the two opinions of *fiqh* scholars obtained through *ijtihad*, namely by the analogy method (*qiyās*) of *legal entities* above, contemporary scholars have not reached a point of agreement in terms of determining *legal entities* as legal subjects of zakat. Even so, *legal entities* can only be regarded as legal subjects (*maḥkūm 'alayh*) if there are considerable benefits²⁴ for Muslims in general. Among them, in terms of transfer of assets (wealth) and economically *legal entities* can generate profits that can help financially weak people become wealthy. The same goes for legal income for *bayt al-māl* from the zakat sector.

Assets Subject to Zakat

Zakat is *'ibādah māliyyah* and *ijtimā'iyyah*, which is worship in the form of assets that have social and humanitarian dimensions able to develop in accordance with the progress of mankind. Zakat is also one of the pillars of Islam which is vital for the welfare of Muslims. This can be seen in an active role of zakat in the economy from the time of the Prophet to present, because zakat is a levy that triggers economic activities creating certain influences on it.²⁵

It is on this basis that contemporary scholars engage in *ijtihad* to oblige zakat on *legal entities* (companies) owned by Muslims. This

kind of zakat obligation is only aimed at *legal entities* (companies) that are owned (at least in majority) by Muslims.²⁶

Thus, both in *fiqh* law and legal regulations in Indonesia, *legal entities* that have met the requirements are obliged to issue zakat, in addition to individual zakat of the directors, commissioners and employees. However, it must be admitted that the obligation of zakat for *legal entities* is seen as *shakhṣiyyah ḥukmiyyah*, and there are differences (*khilāfiyyah*) among contemporary scholars.

Assets owned by *legal entities* (companies) are subject to zakat due to companies being a *legal entity* (recht person) or considered as a person. Therefore, there are transactions between individuals in the forms of borrowing, selling, dealing with outsiders, and establishing cooperation. All obligations and the end results are enjoyed together, including obligations to Allah in the form of zakat.

Shareholders are part of a company's owners who delegate activities to management to run a company, and profits and losses of a *legal entity* (company) are shared by shareholders. The advantages and disadvantages of a *legal entity* (company) can be known at the General Meeting of Shareholders (GMS), at which time zakat is required.

Provisions regarding forms of zakat on *legal entities'* assets are included in the category of zakat on assets (*māl*), excluding *infaq*, *alms*, or zakat fitrah because zakat fitrah is worship related to people who fast, a way to clean oneself in addition to obligations associated with individuals.

Zakat obligation on *legal entities'* assets can be analogized (*qiyās*) or equated with zakat on trade / commercial assets, because it is seen as a legal and economic aspect of *legal entities'* activities which is basically based trading activities, then the calculation of *nisab* and other

24 See al-Shāṭibī, al-Muwāfaqāt fi Uṣūl al-Sharī'ah, Vol. II (Beirut: Dār al-Fikr, n.d), pp. 364-367; see also Wahbah al-Zuhaylī, Uṣūl al-Fiqh al-Islāmī, Vol. II (Beirut: Dār al-Fikr, 1986), p. 223; al-Ghazālī, Shifā' al-Ghalīl fi Bayān al-Shabah wa al-Mukhīl wa Masālik al-Ta'līl, Vol. I (Baghdad: Maṭba'at al-Irshād, 1971), p. 537; 'Abd Wahhāb Khallāf, Uṣūl al-Fiqh, (Cairo: al-Ḥaramain li al-Nashr wa Tawzī', 1325 H/ 2004), pp. 86-88.

25 Euis Amalia, Keadilan Distributif dalam Ekonomi Islam, Penguatan Peran LKM dan UKM di Indonesia (Jakarta: PT Raja Grafindo Persada, 2009), p. 118-119.

26 See Ismail Nawawi, Zakat dalam Perspektif Fiqh, Sosial dan Ekonomi (Surabaya: Putra Media Nusantara, 2011), p. 263.

requirements, also refers to the zakat on trade which according to the law of *fiqh* is equal to 85 grams of gold or 600 grams of silver.²⁷ Meanwhile, according to Bazda of Jambi Province, it is worth 92 grams of pure gold, and the level of zakat levied is 2.5%. The same calculation also applies to current assets consisting of banknotes, money saved in banks, and bonds.²⁸

This is also stated in the Law of the Republic of Indonesia Number 23 of 2011 concerning the management of zakat in article 1 paragraph (2) which states: "Zakat is an asset that must be issued by a Muslim or a business entity to be distributed to those entitled to receive it in accordance with Islamic law". Article 1 paragraph (5) also states that: "*Mudhakkī* is a Muslim or business entity that is obliged to pay zakat".²⁹

Meanwhile, Article 3 of this Law also states that: "Zakat *māl* as referred to in paragraph (2) is an asset possessed by an individual *mudhakkī* or a business entity.³⁰ Furthermore, Article 4 paragraph (2) also states: "Zakat *māl* referred to in paragraph 1 include: a) gold, silver, and other precious metals; b) money and other securities; c) commerce; d) agriculture, plantation and forestry; e) livestock and fisheries; f) mining; g) industry; h) income and services; and i) *rikāz*."³¹

Criteria, Nisab Provisions, Mandatory Percentages, and Hawl

In Islamic law, it is stated that the essence of cooperation is an existence of agreement made by two or more people in terms of trade or others. This agreement makes it possible to take legal action against the association's assets and is entitled to benefit in accordance with the agreed terms.

These forms of cooperation exist in *legal entities*, both from the side of capital holders and the people involved in the management and profit-sharing sectors, which is clearly determined at the time a transaction is done and in general it has been explicitly stated in the Articles of Association (AD) and Bylaws (ART) of a *legal entity* or in the deed of agreement between the parties.

Commercial or trade assets (capital) consist of various types, including:

First, in the form of goods in circulation (*manqūl*) such as cars, tractors, various machines, goods sold such as food, clothing and others.

Second, in the form of goods that are not in circulation or static (*'iqar*) such as offices, cars used for work, tools such as writing machines, calculating machines and various other kinds of equipment that have monetary value.

