

The Fiqh of Zakāt

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www.darulfiqh.com

What is Zakāt ?

Linguistically:

purity, praise, growth, blessing

Islamic Law:

هِيَ تَمْلِكُ بَعْضَ مَالٍ جَزْمًا عَيْنَهُ الشَّارِعُ لِفَقِيرٍ مُسْلِمٍ لِلَّهِ تَعَالَى

“To give a fixed amount of specified wealth to a needy Muslim for the sake of Allah Ta’ālā”

Where is Zakāt established?

Qur'an:

وَأَقِيمُوا الصَّلَاةَ وَآتُوا الزَّكَاةَ (البقرة 110)

And establish prayer and give Zakāt (Qur'an 2:110)

Sunnah:

...أَنَّ اللَّهَ قَدْ افْتَرَضَ عَلَيْهِمْ صَدَقَةً فِي أَمْوَالِهِمْ, تُؤْخَذُ مِنْ أَغْنِيَائِهِمْ, فَتُرَدُّ فِي فُقَرَائِهِمْ (صحيح البخاري)

“Allah has made it obligatory for them to pay Zakāt upon their assets and it is to be taken from the wealthy among them and given to the poor among them.” (Sahih al-Bukhari)



Virtues & Admonitions in Relation to Zakāt

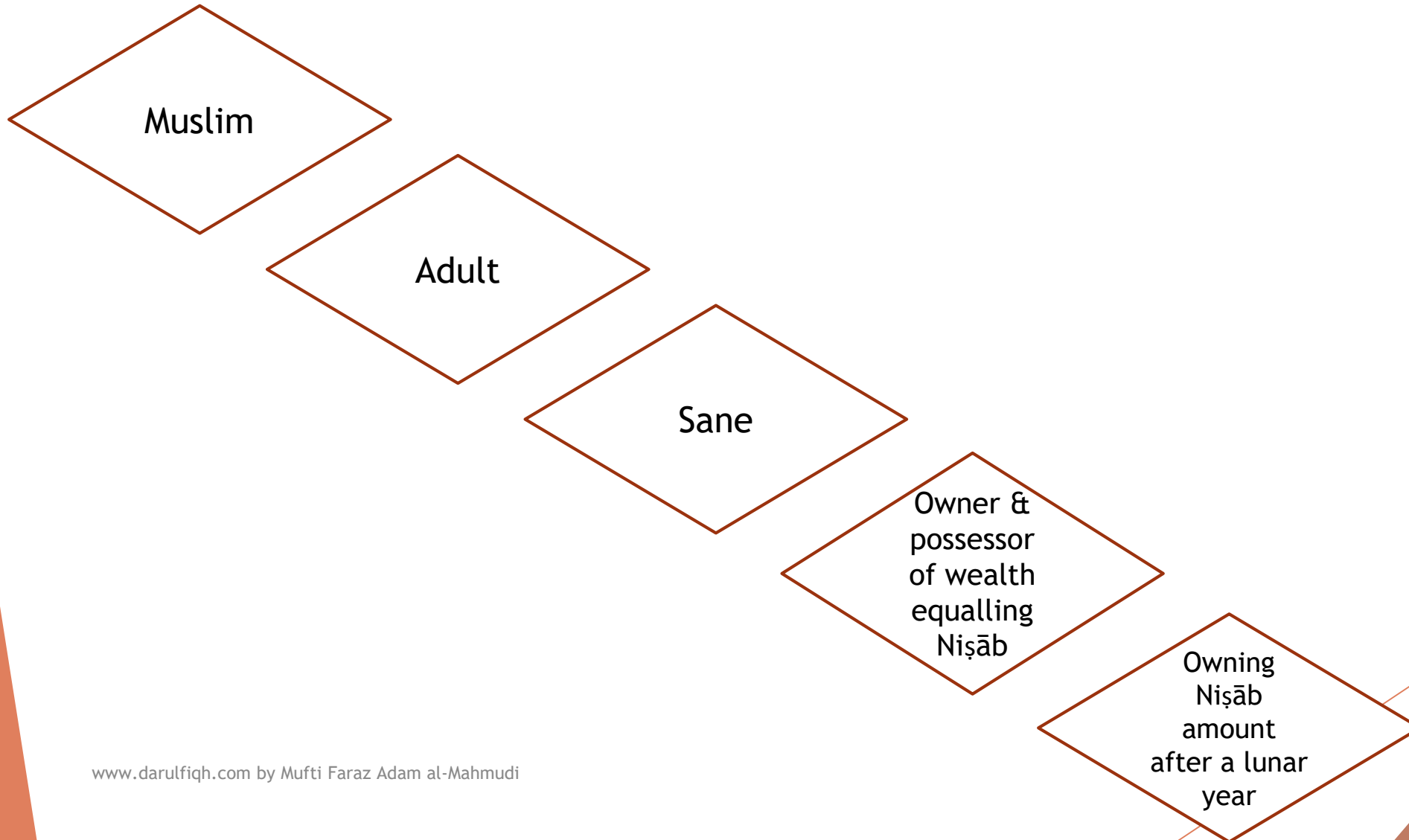
“The example of those who spend their wealth in the way of Allah is like a seed [of grain] which grows seven spikes; in each spike is a hundred grains. And Allah multiplies [His reward] for whom He wills. And Allah is all-Encompassing and Knowing.” (Qur’ān 2:261)

