

Sharia Compliance of Zakat Payment on Shares in-joint-stock companies: An Analytical Jurisprudence

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Abstract

This research presents an analytical jurisprudential study of zakat on shares in-joint-stock companies. It explores key elements, including the nature of shares, their jurisprudential classification, and the impact of a shareholder's intention on the zakat obligation for company shares. The study aims to achieve several objectives, primarily determining who is obligated to pay zakat on shares in companies and identifying the entity responsible for its payment. The findings highlight that zakat on shares is a legal necessity, ensuring the protection of the rights of the poor and safeguarding the integrity of zakat as a fundamental pillar of Islamic finance. Neglecting its proper implementation could lead to the misallocation or loss of zakat funds. Based on these findings, the study strongly recommends the activation and enforcement of zakat payment on shares in joint-stock companies to uphold its intended social and economic impact.

Keywords: *Zakat, stocks, companies, shareholder, investor and speculator.*

Introduction

The ultimate aim of participating in any company or partnership, from an Islamic perspective, is to pursue lawful (halal) investment and profit. The genuine realization of this goal is measured by tangible financial outcomes, which serve as a key indicator of the level of transparency and ethical conduct a company upholds. Islam places great emphasis on the preservation of wealth, as it is one of the five essential objectives (*maqaṣid al-shari‘ah*) that Sharia law seeks to protect. These objectives not only safeguard the rights of the wealth owners but also ensure that the poor and needy in the Muslim community are given their rightful share through the obligatory act of *zakah*.

Allah the Exalted says: “*Take alms from their wealth in order to purify them and sanctify them with it, and invoke Allah for them. Verily! Your invocation is a source of security for them. And Allah is All-Hearer, All-Knower*” (Surah at-Tawbah 9:103).

It is incumbent upon every Muslim to be knowledgeable of the specific amount due for *zakah* so that one may fulfill this divine obligation precisely—without addition or omission. Allah Most High states:

“*And in their wealth, there was a known right for the beggar and the deprived*” (Surah adh-Dhariyat 51:19).

It is well understood among students of Sharia that the legitimacy of *zakah* is firmly established by the Qur'an, the Sunnah, and the consensus (*Ijma'*) of the Muslim scholars, due to its self-evident and essential nature. Therefore, there is no need to reiterate its foundational legitimacy in this context.

Research Problem

This study seeks to address a range of jurisprudential questions related to the Islamic obligation of *zakah* on shares in joint-stock companies. The primary aim is to explore the following key issues:

1. What is the jurisprudential status of shares within Islamic law?
2. Are shares subject to zakat, and under what conditions?
3. Who bears the responsibility for paying zakat on shares—the individual shareholder or the company?

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4. Does the shareholder's intention—whether as an investor holding shares for long-term income or as a speculator seeking short-term profit—affect zakat liability? Furthermore, how is zakat calculated for each category?

Research Significance

While literature on zakat and modern financial instruments exists, this study aims to provide a focused and accessible examination of zakat on shares, a topic that has become increasingly relevant with the widespread participation in stock markets by the public. The importance of this research lies in the following points:

1. There is a growing need for practical and clear guidance for individuals who invest or trade in shares within joint-stock companies. Despite the increasing popularity of stock ownership, there remains a noticeable gap in scholarly studies that address zakat on shares in a simplified and approachable manner.
2. This study contributes to the ongoing discourse among scholars and specialists in Islamic finance, jurisprudence, and economics by addressing unresolved issues and offering reasoned solutions to contemporary questions concerning zakat obligations.
3. It aims to clarify the roles and responsibilities of both individual shareholders and corporate management in fulfilling the religious duty of zakat, in alignment with Islamic principles.

Research Objectives

This study is guided by the following objectives:

1. To define the concept of shares and examine their jurisprudential classification according to leading Islamic scholars.
2. To determine the ruling on zakat as it applies to shares in joint-stock companies and identify who is legally and religiously responsible for paying it.
3. To distinguish between the zakat obligations of investors and speculators, and to outline the proper method for calculating the zakat due in each case.

Literature Review

The subject of stocks and related financial instruments is a relatively recent development in the field of Islamic jurisprudence. Classical scholars of earlier centuries did not address this matter, as such financial instruments did not exist in their time. With the evolution of contemporary financial markets, however, modern scholars have begun to explore the zakat obligations associated with these new forms of wealth.

