Waqf Company: Concept, Rulings and The Practice in the Kingdom of Saudi Arabia

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ABSTRACT

Waqf company is a new concept in the waqf. It is different from the conventional waqf that is based on real estate and plantations. It is also different from the cash waqf. Due to this, the purpose of this paper is to study the concept of waqf company, try to define it, and establish how it works through the use of the Saudi Arabian practice as a reference point. This research adopted a qualitative research method, using content analysis of the secondary literature from both classical and contemporary jurists and legal experts’ opinions. Some of the major findings are the definition of a waqf company whose shares are all waqf. It also found that a company does not become a waqf company because of having few shares declared as waqf by their owners. In terms of incorporation, waqf company can take any form of business entity that could be used as a vehicle for commercial activities. The limitation of the research is that there is little literature because the topic is still new. The research presents a practicable concept of the waqf company. To prove this, there is a need to establish a business entity so that the assets and the shares are declared as waqf so that the dividends will be benefiting the designated beneficiaries. The research has a social implication, considering waqf as an Islamic social fund. It will help policymakers further push for adequate laws and regulations that will strengthen the operationality and efficiency of waqf company, thereby significantly reducing poverty and creating jobs through employment by the waqf company. The research is one of the few research pieces that have been conducted in this field as there is a shortage of literature till the current time. Thus, the research will contribute to the efforts being asserted towards understanding the concept of waqf company.

ملخص

تعتبر الشركة الوقفية مفهوما جديدا في مجال الوقف. وهي تختلف عن الوقف التقليدي القائم على العقارات والمزارع. كما أنها تختلف عن الوقف النقدي. نتيجة لذلك، فإن الغرض من هذا المقال هو دراسة مفهوم الشركة الوقفية، ومحاولة تعرفها، وتحديد كيفية عملها من

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خلال استخدام الممارسة السعودية كنقطة مرجعية، اعتمد هذا البحث أسلوب البحث النوعي، باستخدام تحليل محتوى الأدبيات الثانوية من كل من الفقهاء الكلاسيكيين والمعاصرین وأراء الخبراء القانونيين. ومن بعض النتائج الرئيسية هو تعريف الشركة الوقفية بتلك التي تكون جميع أسهمها وقفاً، كما وُجد أن الشركة لا تصبح شركة وقفاً بسبب قلة الأسهم المعلنة كوقف من قبل أصحابها. ومن حيث التأسيس، يمكن لشركة وقفاً أن تتخذ أي شكل من أشكال الكيانات التجارية التي يمكن استخدامها كوسيلة للأنشطة التجارية.

وتتمثل التحديات التي واجهها هذا البحث في وجود القليل من الأدبيات بخصوص الموضوع كونه لا يزال ناشئاً. وإن البحث يقدم مفهوماً عملياً عن الشركة الوقفية. ولإثبات ذلك، هناك حاجة إلى إنشاء كيان تجاري بحيث يتم الإعلان عن الأصول والأسهم كوقف حتى تعود أرباح الأسهم بالفائدة على المستفيدين المحددون. ويتميز البحث بتأثير اجتماعي، حيث يعتبر الوقف صندوقاً إسلامياً اجتماعياً، وسيساعد صناع السياسة على وضع المزيد من القوانين واللوائح المناسبة التي من شأنها تعزيز فعالية وكفاءة الشركة الوقفية. وبالتالي الجهد بشكل كبير من الفقر وخلق فرص عمل من خلال التوظيف من قبل الشركات الوقفية. ويعتبر البحث إحدى الدراسات البحثية القليلة التي أجريت في هذا المجال حيث يوجد نقص في الأدبيات حتى الوقت الحالي. وبالتالي فإن البحث سيساهم في الجهود المبذولة نحو استيعاب فهم الشركة الوقفية. الكلمات الدلالية: شركة وقفاً، الأوقاف المادية، الأوقاف الاستثمارية.

**ABSTRAITE**

L'entreprise Waqf est un nouveau concept dans le waqf. Il est différent du waqf conventionnel qui est basé sur l'immobilier et les plantations. Il est également différent du waqf de l'argent liquide. De ce fait, l'objectif de ce document est d'étudier le concept de société waqf, d'essayer de le définir, et d'établir comment il fonctionne en utilisant la pratique saoudienne comme point de référence. Cette recherche a adopté une méthode de recherche qualitative, utilisant l'analyse de contenu de la littérature secondaire à partir des avis de juristes et d'experts juridiques classiques et contemporains. Parmi les principales conclusions, on peut citer la définition d'une société waqf dont les actions sont toutes waqf. Elle a également constaté qu'une société ne devient pas une société waqf parce qu'elle a peu d'actions déclarées comme waqf par leurs propriétaires. En termes de constitution, la société waqf peut prendre toute forme d'entité commerciale qui pourrait être utilisée comme véhicule pour des activités commerciales. La limite de la recherche est qu'il y a peu de littérature parce que le sujet est encore nouveau. La recherche présente un concept pratique de l'entreprise waqf. Pour
le prouver, il est nécessaire d'établir une entité commerciale afin que les actifs et les actions soient déclarés comme waqf de sorte que les dividendes profitent aux bénéficiaires désignés. La recherche a une implication sociale, considérant le waqf comme un fonds social islamique. Il aidera les décideurs politiques à faire pression en faveur de lois et de réglementations adéquates qui renforceront l'opérationnalité et l'efficacité de la société waqf, réduisant ainsi de manière significative la pauvreté et créant des emplois grâce à l'emploi par la société waqf. Il s'agit d'une des rares recherches qui ont été menées dans ce domaine car il y a une pénurie de littérature jusqu'à présent. Ainsi, la recherche contribuera aux efforts qui s'affirment pour comprendre le concept d'entreprise waqf.