“And those who hoard gold and silver and spend it not in the way of Allah - give them tidings of a painful punishment. The Day when it will be heated in the fire of Hell and seared therewith will be their foreheads, their flanks, and their backs, [it will be said], “This is what you hoarded for yourselves, so taste what you used to hoard.” (Qur’ān 9:34-35)

“Allah destroys interest and gives increase for charities. And Allah does not like every sinning disbeliever.” (Qur’ān 2:276)

“Those who spend their wealth [in Allah 's way] by night and by day, secretly and publicly - they will have their reward with their Lord. And no fear will there be concerning them, nor will they grieve.”(Qur’ān 2:274)

Conditions for Zakāt



Niṣāb

Gold

- 87.48 grams or its equivalent in cash

Silver

- 612.36 grams or its equivalent in cash

If you only possess
gold



Use Gold Niṣāb

If you possess mixed
assets



Use Silver Niṣāb

Cycle of Calculating Zakāt

The day you own the Niṣāb amount (after deducting liabilities), pencil this ISLAMIC DATE in your diary.

It makes no difference whether the wealth increases or decreases during the course of the year.

one lunar year later, if you possess the current Niṣāb amount after deducting liabilities on that very same ISLAMIC DATE, you must pay 2.5% on your wealth as Zakāt

This process will continue unless you have: 1) wealth equalling less than Niṣāb amount 2) ALL of one's wealth is lost

Zakātable Assets

Gold and
silver

Cash

Business
stock


Agricultural
Produce

Animals
And
Livestock


Non-Zakātable items




Gold, Silver & Cash


Zakātable = 

Non-Zakātable = 

▶ Gold & silver for personal use = 

▶ White gold (on gold content) = 

▶ Gold plated = 

▶ Cash in hand, bank, coins, notes = 

Zakāt on business stock

- ▶ Commodities refer to those items purchased with the intention of resale.
- ▶ Zakāt is compulsory on one's business stock.
- ▶ Zakāt will be calculated according to the retail price of the goods.
- ▶ Zakāt is not compulsory on real estate purchased with the intention to lease out.
- ▶ One will add the value of gold, silver, cash and the total value of goods and give 2.5% as Zakāt.

Business

Partnerships:

- ▶ Every partner is responsible to dispense Zakāt of his percentage share.

Valuating business stock:

- ▶ Value finished goods at sale price.
- ▶ Unfinished goods will be valued with the market price.

Common transactions

Ijārah & Diminishing Mushārakah Schemes

- ▶ These are not considered as debt therefore no future payments at all can be deducted from Zakātable assets.

Deposits

- ▶ Money deposited for safekeeping or given to another party for guardianship is Zakātable.

Down payments

- ▶ A purchaser is not the owner of the funds forwarded in a down payment. Thus money given as a deposit in a down payment is not subject to Zakāt.

Insurance premiums

- ▶ Zakāt is not payable on insurance premiums.

Benefits

- ▶ Zakāt is payable on the beneficiary of Working Tax Credit, Child Tax Credit, Child benefits and all other forms of social security allowances. If one possesses any of these benefits when calculating Zakāt, they will be added to one's gross assets.

Debt receivables

Strong debt - Debt arising from forwarding loans or outstanding invoices.

Ruling:

- ▶ The creditor must pay Zakāt on the amount he has lent.
- ▶ It is best to add strong debt receivables to one's total assets and discharge Zakāt yearly.

Debt receivables

Weak debt: This refers to receivables arising without an exchange of tangible goods.