A review of relevant literature reveals that several contemporary studies have investigated this topic in varying degrees of depth. The most notable among them include:

1. Yusuf al-Qaradawi, *Fiqh al-Zakah: A Comparative Study of Its Rulings and Philosophy in the Light of the Qur'an and Sunnah*. This comprehensive work is considered one of the most authoritative sources on zakat in the modern era and has become a foundational reference for subsequent researchers. Al-Qaradawi offers an in-depth exploration of zakat rulings across a wide array of wealth types, including contemporary financial assets (Al-Qaradawi 1973).
2. Salih al-Sadlan, *Zakat al-ashar wa-al-Sanadat wa-al-Nuqud*, addresses the jurisprudential classification of various financial securities, including stocks, bonds, and currency. The book presents legal arguments for the zakat obligations related to each type of asset, offering detailed jurisprudential reasoning (Al-Sadlan n.d.).
3. Salih al-Sultan, *Ash'ar: Ahkamuha wa Atharuha*, discusses in detail the Islamic legal rulings related to shares, including their types, legitimacy, and implications. It provides a broad framework for understanding how shares are treated in Islamic law (Al-Sultan 2000).
4. A succinct paper titled "Zakat al-As'har fi al-Sharikat" by al-Siddiq Muhammad al-Amin al-Darir, presented to the Islamic Fiqh Academy, briefly addresses two specific legal issues pertaining to zakat on company shares (Al-Darir 1985).

5. Another paper of the same title by Wahbah al-Zuhaylī, also submitted to the Islamic Fiqh Academy, similarly provides a brief overview of the subject without engaging in a comprehensive legal analysis (Al-Zuhayli 1985).

What distinguishes the present study from the aforementioned works is its focused and detailed treatment of *zakat on shares*, particularly concerning the legal responsibility for its payment. Unlike previous studies that often-addressed shares as part of broader discussions on modern financial instruments, this research is narrowly tailored to offer a specialized and systematic examination of zakat on shares and the party obligated to fulfill it.

Research Approach

This study adopts an analytical jurisprudential approach rather than an applied or empirical one. It is based primarily on library research and academic references derived from established scholarly sources. These sources reflect the accumulated knowledge and findings of prior scientific investigations in the field of Islamic jurisprudence. The methodology employed in this research incorporates two principal approaches:

1. Inductive Approach

This method involves the systematic collection and examination of relevant literature, including classical and contemporary scholarly opinions, as well as the rulings of jurisprudential academies. Through this approach, the research seeks to identify, track, and extrapolate key positions and interpretations related to the central topic: the jurisprudential ruling on zakat (almsgiving) on company shares and the party responsible for its payment.

2. Analytical Approach

Following the inductive process, the research then engages in critical analysis of the various scholarly statements and their supporting evidence. The aim is to develop a coherent and accurate understanding of the material, leading to sound conclusions. This analytical process is intended to enhance the depth and clarity of the study's findings and to provide a solid, constructive foundation for future research on the subject.

Stocks and Their Jurisprudential Adaptation:

Before delving into the original research on the jurisprudential adaptation of stocks, it is essential to lay the foundation by defining key concepts, namely shares and companies, from both linguistic and terminological perspectives. This preliminary step is crucial for understanding the legal and financial implications that arise in Islamic jurisprudence concerning corporate investment instruments.

Linguistic and Terminological Definitions of Shares and Companies

To accurately establish the conceptual framework of this study, we begin by clarifying the meanings of *shares* and *companies*, both in classical Arabic language usage and in modern technical terminology.

Linguistic Definition of a Share

In his authoritative lexicon *Lisan al-'Arab*, Ibn Manzur defines the Arabic term *sahm* (share) as one of the divided portions of a whole. He states: "A share (*sahm*) is one of the portions, and the term *sahm* refers to a part or a portion. Its plural is *siham* or *ashum*. It is said, 'They are like brothers in this matter, each having a share (*sahm*).'" Furthermore, he notes that in prophetic tradition, the Prophet Muhammad (peace be upon him) was allotted a share (*sahm*) of the spoils of war, whether he was present or not. Originally, the term referred to a portion drawn by lot—such as in a pot or cup—eventually evolving to denote any portion or entitlement by custom or law. Over time, this term came to be associated with allocated rights in various matters, including ownership and investment. Ibn Manzur's Terminological Definition of a Share From a technical and financial standpoint, definitions of *shares* have varied among Islamic scholars and economists. Among the most recognized definitions is that of Yusuf al-Qaradawi, who defined a share as:

"An instrument representing one of the equal portions into which the capital required for a corporation is divided. This instrument entitles its holder to the right to receive a proportionate share of profits when distributed, and to bear a similar share of losses, if any" (Ibn Manzur n.d.).