Third, in the form of immovable objects (*thawābit*) such as office buildings, stores and marketing places, vacant land and others.

Fourth, in the form of various kinds of receivables such as receivables whose purchases are paid in instalments over several years, receivables whose repayment has been determined at a certain time and there are also receivables which according to the accounting are called "dead receivables" (*al-dayn al-mayyit*). In addition, there are also various

27 The nisab by the gold standard = 1 dinar = 4.25 grams of gold, then 20 dinars x 4.25 grams of gold = 85 grams. The nisab by the silver standard = 200 dirhams, 1 dirham = 2,975 grams of silver, (1 dinar = 10 dirhams), then 20 dinars = 20 x 10 = 200 dirhams, see: Yūsuf al-Qarāḍāwī, *Fiqh al-Zakah* (Egypt: Dār al- Fikr, 1997), p. 260; see also Muḥammad al-Shawkānī, *Nayl al-Auṭār*, Vol. IV (Beirut: Dār al-Fikr, 1973), p. 156.

28 Anonymous, *Panduan Praktis Amil Zakat* (Jambi: Bazda Provinsi Jambi, 2000), p. 10.

29 Law Number 23 of 2011 concerning Zakat Management, Article 1, paragraphs (2 and 5).

30 Law Number 23 of 2011 concerning Zakat Management Article 4 paragraph (3).

31 Law Number 23 of 2011 concerning Zakat Management Article 4 paragraph (2).

kinds of goods that are in the hands of trade representative agencies.³²

In Indonesia, the forms and types of private *legal entities* can generally be classified into two, namely *legal entities* engaged in profitable business, such as limited liability companies (PT), state companies, regional companies, cooperatives, public companies (perum), Persero, and so on. *Legal entities* engaged in business and making profits can be subject to the obligation to issue zakat. There are also *legal entities* that are not engaged in business and do not make profits, such as foundations, community organizations (ormas), political parties (parpol), the Indonesian *Waqf* Board (BWI), the Indonesian Mosque Council (DMI), the National Amil Zakat Agency (BAZNAS) and so on. *Legal entities* not engaged in the business sector and do not make profits cannot be subject to the obligation to issue zakat. The provisions concerning the types of businesses that are subject to compulsory zakat on *legal entities* are shares in the form of trading commodities, because shares are certificates of ownership on part of a *legal entity* (company), or securities that represent the ownership of a person or a *legal entity*. Shares are issued by go-public *legal entities* (companies) such as Limited Liability Companies (PT).

Ownership of a *legal entity* (company) can be in the form of ownership of assets or commodities sold by a *legal entity* (company). The value of shares will always follow the *legal entity's* development that if a *legal entity* runs smoothly, and books profits, then the value of its shares will continue to rise and become more expensive. On the other hand, if the *legal entity* is in a dire financial condition, with profits plunging, then the value of its shares may decrease and continue to drop, making them less valuable than the figures stated on the share certificate. Thus, it can be understood that a share certificate can have three types of

prices, namely: the price based on the value stated on a share certificate or the value at the beginning of the certificate issuance, the price based on company's real assets, and the share price applied in the stock market (secondary market).³³

Stock prices can be influenced by many factors, such as supply and demand, speculation, and so on. If this is the case, then one must pay attention to the difference in the value of shares, because there are two more things that should be considered in the shares, namely: first, the purpose of share ownership. In general, shareholders can be classified into two major groups: shareholders who aim is to obtain dividends from the company concerned, and do not wish to trade their shares; Shareholders whose purpose is to benefit from the difference between the purchase price and the selling price (capital gain) generated by supply and demand activities in the secondary market.³⁴ The second type is *legal entities* that issue share certificates. Judging from the type of business, various companies in the community can be classified into three major groups, namely: 1). Companies engaged in services, such as transportation service companies (land, sea and air), hospitals, hotels, advertising agencies, and the like; 2. Industrial companies, namely companies engaged in the production of goods and subsequently selling their products to the public, such as livestock, plantations, mining and others; 3). Companies engaged in commerce, namely those that purchase goods and then sell them, such as export and import companies, retail companies and others.³⁵

32 Yūsuf al-Qaraḍāwī, Hadyā al-Islām: *Fatwa Mu'āṣirah*, trans. al-Hamid al-Husaini (Bandung: Pustaka Hidayah, 2000), p. 367.

33 Nasrun Haroen, *Perdagangan Saham di Bursa Efek Menurut Hukum Islam* (Padang: IAIN IB Press, 1999), pp. 63-92.

34 Ibid., pp. 63-92; also, see: Yūsuf al-Qaraḍāwī, *Fiqh al-Zakah*, pp. 215-220. Wahbah al-Zuhaylī, *al-Fiqh al-Islāmī wa Adillatuhu*, pp. 785-790.

35 Abdullah Dirsyawi, Abdullah Ismail, dan Muhammad Dirsyawi, *Dirāsāt Iqtisādiyyah Islāmiyah*, Vol. XVII (Riyād: tp, tt), p. 35-52; see also Yūsuf al-Qaraḍāwī,

If one already knows these three things, then what should be considered before paying zakat is the status of a *legal entity*. For more details as follows:

If one has shares to trade and get capital gains, he is obliged to pay zakat on all his shares based on the price applied in the stock market when he is to pay zakat, regardless of the company type that issued it. Meanwhile, if one has shares to acquire dividends from a *legal entity* that issues the shares, it is necessary to pay attention to the type of *legal entity* (company) as follows:

First, if a company whose shares are partially engaged in services only, then the zakat obligatory is on the dividends or profit only, once it has reached the *nisab* and *hawl*. Because the funds are in the form of movable or immovable assets, for example buildings, planes, equipment, boats, vehicles, equipment, facilities and other infrastructure. And scholars have agreed, these things, if they are not traded, are not required for zakat.

Second, if a company engages in pure trading, which carries out sale and purchase transactions of goods without processing them, such as companies that sell industrial products, international trading companies, export-import companies, and others, then the company's shares required for zakat are the entire value of the shares deducted by the price of the assets owned by the company, in addition to zakat on the profits earned.