Keywords: Waqf company, tangible Awqāf, investment waqf.

JEL Classification: D64, G23.

1. Introduction

Waqf is one of the greatest acts of monetary devotion and expression of heeding to Allah's call to doing charity. Its importance is further echoed by the hadith of the Prophet (peace be upon him) in which he said: "When a man dies, his deeds come to an end except for three things, and he mentioned among those three: *ṣadaqah jāriyah* (perpetual charity), knowledge by which people derive benefit and a pious son that prays for him (Muslim, n. d, vol. 3: 1255, hadith no. 1631). The Muslim scholars had interpreted the perpetual charity in this hadith to be referring to waqf. This is because the beneficiary of the subject matter of waqf has no legal ownership but only entitles to beneficiary ownership. It is from this perspective the perpetuity referred to in the hadith manifests. Also, the hadith of Umar Ibn Al-Khattab (May Allah be pleased with him) in which he converted his plantation in Khaybar, a province from northwest of Saudi Arabia with few miles from Madinah into waqf under the instructions of the Prophet (Peace be upon him) (Al-Bukhari, 1987, vol. 3: 198, Hadith no. 2737). This was done by other companions such as Uthman (Al-Bukhari, 1987, vol. 4: 13), and Abu Talha (Al-Bukhari, 1987, vol. 2: 119), and the consensus is upon that (Al-Qarafi, 1994, vol. 6: 323). Awqāf (plural of waqf) is considered as one of the most important supporting institutions for the development and growth of societies in the Islamic world. Awqāf has played a prominent role in building and developing different facets of life in Islamic societies, and proofs of that are plentiful.
With the great economic development of recent times, the presence of a strong desire of businesspersons to dedicate various assets and property to *waqf*, so that the benefits be allocated to the deserving community has arisen. The need for other non-traditional forms of the *waqf* has become imperative. These forms would assist the *waqf* in achieving its objectives under the modern management of companies regulated by government agencies and in a manner that does not compromise the perpetuity of the *waqf* asset in accordance with the Shariah rulings and the jurisprudence upon which *waqf* has been established upon.

In this regard, the idea of (*Waqf* Companies in Kingdom of Saudi Arabia “KSA”) was established to allow the donor to proceed with his *waqf* investment under a modern managerial concept that allows their engagement in different commercial activities, which are consistent with the objectives of *waqf*. There is no doubt that this new development will bring sufficient returns that will yield the anticipated benefits to society. It should be noted that KSA is not the first country to develop *waqf* companies. It has been preceded by the western counties’ endowment funds. For example, the Harvard Management Company is the business entity of Harvard dedicated to managing the endowment fund of the popular university. As of today, the endowment has distributed over $28 billion to Harvard, and it is responsible for over one-third of the operating cost of the popular university (Harvard, 2020). Also, Newton Investment Management, which is a British company, managing *awqāf* (endowments) with a value exceeding GBP £46 Billion. Last but not least, Barclays Investment management in London: running *waqf* (endowed) assets worth GBP £164 Billion (Alzamil, 2014). These successful endowment stories can be replicated in the Muslim World in the aspect of *awqāf*.

The responsible people for establishing *waqf* companies in the Kingdom of Saudi Arabia have benefited from these experiences. An agreement has been signed between the Saudi Ministry of Awqāf and Islamic Affairs and the Ministry of Industry and Trade. This agreement assumed *waqf* as a legally independent entity, which allows it to obtain business certifications that grant it the status of a merchant.

This research is projecting the emergence of different forms of *waqf* other than the traditional types in KSA. There is no doubt that this came about because of the huge economic development witnessed by KSA and the
whole region in general. Waqf company in the current century is a revitalizing platform for the development and growth of waqf. It is transforming it from the traditional method of real estate that may or may not yield enough revenues to the beneficiaries due to the lack of flexibility in the traditional waqf properties, whereas the waqf company inherently contains flexibility.