Al-Qaradawi further cites the definition given by Ali Yunus, who states:

"The share represents the ownership interest of a shareholder in a company. It is documented by a certificate or legal instrument given to the shareholder, which serves as proof of their rights in the company" (Al-Qaraawi 1973, 522).

These definitions emphasize that a share is both a legal and financial instrument that confers upon its holder defined rights and responsibilities within the company structure, including entitlement to profits, liability for losses, and evidence of ownership.

Al-Sadlan defines a share as "an instrument that represents one of the equal shares into which the capital required for the contribution is divided. This entitles its owner to the right to obtain his share of profits when dividing the property or to undertake his share of loss if any" (Al-Sadlan 1417 AH, 33). This definition clarifies that a share represents both the partner's portion in the company and the physical document that confirms the partner's rights within the company.

This conceptualization is affirmed by Al-Khayyat, who, in his book *Companies*, asserts that a share is essentially the partner's portion in the company and is evidenced by a legal instrument (Al-Khayyat 1994, 94). From these definitions, it is evident that the share is a dual-purpose entity: it signifies ownership and also serves as proof of that ownership.

From the above definitions and supporting literature, several characteristics of shares can be identified:

Equality of Nominal Value

Shares must be equal in nominal value at the time of issuance. It is impermissible for some shares to be issued at a higher or lower nominal value than others. Shares carry various types of values, each serving a distinct financial and legal function:

Nominal Value: This is the face value assigned to a share when the company is founded. It is recorded on the share certificate and the total nominal value of all shares determines the company's registered capital.

Issue Value: This refers to the price at which shares are offered to investors. The issue value may be equal to or higher than the nominal value but can never be lower. This ensures fairness among shareholders and protects the financial integrity of the company.

The equality in value also implies equality in rights and obligations among shareholders. This includes equal entitlement to dividends, equal participation in the distribution of the company's assets upon liquidation, equal voting rights in company decisions, and equal responsibility for bearing company debts and obligations. Notably, a shareholder's liability is limited to the value of the shares he or she holds.

Indivisibility of Shares

A share is legally indivisible, meaning that a single person cannot own a fraction of a share. Nevertheless, multiple individuals may jointly own a single share, but they must appoint one representative to act on their behalf in relation to the company. This arrangement is particularly relevant in cases of inheritance, where the heirs of a deceased shareholder must choose one individual to represent the share in company matters, including participation in the General Assembly.

Transferability

Shares are freely tradable using conventional commercial means, such as buying, selling, or mortgaging. They can be transferred to others, whether within or outside the company, regardless of whether the share is issued to the bearer (anonymously) or is registered (promissory) in nature. In the case of promissory shares, transfer occurs through formal endorsement, making it legally binding (Al-Qaradawi 2006, 11).

These characteristics underscore the share's role not just as a financial instrument but also as a legal and commercial tool that facilitates equity participation, capital mobility, and shareholder rights within the framework of corporate governance.

Definition of Company: Linguistic Meaning

The Arabic term for "company" (*sharika*) originates from the root associated with the letter *shin*. When this letter is opened and inflected, it conveys the idea of mixing or partnership (*ishrak*), and by extension, it implies the concept of polytheism (*shirk*)—as in sharing divinity—which linguistically stems

from the notion of mixture or joint ownership. For instance, the expression “Do they assign to Allah partners in the heavens?” (Qur'an 42:4) implies shared authority or partnership. Thus, the word *sharika* (company) in Arabic linguistically connotes mixture or joint participation. Ibn Manzūr explains that when two men become partners, they share in ownership or responsibility; the participation of one with the other signifies mutual contribution (Ibn Manzur, n.d., 448; al-Razi 1999, 164).

Technical Definition (as a Legal Term)

In Islamic jurisprudence, the term *sharika* refers specifically to a contractual partnership. According to the standards set by Sharia-based financial authorities, a company is defined as:

“An agreement between two or more individuals to combine their capital, labor, or liabilities with the intent of generating profit.”

This form of partnership aims primarily at joint disposal and profit-making. A more precise definition is:

“The mixing of two or more shares such that one individual's share cannot be distinctly identified from another's.”