Third, if a company engages in industry and trading / commercial business, processing a commodity and reselling its end products, such as Oil and Gas companies, furniture processing companies, marble and so on, then all shares owned are required for zakat.³⁶

Based on the above description and analysis, in issuing zakat, scholars agree that it must comply with *nisab* and *hawl* provisions. *Nisab*

means a certain size or amount of assets subject to compulsory zakat.³⁷ Meanwhile, *hawl*³⁸ is the stipulation of ownership period for one full year. The provisions regarding *hawl* as referred to herein are that *hawl* is fully focused on material or assets of *legal entities*.

The minimum limit for each type of property subject to obligatory zakat has been clearly and firmly established through the words of Allah and the *Hadith* of the Prophet Muhammad and has been formulated by the jurists in their books of *fiqh*.

The discussion on *nisab* provisions seems to be more focused on materials or assets of *legal entities* in terms of assets possessed, not on the side of the property owner. The consequence is that every property that has met the compulsory criteria for zakat, that is, has reached the *nisab* and the owner is an independent Muslim, zakat must be issued without exception, whether owned by an individual or a *legal entity*.

A *legal entity* with assets and capital operating productively in business or an activity that will gain a profit, known as the remaining business results (SHU), is a development of the *legal entity's* assets.

Assets of a *legal entity* are usually in the form of goods and money deposited or kept in the bank, receivables which are usually also valued in money. The technique of determining the *nisab* of assets owned by a *legal entity* is adjusted to the wealth possessed by the *legal entity* itself. Every *legal entity* has at least three kinds of assets. First are goods, such as facilities, infrastructure, and trading commodities. Second, assets in the form of cash, which are usually kept in a bank. Third, assets in the form of receivables. *Legal entity's* assets required for zakat are the three types of wealth,

37 Yūsuf al-Qaradāwī, *Fiqh al-Zakah*, p. 260; see also Muḥammad al-Shawkānī, *Nayl al-Auṭār*, Vol. IV, p. 156.

38 Results of the *International Seminar on Zakat I*, held on 29 Rajab 1404 H / 3 April 1984 in Kuwait.

Fiqh al-Zakah, pp. 215-220; Wahbah al-Zuhaylī, *al-Fiqh al-Islāmī wa Adillatuhu*, pp. 785-790.

36 Ibid.

excluding assets in the form of facilities and infrastructure and other urgent obligations, such as debts that are due or that must be paid immediately.³⁹

The *nisab* provisions concerning zakat on *legal entities* are analogized to (*qiyās*) or equated with zakat on trade / commercial assets, because they are viewed as legal and economic aspects of *legal entities*' activities which are basically based on trading. *Nisab* and other terms, also refer to zakat on trade which according to *fiqh* law is equal to 85 grams of gold or 600 grams of silver.⁴⁰

In property there are other people's rights or public interest to support life. Wealth can also be interpreted as an asset, which is an item or property owned by an individual or a *legal entity* that has a financial value.⁴¹ This is because a *legal entity* requires supporting facilities to develop its business.

Determining the mandatory level (percentage) of zakat required for a *legal entity* has to take into account important matters such as a *legal entity* engaged in agriculture, which its level is adjusted to zakat on plants watered not by human labor, namely 10% of income, not from the equipment or capital. The zakat is taken from the net proceeds after the cost of goods is issued. The basic consideration expressed in this percentage is the analogy (*qiyās*) between industrial tools and land. While land will have no damage, period of destruction and exploitation, machines and industrial tools have limited endurance, are bound to damage, have a period of destruction and experience quality loss every year. Thus, the costs of annual damage or depreciation of

10% must be issued before zakat is taken out of the net proceeds.⁴²

Zakat obligatory level on shares of *legal entities* and industries is 2.5% or 1/40 (in accordance with (*tijarah*) zakat) taken from the profit of each share, or taken from the total share prices and profits booked by a *legal entity* in a year. If the shares are not trading shares, they are equated with savings, whose zakat is on the share price that reaches the *nisab*.⁴³

As for the absolute rate or compulsory level of zakat that must be paid by a community, Rasulullah said that it is determined by the severity or lightness of injustice and economic hurdles that are being faced. In accordance with this primary or strategic principle, Rasulullah SAW set the obligatory level of zakat as a secondary rule of between 2.5% and 10%.⁴⁴

The *nisab* provisions of zakat on *legal entities* engaged in plantations and agriculture other than staple foods such as pineapples, durians, apples, palm fruits, cloves, chocolate, coffee, copra, tea, watermelons, and other vegetables and spices are the same as the *nisab* of trading assets (*tijarah*), that is, the zakat is the on the price, after being sold.⁴⁵

Likewise, agricultural products based on their types belong to crops and based on the nature of their zakat obligations belong to zakat on trade (*tijarah*). Therefore, if one generates income from plantations and agriculture worth 85 grams of pure gold, then 2.5% of zakat has to be paid, and *ḥawl* is mandatory.⁴⁶

Likewise, the zakat ratio for *legal entities* engaging in fisheries and livestock other than

39 Didin Hafidhuddin, *Zakat Dalam Perekonomian Modern* (Jakarta: Gema Insani, 2002), p. 102.

40 Yūsuf al-Qaraḍāwī, *Fiqh al-Zakah*, p. 260; see also: Muḥammad al-Shawkānī, *Nayl al-Awtār*, Vol. IV, p. 156.

41 Damos O.V.Y Sihombing, *Kamus Lengkap Ekonomi* (Jakarta: Erlangga, 1994), p. 22.

42 Didin Hafidhuddin, *Zakat Dalam Perekonomian Modern*, p. 104.

43 See Yūsuf al-Qaraḍāwī, *Fiqh al-Zakāh* p. 260; see also Wahbah al-Zuhaylī, *al-Fiqh al-Islāmī wa Adillatuhu*, p. 785-790.

44 'Ādil Rashād Ghanīm, *Dalīl al-Zakāh* (Cairo: Dār al-Mujtama' Li al-Nashr wa al-Tawzī', n.d), p. 11.

