British Journal of Education, Society & Behavioural Science
10(4): 1-7, 2015, Article no.BJESBS.19414
ISSN: 2278-0998

SCIENCEDOMAIN *international*
www.sciencedomain.org

SCIENCEDOMAIN

Planting Costs and Cost-of-Living in Paddy *Zakah* Accounting in Malaysia: An Analysis

Mohd Shukri Hanapi[1*] and Zahri Hamat[1]

[1]Centre for Islamic Development Management Studies (ISDEV), Universiti Sains Malaysia, 11800 Penang, Malaysia.
[2]School of Social Sciences, Universiti Sains Malaysia, 11800 Penang, Malaysia.

Authors' contributions

This work was carried out in collaboration between both authors. Author MSH designed the study, wrote the protocol and supervised the work. Author MSH managed the analyses of the study. Authors MSH and ZH wrote the first draft of the manuscript and managed the literature searches and edited the manuscript. All authors read and approved the final manuscript.

Article Information

DOI: 10.9734/BJESBS/2015/19414
Editor(s):
(1) Yoav Gal, Department of Economics and Management, Tel – Hai College, Israel.
Reviewers:
(1) Hendri Tanjung, Department of Islamic Economics, Ibn Khaldun University Bogor, Indonesia.
(2) Anonymous, University of Botswana, Botswana.
Complete Peer review History: http://sciencedomain.org/review-history/10160

Short Research Article

Received 8th June 2015
Accepted 4th July 2015
Published 14th July 2015

ABSTRACT

This study intends to examine and analyse planting costs and cost-of-living in paddy *zakah* accounting practices in Malaysia with the aim of determining whether these costs are deducted from the gross income or otherwise because currently in Malaysia, there are numerous paddy *zakah* accounting methods. There are states that do not deduct both these costs; there are states that only deduct the planting costs; and yet there are states that deduct both these costs from the gross income. The question is why some states not only allow the deduction of planting costs but also the cost-of-living too? What are their arguments and reasons for doing this? Based on the content analysis carried out on the primary and secondary data, this study found that a majority of states in Malaysia do not allow the deduction of planting costs and cost-of-living from the gross income except four states, which were Perlis, Pulau Pinang, Sabah and Sarawak. Sabah and Sarawak only allow the deduction of planting costs from the gross income, while Perlis and Pulau Pinang not only allow the deduction of planting costs, but also the deduction of cost-of-living from the gross income

**Corresponding author: E-mail: hshukeri@yahoo.com;*

too. Although there are differences among the states, the paddy *zakah* accounting practices in the four states are in accordance with the views of the *fuqaha'.* They have strong arguments and do consider the social aspect of the farmers.

Keywords: Planting cost; cost-of-living; accounting; zakah; fuqaha.

1. INTRODUCTION

One of the agriculture produce liable for *zakah* is paddy. Paddy is processed into rice, which happens to be the staple food in Malaysia. In carrying out the obligation of paying *zakah*, each state in Malaysia has its own paddy *zakah* accounting method. There are states that deduct planting costs and cost-of-living from the gross income when carrying out paddy *zakah* accounting. Planting costs comprises the total costs involved in planting paddy such as the cost of land lease (if it is leased), ploughing and planting, fertilizer, pesticides, harvesting costs and transport costs; while cost-of-living consists of basic living costs such as personal expenditure, wife's allowance, childcare, parent's allowance, medical expenses and *daruriyyah* debts (vehicle and home loans). There are also states that deduct only the planting costs from gross income; and there are states that deduct both the costs from the gross income.

Eventhough the paddy *zakah* accounting methods in Malaysia are divided into three categories; hence, in general this study only intends to examine and analyse the position of planting costs and cost-of-living in paddy *zakah* accounting practices in Malaysia. The question is, why are there states that allow the planting costs to be deducted from the gross income when the *fatwa* issued in the majority of states in Malaysia does not allow the planting costs to be deducted from the gross income? Why are there states that not only allow the deduction of planting costs but also the deduction of the cost-of-living? What are their arguments and reasons for doing this? In order to answer all these questions, this study has two specific main objectives. First, to identify the positon of the planting costs and cost-of-living found in the paddy *zakah* accounting practices in Malaysia; and second, to analyse the position of planting costs and cost-of-living in paddy *zakah* accounting practices in Malaysia based on the views of the *fuqaha'*.