This definition emphasizes the indistinguishability of individual shares within the partnership, which is a fundamental aspect of the *sharika* contract. According to the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), this indistinguishability reflects the essence of mutual ownership and equitable rights among partners (AAOIFI, n.d., 162). Among the Shaf'i'i scholars, this concept is integral to the completeness of the partnership agreement—each partner's share is fixed in principle, yet not separated or distinct in form (al-Zayla'i 1313 AH, 312; al-Mawardi 1999, 481).

Jurisprudential Adjustment of Shares

The share represents the ownership right of the shareholder in a joint-stock company. However, contemporary scholars differ regarding the nature of this ownership, resulting in three distinct opinions on the matter.

First Opinion: The Share as a Common Share in the Company's Assets

According to the first opinion, the share is viewed as a common share in the company's assets. The owner of the share is considered to have direct ownership of those assets, which include both tangible and intangible properties. These assets comprise in-kind assets, such as real estate and movable property, along with their benefits. The assets also include the benefits derived from the company's employees, monetary assets, debts, and moral rights, such as trade names, licenses, and other intellectual property.

This perspective is widely accepted by contemporary scholars and aligns with the Resolution of the Islamic Fiqh Academy No. (63) during its seventh session, held in Jeddah, Kingdom of Saudi Arabia, from 7-12 Dhu al-Qa'dah 1412 AH. The resolution states: "The contractual basis for the sale of a share is the common share of the assets of the company. The share certificate is a document of the right to that share" (Journal of the International Islamic Jurisprudence Academy, 1992).

This opinion draws upon the analogy of the *Al-Anan* company, where a shareholder is likened to a partner in a traditional partnership. Just as a partner in an *Al-Anan* company holds ownership over their share of the assets, a shareholder in a joint-stock company holds a similar right. The fact that the company has a separate legal personality does not negate the shareholder's ownership rights.

Second Opinion: The Share as a Security Without Ownership of the Company's Assets

The second opinion posits that the share is a security and does not represent ownership of the company's assets. Under this view, the shareholder does not own the company's assets nor have any direct claim to them. Instead, the assets are owned by the company in its own legal capacity, independent of the shareholders.

This perspective is grounded in the legal distinction between the ownership of shares and the ownership of the company's assets. Scholars who support this opinion argue that the legal structure of a joint-stock company places the company itself as the entity that owns the assets, while the shares merely represent a financial interest in the company's performance, rather than ownership of the underlying assets.

Third Opinion on the Legal Personality of Stock Companies

The third opinion posits that a stock represents a common share in the legal personality of the company, a view that aligns with contemporary legal understandings. In this perspective, the company's legal personality holds an outstanding financial liability that is distinct from the liability of its shareholders. This legal personality enjoys full legal capacity and is subject to obligations, including the ability to own property, enter into contracts, and bear debts. Moreover, the company is responsible for any damages incurred within the scope of its operations, but this responsibility does not extend to the shareholders personally. The company, acting independently of its shareholders, may take legal actions or bear consequences, but it does so in its own name rather than as a proxy for the shareholders (Al-Shubaili, 2025, 3-4).

One key argument supporting this opinion is the complete separation of financial liability between the joint-stock company and its shareholders. The company itself, not the shareholders, is responsible for bearing the costs associated with any damages or obligations incurred during its operations. As such, considering the company as the agent of the shareholders is inappropriate, as the rights and obligations of the company do not transfer to the shareholders. The company alone bears the financial risks associated with its actions, unlike a partnership where the partners are liable for obligations from their own funds.

Additionally, another argument is that when a shareholder invests capital in a company, they relinquish ownership over that money. This capital is no longer recoverable, as it is transferred to the company in exchange for shares. The shareholder's ability to sell shares does not equate to recovering the original capital invested, nor does it represent a liquidation of their share in the company's assets. In instances where the real value of the shares exceeds their market value, the shareholder has no claim to the increase in value beyond what is reflected in the market price of the shares.

It is important to note that a joint-stock company is defined as a company whose capital is divided into negotiable shares of equal value, with each partner's liability limited to their share in the company's capital. The name of the company is typically derived from the purpose or activity it engages in, rather than from any individual shareholder's name.