45 Sa'īd al-Qaṭṭānī, *al-Zakāh fī al-Islām* (t.tp: tp, th), pp. 87-88.

46 Ibid.

camels, cows and goats, such as chickens, ducks, ornamental fish, birds and so on, is 85 grams of pure gold. Meanwhile, the *nisab* for industrial companies such as textiles, the shoe industry, the cracker industry, and furniture are worth 85 grams of gold.⁴⁷

Zakat distribution time for *legal entities* engaged in plantations, agriculture, animal husbandry is required for *Hawl* (up to 1 *hijriyah* year), if the products of plantation or fishery or chicken farms are sold with the results reaching the *nisab* or because they are gradually sold not all at once, if the amount of revenue has reached the *nisab*, it is obligatory to pay zakat continuously, and it is obligatory to wait for one year.⁴⁸

Based on the explanation on the criteria of business results that must be met by *legal entities* above, the *nisab* provisions, the obligatory level of zakat and *hawl* imposed on each *legal entity* vary according to its form and business activity in the economic sector of a *legal entity* located in Indonesia in general. Here the author analyzes each form of *legal entities* in terms of management (business fields):

1. Legal Entities Operating in The Industrial Sector

Legal entities operating in industry are companies whose business activities are to seek and process raw materials into semi-finished or finished goods as well as procure resources and assets or types of industrial companies and trade / commerce businesses, meaning that they process commodities and resell the products. Examples of these *legal entities* : Home Industry Thinner, companies that make bread, sugar, flour (PT Bogasari), rattan handicrafts, craftsmen, furniture processing companies, fishing companies (PT Botan Sari), agriculture / timber businesses (PT Nan Sari), canned food companies (PT Inter Sukses Jasindo), medical companies (PT Takeda In-

donesia), motorized vehicle ventures (PT. As-tra Motor), recording and film companies (PT Nusa Indah), printing companies (PT Tiga Se-rangkai) publishing companies (PT Thaha Pu-tra), and others.

Shares of *legal entities* required for zakat are the entire value of the shares deducted by the price of the assets owned by a *legal entity*, in addition to zakat from the profits earned. The calculation of *nisab* and other requirements also refers to zakat on trade which according to the law of *fiqh* is equal to 85 grams of gold or 600 grams of silver, its compulsory level of zakat is 2.5% (1/40), and *hawl* is mandatory.

2. Legal Entities Operating in Commerce (Trade)

Legal entities operating in pure commerce are companies whose business activities are to buy and sell goods without changing their forms or to buy and sell movable and immovable products without processing them for profit. Examples of such *legal entities*: Hyper-mart, retail stores, department stores, super-markets, export and import companies, international trading companies, Jakarta stock exchange, the Sederhana restoran, convenience stores, state enterprises, foreign exchange, co-operative department stores and others.

The shares of such *legal entities* required for zakat are their entire value deducted by the price of the assets owned by the *legal entities*, in addition to zakat on the profits earned. The calculation of *nisab* and other requirements refers to zakat on trade which according to the *fiqh* law is equal to 85 grams of gold or 600 grams of silver, the compulsory level of zakat is 2.5% (1/40), and *hawl* is mandatory.

3. Legal Entities Operating in Agriculture

Legal entities operating in agriculture are companies whose field of business is cultivating lands as their primary production, for example: agriculture in Cilegon, plantations (PT Perkebunan Sawit Nusantara), inland fisheries, and others.

⁴⁷ Ibid.

⁴⁸ Ibid.

The shares of such *legal entities* required for zakat are their entire value deducted by the price of the assets owned by the *legal entities*, in addition to zakat on the profits earned. The calculation of *nisab* and other requirements refers to zakat on trade which according to the *fiqh* law is equal to 85 grams of gold or 600 grams of silver, the compulsory level of zakat is 2.5% (1/40), and *hawl* is mandatory.

4. Legal Entities Operating in the Extractive/ Land Sector

Legal entities operating in the extractive / land sector are companies that obtain materials from nature, for example: coal mining companies (PT. Fajar Bumi Sakti, PT. Adaro Energy Tbk, PT. Indo Tambang Raya Megah, PT. Tambang Batu Coal Bukit Asam Tbk, PT. Harum Energy Tbk, PT Semen Padang, PT Semen Gresik), Oil and Gas exploration and drilling companies (PT. Medco energy International Tbk, PT. Energy Mega Persada Tbk., PT Pertamina), gold mining companies (PT. Aneka Tambang (Antam Persero) Tbk, PT Nusa Halmahera Minerals, PT Grasberg Papua, PT BSI (Bumi Suksesi Indo), PT Agincourt Resources, PT Gosowong Halmahera), silver mining companies (PT Freeport in Tembagapura, Papua), tin mining companies (PT. Timah (Persero) Tbk), nickel mining companies (PT. Vale Indonesia Tbk), marble mining companies, platinum mining companies, balerang mining companies, iron mining companies, copper mining companies and others.

The shares of such *legal entities* required for zakat are their entire value deducted by the price of the assets owned by the *legal entities*, in addition to zakat on the profits earned. The calculation of *nisab* and other requirements refers to zakat on mining products (*ma'din*) which according to *fiqh* law is 20 *mitsqal* for gold and 200 dirhams for silver, the obligatory level of zakat is 2.5% (1/40), and *hawl* is mandatory.

5. Legal Entities Operating in Services

Legal entities operating in services are companies whose activities are to provide services to other people in exchange for compensation. Examples of these *legal entities* : land transportation services (PT. Famili Raya, PT. Antar Lintas Sumatera, PT NPM), air transportation services (PT Garuda Indonesia, PT Lion Air, PT Sriwijaya Air, PT Air Asia), sea transportation services (PT Marindo, PT Marina), beauty salon services, haircut services, banking services (Bank Indonesia, Bank Negara Indonesia, Bank Rakyat Indonesia, Bank Mandiri, Bank Central Asia, Bank Mega, Bank Permata, Bank Danamon, Bank Nagari, Sharia Financial Institutions, Pegadaian), travel agencies (PT Mak-tour), consulting bureaus (law, education), courier ventures (PT Pos Indonesia), workshops (PT AHAS), savings and loan cooperatives, vehicle rental companies (PT Ratu Intan, PT Top), vehicle financial services (PT BFI, PT Sinar Mas, PT Adira) and others.