In order to achieve both these objectives, this qualitative study involves two types of data, namely the primary and secondary data. The primary data were obtained via unstructured interviews with four participants. First was Mohd Nazim Mohd Noor, the Manager of Baitulmal, from the Islamic Affairs and Malay Customs Council of Perlis (MAIPs) on 27 February 2014. Next was Mohd Fahmi Salleh Hilmi, the Assistant *Zakah* Officer from Kedah *Zakah* Department on 10 June 2014. This was followed by Azhari Ahmad, the *Zakah* Executive from *Zakah* Pulau Pinang on 16 June 2014 and Mohd Latif Tolib, the Islamic Affairs Officer from the Islamic Affairs and Malay Customs Council of Perak (MAIPs) on 17 June 2014. Meanwhile, the secondary data were obtained through library research. Both these data were analysed using content analysis. Generally, the finding of the analysis was divided into three main parts. The first part, discussed, paddy *zakah* accounting patterns in Malaysia; the second part discussed the arguments for deducting planting costs and cost-of-living from the gross income; and the third part discussed, the parallelism found in paddy *zakah* accounting practices that deduct planting costs and cost-of-living from the gross income based on the views of the *fuqaha'*.

2. PADDY *ZAKAH* ACCOUNTING PATTERNS IN MALAYSIA

There are various designs and methods of paddy *zakah* accounting methods that are currently practiced in Malaysia. This is shown in Table 1.

Table 1 shows varying paddy *zakah* accounting practices currently found in Malaysia. The different paddy *zakah* accounting practices can be divided into four categories. First, a 5% *zakah* rate is levied on the planting costs; second, a 10% and 5% *zakah* rate is levied on the planting costs; third, a 10% *zakah* rate is levied on the net income after deducting the planting costs; and fourth, a 10% *zakah* rate is levied on net income after deducting the planting cost and cost-of-living. There are two states (14%) that have a 5% *zakah* rate levied on the planting costs; eight states (58%) have a 5% and 10% *zakah* rate levied on the planting levied; two states (14%) have levied *zakah* based on the net income but after deducting the planting costs; and two states (14%) have a 10% *zakah* levy based on the net income after deducting the planting costs and cost-of-living.

Table 1. Paddy *zakah* accounting patterns in Malaysia

Num.	State	Paddy *zakah* accounting			
		5% *Zakah* levied on gross income	5% and 10% *zakah* levied on gross income	*Zakah* levied on net income after deducting planting costs from the gross income	*Zakah* levied on net income after deducting planting costs and cost-of-living from gross income
1	Perlis				✓
2	Kedah		✓		
3	Pulau pinang				✓
4	Perak	✓			
5	Wilayah persekutuan		✓		
6	Selangor	✓			
7	Kelantan		✓		
8	Terengganu		✓		
9	Pahang		✓		
10	Negeri sembilan		✓		
11	Melaka		✓		
12	Johor		✓		
13	Sarawak			✓	
14	Sabah			✓	
Total / Percentage		2 (14%)	8 (58%)	2 (14%)	2 (14%)

Note: Calculations based on paddy zakah accounting information obtained from the website of zakah centres in various states and the aforementioned interview

Thus, it is evident here that Pulau Pinang, Perlis, Sabah and Sarawak had considered the planting costs and cost-of-living aspects in their paddy *zakah* accounting. Out of these four states, Sabah and Sarawak had deducted the planting costs from gross income in their paddy *zakah* accounting, while Pulau Pinang and Perlis had levied paddy *zakah* based on gross income after deducting the planting costs and cost-of-living [1,2].