In conclusion, the third opinion is considered the most valid approach for regulating shares in companies, as it is consistent with modern legal principles and is supported by strong legal arguments. Contemporary scholars generally do not endorse the second opinion. Furthermore, the first opinion, which was based on the interpretation of the joint-stock company through the lens of Al-Anan Company, has been critiqued for its limitations and shortcomings.

Zakat on Shares in Companies, the Responsible Party for Paying, and the Impact of the Shareholder's Intention

To determine who is responsible for zakat on shares held in companies, it is essential to understand when zakat is due on these shares, who holds the responsibility for payment, and the role of the shareholder's intention. Clarifying these points is crucial to organizing the matter and ensuring the proper observance of this important Islamic ritual.

The Ruling on Zakat on Shares in Companies

Contemporary scholars generally agree that zakat on shares in companies is obligatory. Through my research and the studies reviewed, no scholar has been found to state that zakat on shares is impermissible. One of the most notable scholars to address this issue is Professor Abu Zahra, who argues that zakat on shares should indeed be imposed. He contends, "It is a right for us to impose zakat on the shares because exempting the owners of these shares would constitute a significant injustice to the other owners and to the poor. Furthermore, it would allow people to evade zakat by purchasing shares in companies where zakat is not applied. A quick glance at the most productive and lucrative sectors in Egypt reveals that these companies are the most resourceful, making it unreasonable to exempt shareowners from zakat, while small farmers, who have limited resources, are required to pay" (Al-Darir, n.d., 760).

While there is broad agreement on the obligation of zakat on shares, scholars have not fully agreed on the specifics of this ruling. Two primary perspectives emerge based on the type of company that issues the shares, whether commercial, industrial, or a combination of both. The distinction between these types of companies affects the application of zakat, as different sectors may be treated in varying ways according to Islamic jurisprudence.

Zakat on Company Shares

The prevailing view among contemporary scholars is that zakat is due on shares issued by companies engaged in commercial activities, but not on shares of purely industrial companies that do not engage in commercial work or activities. This trend is supported by scholars such as Sheikh Abdul Rahman Issa, Wahba Al-Zuhayli, and Abdullah Al-Bassam.

Sheikh Abdul Rahman Issa, in his book *Modern Transactions and Their Regulations*, addresses the confusion among shareholders regarding the zakat obligation on their shares. He explains that many shareholders may be unaware of the correct ruling on zakat for these shares, with some mistakenly believing that zakat is either always obligatory or never obligatory on company shares. Issa clarifies that zakat should be considered based on the type of company that issued the shares. He states: "If the joint-stock company is a purely industrial company, which does not engage in commercial work—such as companies in dyeing, refrigeration, hotels, advertising, transport (bus, sea, land, tram, or airline companies)—then zakat is not obligatory on their shares. The value of these shares is tied to the machines, tools, buildings, and other assets necessary for their operations. The profits derived from these shares are included in the shareholders' funds, and zakat is paid on these profits" (Al-Qaradawi 1973, 523).

In contrast, Issa points out that zakat is obligatory on the shares of companies involved in commercial activities, such as those in the extraction or transformation of raw materials for trade. He cites examples such as petroleum, textile (spinning and weaving), iron and steel, and chemical companies like Kima and the Salt and Soda Company. According to Issa, zakat is due on the shares of such companies because they engage in commercial business operations, regardless of whether they are industrial in nature (Al-Qaradawi 1973, 523).

Supporting this view, Wahba Al-Zuhayli also aligns with the traditional views of the four Sunni schools of thought, which assert that zakat is not applicable to factories and productive buildings. He further clarifies: "Zakat is due on the annual profits of industrial companies if these profits reach the legal quorum and a full lunar year has passed since they were in the owner's possession" (Al-Zuhayli n.d.). In his detailed analysis, Al-Zuhayli notes that zakat should be applied to the profits of industrial companies, provided that the products are intended for sale or export, with the value of machinery and buildings excluded from the zakat calculation. For example, printing houses must pay zakat on their yearly profits, including the books and papers they own at year-end, as well as the profits from printing services for clients, after deducting the value of their printing and binding equipment (Al-Zuhayli n.d.).

Sheikh Abdullah Al-Bassam offers another perspective, emphasizing the role of industrial tools in generating profit. He argues that the profits of industrial companies are directly linked to the tools they use, such as machinery and equipment, which deteriorate over time and contribute to the generation of income. According to Al-Bassam, "The profits generated by the industrial company are the result of the use of these tools, which diminish in value and function over time, and thus zakat should be applied to the profits derived from these tools, not the tools themselves" (Al-Bassam n.d.). This perspective aligns with the view that zakat should only be applied to the profits of industrial companies, not to the equipment or machinery, as these are not subject to zakat.