Shares (funds) are manifested in the form of movable or immovable assets, for example buildings, aircrafts, equipment, boats, vehicles, facilities and other infrastructures. Scholars have agreed that these kinds of items, if not traded, are not required for zakat. A *legal entity* whose shares are partly engaged in services only, then what is required for zakat is the dividends or profit only. The calculation of *nisab* and other terms refers to zakat on trade which according to the law of *fiqh* is 85 grams of gold or 600 grams of silver, the obligatory percentage of zakat is 2.5% (1/40), and *hawl* is mandatory.

Methods of Calculating *Nisab*

After the author observes and analyzes the above views, in calculating its zakat, every *legal entity* should pay attention to capital (shares) and net income after deducting the share of capital (shares) and profit for non-Muslim owners. This provision is basically identical to the individual zakat, because the

legal subjects of zakat (*mudhakkī*) are shareholders and the object of zakat is income (dividends) of Muslim shareholders.⁴⁹ The effectiveness of zakat on *legal entities* to increase the accumulation of national zakat has been impactful in some Muslim countries such as Malaysia, Bahrain and Pakistan, countries that have regulated zakat obligations for *legal entities* (companies), especially the *syari'ah* banking.

In determining when a *legal entity's* assets are subject to zakat from its business results, some requirements set in *fiqh* must be met. *fiqh* scholars stated that zakat calculation for companies still has difficulties due to differences in calculation formats and financial statement elements that are different from the current standard format of *fiqh*. The differences are, for example, in calculating profit, costs, fixed assets, and so on.

The Zakat calculation pattern of *legal entities* is the same as that of zakat on trade, which refers to the opinion of Abū 'Ubayd in *Kitāb al-Amwāl*. In practice, the calculation method is based on financial statements (balance sheet) by deducting liabilities on current assets, namely all assets (excluding facilities and infrastructure) plus profits, deducted by debt payments and other liabilities. 2.5% of zakat on *legal entities* is then paid.⁵⁰

Meanwhile, Yūsuf al-Qaradāwī himself has a slightly different opinion from the above views. He argues that if a *legal entity's* shares are in the form of goods or equipment such as production machines, buildings, transports, etc., then the shares of the company are not subject to zakat. Zakat is only imposed on the net results or profits obtained by *legal entities* (companies), with a zakat percentage of 2.5

percent. This law also applies to assets of *legal entities* (companies) that are owned by individuals. If a *legal entity's* shares are traded commodities (listed on the stock exchange), zakat can be imposed on shares and profits at the same time, because it is analogous to *'urūd tijārah* (trading commodities). The amount of zakat is 2.5 percent. This also applies to similar assets (other securities) that are owned by individuals. This latter opinion, as expressed by Yusuf Qaradawi, seems easier in its application. For shares in the form of tools or goods, the zakat is on the profits earned and not on the value of the shares themselves.⁵¹

As a follow-up to Law Number 23 of 2011 concerning zakat management, the Ministry of Religion of the Republic of Indonesia has prepared a Regulation of the Minister of Religion (PMA) Number 52 of 2014 concerning Terms and Procedures for Calculating Zakat which regulates the procedures for calculating zakat, including company zakat. In the Regulation of the Minister of Religion (PMA) Number 52 of 2014 concerning the Terms and Procedures for Calculating Zakat, company zakat is distinguished from commercial (business) zakat. The excerpt of the regulation are as follows:

Nisab and zakat ratio of a company is the company's *nisab* that is equal to the *nisab* of gold, and the *nisab* of zakat on the company is 2.5% per year.

The method of calculating company zakat is by determining and assessing assets subject to zakat according to shariah, determining and assessing liabilities that reduce assets subject to zakat, and calculating the value of zakat with predetermined percentages.

The *nisab* of commerce is the same as that of zakat on gold. The percentage is 2.5% every year. The calculation method is by estimating the price from the beginning to the end of the year (one year) to calculate the *nishab* and de-

49 Yūsuf al-Qaradāwī, *Fiqh al-Zakāh*, pp. 262-267.

50 'Abū 'Ubayd Qāsim ibn Salām, *Kitāb al-Amwāl* (Cairo: Dār al-Fikr, 1975), pp. 19-25; see also Shaikh Muḥammad ibn Šāliḥ al-'Uthaimin, *Fatwa Tentang Zakat Perusahaan (Zakah al-Muassasah)*, trans. Muhammad Iqbal Ghazali (Ttp: Islam House, 2009/1430), p. 2.

51 Yūsuf al-Qaradāwī, *Fiqh al-Zakāh*, pp. 215-220; see also Wahbah al-Zuhayli, *al-Fiqh al-Islāmī wa Adillatu-hu*, pp. 785-790.

termine the value of zakat at a predetermined level.⁵²

In article 675 paragraphs (1) and (2) of the Compilation of Sharia Economic Law (KHES) clearly states that:

- a. Zakat is assets that must be prepared by a Muslim or an institution owned by a Muslim to be distributed to those entitled to receive it.
- b. *Mudhakkī* is a person or an institution owned by Muslims obliged to pay zakat.