In addition, one of the most outstanding benefits of managing waqf as a company is regulatory surveillance, like any other company. This benefit comes as a result of the management team and board of directors’ seriousness to direct the affairs of the waqf company in the right direction, failure of which may attract penalty by the authority. The subject of waqf company is still relatively new, and not many countries have made law on it. But Saudi Arabia is one of the few countries that have made laws on this new development of waqf. It is therefore expedient to use the law as a case study to derive some lessons that could be used as a model by other jurisdictions. It is important to note that the practice of waqf company has long been understood in the West in the form of an endowment, which is similar to Waqf in the Shariah.

Therefore, the objectives that the research seeks to actualize are to link the foundations and principles of waqf in Islam with a company based-waqf. It will also study the concept of waqf company, the Saudi Arabian laws of waqf company, and understanding the practicality of the concept. Finally, it will contribute to reviving the spiritual rite of waqf in new ways that are compatible with modern times. Some issues that are yet to be clear on the subject matter would be made clear.

The research is divided into five sections. After the introductory section, the literature review forms section two. Section three is the methodology, while section four focuses on the study of the concept of waqf company and the jurisprudential analysis. The final section is the conclusion and findings.

2. Literature Review

There is no doubt that many researchers have written on waqf as a subject. However, the literature on waqf company has remained very inadequate due to the newness of the topic. Therefore, the literature that is directly relevant to the topic would be reviewed to the extent the author can find
them after a thorough search. Accordingly, some of the books that have focused on this area are reviewed below.

1. *Ash-Sharikat Al-Waqfiyyah* (Waqf companies) by Al-Rajihi the author studied some of the achievements of waqf companies and focused on a case study of Sulaiman bin Abdul Aziz Al-Rajhi Awqāf Holding Company.

2. Alani (2018) conducted research on the waqf company where he arrived at the fining that waqf company could be owned by other waqf entities or shareholders that mutually agreed to endow their shares as waqf. Consequently, the company turns to waqf company.

3. Al-Kharashi, (2012) in Alani (2018) proposed a waqf company that will have the board of trustee as the one conferred with the powers to appoint the director of the waqf company. The above papers are not particularly in the same direction as the current paper, which is looking at the concept from the Saudi Arabian practice with a view to unveiling the clear picture of waqf company.

4. Al-Ahmadi, (2018) authored a book on waqf shares where he studied the Shariah point of view and arrived at the permissibility in agreement with the OIC Fiqh Academy. He further stressed that the suitability of corporate shares for waqf confirmed that the Shariah is suitable for any time and place.

5. Ramli and Jalil (2013) had delineated the features of a waqf to be waqf company, established that there are various models of waqf company, in all, he stipulated that the waqf must have artificial personality.

6. Saad et al. (2017) had tested the viability of managing waqf through registered entities of various modes. Their finding was that most respondents supported the system of waqf company why only a few were indifferent. This finding supports the purpose of the current paper that seeks to study the concept of waqf company based on the practice of Saudi Arabia.

7. Mohsin (2014) defined waqf company as “confinement of liquid money, shares, profits, dividends by founders such as individuals, companies, corporations, organizations, or institutions, and the dedication of its usufruct in perpetuity to the welfare of society” (Mohsin 2014, p. 16). This definition does not meet the criteria of a definition because it limited waqf company to liquid
assets, whereas non-liquid assets are also suitable for waqf company. This limitation further reveals that there is a gap to fill by the current paper.

8. Jamaludin (2018), in the presentation made to the Securities Commission of Malaysia and Oxford Centre Islamic Studies, asserted that waqf had become one of the Islamic Capital market instruments, providing an opportunity for the development of Islamic social finance.

9. The International Islamic Fiqh Academy in its resolution no. 181 of 2009 ruled that there is no text of the Shariah that prevents waqf of shares or Sukuk, intangible rights, usufruct, units of investment funds. This resolution is evidence that that the current topic is timely to be researched ascertain the concept of company waqf.

10. Another work that has been published on this topic is the work of Al-Muhana. The author divided waqf companies into different types based on public and private companies and concluded that waqf company could be established through Awqāf institutions or by natural persons (Al-Muhana, n.d.).

Despite the scarcity of literature in this area, the researcher was able to find the above literature, which is very relevant to the topic under investigation. However, there still exists a gap in which the current paper can fill. The gap is that the legal and fiqhi perspective-cum-Saudi practicing e of the concept of waqf company illuminates the understanding of this new aspect of waqf.

Furthermore, the issue of explaining the effect of waqf companies on Zakat will be addressed.

3. Methodology

The topic is a new development in the field of waqf. Unlike the real estate based waqf, which has been dominating the space of waqf. The waqf company evolved as an endowment of one's equity participation in a corporate organization. Owing to its emerging nature, there is a dearth in its literature. However, in order to get a new concept clear, the research will use qualitative research method, using content analysis of relevant documents. The status of the topic as new development necessitates that interview would be conducted with the practitioners of waqf companies so that the conceptualization and the modus operandi would be clear.
Thus, while the study is theoretical in nature, it also contains some elements of empirical inquiry. Hence, the researcher interviewed a notable institutional trustee of Sulaiman bin Abdul Aziz Al-Rajhi Awqāf Holding Company. This served as a means for investigating some practices based on modern rulings and newly developed procedures.