For example:

- ▶ Employee's unpaid wages
- ▶ Unpaid rental for landlord
- ▶ Outstanding *mahr* (dowry) payment
- ▶ Outstanding bequest payment

Ruling:

- ▶ Zakāt will not be compulsory on a weak debt receivable until and unless one gets receipt of the asset.
- ▶ Zakāt is not compulsory on such a debt for the previous years it was outstanding.

Debt receivables

Bad debt:

▶ 2 situations:

1) Debtor acknowledges existence of debt

If the debtor, whether solvent or insolvent, acknowledges existence of the debt then the debt is not excluded from the creditor's Zakāt liability. However, if a creditor is unable to release his debt from his debtor despite his acknowledgment it is not liable to Zakāt.

2) Debtor denies existence of debt

If the debtor denies the existence of the debt and it also cannot be established, then it is not subject to Zakāt.

Debt liabilities

Short term
(liabilities which need to be paid within one year.)

- The total amount of short term liabilities will always be deducted when calculating one's Zakāt able assets.

Long term
(Span over a number of years)

- The amount one needs to pay in the course of one year will be subtracted from one's gross assets.

Debt liabilities

Debts are deductible from your Zakāt able total if they are to be repaid in full within the next **12 months**

Debts which do not have to be paid in the next **12 months** are **NOT** deductible.

If debts are payable by instalments, then 12 month's debt is deductible.

Deductible liabilities

- ▶ **Outstanding** (not future) basic living expenses which have not yet been paid for (e.g. utility bill)
- ▶ **Goods purchased on credit** - You have taken receipt of goods but not yet paid for them, and fully intend to pay the debt
- ▶ **Outstanding** salaries and payable service fees
- ▶ **Unpaid dowry** to one's wife - Assuming one intends to pay this during the year then it too can be deducted
- ▶ **Personal loans** - That which needs to be repaid within a year
- ▶ **Commercial loans** - The entire loan cannot be deducted against assets, only one year's payments

Pension Schemes

Money purchase & personal pension schemes

- This is an investment vehicle where the employee usually has a discretionary role in pension contributions.
- Thus, in relation to Zakāt liability, the rules related to Zakāt on investments will apply.

Final salary pension schemes:

- The pension contributions are not subject to Zakāt.
- Only after retirement upon receipt of the pension payments will these sums be Zakātable. Zakāt of the previous years is not mandatory.

Paying Zakāt

One should not delay in paying Zakāt.

Intention:

- ▶ Intention must be made at the time of giving Zakāt to a qualifying recipient or to one's agent or at the time of separating Zakāt funds from one's total assets.

Paying on behalf of spouse or children:

- ▶ It is permissible to discharge somebody else's Zakāt from one's own wealth on condition one has approval and acknowledgement from the other party.

Tamlīk (Transferral of ownership)

Zakāt will only be considered to be paid when Tamlīk is found.

Tamlīk means the transfer of ownership from the Zakāt payer to a needy person. Tamlīk will only take place with the following conditions:

- ▶ The transferor must be the Zakāt payer or his/her agent
- ▶ The transferee (or recipient) must be a natural living person entitled to receive Zakāt and not a legal entity.
- ▶ The transfer must not be remuneration or consideration for services.
- ▶ The transferee (recipient) must acquire possession and become owner of the funds unconditionally.

Recipients

إِنَّمَا الصَّدَقَاتُ لِلْفُقَرَاءِ وَالْمَسْكِينِ وَالْعَامِلِينَ عَلَيْهَا وَالْمُؤَلَّفَةِ قُلُوبُهُمْ وَفِي الرِّقَابِ وَالْغَارِمِينَ وَفِي سَبِيلِ اللَّهِ وَابْنِ السَّبِيلِ فَرِيضَةً مِّنَ اللَّهِ وَاللَّهُ عَلِيمٌ حَكِيمٌ (60)

“Zakaat payments are only for the needy and for the impoverished and for those employed to collect [Zakaat] and for bringing hearts together [for Islam] and for freeing captives [or slaves] and for those in debt and for the cause of Allah and for the [stranded] traveller - an obligation [imposed] by Allah. And Allah is Knowing and Wise.” (Qur’an 9:60)

Poor & Needy

Those who do not own any Zakāt able assets nor surplus assets beyond their personal assets that equal the Nisāb.

Debtors

Those individuals whose liabilities exceed their Zakāt able and surplus assets.

Travellers

Those who are in a desperate situation and have no access to their personal money

Fi Sabilillah
(Those in the path of Allah)
Those Mujahidun are who needy.