Article 680 states: "Zakat is obligatory on manufactured goods if they meet the requirements". Article 681 states: "Zakat is also imposed on products of sharia financial institutions, both banks and non-banks, the provisions of which are adjusted according to the contract of each product". Article 685 states: "Those obliged to pay zakat are persons or *legal entities*".⁵³

It is clear in the language of shariah economists, as explained in the pattern of calculating zakat for *legal entities*, that it is based on balance sheet, namely current assets deducted by current liabilities (net asset method) and this method is commonly referred to by scholars with a shariah method. In Indonesia, the zakat calculation method for business entities is based on companies' financial statements (balance sheets). The simple way to calculate it is by deducting current liabilities on current assets. Yet in connection with the many differences in the calculation format and the elements of financial statements, of course the method to calculate zakat ratio will be different between one accountant and another. In addition, due to the indispensability of making

various corrections to the value of current assets and short-term liabilities which are then adjusted to the provisions of shariah in calculating zakat on *legal entities*, such as corrections to interest and illicit incomes and other doubtful income.⁵⁴ The stages of calculating zakat on *legal entities* are:

1. The first stage is determining assets subject to zakat.
 - 1) Net assets method: accumulating assets required for zakat: Cash, net receivables (total receivables deducted by hesitant receivables, the calculation method can be read in the article on "receivables management"), traded assets (inventories / securities / real estate), financing, and etc. Reducing assets compulsory for zakat is by: current debt, unlimited investment capital, minority participation, government participation, social institution participation, endowments, and non-profit institutions.
 - 2) Net Invested Funds Method: accumulating assets required for zakat: deposited capital (additional capital), reserves, reserves that are not deducted by assets, retained earnings, net income, and long-term debt. Reducing assets compulsory for zakat is by: fixed assets, investments that are not traded and losses.
2. The second stage: Assessing assets required for zakat.
 - 1) Net Asset Method.
 - 2) Net Invested Funds Method
3. The third stage: Calculating assets required for zakat.
 - 1) Net asset model: (Cash + Net Receivables + Traded assets + Financing) - (Current Payable + Unlimited Investment Capital + Minority Participation + Gov-

52 Law Number 23 Year 2011 *Concerning Zakat Management*; see also Regulation of the Minister of Religion (PMA) Number 52 of 2014 concerning *Terms and Procedures for Calculating Zakat Mal and Zakat Fitrah and Utilizing Zakat for Productive Businesses*, articles 11, 12, and 13.

53 Supreme Court Regulation (PERMA) Number 2 of 2008 concerning Compilation of Shari'ah Economic Laws Articles 675, 680, and 685.

54 Yūsuf al-Qarāḍāwī, *Fiqh al-Zakāh*, pp. 215-220; see also Wahbah al-Zuhaylī, *al-Fiqh al-Islāmī wa Adillatuhu*, pp. 785-790; Euis Amalia, *Keadilan Distributif dalam Ekonomi Islam, Penguatan Peran LKM dan UKM di Indonesia*, pp. 118-119.

ernment Participation + Institution Participation) x 2.5%.

- 2) Net Invested Funds Method: (Additional Capital + Reserves + Reserves that are not deducted from assets + Retained earnings + Net income + Long-term Debt) - (Fixed Assets + Untraded Investments + Losses) x 2.5%.⁵⁵

As for wealth belonging to the current asset category are cash, banks (after the interest is deducted), securities (with a value equal to market price), receivable (those that are collectable) and inventories in storage, in the showroom, on the way, in distributors in the form of consignment, finished goods, goods in process or raw materials. All are valued at market prices.⁵⁶ Meanwhile, those included in the current liability category are accounts payable, notes payable, taxes payables, accrued expenses, prepaid income, bank loans (interest payable not included) and long-term debts that are due. To calculate the value of a *legal entity's* assets subject to zakat is current assets deducted by current liabilities, after which 2.5% of zakat is issued.⁵⁷ Therefore, for zakat purposes, a more relevant measurement is net cost accounting or net realizable value or Continuously Contemporary Accounting (CoCoA) instead of historical cost accounting". The provisions for zakat on *legal entities* are by combining all trade assets at the beginning and end of the year, then the zakat is issued, which can be paid in money or goods, imposed on trade or *legal entities*. The method of calculation: (capital in circulation + profit + cashable receivables) - (debt + loss) x 2.5%, for example: "Commercial assets, whether operating in trade, industry, agro-industry, or services, are managed individually or by *legal entities* (such as PTs, CVs, Foundations, Cooperatives, etc.). This means that if a *legal entity's* wealth (working capital and profit) at the end of the year (closing the book) is greater than or

equivalent to 85 grams of gold (assuming that per gram of gold is IDR 75,000 = IDR 6,375,000), then the amount of zakat obliged to issue is 2.5%.⁵⁸

A concrete example in calculating zakat on a *legal entity* is PT. Bintang Mas (for example) has Rp. 6,050,000,000, -, Bank (Rp. 19,200,000,000 - interest Rp. 70,000,000) = Rp. 19,130,000,000, -, Accounts Receivable = Rp. 30,000,000,000, and Inventory = Rp. 90,000,000,000, -, the amount of Rp. 145,180,000,000, -. The obligation reducing the assets subject to zakat is trade payables = Rp. 30,500,000,000, -, salary payable = Rp. 2,100,000,000, -, income received in advance = Rp. 1,000,000,000, -, the amount of Rp. 33,600,000,000, -. Difference of Rp. 111,580,000,000, -, meanwhile, the *nisab* is 85 grams of gold (assuming @ / gram IDR 300,000) = IDR. 25,500,000, - Zakat: 2.5% x Rp. 111,580,000,000, - = Rp. 2,789,500,000, -. Based on the examples above, PT. Bintang Mas is obliged to pay *legal entity* zakat because it exceeds the *nisab* (85 grams of gold = IDR 25,500,000). Assets that are required for zakat: Rp. 145,180,000,000, - Rp. 33,600,000,000, - = Rp. 111,580,000,000, -. The amount of zakat that must be paid: Rp. 111,580,000,000, - x 2.5% = IDR. 2,789,500,000, -.

Another example is, if a *legal entity* operates simultaneously in several types of business, such as in the fields of export and import, convection, property, and trade, the amount of zakat required is in accordance with the percentage of business being run and the amount of fund used for each sub-business proportionally.