Actually, paddy *zakah* accounting in Sabah and Sarawak is according to the Manual on Managing *Zakah* Calculations issued by the Department of *Waqf*, *Zakah* and *Hajj* (JAWHAR) [3], whereby agriculture *zakah* accounting involves the deduction of planting costs from the gross income. This differs with paddy *zakah* accounting in Pulau Pinang and Perlis, which not only adheres to the Manual on Managing *Zakah* Calculations issued by the Department of *Waqf*, *Zakah* and *Hajj* (Jawhar) [3], but goes further by deducting planting costs and cost-of-living too.

Only Perlis and Pulau Pinang practice paddy *zakah* accounting by deducting planting costs and cost-of-living from the gross income. Hence, after these deductions, the *zakah* levied in Perlis is 10% of the net income [4]. According to Mohd Nazim Mohd Noor (interview on 27 February 2014), this matter was decided by the Perlis State Fatwa Council. Moreover, in the Laws of the State Governing Body, it is stated that Perlis is not bound by any sect (*mazhab*) when practicing religious matters. Hence, it is clear that Perlis could differ in paddy *zakah* accounting practices because it is not bound to a certain sect in matters related to religious practice [1].

The *zakah* levied in Pulau Pinang is 10% of the net income. According to Azhari Ahmad (interview on 16 June 2014), the deduction of the cost-of-living is appropriate since it contains an amount of fairness to all concerned. This was given due consideration by the State Fatwa Council, since the cost-of-living is ever increasing and the farmers solely depend on paddy for their income [2].

3. THE ARGUMENTS ON DEDUCTING PLANTING COSTS IN PADDY *ZAKAH* ACCOUNTING

As mentioned earlier, Pulau Pinang, Perlis, Sabah and Sarawak allow the deduction of planting costs from gross income before paddy *zakah* is levied based on gross income. Actually, there is no religious attestation (*nas*) that elaborates on this matter; whereby the money used by farmers as capital for agricultural purposes is first deducted from the gross income and net amount of crops, only then is *zakah* calculated if the maturity period (*nisab*) is adequate. A majority of the *fuqaha'* are of the view that the planting costs must be borne by the farmer and the maturity period (*nisab*) for *zakah* is calculated when the farmer obtains the yield and need not deduct the planting costs when paying the *zakah* [5].

A majority of the *fuqaha'* are also of the view that the planting costs need not be deducted first because there is no religious attestation (*nas*) that says so. The available religious attestation only mentions the 5% and 10% *zakah* rate based on the type of irrigation used. The other religious attestations (*nas*) only differentiate the *zakah* rate based on the type of irrigation used by farmers, which is either natural irrigation or manually controlled irrigation. Hence, based on the views of the majority of the *fuqaha'*, the planting costs must be borne by the farmer and *zakah* is mandatory on all crop yields without initially deducting the planting costs. Therefore, the agricultural *zakah* rate is either 5% or 10% based on the type of irrigation. According to al-Buhuti (1999), a 10% rate is liable if the irrigation land does not involve too much capital expenditure or heavy labour because the irrigation method eventually determines a high or low *zakah* rate. Crops that are liable for a 5% *zakah* rate are crops that have been irrigated with the help of livestock, water wheels, machine operated etc [6].

This differs with the views of al-Qaradawi (1969), who stated that the planting costs must be first deducted because it is a burden to the farmer. Pertaining to this, he had adduced three arguments as to why planting costs need to be deducted first, which are as follows [7]:

1. The burden and costs are factors that have an effect on a religious decree (*hukum*). The *zakah* rate differs because of the burden and costs. For example, irrigation that uses machinery or manual labour is liable for a 5% *zakah* rate only.

2. For livestock *zakah*, if the farmer needs to look for livestock feed the whole year round then the livestock is not liable for *zakah*. Hence, it is proper that the costs used to cultivate the crops are not liable for *zakah*.

3. *Zakah* is mandatory because there is growth (progress). Hence, when there is growth it means that there is an increase in the amount (livestock or crops). In this context, the increase does not create wealth because of the huge planting costs.