Mu`allafah al-Qulub
Those non-Muslims or Muslims whose hearts are drawn nearer to Islam by giving them a sum of money.

Zakāt Collectors
Those Zakāt collectors who are commissioned by the government to collect Zakāt funds on behalf of the poor .

Those who cannot take Zakāt

The
following
cannot
receive
Zakāt

General welfare projects

Hospitals

Madrasahs

Construction projects for Mosques, hospitals etc.

The descendants of 'Abbas, Harith, Ja'far and Aqeel
Radhiallahu anhum.

A rich person

One's wife or husband

One's parents, grandparents, great grandparents etc.

One's children, grandchildren, great grandchildren etc.

A non-Muslim

Employees as remuneration

Prisoners

Questions

- Can you give zakat to a Masjid?
- Does one pay zakat on jewelry if it is in use?
- Does one pay zakat on rental property value?
- Is there zakat on 401K?
- Should one subtract the fees charged for withdrawing one's 401K?

Question

- If someone is not liable for zakat, are they eligible for it?
- Can a person pay zakat on January 1st each year?
- If a person has jewelry equal to nisab, but no cash, is he/she still eligible for zakat?
- Is it permissible to give zakat to one's siblings?

Assume Nisab = \$500

- Zayd has \$499 in his bank, a house worth \$100,000, and a car worth \$10,000. Is he liable for (i.e. to pay) zakat? If yes, how much? If no, is he eligible for (i.e. to receive) zakat?
- Zayd has \$100 in his bank, a house worth \$100,000, and two vacation properties, each worth \$50,000. Is he liable for zakat? If yes, how much? If no, is he eligible for zakat?

Assume Nisab = \$500

- Zayd has \$250 in the bank, a house worth \$100,000, one rental property worth \$50,000. He has a total of \$300 in rental income, in addition to his bank balance. How much zakat will he pay?
- Zayd has \$250 in the bank, a house worth \$100,000, one resale property worth \$50,000, and one property for rent worth \$75,000. How much zakat will he pay?

Assume Nisab = \$500

- Zayd has \$10,000 in the bank, a factory property worth \$100,000, machinery worth \$50,000, and inventory worth \$5,000. How much zakat should he pay?
- Zayd has \$10,000 in the bank, \$5,000 in his 401K (\$2,500 contributed by him and \$2,500 company match), machinery worth \$20,000, and inventory worth \$2,500. There is a \$1,000 fine to withdraw the 401K at this time. How much zakat should he pay if the 401K is vested? What if it is unvested?

