Assessment Method for Agricultural Zakah in Malaysia: An Institutional Perspective

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Abstract: This study attempts to revisit the methods by which the assessment of agricultural zakah is derived. The study, conducted throughout states in Peninsula Malaysia, is based on the premise that there are different interpretations of five awsuq (which is the minimum amount of produce above which the zakah is to be paid, technically known as nisab). This study aims to determine how the equivalent value of five awsuq is derived based on the standard weight unit and how the interpretation of the value of awsuq is applied in the assessment of zakah on paddy. The results from this study reveal that assessments of the equivalent value of five awsuq vary for each state in Malaysia and so do the methods of assessment of agricultural zakah. The difference results in a range between 358 to 400 gantang (1 gantang=2.25 kg) with equivalent values of RM697.50 to RM1,089.00. It is found that, based on the rate, the nisah rate in some states is below the country’s poverty line (RM 720). Other major findings include the fact that subsidies received by paddy farmers are also subject to zakah, with no deduction on living costs or plantation costs placed before applying the nisab rate (with the exception of Perlis and Kedah).

Key words: Zakah • Agricultural Zakah • Zakah assessment methods • Nisab • Subsidy

INTRODUCTION

Agricultural produce or crops are among the products for which zakah (religious tax) must be paid. The obligation to pay zakah on crops as well as the rates and other pertinent matters are deduced based on the injunctions of the Quran and the Prophetic Traditions. However, a wide spectrum of interpretations exists on some issues, which include the method of calculating crop zakah. This divergence has also influenced the practices of different states in Malaysia regarding the method of calculating crop zakah.

Jurists have agreed that the purpose of paying zakah on property or assets is to encourage the growth of these assets. In line with this, certain types of crops, including grains and fruits, are also subject to zakah. This is because zakah is obligatory on anything that has been cultivated or that has grown from the earth, including grains and fruits [1].

Crop zakah is an example of zakah categorised under property zakah [2]. Simply put, there are two categories of zakah. The first is property zakah (maal), which is applicable to gold, silver, crops and business profits. The second is personal zakah (mafs), known as zakah al-fitr, which applies annually to every individual and can be paid starting from the beginning of the month of Ramadan until the sumah prayer on the morning of the Eid celebration day. Based on the two facets mentioned above, some Muslim scholars separate zakah into two categories. The first is zakah on corporeal (zahir) property and the second is zakah on incorporeal (bitim) property [2].

Research shows that in Malaysia, crop zakah is only applicable to rice paddies, as it fulfils the criteria for crop zakah in that it is a staple food that can be dried and stored for an extended period of time.

In Islamic law, the term zakah is applicable to “certain types of property as commanded by Allah, the Almighty.