Al-Qaradawi's (1969) views were substantiated by the *athar* (the sayings or actions of the Prophet's companions) [7], as reported by Abu 'Ubayd (1988), whereby the views of Jabir bin Zaid r.a were sought pertaining to the actions of a man who had fallen into debt and used the money for family expenditure and planting purposes. Jabir explained that:

> "Ibn 'Abbas r.a was of the opinion that the farmer could spend the borrowed money for his planting needs. Ibn 'Umar r.a. was of the opinion that the farmer could spend it on the farm and the family" [8].

According to Abu 'Ubayd (1988) on this matter, Ibn 'Abbas r.a. and Ibn 'Umar r.a. shared the opinion that agriculture *zakah* should be paid after the farmer deducts his debts, which had become his capital (monetary source) for covering expenditure costs intended for cultivating crops [8]. Therefore, it could be concluded that it is appropriate to deduct the debt (planting costs) before *zakah* is paid for the crops based on the views of Ibn 'Abbas r.a. and Ibn 'Umar r.a. [9,10,11].

Thus, it is clear that if a farmer is in debt because he has to purchase materials for planting paddy such as purchasing fertilizer, pesticides, seedlings, harvesting costs, ploughing etc., hence, the farmer is allowed to first deduct the planting costs from the gross income. The eventual net income would then be liable for *zakah* [10,11,12,13,14,15].

4. THE ARGUMENT ON DEDUCTING COST-OF-LIVING IN PADDY *ZAKAH* ACCOUNTING

Perlis and Pulau Pinang are the only states in Malaysia that allows the cost-of-living to be deducted from the gross income before paddy *zakah* is paid. Actually, there is no religious attestation (*nas*) that supports the cost-of-living to be first deducted before paddy *zakah* is paid. Although Ibn 'Abbas r.a. and Ibn 'Umar r.a. share the opinion that the loan used towards planting costs should be first deducted before being liable for *zakah*, they had differed in opinion on loan used towards the farmer's cost-of-living. Only Ibn 'Umar r.a. was of the opinion that *zakah* should be calculated after the loans allocated for planting cost and cost-of-living are deducted [8,11,14,15,16,17].

Hence, it is clear here that there is no religious attestation (*nas*) pertaining to the deduction of cost-of-living before subjecting the income to *zakah*. However, one basis for paying property *zakah* is that the person paying *zakah* should be wealthy because the person receiving *zakah* comes from the poor [12,13]. This is based on the practices during the time of the Prophet SAW, when the Prophet SAW had commanded that *zakah* be collected from the rich, as shown in His exhortation meaning:

> "Take from the wealthy and return it to the poor" (Riwayat *al-Jama'ah*, Hadith num. 1531) [18].

In fact, a farmer's indicator of wealth is not only based on the crop yield that fulfils the period of maturity (*nisab*) without considering if the income from agriculture products is enough to cater for the needs of the agriculture industry and family expenditure [19]. Thus, since providing subsistence is the responsibility of the head of the family, surely a person needs to oblige his responsibilities before spending his wealth on other expenditures. This principle is based on an event that occurred during the time of the Prophet SAW and narrated by Jabir bin Abdullah r.a. that the Prophet SAW exhorted to someone, meaning:

> "First, cater for your own interests; if there is more then give to your wife; and if there is still some left, give it to your nearest of kin; and if there is still some left behind give it to the rest" [20].

It is clear then that the cost-of-living should be first deducted before becoming liable for paddy *zakah* because the Prophet SAW too took great interest in the social well-being of farmers. According to the Prophet's practices, He asked the *zakah* evaluators to deduct 1/3 or 1/4 of the crops and the *zakah* to be assessed based on 2/3 or 3/4 of the crops. This was narrated by Sahal bin Abu Hathrnah, meaning:

> "When you have made an assessment, you must take the *zakah* and leave behind 1/3. If you do not leave behind 1/3, than leave behind ¼" [8].