A *legal entity* that has a public capital, for example, the amount is IDR 2,000,000,000 by issuing a share certificate @ IDR 100,000 which means that the *legal entity* has issued as many as 20,000 share certificates. 50% of the shares (Rp. 1,000,000,000) are used for sub-export and import, 20% (Rp. 400,000,000, -) for convection

55 Ibid.

56 Muhammad, *Management Keuangan Syariah* (Yogyakarta: UPP STIM YKPN, 2014), p. 128-130.

57 Ibid.

58 Ibid., pp. 125-130; see also Yūsuf al-Qaradāwī, *Fiqh al-Zakāh*, p. 262-267.

business, 15% (Rp. 300,000,000, -) for property business, and 15 % (Rp. 300,000,000, -) for trading business.

Each of the sub-businesses that are run gain the following profits: sub-export and import book a profit of Rp. 800,000,000, - sub-convection book a profit of Rp. 200,000,000, - sub-property book a profit of Rp. 100,000,000, - and sub-trade book a profit of Rp. 100,000,000, -.

The zakat calculation of revenue earned by a *legal entity* operating simultaneously above is: sub-export and import, that is Rp. 1,800,000,000, - x 2.5% = IDR. 45,000,000, -, sub-convection, that is Rp. 600,000,000, - x 2.5% = Rp. 15,000,000, -, sub-property is Rp. 400,000,000, - x 2.5% = IDR. 10,000,000, - and sub-trade, that is 400,000,000, - x 2.5% = Rp. 10,000,000, -. The total amount of zakat that must be issued by the *legal entity* (company) is Rp. 80,000,000, -.

If a *legal entity* operates simultaneously in several types of business, such as in the fields of export and import, convection, and trade, the amount of zakat required is in accordance with the provisions of zakat on trade / commercial assets proportionally.

Zakat Obligation on Legal Entities's Assets Towards Stakeholders

Shareholders are part of a *legal entity's* owners who entrust the management to run the *legal entity*.⁵⁹ The *legal entity's* profits and losses are borne jointly by shareholders and can be known at the General Meeting of Shareholders (GMS) and at the time zakat on the company's assets is required. Included in it are individuals who own shares in companies that have gone public, whose aim is not to own the *legal entity*, but is solely for investment, are required

to pay zakat. The *nisab* of stock zakat is analogous (*qiyās*) with zakat *māl* / *tijārah*.⁶⁰

The *ḥawl* zakat on shares is calculated on the basis of an annual report. The initial shareholding zakat, pre-Initial Public Offering (IPO), is still combined with other zakat *māl* held by zakat payers, during the *ḥawl* period. Owned shares are calculated on the basis of "book value" plus the value of the dividend of shares sold (invested) which is calculated based on the "intrinsic value" issued during a transaction period.⁶¹

A *legal entity* is responsible for issuing zakat for the shareholders, if it has clearly been determined at the time a transaction is carried out and in general it has been explicitly stated in the Articles of Association (AD) and Bylaws (ART) of the *legal entity* or in the deed of agreement between parties. Or the *legal entity* submits it to each shareholder. If a *legal entity* issues zakat on its shares, according to the results of the *fiqh* ulama congress that zakat is related to individual shareholders with a common principle, as stated in a *Hadith* regarding zakat on livestock. *fiqh* scholars take generality to all possessions. All shareholders' assets originating from one person's property, it is obligatory to pay zakat that is in line with the *nisab* and the calculation of zakat.⁶²

At the second congress of the Islamic *fiqh* study institute, the majority of scholars denied the common principle in *legal entities*, but it was seen from the size of units owned by individuals. The results of the congress also echoed the majority's opinion in denying the common principle, but it was seen from the value of each shareholders' the assets.⁶³

59 Rafael La Porta, Florencio Lopez-de-Silanes, and Andrei Shleifer, "Corporate Ownership Around the World," *The Journal of Finance* 54, no. 2 (1999): 471-517.

60 LazisMU Team, *Saham dan Obligasi* (Jakarta: LazisMU Publisher, n.d), p. 22.

61 Ibid.

62 Yūsuf al-Qaradāwī, *Fiqh al-Zakāh*, pp 215-220; see also Wahbah al-Zuhayli, *al-Fiqh al-Islāmī wa Adillatuhu*, pp. 785-790.

63 Results of the Second Congress of the Study of Islamic Jurisprudence Institute, which was under the

It was then decided; "A *legal entity* whose shares are owned by several people is not evaluated based on its total profit, but on individual ownership. In this case, the *legal entity's* management deducts the shares not subject to zakat from shareholders, such as *waqf* and social shares because these assets do not thrive without any zakat obligation, such as buildings, offices, furniture and cars and others".⁶⁴

If a *legal entity* does not issue its zakat, then the zakat is the responsibility of each shareholder, provided that, first, zakat on agricultural shares is issued according to the calculation of zakat on agriculture and fruit; second, zakat shares held by *legal entities* operating in the business sector is issued based on the calculation of principal capital and profits, and the share price is calculated on the day the zakat is required; third, zakat on *legal entities'* shares operating in the industrial sector is issued based on net profits, rather than from buildings and equipment; fourth, if a shareholder wants to sell his shares in the middle of the year, then he must combine his assets and the share price, before issuing zakat on the mandatory date. Buyers pay zakat on the shares bought based on the example above.⁶⁵

As previously explained, both scholars *salaf* and *khulaf* have agreed that zakat is only obligatory for Muslims who are free, mature, and have a certain amount of wealth under specific conditions.⁶⁶ Scholars have also agreed that zakat is not obligatory for non-Muslims (*kāfir*). Their opinion is based on a *ṣaḥīḥ* *hadith* which describes the Prophet Muhammad's instruc-

tions to Mu'āz ibn Jabal when he sent him to Yemen.⁶⁷ This *hadith* explains that zakat obligation is related to one's Islam, and it is one of the five pillars of Islam, namely *shahada*, prayer, zakat, fasting and hajj. For this reason, zakat is not obligatory for unbelievers. Scholars have also agreed that zakat is only required for an independent Muslim. It is not obligatory for slaves, because they do not possess anything, they themselves even belong to their masters. Even if slaves have something, it is not a complete possession (*milk al-tamm*).

