

Not a spreadsheet expert.....and no accountant either

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Speaker



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01

Stocks and Prohibited Stuff

Why it did not work in the past

02

How to handle the issues?

A very quick summary how the consensus developed



03

The applicable filters

A visit to Google Sheets



04

Zakat

Zakat on Stocks – some, not all views and how to do other maths





What is prohibited in stocks?

All is permitted – except if explicitly prohibited.



What is a stock/equity?

A share is a part of a limited liability company, representing fractional ownership. Each shareholder participates in the profits and losses of the company with his/her capital only. This part is different from a partnership, where each and all partners are liable with their entire private wealth.





Is a limited liability company?
Yes, finally, BUT

No personal liability – unknown in Islamic or Roman law traditions...

- Analogy to Waqf and Bait ul Mal
- OIC Fiqh Council Resolution 63/1/17 from **1992** approves of limited liability. OK.
- **For permissible business, ANY impermissible business with it, not accepted.**


Quelle: <https://zulkiflihasan.files.wordpress.com/2009/12/majma-fiqh.pdf>



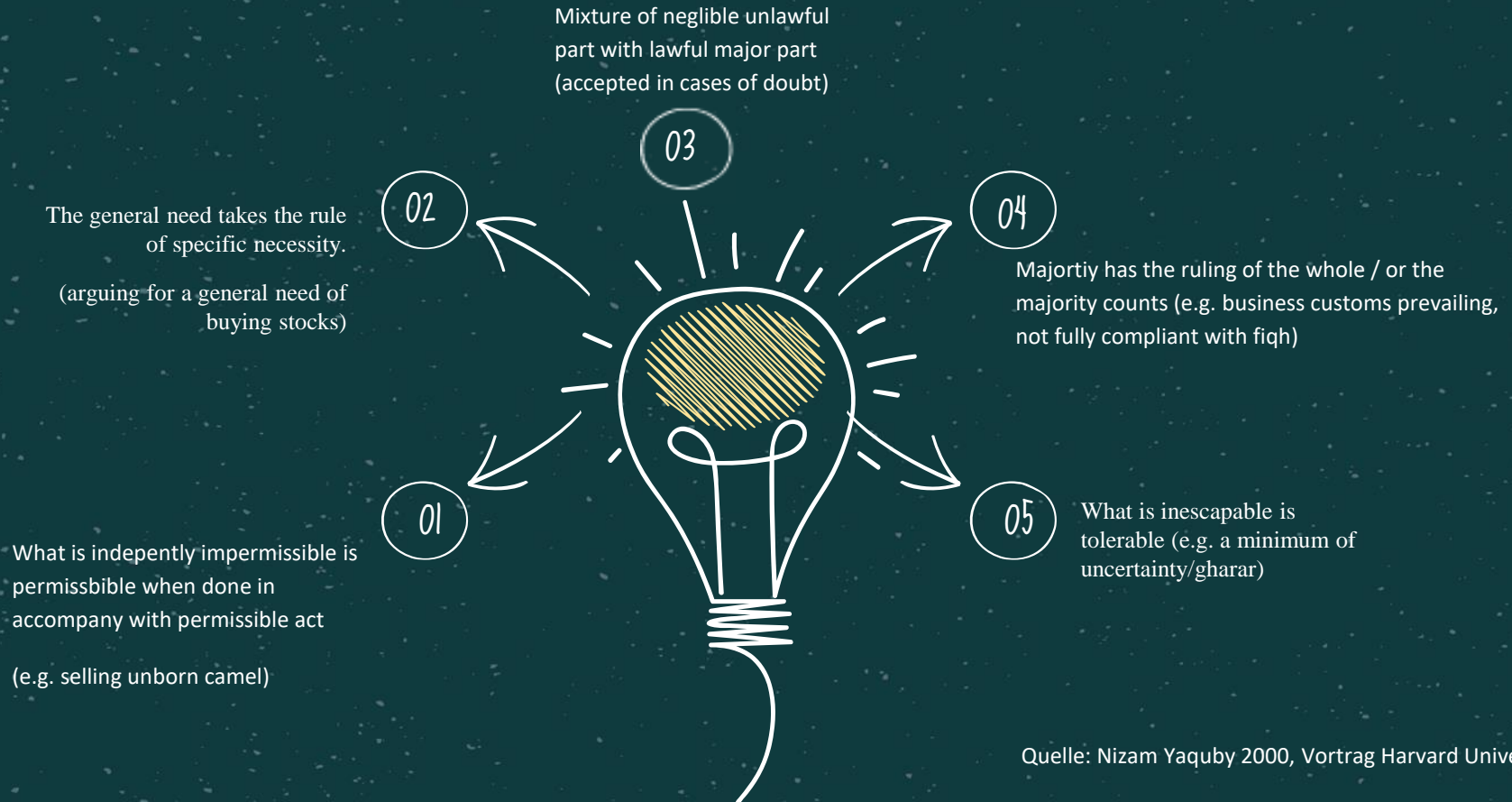


"The Academy's General Secretariat shall commission additional researches on the subject so that the Academy may take an appropriate decision at a future session."

-OIC Fiqh Resolution concerning participation in shares of riba (interest)-based joint-stock companies - 1993



LEGAL MAXIMS - THE GUIDING THOUGHTS...



Which consensus evolved?

1. Generally investments in companies which are active even in some forbidden activities only, are forbidden,

2. Exempted only those fulfilling the following conditions:

-Which ones?

THREE BASIC CONDITIONS THAT A COMPANY IS EXEMPTED for subscription, investment or trading



PRIMARY BUSINESS

Always has to remain halal.