It is clear here that paddy *zakah* accounting practiced in Perlis and Pulau Pinang is found to be in accordance with the *syara'*. Although Perlis permits farmers to deduct planting costs and cost-of-living; hence, it would not be an impediment if there were some farmers who calculated *zakah* based on gross income [1].

5. CONCLUSION AND RECOMMENDATION

Based on the overall aforementioned discussions it was found that only four states in Malaysia allow the deduction of planting costs and cost-of-living in paddy *zakah* accounting. Two of them, namely Sabah and Sarawak, only allow the deduction of planting costs, whereas Perlis and Pulau Pinang levy *zakah* on net income after deducting the planting costs and cost-of-living from the gross income. Hence, it is evident here that the paddy *zakah* accounting method used in Pulau Pinang, Perlis, Sabah and Sarawak is not only in accordance with the *syara'* but also considers the well-being of farmers. Pertaining to this matter, the *zakah* management in Pulau Pinang, Perlis, Sabah and Sarawak considers planting cost and cost-of-living as a burden to the farmers. The burden and costs are factors that affect the religious ruling and lives of farmers: hence, it should be deducted.

In order to prove that the paddy *zakah* accounting method in Pulau Pinang, Perlis, Sabah and Sarawak does lend priority to the social well-being aspect; hence, the wealth of a farmer is not only considered based on the yield that fulfils the period of maturity (*nisab*) concept and qualifies for *zakah*. In fact, the indicator of a farmer's wealth would be insufficient if it is only calculated based on the increase in yield that falls within the period of maturity (*nisab*) without considering whether the income from the crops is enough to cover the planting costs and the family's cost-of-living.

For example, currently, the development and progress in the agriculture sector requires the farmer to practice modern planting techniques. The farmers need to purchase high quality seedlings and various types of fertilizer in order to obtain good quality yield. Therefore, since paddy is frequently exposed to various types of diseases such as blast (*karah*), red virus (*virus merah*), seedling blight (*hawar seludang*), bacterial blight (*hawar bakteria*) and brown spots (*bintik perang*) etc. that could cause losses to farmers. Farmers need to purchase various types of pesticides to control and treat these diseases. Besides that, farmers also use machinery to facilitate and speed up the planting process, harvesting and transporting the paddy to the processing mill. All these activities add to the planting costs compared to planting paddy the traditional way, which accrues minimal costs [19].

Besides the planting costs, a farmer also has the responsibility towards his personal needs and the people under his responsibility such as his wife, children, aging parents etc. The needs mentioned here refer to basic human needs according to the present standards, such as food, clothing, accommodation, education and other basic current needs. Thus, if the costs of these basic needs were not deducted, it would eventually become a burden to the farmer. Based on the aspect of burden carried by these farmers, the paddy *zakah* accounting practices in Perlis do not assess the gross increase in yield. Although there is an increase in paddy yield but due to the burden of responsibility held by the farmer such as debt due to agriculture costs and basic needs of a rather big family; hence, an increase such as this would not create wealth.

ACKNOWLEDGEMENTS

This paper is part of the research findings entitled Agriculture Zakah Accounting for Farming Entrepreneurs in Malaysia (1001/CISDEV/816218), which was financed by the Research University Grant (RU), Universiti Sains Malaysia, Penang.

