



# **THE ADMINISTRATION OF ZAKAT WORLDWIDE**

# Contemporary Administration

- 1. Voluntary zakat administration- Kuwait, South Africa, Jordan, Egypt
- 2. Compulsory Collection of zakat by the State- Malaysia, Pakistan, Brunei, Singapore, Indonesia.

# Indonesia

- Undang-undang Pengelolaan Zakat
- Badan Amil Zakat Nasional
- Badan Amil Zakat Daerah

# Singapura

- Akta Majlis Agama Islam 1968-
- Majlis Ugama Islam Singapura has the power to collect and distribute zakat
- Jabatan Zakat dan Awqaf
- I- Zakat- Zakat system online.

# Brunei

- Enakmen Majlis Ugama dan Mah. Kadhi 1955
- Majlis Ugama Islam Brunei-administer zakat
- Pengelola Baitul Mal Zakat dan Fitrah
- Peraturan Zakat dan Fitrah 1969
- JKuasa Zakat dan Fitrah.

# Zakat Organisation 2005

State	Zakat orga	Collection
Malaysia	14	127 million
Singapore	1	8.77 million
Indonesia	No data	No data
Brunei	1	9.19 million

# Why? Less Collection

- Ineffective administration
- High Administration Cost- 30%
- Less effective information on zakat awareness
- Public confidence
- Public understanding- Only zakat fitrah is compulsory

# Why? Increase of Zakat Collection

- For eg Msia and Spore
- Awareness
- Effective campaign
- Zakat on income
- In Indonesia and Brunei there is no ruling on the issue of zakat on income.



# Distribution Issues

- Surplus. Eg 2004 22% zakat surplus.
- Fatwa coordination and standardization on the issue of asnaf. Eg transfer of zakat collection to another jurisdiction.
- Issue on the interpretation of beneficiaries.

# Zakat Corporation

- Basic principles- Effective, honest, equitable, transparent and accountable.

# Zakat Organisation in Malaysia

Corporation	Non-Corporation
PPZ WP	Jab. Zakat Kedah
LZS	MAI Swak
PUZPP	MAIS dan AITganu
PKZPahang	MAI dan AIPerlis
PZMelaka	MUISabah
PZN.9	MAI dan AIKtan, Perak
	MAIJohor

# Corporation? Collection or Distribution

State	Collection	Disbursement
Kelantan, Sarawak, Perak, Perlis and other state	Govt	Govt
WP/N.9/Pahang/ Melaka	Corp	Govt
Selangor/Penang	Corp	Corporation

# Cont....Administration Cost

- Corporation:
- Only represent 1-13%.
- Relatively very low cost.
- It depends on various factors- size, collection, distribution and etc.
- It could be reduced through effective strategic plan.

# Zakat Synergy in ASEAN

- Big Muslim Population
- Surplus of zakat fund
- Imbalance development of muslims community
- T4 a body or organization needs to be established in the region.

# What aspects?

- To manage poverty
- To manage the imbalance economic development
- Access to education
- Dakwah to non-muslims
- Aid to victims of any calamities.

# Pakistan

- Art 31 Pakistan Constitution-
- Zakat and Ushr Ordinance 1980.
- Ministry of Finance
- Federal Zakah Council
- Provincial Zakah Council
- District and subdistrict- Voluntary zakat committee



# Pakistan

- Two Types of Zakat Collection:-
- 1. Collected by the govt- saving, shares and agriculture
- 2. Left to nisab owners- Gold and livestock
- Govt bears the administrative expenses to central, provincial local and district.
- Admin cost not exceed 10% of the collection.

# Pakistan

- Weaknesses:-
  - 1. No audit
  - 2. No comprehensive planning
  - 3. Not able to distribute effectively.
  - 4. No fatwa on zakat on income.

# Kuwait

- Zakat Law 1982.
- Ministry of Awqaf
- House of Zakah-Voluntary committee
- Shariah Consultative Body
- All zakat payments are made voluntarily.
- No tax concession

# Kuwait

- Sources of Fund House of Zakah
  - 1. Govt. aid
  - 2. Zakah collection
  - 3. Charity
- Zakat House- R&D Department, Social Services Dept and Public Relation and Overseas Activities

# Jordan

- Zakat Law 1944 Abolished with Social Services Tax Act 1978.
- Zakat Fund Act 1978- Autonomy to establish zakat fund.
- Ministry of Awqaf- Directorate of zakah- Capital- Province
- There are others 43 Voluntary Zakat Committee.
- Shariah Experts under Ministry of Awqaf

# Jordan

- Voluntary basis-collection
- Tax concession: -1/4 to full amount of rebate
- Payer may designate zakat to specific asnaf.
- Reserve fund 10%- building infrastructure for hospitalisation and rehabilitation series to asnaf
- Does not adhere to principle of tamlik.

# Egypt

- 1. Voluntary Committee unaffiliated with any public body
- 2. Nasir Social Bank
- 3. The Ministry of Awqaf
- 4. Egyptian Faisal Islamic Bank
- Zakat is voluntary
- Distribution- discretion of committees
- No tax incentives
- Act No 1977-obligates Faisal Islamic Bank to pay zakat and autonomous fund for zakat.