Thus, according to the views of these scholars, zakat on industrial companies is obligatory only on the profits derived from their commercial activities, while the machinery and tools used for production are exempt from zakat.

As for the second element, it does not differentiate between the type of company, whether commercial or industrial. This trend is supported by Muhammad Abu Zahra and Yusuf Al-Qaradawi. Al-Zuhayli notes that Abu Zahra favored the second opinion, which does not distinguish between the two types of shares based on the nature of the companies. He argued that this approach is more practical in terms of evaluating individuals and easier for calculation purposes (Al-Zuhayli, n.d.).

Al-Qaradawi states: "The distinction between an industrial and a semi-industrial company, and between a commercial and a semi-commercial company, is a distinction that has no established basis in the Qur'an, the Sunnah, consensus, or sound analogy. There is no basis for applying zakat to commercial shares while waiving it for shares in industrial companies, as these shares represent growth capital. They generate renewable annual profits, and the second profit may be greater and more abundant than the first" (Al-Qaradawi 1973, 523).

From the statements I have discussed, it appears that there is a distinction between the two types of stock companies, whether they are trade-oriented or focused on industrial production. The reason

for this preference lies in the nature of the shares. In industrial companies, the value of shares is tied to machines, tools, buildings, and other essential resources required for the company's operations. What generates profit from these shares is added to the shareholders' funds, and zakat is due on the profit rather than on the machinery or buildings. Zakat is imposed on profits because they are treated as trade goods, not on the physical assets used in production.

I conclude this discussion with a summary of Al-Bassam's response to the proponents of the second element, who argue that zakat follows three foundational principles:

1. Zakat is not due on the tools of ownership, nor on the tools used by the owner of goods or crafts in their industry.
2. Zakat is not due on money until one year has passed, and the account has been transferred according to its terms. If a year has not passed on the capital, zakat is not obligatory.
3. Zakat aims to establish equality between the rich and the poor, with each individual being assessed according to the provisions of Sharia and the wisdom inherent in its legislation.

These three principles form the basis on which zakat rulings are constructed. The first principle specifically addresses the buildings and equipment used by companies, both heavy and light. Early jurists exempted these tools from zakat obligations for professions such as blacksmiths, carpenters, and builders. The expansion, increase in size, or larger production capacity of these tools does not alter their ruling, as they remain subject to the same principles. Similarly, long-distance travel by car or plane does not change the rulings on travel licenses, and the various forms of expenses—such as those for restaurants, clothing, and housing—do not alter the rulings on alimony.

Therefore, the changing nature of tools used by industrialists and employers does not affect the obligatory zakat rulings. The buildings and equipment used either as corporate offices or as storage for tools are merely resources that serve the company's operations. These assets, whether consumed, degraded, or gradually destroyed, are not considered assets subject to zakat. Buildings that are of no further utility to the company are also exempt from zakat (Al-Bassam, n.d.).

In this section, we delve into the matter of paying zakat on shares held in companies. Specifically, we focus on the individual responsible for paying zakat on shares and the role of intention in this process.

The Individual Responsible for Paying Zakat on Shares:

There has been some scholarly divergence regarding who is obligated to pay zakat on shares in companies, with two key views emerging:

The Company is Responsible for Paying Zakat

Some scholars hold that zakat is primarily a responsibility of the joint-stock company itself, given that the company is considered a legal entity with its own independent financial liability. According to this view, if the company fulfills its zakat obligation, the shareholder is not required to pay zakat again on their shares, to avoid duplication. However, if the company fails to pay zakat, the individual shareholder becomes responsible for paying zakat on their shares. This position is supported by scholars such as Shawqi Shehata and Wahba Al-Zuhayli, as well as the first zakat conference held in Kuwait in 1984. The fatwa issued during the conference stated:

"If the company pays zakat on its funds, the shareholder is not obligated to pay another zakat on his shares to prevent duplication. However, if the company does not pay zakat, then the share owner must pay zakat on his shares." (Al-Shubaili, n.d., p. 8)

Shehata further elaborates on this view by stating, as supported by Al-Zuhayli:

"Companies pay zakat on all shares because the company makes a profit from the shares. It is a partner of the shareholder because the joint-stock company has an independent legal personality." (Al-Zuhayli, n.d.)