On the other hand, the researcher would also rely on relevant literature from the books of Islamic jurisprudence, the relevant laws of the Kingdom of Saudi Arabia, *Fatāwā* of reputable Islamic organizations and scholars.

4. The Concept of Waqf Company

This section will study the concept and meaning of the waqf company from the fiqhi perspective, the Saudi Law, and experiences on waqf company. It will also look at the obligation of Zakat on waqf company, whether it is obligatory on the company based on the current practice of imposing Zakat on business corporations.

4.1. Definitions of Waqf Companies

Before defining the waqf companies, it is necessary to mention the definitions of modern companies first. This is to investigate from both legal and Islamic jurisprudence point of view whether any type of legal entity used as a commercial company can actualize the objectives of waqf without violating the Shariah rules on waqf. Thus, the following are types of companies and their definitions:

4.1.1. Investment Companies:

Companies that rely on the capital from the partners for their establishment with no regard to the independent person for each investor and its shares are tradable. This type of company is divided into:

i. Stock Company: a company or whose capital is divided into tradable equal shares whereby every partner is liable to the extent of his shares in the capital (AAOIFI Shariah Standard, 2017, p. 338). For the purpose of waqf, the majority of the jurists, Abu Yusuf, al-Shāfi’ī, Ahmad Ibn Ḥanbal and Malik permitted establishing what is referred to as waqf mushā‘ah (undivided shares) (Al-Kasani, 1986, vol. 6: 220; Ibn Qudāmah, 1968, vol. 6: 37). Based on this ruling, it is
permissible to establish this type of company as waqf. The process would be that after the promoters of the company have registered it, they will then invite members of the public to subscribe to the shares and give them as waqf with or without any new intention. This is because if the promoters have made it clear from the onset that this is a waqf company, the intention of the subscribers will follow suit. This will mean that the shares would not be traded on the secondary market because you cannot sell the corpus of waqf, which are now the shares of the company. The only way-out to sell the shares would be through istibdal, which is selling the corpus of waqf to use the proceeds to buy another asset to replace the sold one.

ii. Company Limited by Shares: a company whose capital is tradable shares. In which partners are two categories: joint participants, who are liable in a complete sense and have joint liability on company debts. On the other hand, the silent partners have liability that is limited to their shares of the capital (AAOIFI Shariah Standard, 2017, p. 344-5). To use this type of company for waqf, we need to weigh between the maṣlahah (interest) and the mafasadah (harm) of having the partners liable jointly. If the liabilities are more than the asset, the partners risk being declared bankrupt, and consequently, the waqf company would come to an end. Nevertheless, it may be better to use this type as temporary waqf so that the risk of becoming bankrupt will be very limited because it is not a long term waqf.

iii. Limited Liability Company (LLC): a company whose capital is owned by a limited number of partners not exceeding a fixed number (which varies based on different laws). Every partner’s liability is limited to their shares of the capital. The shares of this type of company are not tradable (Corporate Finance Institute, 2015). This company is suitable for both permanent and temporary waqf because it does not pose any danger to the personal property of the partners, but rather on the waqf assets in the company would be claimed by the creditors if the legal reason arises.
4.1.2. Partnership Companies

Companies are established by persons who are independent by themselves, and they know and trust each other. Partnership companies are divided into:

i. Joint Liability Company: a company that is assigned to two or more people involved for the purpose of business or enterprise. They split the capital between them, and each one is liable personally and jointly in all their funds to the creditors. This structure depends, basically, on the personal network between partners. Juristically speaking, there is nothing in Shariah to prevent using this type of company for waqf except if the risk is very high, then the maṣlaḥah and mafsadah would be the determinant factor.

ii. Limited Partnership Company (LP): is a partnership made up of two or more partners. The general partner oversees and runs the business, while the limited partners do not partake in managing the business. However, the general partner has unlimited liability for the debt, and any limited partners have limited liability up to the amount of their investment (Corporate Finance Institute, 2015). The same rules mentioned in the preceding one also apply to this.

iii. A joint venture (JV) is a dummy company that has no legal identity. In a joint venture of two or more parties, each has a share in the capital. Each of the participants is also responsible for profits, losses, and costs generated from commercial and business activities they participate in or conducted by one of them individually. Liability is limited upon the right of working therein(AAOIFI Shariah Standard, 2017, Standard no. 12). To use this as waqf, there must be a written document to that effect because the company is not registered, but it is permissible to register it as waqf based on the terms and conditions given by the partners that use it as waqf.

iv. Holding Company: A company that owns stocks, or shares in the capital of other independent companies, with a percentage that allows it legally to control in their management and draw its general plans(Corporate Finance Institute, 2015a). This type of company can own stocks in another company as waqf.
This is based on the above-mentioned permissibility of using undivided shares for waqf.

