

**ADMINISTRATION OF MUSLIM LAW ACT
(CHAPTER 3, SECTION 32)**

FATWA ISSUED

BY

**FATWA (LEGAL) COMMITTEE, ISLAMIC RELIGIOUS COUNCIL
OF SINGAPORE**

The Fatwa Committee 2013-2016 has discussed on the issue of paying Zakat for Central Provident Fund (CPF) savings in its 4th meeting on 29th May 2014, 5th meeting on 30th June 2014 and the 6th meeting on 19th August 2014.

FATWA

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

الحمد لله رب العالمين ، والصلاة والسلام على سيد المرسلين وإمام المتقين نبينا محمد وعلى آله وأصحابه أجمعين. اللهم أرنا الحق حقا وارزقنا اتباعه، وأرنا الباطل باطلا وارزقنا اجتنابه. وبعد ،

Background

1. The Muis Fatwa Committee had received a question from Zakat and Wakaf Strategic Unit on the 18th October 2012 on the calculation method for monies kept in the *Central Provident Fund* (CPF). Although there have been several fatwas issued on the calculation method, the Zakat and Wakaf Strategic Unit requested for the new fatwa to take into consideration the amendments to the CPF Act.
2. One of the key changes entails that members will now no longer be receiving the lump sum of their savings upon reaching the minimum retirement age. This is due to the CPF Minimum Sum scheme, which requires for a minimum amount to be set aside in the account by the time one reaches the retirement age. At the same time, the CPF Act also determined that the minimum sum to be set aside will be increased yearly.
3. The question that was raised by the Zakat and Wakaf Unit was thus this: is zakat obligatory only on excess monies above the minimum sum – which the member receives in lump sum – or is it also obligatory on monies received as monthly payouts? The question then follows: what should be the appropriate calculation method on CPF monies now?

Previous Fatwa Decisions.

4. In taking into consideration one's needs for his saved monies after retirement age, the Fatwa Committee has decided to review its previous fatwa decisions on this issue.

5. One of the fatwas that discussed on the calculation method of zakat on CPF monies was the one released in 1986, in which the fatwa decided that an individual has complete ownership (*milik taam*) over his CPF monies throughout the years. So although he did not have access to the money, the obligation to pay zakat still stands. However, because he does not have to the money yet, he can delay this payment of zakat until he reaches the retirement age, upon which he will be receiving the lump sum. The zakat to be paid must be calculated not only for that particular year, but also the previous years – starting from the year the CPF monies reached the nisab. In other words, the calculation method for zakat on CPF monies, based on this fatwa, was to add up the compounded arrears from the year the monies reached the nisab, to the year the member receives the lump sum.

6. In 2003, the Fatwa Committee decided to review this decision. They decided that calculating zakat using the compounded method is only compulsory for those who do not have difficulties paying zakat using this method of calculation. If one finds it burdensome to pay using this method – due to his financial circumstances for example – then one has the option of paying zakat calculated only based on the lump sum received.

Ownership of CPF monies.

7. The complete ownership (*milik taam*) of a particular asset, is one of the conditions which makes paying zakat compulsory. If this condition is not fulfilled, then obligation of zakat on that asset does not fall upon the individual.

8. The Muis Fatwa Committee has studied and researched on the details of CPF monies in determining the status of member's ownership (*milkiyyah*) on the monies. The Fatwa Committee learns that:

- i. CPF monies is divided into two components: the contribution from the member's monthly salary and the employer's contribution.
- ii. Usage of CPF monies before retirement age is tied to the CPF Act, which limits it only to certain approved transactions, like purchasing a house, paying for medical bills and so on.

- iii. Receiving the CPF monies after member reaches 55 years old is dependent upon the Minimum Sum Scheme. Member will only receive a lump sum payout of whatever excess amount that he has above the minimum sum determined. He will only be receiving monthly payouts of his minimum sum after he reaches 65 years of age.
- iv. The policies relating to retirement age, minimum sum and also the date of payout after the retirement age, are subjected to amendments from time to time.

9. Based on the above details, Fatwa Committee is hence of the opinion that CPF monies is not considered to be a complete ownership (*milk taam*) of the member.

On assets in which the owner has no control over.

10. The scholars have debated on the status of assets which owners have no control over, such as assets which have been expropriated (*Maal Al-Maghsab*), lost assets (*Maal Al-Mafqud*), assets that have fallen into the sea, and debt which has been denied by the creditors. These assets and those of similar situations are categorised as *Maal Al-Dhimar* – they are assets in which the owners have no opportunity to retrieve back.

11. There is a difference of opinion on the obligation of paying zakat on *Dhimar* assets amongst the scholars. There are those who opine that zakat is obligatory on *Dhimar* assets when the owner retrieves the asset, together with the compounded arrears. Other jurists, on the other hand, are of the opinion that zakat is not compulsory on assets in which the owner does not have complete ownership on its utilisation, since zakat is compulsory when the owner has complete ownership on his asset.

Retirement Needs

12. The Fatwa Committee takes into consideration the individual's retirement needs. With rising inflation and cost of living, the individual is in a more pressing need of his CPF monies to manage his financial needs after his retirement. The increasing minimum sum is an indication that the cost of living is continuously rising.

13. Pursuant to that, the rising minimum sum from time to time would mean that the lump sum amount to be received at the age of retirement will continue to decrease. In fact, if the amount in an individual's CPF does not reach the

minimum sum, then it is most likely that he will not be receiving any lump sum payouts at all.

Fatwa Decision.

14. Based on the consideration above, the Fatwa Committee has decided that payment of zakat using the compounded arrears calculation method is no longer suitable. This is due to the community's pressing needs for the monies after retirement age, and in consideration of the reviews and changes to the CPF Act. If an individual were to receive an amount of CPF monies after deducting the minimum sum, then he is only obliged to pay zakat for the amount a year after he receives it, with the condition that the amount has reached the nisab. Nevertheless, there is no prohibition for the individual from choosing to pay his zakat as soon as he receives the money in lump sum should he choose to do so, and if he is capable of doing so.

15. As for the payment of zakat on monthly payouts received by the retiree in accordance to the Minimum Sum Scheme (MSS), the Fatwa Committee has decided that zakat on these payouts is not necessary as they do not fulfill one of the conditions of zakat, which is haul.

والله أعلم ، وبالله التوفيق ، وصلى الله على سيدنا محمد وعلى آله وصحبه وسلم

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