In *al-Wasīṭ fī fiqh al-'Ibādah* it is stated that zakat is not obligatory for unbelievers. However, an unbeliever will still be punished in the afterlife because he/she is actually required to carry out Islamic law. For an apostate, his/her property is suspended. If he/she returns to Islam, he/she will be obliged to pay zakat. If he has paid zakat while still in apostasy, then the zakat will be returned to him, and if he dies in apostasy, his property will become State property and be stored in the State treasury (*bayt al-māl*).⁶⁸

Thus, when linked to a *legal entity's* share ownership, the only zakat required for distribution is on shares held by Muslims. This condition has been set by scholars in terms of zakat obligation. A *legal entity's* shares are required for zakat, after one year has passed and

auspices of the *Organization of the Islamic Conference (OIC)* in Jeddah in 2010.

64 Ibid.

65 Shalah al-Shawi, *Isu-Isu Fikih Kontemporer* (Jakarta: Gema Insani, nd), p. 54; see also Aznan Hasan, "Who Needs to Pay Zakat: A Focus on *Legal Entities*," in the *National Business Zakat Symposium, Hotel Istana, Kuala Lumpur*, vol. 8, 2013; Hasan, "Zakat on *Legal Entities* (*Shakhsīyyah* l' *tibariyyah*): A Shari'ah Analysis."

66 Yūsuf al-Qaradāwī, *Fiqh al-Zakāh*, p. 95; see also 'Abd al-Raḥmān al-Jazīrī, *Kitāb al-Fiqh 'Alā al-Madhāhib al-Arba'ah*, Vol. I (Beirut: Dār al-Rashād al-Hadīthah, nd), pp. 590-591.

67 When sent to Yemen, Prophet Muhammad SAW asked Mu'az: how do you solve a problem? Mu'az replied: I decide according to the Book of Allah. If you don't find a solution? Asked the Prophet Muhammad SAW, Mu'az again replied: I decide to be in line with the Sunnah of the Prophet Muhammad. If you also don't find a solution? Asked the Prophet Muhammad SAW again. I do *ijtihad*, replied Mu'az. Hearing the last answer from Mu'az the Prophet Muhammad SAW immediately said: *الْحَمْدُ لِلَّهِ الَّذِي وَفَّقَ رَسُولَ رَسُولِ اللَّهِ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ*. See Mawsū'at al-Ḥadīth al-Sharīf, Sunan al-Turmudhī, *Kitāb al-Aḥkām 'An Rasūlillah*, chapter Ma Ja'a fī al-Qāḍi Kayf Yaḥdī, *hadith* number: 1249.

68 Abdul Aziz Muhammad Azzam and Abdul Wahhab Sayyed Hawwas, *al-Wasīṭ fī fiqh al-'Ibādah*, trans. Kamran As'ad Irsyadi (Jakarta: AMZAH, 2009), p. 347.

the zakat is 2.5% of the assets and net profits, whereas the implementation of the zakat obligation can be represented by the *legal entity* itself. The legal basis for this matter is the generality of *al-Qur'an's* verses and Prophet Muhammad's *hadiths*.

If a *legal entity* as a whole has been subject to zakat, and is obliged to issue zakat on its behalf, and each shareholder, in accordance with the number of share certificates he/she holds, is no longer obliged to issue zakat on the *legal entity's* assets because all the assets are essentially owned by a person, whether within the *legal entity* or beyond, if it has reached one *nisab* and fulfills the mandatory zakat provisions, then he is obliged to pay the zakat.

However, asset owners or shareholders need to always pay attention to the assets they own, both inside and outside of a *legal entity*, with the following conditions:

First, on assets (shares) that are owned and within a *legal entity*, if the *legal entity* has issued zakat on the assets, the shareholders no longer need to issue zakat, but if the *legal entity* does not issue zakat on the assets, then the shareholders are obliged to pay the zakat which is combined with other assets outside the *legal entity*.

Second, for assets that are owned and outside a *legal entity*, if all of these assets have individually met a *nisab* equivalent to 85 grams of gold or 600 grams of silver, the owners of these assets are obliged to pay the zakat which is categorized as zakat on assets, with a mandatory percentage of 2.5% or 1/40, and *ḥawl* is mandatory.

From the explanation above, it can be concluded that assets of *legal entities* are required for zakat, if they have reached the *nisab*. The *nisab* is calculated from the total assets of a *legal entity* as a whole, and *ḥawl* is mandatory.

Conclusion

Based on the explanation above, this paper concludes that, firstly, the development of the *mukallaḥ* meaning when associated with a *legal entity* as a zakat legal subject can be categorized as a legal subject (*maḥkūm 'alayh*) of zakat, because it has met the requirements contained in the legal object and legal subject of zakat, particularly relating to the rights and obligations of property / material wealth (*māliyah*). A *legal entity* can be stated as *shakhṣan i 'tibāran* or *shakhṣiyyah i 'tibriyyah* or *shakhṣiyyah ḥukmiyyah* (a *legal entity* that is considered a person) that is responsible for managing the *legal entity* or as a substitute (representative) of the shareholders in carrying out their zakat obligations.

Secondly, the criteria that must be met by a *legal entity* as a legal subject of zakat vary depending on the *legal entity's* form and economic activities. Assets owned by *legal entities* are required for zakat when they have met the general provisions and conditions stipulated in Islamic law (*fiqh*). Distributing zakat on a *legal entity's* assets is the *legal entity's* owner's responsibility / Muslim shareholders in accordance with the percentage of wealth that is embedded in the *legal entity*.

Finally, the *nisab* provisions, the compulsory percentage and the zakat *ḥawl* of *legal entities* are equated (*qiyās*) with zakat on trade / commercial assets, which is 85 grams of gold or 600 grams of silver, while the obligatory percentage of zakat is two and a half percent (2.5% or 1/40) and *ḥawl* is mandatory at the end of the year.

Because zakat regulations for *legal entities* in Indonesia are still unclear and comprehensive regarding sanctions and methods of zakat calculation, this paper serves as an important basis for improving the Zakat Law in Indonesia. This can be done by combining *fiqh* studies and adopting the models that have been applied by neighboring countries and other Muslim countries, with an Indonesian context.

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