

Part 4: The Zakat of the Minors – A Lost Calculation

This series on the minors' investment fund is a sad story. It is just as sad, perhaps, as the accounting chaos at PAMA which has even reached the *zakat*. (Zakat is obligatory alms-giving. Paid directly to the most destitute, the amount of zakat is calculated as 2.5% of the entire value of one's possessions.) Despite the clear rules of calculating the amount of zakat, the issue seems to be wrapped in ambiguity. Although I hope that I'm mistaken, I base my arguments on the accounting data which is in my hands and the report issued by the State Audit Bureau.

This is because the Authority bases the amount of zakat on the historic book value of the minors' assets, and not on the market value of the collective investment fund which is under the Authority's control. The book value balance is 163 million dinar, while the market value of funds is about 438 million, in addition to 44 million in cash for 2012.

So the question remains, should zakat be paid according to the market value or the book value? When experts in Sharia law are asked, the answer is that the zakat is paid according to the actual amount, meaning that the Authority is paying less than what has been mandated in Islam. However, if we take a closer look at the assets in the investment fund, it would be clear that it includes a variety of financial and real estate investments including some for which zakat is due, and some of which is exempt from zakat. For instance, 70% of the Authority's investments is in Kuwait Finance House. KFH pays the zakat on all their outstanding shares, so PAMA would be exempt from paying this a second time. Aside from those shares, the majority of the remaining assets are long-term real estate investments which are also exempt from zakat. In this