PURIFICATION

Impermissible income is not in legitimate ownership. It has to be given back to the one harmed, or, if impossible, for good causes without counting as a good deed.



FINANCIAL CRITERIA

Limiting dealing taking and paying Riba and dealing in impermissible debt to be restricted to the minor part.

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DIY
Screening?
Does it
work?

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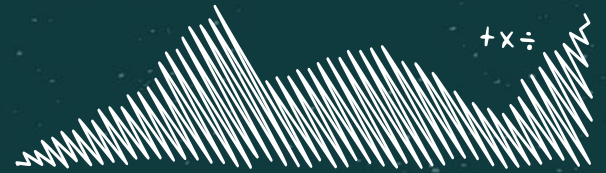
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STUDY
HARD!

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AAOIFI

Rulebook



GOOGLE

SHEETS

3/4/1 That the corporation does not state in its memorandum of association that one of its objectives is to deal in interest, or in prohibited goods or materials like pork (swine) and the like.

3/4/2 That the collective amount raised as loan on interest – whether long-term or short-term debt – does not exceed 30% of the market capitalization of the corporation, knowingly that raising loans on interest is prohibited whatsoever the amount is.

3/4/3 That the total amount of interest-taking deposits, whether short-, medium- or long-term, shall not exceed 30% of the market capitalization of total equity, knowingly that interest-taking deposits are prohibited whatsoever the collective amount is.

3/4/4 That the amount of income generated from prohibited component does not exceed 5% of the total income of the corporation irrespective of the income being generated by undertaking a prohibited activity, by ownership of a prohibited asset or in some other way. If a source of income is not properly disclosed then more effort is to be exerted for identification thereof giving due care and caution in this respect.

“Lesson learned: Extracting balance sheet data can be done. The challenge is to determine to a good degree of certainty the impermissible income. This is obviously not an accounting entry by itself....”

-New GOOGLE SHEET FAN



Islamic Finance news
The World's Global Islamic Finance News Provider REDmoney publication

30th November 2011

REDmoney Indexes (All Cap)
850
825
800

Shariah screening: Not that simple
and some confusion over what constitutes

Cover Story

A good read about the beginning of Screening on the linklist of the google sheet

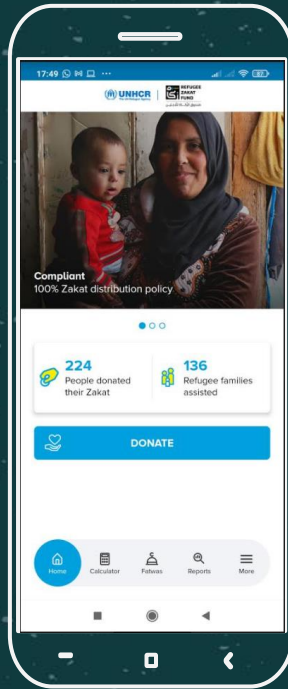
What to do if the EQUITY turns from HALAL to HARAM ?

Sharia Boards allow a «Grace Period» of 90 days to sell the stocks. Most Fatwa are not published, but we find the following on the website of the screening service Islamicly (thumbs up):

- Capital gains occurred after the stock turned haram are to be purified (given away to charity)
- Any dividends in the first 30 days of grace period are purified according to their impure income; any dividends after 30 days are donated/purified completely to charity.

Source: <http://blog.islamicly.com/rules-of-shariah-compliant-equity-trading/>



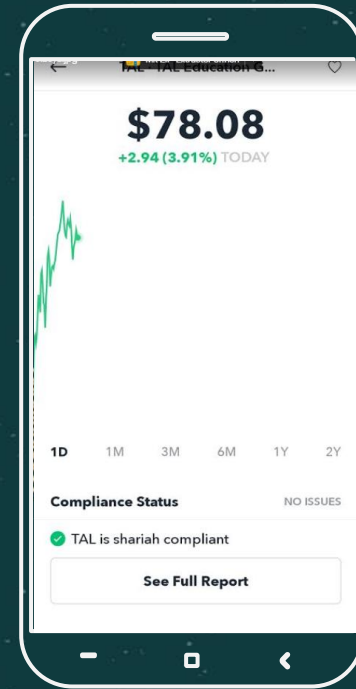


OTHER TOOLS

Zoya, Islamicly,
Idealratings, Halal Stock
Screener, Finispia, Wahed
Stock Screener, Amanie
Screening



Zakat



AND HOW TO CALCULATE ZAKAT?



EQUITY TRADING

If the equities are bought to aim for higher prices, for capital gain of the stock market price, then it is deemed a trading item and zakatable with 2.5% per lunar year.



EQUITY INVESTMENT

Is the intention of the investment to hold and benefit from the profits of the company, e.g. dividends, then there is difference of opinion: Some scholars require 2.5% as well on market value.

Widely accepted is also to exempt the fixed assets and focus on the current assets of a company, which are most similar to the zakatable asset definition.

Back to GOOGLE SHEETS for Zakat calculation

We collected before useful data from the balance sheet of the companies. Which ones we need?

- Market Price / Average Market price for a year
- Zakatable Asset method: Current Assets, calculation of deductible debt
- Calculation of Zakat per single share to multiply with individual holdings

Again, this works nicely with Google Sheet



What to do, with Mutual Funds, Zakat and Purification

Some Islamic funds provide a calculation for purification. However, a Zakat calculation is widely missing for those, who wish to follow the zakatable base method:

- Still ask the fund manager to provide – they have the tools, they could and they should
- Else one could use an educated estimate like 40% or 50% of average market value to determine Zakat.



1 + 1 = 2

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Many Thanks

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Open questions?

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www.islamicwealthmanagement.com

<https://github.com/IslamicWealthManagement/Googlesheet>

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