4.2. Definition of Waqf (Mawqufah) Company

Due to the fact that a waqf company is a new development, there is still not a universally accepted definition. However, some of the contemporary researchers made some attempt and defined the waqf company as follows:

a. The use of a commercial company to mobilize waqf assets and manage the same in accordance with the same commercial laws that bind the commercial company (Al-Muhana, n. d, 9).

Observations of the above definition:

i. This definition limits waqf companies to a combination of waqf assets. While in fact, it is possible that the company can consist of a single waqf asset, through its legal person status to create a company, or by transferring the shares or stocks which are owned by some people to the ownership of the waqf through a sale transaction or as a gift. Otherwise, they can dedicate the shares as waqf in the first place (Al-Muhana, n.d).

ii. The ownership of waqf or other things as the capital of a company seeking profit, and then liquefy generated profits (Al-Rajhi, 2016, p. 41).

Observations of the above definitions:

This definition above makes waqf companies be bonded to the ownership of a waqf asset. At the same time, there is no prohibition for creating an independent waqf company with no ownership of or bonding to a waqf asset.

The most important features of a waqf company will be highlighted next, followed by its definition:

b. The waqf company is an investment company, so there is no work or personal partnership.

c. Absence of personal element in the waqf company, so there is no effect by partner death or related matters.

In view of the foregoing, a waqf company may be defined as:

“A company whose stocks and shares are all waqfs.”

This comprehensive definition includes all kinds of waqf companies because a waqf company is either an independent and established in the beginning as a waqf company, or it is a
commercial company that is owned by a waqf asset (or as a waqf asset) whether the donor of the company is a natural person or legal person. The stocks of both types of companies must all be waqf to be considered as a waqf company in terms of law and Shari'ah. So, this definition is one-size-fits-all.

At this point, it is necessary to shed light on two issues of major confusion among some researchers:

First: Making a percentage of a commercial company's stocks waqf, does not change the company description to "waqf company". No matter how large this percentage, even if some professionals think so. A company cannot be considered waqf except if all its stocks are waqf. Therefore, whoever transfers some stocks to be a waqf; only the dedicated stocks would be considered as waqf, not the entire company.

Second: If a man donates an amount of money to be a waqf, then afterward, he used the same money to buy a company for the purpose of investment. This company is considered an Investment Company, not waqf in the place of the waqf money he used. Moreover, selling this company or its stocks is permissible for better investment for waqf benefits. The amount of money invested is only a waqf asset.

At this point, the confusion is dispelled, and the point of flawed methodology is clarified. This is an issue that has confused some of the researchers who consider the previous scenarios as waqf companies that are impermissible to sell or trade their stocks for investment purposes.

4.3. The objective of establishing Waqf Companies

a. It is widening the range of managing waqf assets to include multilateral trading, which the modern law established. This would allow it to bid and enter the major business through which some financial resources can be acquired to contribute to raise the value of waqf assets and increase returns as well.

b. He was restraining the practices of managers and administrators on Awqāf to be under laws (Al-Muhana, n.d, 29).

c. Benefiting from corporates and waqf companies’ governance, to achieve the maximum benefit from the waqf assets.

d. Develop the performance and expansion of waqf fund investment through commercial companies.
e. Eliminating risks through a separation of charitable work and investment practices.

f. Taking benefit from some advantages which are only available for companies, like employment recruitment, investment licenses, and others.

4.4. The Legal Format of Waqf Companies

It was previously mentioned that the definition of modern companies is divided into:

a. Investment companies (including Stock Companies and Limited Liability Companies).

b. Partnership companies (including Joint Liability Companies and Joint Venture Companies).

The direction of the researchers which should be implemented is the categorization of waqf under the first category (investment companies), not partnership companies (Al-Shubaili, 1438AH). This is because the partnership companies are related to persons and partners and have no independent financial account. The partner accounts in partnership companies are not limited to their capital in the company, but it extends to their other personal wealth. On the other hand, the investment companies are not about persons and have an independent financial account of partners. The partners’ accounts are limited to what they own in these companies, and it does not extend to their other personal wealth.

This meaning is effective in the creation of the concept of waqf for modern companies. Thus, the systematic consequences of partnership companies do not suit the waqf in the essence of being a legal person, nor does it suit its financial account in Fiqh, notably in waqf-debt in accordance with the above-mentioned parameters.

This assertion is based on the reality of the systematic and legal companies, in the absence of a separate law for waqf or non-profit companies, which grants personality or limited liability to the waqf company even though no form of Investment Company has been assumed.
Accordingly, the most suitable form for waqf companies is the closed joint-stock company\(^1\) and Limited Liability Company.

