

INFORMATION KIT
UPDATED FATWA ON CPF NOMINATION (2010)

1. FATWAS ISSUED BY THE ISLAMIC RELIGIOUS COUNCIL OF SINGAPORE (MUIS) ON CPF NOMINATION

Fatwa Issued in 1971

In 1971, the Fatwa Committee held that CPF monies form part of one's estate, and as such, should be distributed upon death according to the laws of inheritance (*faraidh*).

The fatwa also stated that nominees are only trustees and not beneficiaries. Hence, the nominee is obliged to distribute the CPF monies received according to *faraidh*.

Updated Fatwa Issued in 2010

The Fatwa Committee has issued an updated fatwa on CPF nomination. In this fatwa, the Committee maintains the position that CPF monies are part of one's estate, where no nomination has been made.

However, when a nomination is made, the Fatwa Committee holds the view that the nomination effects a valid gift (*hibah*). As such, a nominee can receive the monies in his/her own right. Accordingly, from a religious standpoint, Muslim CPF account holders may make nominations in favour of their dependants, as one of the two options available to them in the distribution of their CPF monies. They may also choose to distribute the CPF monies according to *faraidh* by not making a nomination.

2. WHY IS THE REVIEW OF THE 1971 FATWA NECESSARY?

The review of the 1971 fatwa was made for the following reasons:

i. Alleviating Difficulties for Muslims in Planning For Their CPF monies

Dependants and immediate family members of Muslim CPF account holders may need to cope with difficulties of a dire need which require a more substantial financial support, in the event of the demise of the CPF account holders.

Where a nomination has been made in their favour, but is being challenged by the other *faraidh* beneficiaries, the capacity of the dependents and immediate family members to cope with difficulties of a dire need will be adversely affected, thus impinging on their future well-being.

Such a challenge arises because the previous fatwa viewed nominees as trustees who were under an obligation to distribute the CPF monies according to *faraidh*, and could only receive part of the CPF monies if they were *faraidh* beneficiaries.

ii. Gradual Reduction in the Withdrawal Amount of CPF Monies at Age 55 years from 2009 to 2013

In light of the amendments to the CPF Act, there is a gradual reduction in the withdrawal amount of CPF monies at age 55 years from 2009 to 2013. CPF account holders are now no longer able to withdraw a lump sum at age 55, if they are not able to set aside the minimum sum in full. Hence there is a very minimal amount that would be available for them to spend

on their dependants. As such the Fatwa Committee felt it is imperative to provide options for Muslims and at the same time empower them to plan for, and secure the needs of their dependants.

iii. Review of the Religious Status of Nomination of CPF Monies

The specific use of CPF monies reflect the nature of its uniqueness, hence there are differences between the CPF monies and other forms of estate/wealth, in how they should be treated under Islamic law.

In this context, the Fatwa Committee is of the view that nomination is a valid gift (*hibah*) in Islam. This is based on the Islamic legal maxim which states that “*All contracts and their conditions are permissible except what is nullified or prohibited by the law (i.e. the Syariah)*”

3. WHAT IS THE BASIS FOR CPF NOMINATION TO BE RECOGNISED AS A HIBAH (GIFT) UNDER ISLAMIC LAW?

After a substantive study of classical and contemporary Islamic jurisprudence on the matter, the Fatwa Committee has concluded that CPF nomination is a contemporary form of *hibah*. In principle, there are similarities between CPF nomination and *hibah*, as follows:

- i. Both CPF nomination and *hibah* are only valid on one's owned wealth/property.
- ii. Both CPF monies and *hibah* items remain under the doner's ownership until they are transferred and vested in the nominee/donee.
- iii. Both CPF nomination and *hibah* can be revoked by the donor before the transfer takes place.
- iv. Both CPF nomination and *hibah* can be made to *faraidh* beneficiaries.

- v. Both CPF nomination and *hibah* can be made with no limitations to the amount nominated/gifted.
- vi. For CPF nomination, the nominee(s) will only acquire the monies upon the death of the account holder. Similarly in *hibah*, when the donor passes away before the gifted item is vested in the donee, the donee can still receive the gift.

4. ISSUES RELATED TO THE APPLICATION OF THE 2010 FATWA

i. How does the updated fatwa affect Muslims?

From a religious standpoint, the updated fatwa changes the status of nominees from trustees to beneficiaries.

From a legal standpoint, the distribution of CPF monies under the CPF Act is not affected by the updated fatwa.

Muslims can now avail themselves to the 2 options in distributing their CPF monies; either by nomination or by *faraidh*. There is no longer a conflict between Muslim law and the CPF Act for all forms of distribution of CPF monies.

ii. Which nominations are affected by the updated fatwa?

Any nomination which has been made on the understanding that the nominee/s are only trustees and not beneficiaries from a religious standpoint, and the CPF account holder is still alive, are affected by this fatwa. As such, Muslims who have made such nominations may need to reconsider their nominations in light of this updated fatwa.

If a CPF account holder has already nominated a nominee with the intention of appointing him/her as a trustee, but now wishes him/her to receive it in his/her own right as a beneficiary, he/she does not need to make a new nomination.

Similarly, the updated fatwa takes effect on all new nominations.

iii. What is the status of CPF monies which have already been distributed based on the previous fatwa?

Nominees who had already distributed CPF monies to the respective *faraidh* beneficiaries in accordance with the previous fatwa had done so rightfully, as the previous fatwa applied to those nominations.

iv. Can Muslims still make a nomination with the intent of appointing the nominee only as a trustee to expedite the access to CPF monies for distribution according to *faraidh*?

The nominee is both legally and religiously the rightful beneficiary of the CPF monies. However, it is up to the CPF account holder to make personal arrangements with the nominee and impress upon the nominee that the CPF monies are meant to be distributed according to *faraidh*, and it is up to the nominee to honour the promise if one has been made.

If the nominee refuses to do so, the rightful beneficiaries according to *faraidh* cannot challenge the distribution. The CPF account holder needs to consider this before making any nomination.

v. What happens to the distribution of CPF monies of Muslims who disagree with this updated fatwa?

The nominee/s are the legal beneficiaries of CPF monies, regardless of the fatwa position. Whether a Muslim agrees or disagrees with the fatwa does not change the legal status of nominees.

It is up to the CPF account holder to make personal arrangements with the nominee/s, whilst taking note of the legal status of the nominee/s.