COMPETING INTERESTS

Authors have declared that no competing interests exist

REFERENCES

1. Interview with Mohd Nazim Mohd Noor, The Manager of Baitulmal, Islamic Affairs and Malay Customs Council of Perlis (MAIPs), on 27 February; 2014. Baitulmal Head Office, Kangar, Perlis.
2. Interview with Azhari Ahmad, the Zakah Executive, Zakah Pulau Pinang, on 16 June; 2014. Zakah Pulau Pinang, Butterworth, Penang.
3. Department of Waqf, Zakah and Hajj (JAWHAR). Manual Pengurusan Pengiraan Zakat. Putrajaya, Malaysia: JAWHAR, Jabatan Perdana Menteri; 2008;46. Malay.
4. Baitulmal and the Islamic Affairs and Malay Customs Council of Perlis (MAIPs). Panduan Mengeluarkan Zakat. Kangar, Perlis: Islamic Affairs and Malay Customs Council of Perlis; 2001:16-20. Malay.
5. Al-Zuhayli, Wahbah. Al-Fiqh al-Islam wa Adillatuh, Damsyiq: Dar al-Fikr. 1989;2: 812. Arabic.
6. Al-Buhuti, Mansur bin Yunus bin Idris. Kasyf al-Qina‘, Beirut, Lubnan: Dar Ihya’ al-Turath al-‘Arabi. 1999;2:274. Arabic.
7. Al-Qaradawi, Yusuf. Fiqh al-Zakah Dirasah Muqaranah li Ahkamiha wa Falsafatiha fi Daw’ al-Qur’an wa al-Sunnah. Beirut, Lubnan: Dar al-Irsyad; 1969:396-397. Arabic.
8. Abu ‘Ubayd, al-Qasim bin Salam. Kitab al-Amwal. Beirut, Lubnan: Beirut Dar al-Fikr; 1988:611-685. Arabic.
9. Muhammad Kamal Atiyyah. Perakaunan Zakat: Teori dan praktis, translated by Mohd Nor Ngah. Kuala Lumpur: Dewan Bahasa dan Pustaka; 1995:28. Malay.
10. Syahatah, Husayn Husayn. Muhasabah al-Zakah: Mafhuman wa Nizaman wa Tatbiqan. Cairo, Egypt: Maktabah al-A‘lam; 1990:134-138. Arabic.
11. Husayn Ahmad Husayn Ali. Muhasabah al-Zakah. Alexandria, Egypt: Al-Maktabah al-Jami‘iy al-Hadith; 2006:261-262. Arabic.
12. Interview with Mohd Fahmi Salleh Hilmi, the Assistant Zakah Officer, the Kedah Zakah Department, on 10 June; 2014. Kedah Zakah Department, Alor Setar, Kedah.
13. Interview with Mohd. Latif Tolib, the Islamic Affairs Officer, the Islamic Religion and Malay Customs Council of Perak (MAIPs), on 17 June; 2014. MAIPs, Ipoh, Perak.
14. Asmak Ab Rahman, Pazim@Fadzim Othman, Siti Mashitoh Mahamood, Nor Aini Ali and Azizi Che Seman. Assessment Method for Agricultural Zakah in Malaysia: An Institutional Perspective. World Applied Sciences Journal. 2010;11(12):1504-1505.
15. Muhamad Firdaus Ab Rahman, Luqman Abdullah, Nor Aini Ali. Perbandingan Taksiran Zakat Pertanian di Negeri-Negeri Terpilih di Malaysia. Jurnal Syariah. 2015; 23(1):17-21. Malay.
16. Yahya Ibn Adam. Kitab al-Kharaj. Beirut, Lubnan: Dar al-Ma‘rifah; 2010. Arabic.
17. Ibn Qudamah, Mawaffaq al-Din ‘Abd Allah Ibn Ahmad al-Maqdisi. Al-Mughni, Riyad: Dar ‘Alam al-Kutub. 1997;4:265. Arabic.
18. Al-Syawkani, Muhammad bin ‘Ali. Nayl al-Awtar min Ahadith Sayyid al-Akhyar Sayrh

Muntaqa al-Akhbar, Beirut, Lubnan: Dar al-Khayr; 1996;4:431-432. Arabic.

19. Asmak Ab. Rahman, Pazim@Fadzim Othman, Kaedah Taksiran Zakat Padi dan Kesannya Terhadap Petani: Kajian di Selangor, Jurnal Syariah. 2005;13(1):37-63. Malay.

20. Al-Nawawi, Muhyi al-Din Abi Zakariyya Yahya bin Syarf. Sahih Muslim bi Syarh Imam al-Nawawi, Beirut, Lubnan: Dar al-Ma'rifah. 1997;7:53-54. Arabic.

Peer-review history:
The peer review history for this paper can be accessed here:
http://sciencedomain.org/review-history/10160