4.5. Discussion and Jurisprudential Implication of Waqf Companies and Its Implementation

The jurisprudential implication of a waqf company is based on the subject matter of waqf. Is it the entity that has been registered or the assets of the company or the shares? The most convincing idea is that the subject matter of waqf is the shares and assets of the company. However, the mode of dealing with shares is different from the assets that represent them. This leads us to examine the difference between waqf, which its corpus is assets, and waqf, which is corpus is an investment.

Tangible Waqf: This is the waqf in which the intention of the settlor is aimed at a specific asset that is perceivable.

Among the conditions for this kind of waqf is the permission to benefit from the original waqf asset as long as the basic substance of it is not depleted, which means that the original asset is not diminished or destroyed in any way through the consumption.

Ibn Qudāmah argued thus, “it is not possible to benefit from waqf without having the corpus in existence such as dinars and dirhams, food, drinks, wax, and similar things.; it is not allowed to make waqf of them in the general opinion of the people of knowledge. This is because waqf is the suspension of a specific asset (for the cause of charity) and distributing whatever it produces. Therefore, that which cannot be benefited from except through its depletion is not allowed to be made as waqf (Ibn Qudāmah, 1968, vol. 5: 374; Abidin and Amin, 2003, vol. 4: 364; Al-Hattab, 1992, vol. 6: 22; Al-Mawardi, 1994, vol. 9: 379; Al-Sharbini, 1994, vol. 3: 525).

\(^1\) Khaled Al-Rajhi, *Al-Sharikat Al-Waqfiyyah*, P:45. He stated: the waqf company cannot be an open joint-stock company but rather a closed joint-stock company. I see there is objection to making the open joint-stock company as waqf; it is permissible for it to be considered as a temporary waqf. Although, the investor can sell his stocks after the maturity date of the waqf; the buyer will be considered as a new donor. The application of this case may face some difficulties because it requires a legal supportive environment to arrange the exit of the old donor and the entry of new ones.
This type of waqf maintains perpetuity of the original waqf asset, and therefore this type of waqf is suitable for creating waqf certificates as the asset will become a waqf itself. Under this type of waqf certificate in the registers are the real estate properties because they are waqf assets. Therefore, it is not allowed to sell them or use them in a way where ownership is transferred except with the permission of a judge that has jurisdiction over waqf matters.

4.6. Investment waqf

It is the awqāf, in which the intention of the donor is to grow an asset that is developing and being used according to the standards of business, not for locking it up. Thus, the objective of these assets is the perpetual continuation of the waqf with those assets or their alternatives as a waqf company. This type of waqf, in general, is not mentioned in the waqf certificates that the assets are meant to be waqf themselves. Therefore, investment waqf is assets placed for the general purpose of waqf, but to be used for investment, not to be held individually. It is generally not mentioned on an ownership certificate that the asset is waqf so that it is not bound by the restrictions of waqf assets.

Based on the previously discussed differences between the tangible waqf and investment waqf, in this case, stocks in the waqf company are considered as tangible waqf assets. Therefore, the transacting of these stocks is not permissible, except within the limits of istibdāl (substitution) conditions mentioned by scholars about tangible waqf. Thus, AAOIFI summarised these conditions as follows (AAOIFI Shariah Standard, 2017, no. 60):

a. The proposed substitution must serve the interests of the Waqf.

b. There should be no ulterior motive or intention of favouritism in the substitution.

c. Based on experts’ opinions and values, the substitute should not be less valuable or less lucrative than the old asset.

d. Expedience in buying the new assets immediately after the sale of the old one, except where the delay was necessary.

e. The substitution of the waqf, assets must be subject to the authorized approval —if any- or according to a relevant sharia statement (fatwa).
Selling stocks of waqf company can be considered permissible if the waqf is temporary along with the requirement from the contributors that the buyer of these stocks must have the intention to donate it as waqf. Thus, the company will continue as it was. Similar to what has been stated before, the waqf company is an investment company, and there is no personal character involved. Nevertheless, the application of these conditions requires a legal environment from competent authority.

On the other hand, properties are investment Awqāf and are developed and used for investment purposes according to trade requirements.

About the commercial register, it is just a record and register of the company in the books of the relevant ministry for the purpose of declaration. However, it does not have any value, so it cannot be the waqf subject or asset. Finally, the legal personality is a financial account that has the ability to impose and receive obligations. It also cannot be the waqf subject or asset.

4.7. The effect of Waqf company on Zakat

To understand the Zakat on waqf funds, we must address an important point which is determining the owner of the waqf money. Full ownership of the asset is one of the conditions for the obligation to pay Zakat upon those who are legally accountable. One of the kinds of money that scholars have disagreed upon regarding the extent to which ownership is realized is the (mawquf money). Scholars have the following opinions:

The first opinion: Waqf does not belong to either the donor or the beneficiary, but to Almighty Allah.

This is the popular opinion by the Hanafi school of thought, the most apparent opinion of Shāfiʿīs and narration by Ḥanbālī (Al-Kasani, 1986, vol. 6: 221; Ibn Rajab, n.d, vol. 3: 359; Al-Nawawi, 1985, vol. 5: 343). According to this opinion, paying Zakah is not obligated on waqf because of the lack of complete ownership.