This perspective is built on the following arguments:

1. **Zakat is an Obligation on the Money Itself:** Zakat is a duty on wealth, and as a legal person, the company is liable to pay zakat on its financial assets, much like individuals. This obligation does not require adulthood or sound mind, as it pertains to the wealth itself.

2. Analogy with Zakat on Livestock: This opinion draws an analogy with zakat on livestock, particularly in the Shafi'i school of thought, which holds that the mixture (or collective ownership) of wealth, such as in a herd of livestock, affects zakat obligations. Similarly, the Maliki and Hanbali schools of thought apply this principle to other forms of wealth. The concept here is that if multiple owners contribute to the same wealth (as with shares in a company), the collective nature of the ownership obligates zakat.
3. Shares as Financial Assets: Shares represent a portion of the company's financial value, which is treated as money for zakat purposes. Since zakat is due on money and financial assets, shareholders are not exempt from paying zakat on their shares, regardless of how many shares they own. This view aligns with the broader Islamic principle that wealth, such as money, grains, fruits, and trade goods, is subject to zakat when it reaches the required threshold (*nisab*).

In conclusion, under this perspective, no shareholder is exempt from paying zakat on their shares, even if they own a single share, provided the company does not fulfill its zakat obligation.

Second Element: The obligation of zakat on shareholders is initially based on the belief that zakat is mandatory for shareholders themselves. However, shareholders have the right to delegate the company to pay zakat on their behalf. In support of this position, Shawqi Shehata, Wahba Al-Zuhayli, and other scholars issued a fatwa, which was later endorsed by the Islamic Jurisprudence Academy during its fourth conference session in Jeddah, Kingdom of Saudi Arabia, from 18–23 Jumada al-Akhirah 1408 AH / 6–11 February 1988 AD. The fatwa states:

- 1- "Zakat on shares is obligatory on their owners, and the company's management pays it on their behalf if it is stipulated in its articles of association or a decision is issued by the General Assembly or the law of the country requires companies to pay zakat, or an authorization is obtained from the shareholder to pay the company's management the zakat on his shares" (Al-Dareer, n.d.).
- 2- The scholars affirmed that shareholders, as the owners of the company, are responsible for paying zakat on the shares. The establishment of the legal personality of the company does not exempt shareholders from this obligation. I align with the first perspective, which holds that the company, once its legal personality is established, becomes primarily responsible for the payment of zakat. If the company refuses, however, the individual shareholders must fulfill this duty. While the second perspective correctly asserts that the legal personality of the company does not eliminate the zakat obligation on shareholders, the primary responsibility to pay zakat lies with the company itself.
- 3- Second Branch: The Effect of the Intention of the Investor and Speculator Shareholder on Zakat on Shares
- 4- The dual nature of shares, both as tradable assets and long-term investments, complicates the determination of zakat obligations for shareholders. There are two categories of shareholders in relation to zakat: the investing shareholder and the trading (speculative) shareholder.
- 5- An investing shareholder is one who holds shares with no intention of trading them frequently. Instead, this shareholder is primarily interested in the long-term growth and profitability of the company, awaiting dividends or capital appreciation.
- 6- On the other hand, a trading (speculative) shareholder is actively engaged in buying and selling shares throughout the year. This type of shareholder aims to profit by speculating on fluctuations in share prices—buying when prices are low and selling when they rise. This frequent trading activity reflects a more speculative approach to investments, with the shareholder seeking short-term profits.
- 7- In determining the zakat obligation, the nature of the shareholder's intent—whether for investment or speculation—affects how zakat should be calculated and paid. Scholars have debated the specific conditions under which zakat is applicable, particularly in distinguishing between long-term investments and speculative trading. For both types of shareholders, the zakat obligation on shares is determined by the amount of capital invested and the duration of ownership, with speculation potentially triggering a higher zakat liability due to the frequency of transactions (Al-Darir, n.d.).

The issue in question is approached from three distinct perspectives:

First Element: The prioritization of trading (speculation) as the primary consideration. In this view, zakat is due on trade offers regardless of the company's activity, and irrespective of the shareholder's intention. The fundamental purpose of shares is seen as an investment mechanism. Shareholders are expected to profit by selling the shares once their value appreciates, making zakat obligatory on the trading process itself.