# Nasir Social Bank Model -1971

- Central Directorate
- Local Zakat Committee
- Central- branches at urban and rural area
- Managerial support by directorate
- Bank bears all admin cost
- Close cooperation with the ministry of awqaf
- Separate account of zakat



# South Africa

- No law on zakah.
- But there is Non-profit organisation under NPO Act 1997.
- Zakat Institution is governed by this Act.
- NPO must have constitution that outlines the objective of the NPO.

# South Africa

- NPO Act 1997:-
- Membership
- Operation organization structure:-
- Governance
- Financial statement
- Accounting records
- Expenditure
- Asset and liabilities

# South Africa

- Income Tax Act 2001- tax exempt status to various public benefit organizations provided that they do not undertake business of income more than 75%.

# Zakat Institution in SA

- 9 institutions. Eg Islamic Council of SA. And SA National Zakat Fund.
- Board of Trustee- elected and voluntary- They will frame the policy and oversee the operation.
- Executive Committee- voluntary- making management decision as manager and administrator.
- Sources of fund. 1. zakah 2. sadaqah from business and individual.

# Method of Collection SA

- 1. Field workers
- 2. salary deduction
- 3. fund-raisers employed
- 4. debit order system
- 5. at the office

<b>Year</b>	<b>Collection</b>	<b>Disbursement</b>	<b>Expenditure</b>	<b>Surplus</b>
<b>2002-2003</b>	<b>R35.4 million</b>	<b>R28.9 million 81%</b>	<b>R5.25 million 16.7%</b>	<b>R0.49 million 1.4%</b>

# Disbursement SA

2003	Amount
Welfare	R28.9 M =83%
Salaries	R3 m=8.6%
Operational	R2.8 m= 8.2%
Media	R0.05% = 0.1%

Asnaf for South & Western Cape	Amount	Percentage
Poor	2.42 m	66.3%
Needy	0.38 m	10.5%
Amil	0.48 m	13.2%
Muallaf	0.084 m	2.3%
Riqab	-	-
Gharim	0.203 m	5.6%
Fisabilillah	-	-
Way farer	0.0005 m	0.1%
Total	3.65 m	98%



# Observation

- 1. Collection Performance= Less and small.
- Some country received govt fund- Without this fund the collection is far more lower.
- Less effective method of collection

# Observation

- 2. Disbursement Performance-
- Some country- reserved 10% for admin cost.
- To hold emergency reserves.
- Inadequacy of effective control
- Limited capacity of workers.

# Observation

- 3. Performance in Reaching People:-
- Advantage- volunteers. Able to reach people effectively. Eg Pakistan 250,000 volunteers. Egypt- Nasir Social Bank 15000 volunteers.
- Jordan and Kuwait- Less effective.
- Should maintain relationship with payers and recipients.

# Managerial Cost

- 1. Paid Cost for the management of zakah
  - Total expenditure to manage zakat
  - Govt assistance to cover this cost.
  - Minimal utilization of zakat fund.
- 2. Amount of labour-
  - i. paid full time
  - ii. Paid part time.

# Issues and Problems

- 1. Fiqhi Related Problems
- A. zakat imposed financial asset
- Eg Sudan- no zakat imposed on the financial assets.
- B. Zakat on income
- Eg Saudi Arabia- imposed zakat on professional income
- Trend to follow traditional fiqh literature

# Fiqhi Related Problems

- 3. Deposit- is zakatable= amwal zahirah. No fiqh literature discuss this type of zakat. We need ijtiihad.
- 4. Utilizing zakat fund on loan basis = Acceptable. For eg Pakistan.Hospital for benefit of the poors.
- This fiqhi issues should be resolved by ulama effectively.

## 2. Coverage of zakah

- Zakat Collection is relatively small
- Cannot cover all zakatable items.
- Only few types of zakat is compulsory.
- Eg Saudi Arabia= Only zakat mal is compulsory.
- Less effective method of collection.

## 2. Coverage of zakah

- It could be changed with minor changes
  - A. Improve the assessment
  - B. Improve the collection



### 3. High Administrative Cost

- Wages and salaries. Shoud minimise the usage of zakat fund for this cost.
- Sudan- 18% for admin cost.
- Need effective zakat administration to minimise the cost or even better if the govt. funded this cost.

## 4. Disbursement of zakah

- To upgrade economic condition of the most disadvantage population.
- Effective mechanism in redistributing the zakat collection to the worst sufferers.
- Highest share of zakah should go to those who really deserves it.

# 5. Zakat Assessment

- Majority= Based on the payers' assessment.
- Assessment of zakah on commercial asset= difficult and the payers do not know how to calculate it.
- The zakat institutions should provide consultancy for payers in assessing the zakat.

## 6. Payment through Non-official Channel

- Reason:- 1. Inconvenience to go to the office 2. inefficiency efforts 3. lack of confidence 4. satisfaction of giving zakat directly 5. political factors.
- Eg Malaysia=Less than 10% zakat collected from business sector.

# 7. Information Gap

- Lack of knowledge and information about the laws and syariah on zakah.
- Lack of publicity.
- Effective campaign in mass media to educate public on zakat obligation.

## 8. zakat law

- Lack of supporting laws concerning zakat.
- The existing law - Weak penalties, substantive and prosecution
- No law on zakat evasion
- Law Reforms 1. to include all zakatable items 2. procedure or manual of zakat. 3. define the distribution mechanism. 4. Suitable penalties.