The second opinion: the donor owns the Waqf asset. This is the popular opinion of the Maliki School, the second opinion for Shāfiʿī and narration by Ḥanbālī (Al-Dasuqi, n.d, 4: 76; Al-Ramlī, 1984, 5: 387; Al-Ṣāwī, n.d, 4: 132; Al-Mardawi, 1998, 16: 420).
According to this opinion, Zakah is obligated upon the Waqf funds or wealth. The donor or the administrator has to pay it by extracting it from the wealth that belongs to the waqf. It was narrated at Al-Mudawwana: “I said to Imam Malik, or he has been told: If a person donated 100 Dinar as Waqf (endowment), lending them to others and they pay it back, do you see an obligation of Zakah on it? Imam Malik replied: Yes, I would consider Zakat on it” (Imam Malik, 1994, vol. 1: 380).

The third opinion: the ownership of Waqf assets and benefits are transferred to the beneficiary if it is defined or limited. Otherwise, Almighty Allah is the owner. There is the opinion agreed upon by the Hanbali School (Al-Buhūtī, 1982, vol. 2: 170; Al-Maqdisi, n.d, vol. 1: 393). According to this opinion, Zakah is obligated if the beneficiary of the Waqf is defined or limited. Alternatively, there is no obligation to pay Zakah if the beneficiary is undefined and general.

The strongest opinion– and Allah knows best- is that there is no zakat on waqf wealth whether it is invested or not since no one owns it. This opinion is confirmed by the International Islamic Fiqh Academy (IIFA). The resolution stated:

The Council of the Islamic Fiqh Academy, holding its Fourth session, in Jeddah, (Kingdom of Saudi Arabia), from 18 to 23 Jumada Thani 1408 H (February 6 to 11, 1988), having considered the research papers submitted to the Academy concerning "Payment of Zakat on company shares."

First: Shareholders must pay Zakat on their shares. The company's management may pay Zakat on their behalf if its statutes so stipulate. Or by virtue of a general assembly ruling, or if the law of the land requires that companies must pay Zakat. Or if a shareholder himself empowers the management of the company to pay Zakat on his behalf.

Second: The management of the company shall pay Zakat on shares in the same manner as a person pays Zakat on his wealth. In other words, it shall pay Zakat on the assumption that the capital of all shareholders is the property of a single person, and calculate Zakat, accordingly, taking into account the type and value of assets subject to Zakat, its niṣāb (minimum requirement), the amount is taken, and any other consideration relevant to the Zakat of a human person. This ruling is in accordance with
the principle of mixed assets generally accepted by some Fiqh scholars concerning all assets.

In calculating Zakat, the company shall take due into account shares not liable to Zakat, such as shares owned by the Public Treasury, charitable institutions, philanthropic societies, and non-Muslim shareholders (IIFA-OIC, 1988Resolution no. 28 (4/3)). The Permanent Committee for Scholarly Research and Ifta in the KSA was asked about payable Zakat on Waqf money.

The question was: If one of the tribes gathered an amount of money for emergencies that may face them, or in case of blood money to be paid. They have decided to invest this amount of money, and the returns go back for emergencies too. Do they have to pay Zakat on that amount of money or not? And if they do not invest this amount of money, do they have to pay Zakat or not? And does the tribe itself have the right to pay into the pool of money their Zakat of gold and silver?

The answer was: "If the situation is as mentioned, so Zakat is not obligated on this amount of money because it is considered as Waqf" (Al-Lajinah Al-Daimah Li Al-Ifta, n.d, vol. 2: 291). Similarly, ‘Uthaymīn (May Allah have mercy on him) was asked about giving Zakat money a small village association has collected from its people through a monthly subscription for supporting people in emergency cases of accidents, blood money, and loaning to those seeking marriage?

He answered (May Allah have mercy on him):

"There is no Zakat on this fund; because it is established through collected money from the subscribers, and it is outside the ownership of any specific owner. Therefore, there is no zakat on wealth that has unspecified ownership. Based on what has been stated above, Zakat is not an obligation upon a waqf company because all its stocks are waqf, and therefore the criteria for the obligation of Zakat does exist (‘Uthaymīn, 1413, v. 18: 184).
4.8. Example of a Waqf Company Application in KSA: establishment, and Zakah Treatment

There is no specific law for Waqf companies in terms of the establishment. But there are some practices conducted as follows:

1. Issuance a Waqf “sākk” (note or certificate) for property or money, thereafter, establishing a waqf company owned by that Waqf.
2. Establishing a joint-stock commercial company then transferring it as a Waqf in the Personal Status Court. Then register the company in the ministry of commerce as a waqf company.