Second Element: This approach prioritizes the investment aspect, asserting that zakat is applicable based on the assets represented by the shares. Under this perspective, a share is viewed not as a valuable entity in itself, but rather as a document proving the shareholder's right to a portion of the company's assets. Zakat would thus be calculated based on the underlying value of these assets, rather than the trading activity associated with the shares (Al-Shubaile, n.d., 8).

Third Element: This approach seeks to distinguish between two types of shareholders: the trader who buys and sells shares based on fluctuations in market prices, and the investor who holds shares with the expectation that their market value will rise over time, without any intent to trade. The latter is the opinion held by the majority of contemporary scholars. This viewpoint was also endorsed by the Islamic Fiqh Academy at its Fourth Session, held in Jeddah, Kingdom of Saudi Arabia, from 18–23 Jumada al-Akhirah 1408 AH (February 6–11, 1998 AD). As stated in the Academy's conclusions: "If the shareholder acquired the shares for the purpose of trading, zakat on them is treated as zakat on trade goods. If the shareholder possesses the shares and zakat is due while they are in his possession, zakat is calculated based on their market value. If the shares lack a market value, their value is to be assessed according to the judgment of knowledgeable individuals. The zakat due is 2.5% of that value, which is considered a part of the profit if the shares yield a return" (Journal of the Islamic Jurisprudence Academy, 1998).

Scholars have expressed differing opinions regarding the payment of zakat by investors, particularly in relation to shares and profits. The first opinion holds that zakat should be paid on the profits of shares once they have been received, with the payment commencing in a new fiscal year. This view aligns with the zakat treatment of real estate intended for rental, as articulated by Al-Bassam and supported by the Islamic Fiqh Council in its second session concerning zakat on real estate and rented non-agricultural land. According to this perspective, zakat is not due on the original value of the shares; rather, it is obligatory on the income generated from them. The zakat payment should be a quarter of a tenth (2.5%) of the income after a full year has passed from the date of receipt, provided the conditions for zakat are met and there are no impediments. This approach emphasizes the importance of the income generated and its eligibility for zakat after a complete lunar year.

As Al-Bassam notes, the zakat obligation on shares is comparable to that on rental properties, where the focus is on income rather than principal (Al-Bassam n.d.; Al-Shubaile n.d., 13).

The second opinion, as articulated by Al-Sidq Al-Darir and endorsed by most participants of the first zakat conference held in Kuwait on Shaban 1, 1404 AH, asserts that zakat is only obligatory on the income, excluding the principal amount. Al-Darir's views were significant in shaping discussions on zakat and are detailed in the research of the Journal of the Islamic Jurisprudence Complex, which includes his contributions (Al-Darir 1404 AH).

Conclusion

In conclusion, the results and recommendations derived from the research findings are as follows:

First: Study's Results

1. A share is not only a financial instrument but also a representation of ownership in a company's legal personality. The shares issued by a company have distinct characteristics, notably their parity in nominal value, which ensures equality among shareholders. Furthermore, shares are indivisible and tradable via commercial means.
2. Shares serve as securities that embody a common ownership stake in the company, granting shareholders rights tied to that legal entity (Author3, Year).
3. Zakat obligations apply to the shares of a company if the company is purely commercial. If the company is classified as industrial and does not engage in commercial activities, zakat is not applicable.

4. Zakat is primarily incumbent on the joint-stock company, given that it is a legal entity that possesses its own financial standing. The company must pay zakat. However, if the company fails to fulfill this obligation, it becomes obligatory on the shareholders individually.
5. A distinction must be made between investors who engage in speculative trading by buying shares in anticipation of price fluctuations and those who merely hold shares with no intent to trade them. The latter, while waiting for the market value to rise, do not necessarily meet the criteria for zakat obligation.

Second: Recommendations:

Based on the research findings, I recommend the following actions:

1. Activation of Zakat on Shares: It is crucial to activate the obligation of zakat on shares held in companies. This can be achieved through coordinated efforts by the state and the companies themselves to raise awareness among shareholders about the zakat requirements. Clear communication about the extent to which zakat is obligatory on these shares will help ensure compliance.
2. Establishment of an Independent Regulatory Authority: There should be the establishment of an independent, effective authority responsible for overseeing joint-stock companies and ensuring that they fulfill their zakat obligations. This body should have the necessary powers to monitor the companies' practices and enforce compliance.

May Allah grant success and guide us on the path of righteousness.

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