Zakat on Waqf companies: Saudi Arabia's Minister of Finance has issued a ministerial decree which states that there is no Zakat obligation on that type of company, nor on its returns, as long as it is serving the public charitably. However, clear and strict controls must be declared to investigate this case. This ministerial decree in full states:

"The Minister of Finance, According to The Royal Decree No 17/2/28/8634 on 29/9/1370 A.H, which addresses the Shariah fulfilment of Zakat from Saudi nationality holders in compliance with the Shariah rulings and its updates.

Building on what has been presented by the director of the General Authority for Zakat and Tax (GAZT), in his statement No 308/1/1435 on 27/11/1435 A.H regarding the fatwa no. (26272) on 30/10/1435 A.H, which states the obligation of Zakat on the returns of Charitable Waqf as long as it is serving the public and its returns are being paid in general charity. Even if the Waqf is making investments and generating profits, regardless of whether it is invested through a company or other means, this does not affect the exemption of the donor to spend some of the returns to use for food, drink, or good deeds, because that exempted amount from the returns is consumed and is not money or wealth in savings over a year (ḥawl), so there is no Zakat on it.

For the necessity of establishing clear controls to verify the applicability of the conditions stated in the Fatwa, it is necessary in the following cases to ensure the following parameters:
First: The waqf money must be documented with the Ministry of Justice by issuing a sharia “sack” document.

Second: The returns of the waqf must be specified as well as the manner of use for charitable public benefit.

Third: The exceptional part of the Waqf should be fully consumed, and there should be no excess liquidity that would incur the obligation of Zakat.

Fourth: The commitment to reporting audited financial statements for the waqf money by an authorized legal accountant office. Moreover, providing these statements to the authority companied with all the attached reports and statements within (120) days from the end of the financial year. The financial statement must include the following:

a. An attached statement clarifying the expenditures with the following details:
   - The name of the beneficiary, whether it is a natural or legal person.
   - The number of the Commercial Register for the beneficiary, and his file number in the Authority –If any.
   - The nationality and place of residence of the beneficiary.

   - The amounts of money the beneficiary received.

b. Licenses regarding all transactions between the waqf money and the connected parties who are subject to pay Zakat. Those transactions should be according to prices between independent parties.

Fifth: Commitment to providing the authority with information about concluded contracts with the private sector at statutory times. In addition to fulfilling requirements of tax duties on the payable money to non-resident parties in KSA, according to articles no. (61) and (68) in income tax law issued by Royal Decree no. 8634/28/2/17 15/01/1435A.H (Saudi Arabia, 2017).

Sixth: This resolution shall apply to all cases provided to the Authority, and It shall be informed to whoever it may concern for implementation (Saudi Ministry of Finance, 1439AH)."
5. Conclusion and Recommendations

This research was conducted on waqf company with the objectives to study the concept of waqf company. To do this, the research was based on Saudi law and practice of waqf company. Then the jurisprudential analysis followed. The research also looked at the issue of Zakat on waqf company. To actualize the objectives, a qualitative method with content analysis was adopted.

The most significant findings and conclusion of the research are as follows:

1. The research found that a waqf company is a company whose shares are all waqf.
2. The researcher finds that the most accurate interpretation is that the allocation of a portion of shares of a commercial company as waqf does not grant it the status of a waqf company because a waqf company is the only one which the entirety of its shares is waqf.
3. A waqf company is formed with money, so the company is not formed based on the contribution of labour, reputation, or otherwise.
4. If a person makes a waqf of cash, then they later use that cash to buy a company for the purpose of investment, so in this case the company is an investment company and is not a waqf itself. Therefore, the original waqf remains the amount that was endowed.
5. The waqf asset in a waqf company is the shares and existing assets, except that shares have a different ruling for their handling as compared to that of similar existing assets. Shares of a waqf company are considered to be in themselves waqf property. As a consequence, it is not permissible to make use of them except within the limits and conditions of istibdāl (substitution) of a waqf asset, which saves been mentioned by the scholars of fiqh that has been allocated as whether it is for investment or not, is not the property of any individual. As a consequence, there is no zakat upon such wealth according to the most accurate opinion. In addition to what has been agreed upon in this matter among the scholars, there is no zakat upon a waqf company. Because all
shares of a waqf company are waqf themselves, there is no avenue to impose Zakat on them.

6. In terms of incorporation, there is no specific structure for a waqf company. But there are practices in the Kingdom of Saudi Arabia that are based upon the following:
   a) Issuing waqf certificates (ṣakk) against land or cash to create a standard waqf, then establishing a waqf company that belongs to the newly established waqf.
   b) Establishing a commercial company with shares, then making it a waqf in the court of personal affairs. Afterward, the registration of the company in the ministry of commerce as a waqf company takes place.

The researcher recommends holding specialized seminars on the topic of waqf companies in order to study and explore the detailed rulings for all its subtopics and various interpretations.

The researcher advises toward the urgency of encouraging different countries toward this type of waqf because through it; many people can participate in waqf by partaking in waqf companies.
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