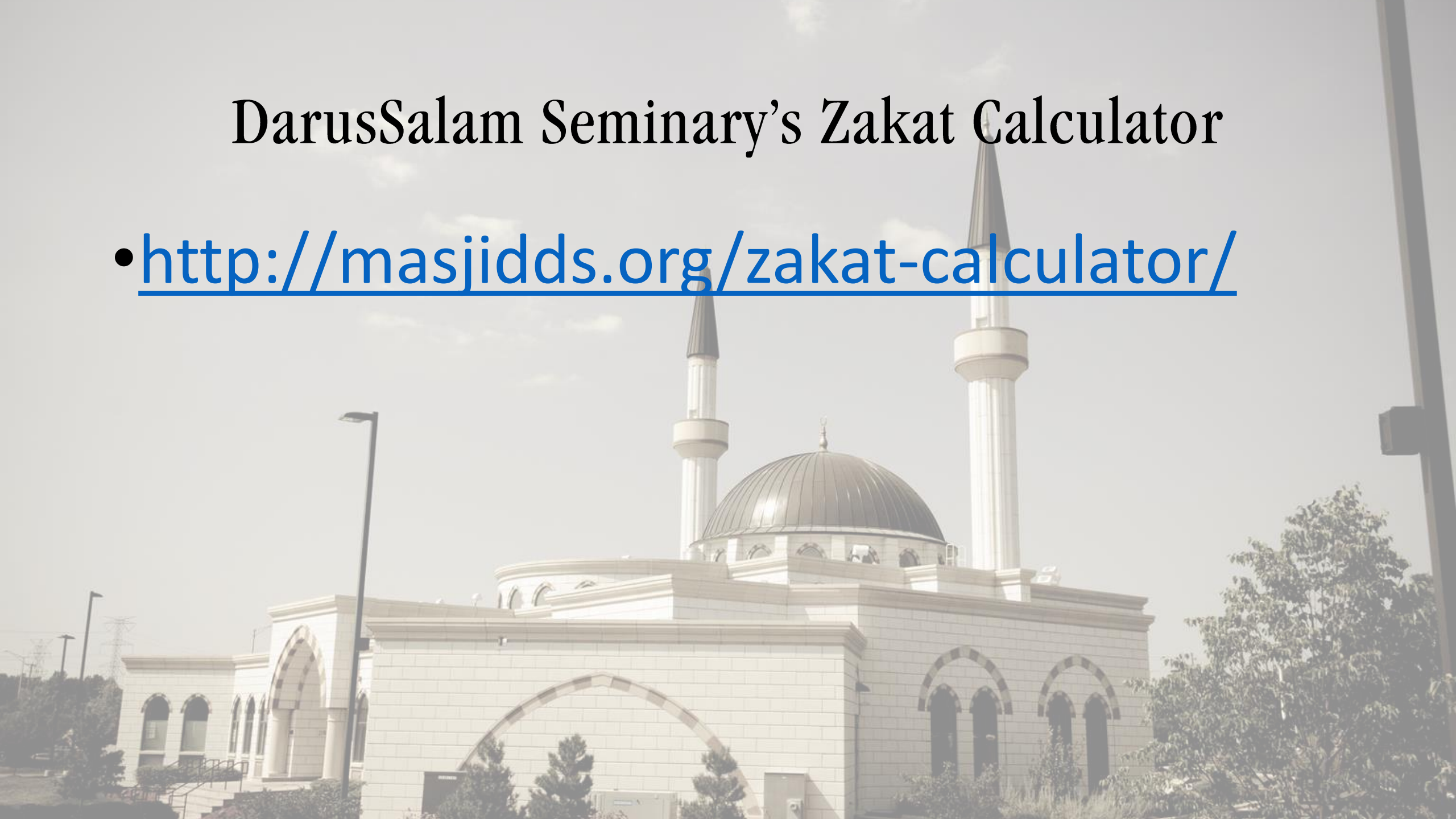
Assume Nisab = \$500

- Zayd has \$400 in the bank and his wife has \$40,000 in gold and silver. How much zakat should he pay?
- Zaynab has \$10,000 in the bank, gold that she wears worth \$50,000, silver that she does not wear worth \$500, and diamonds worth \$30,000. How much zakat should she pay?

Q&A

DarusSalam Seminary's Zakat Calculator

- <http://masjidds.org/zakat-calculator/>



Zakâh: Masâil and Calculation

When a person owns Surplus Zakâtable Wealth/Assets to the value of Nisâb Rate for the duration of One Islamic Year then Zakâh of 2.5% is due on that Surplus Zakâtable Wealth on that particular year-end date. Such a person is considered as a Wealthy Person and is obliged to disburse the 2.5% Zakâh to the recipients of Zakâh. Zakâtable wealth from which Current Liabilities are deducted is classified as Surplus Zakâtable Wealth.

ZAKÂTABLE ASSETS:

- CASH: Savings, cash on hand, petty cash, cash at bank, saved income from property investments, saved dividends from investments.
- STOCK IN TRADE: Stock used for trading, investments in stock/asset shares & commodities, agricultural produce for trade, etc.
Properties that are leased, fixtures & fittings, investments in leased assets, etc. are not considered as Stock in Trade.
Properties purchased for resale are classified as Stock in Trade. Stock in Trade is calculated on the Selling Price of the trader.
- GOLD: Jewellery or items that are 50% or more gold content, Kruger Coins, gold ornaments, etc.
- SILVER: Jewellery or items that are 50% or more silver content, silver coins, silver ornaments, etc.
- DEBTORS AND LOANS: Monies that are owed to you (private loans), trade debtors, etc. There is no Zakâh on debts that are written off, or debts that are denied by the debtor and there is no evidence to prove that he owes. However, if such a written-off debt is recouped after many years then there is no Zakâh on it for the past years; but Zakâh will be due on it for the current Zakâtable year.
- LIVESTOCK: Livestock such as: goats, sheep, cows, bulls and camels for breeding purposes. The local Ulama should be consulted with regards to what amount of Zakâh is due on them. Livestock for trade purposes is treated as stock in trade.

NON-ZAKATABLE ASSETS:

- Precious items not for resale, such as precious stones, artworks, paintings, antiques, stamp collection, etc.
- Money collection that is not a legal tender.
- Dwelling, motor vehicles, furniture, household effects, personal items (that are not gold/silver), fixtures & fittings, machinery.
- Harâm wealth (interest, etc.).
- Non-Gold/Silver jewellery such as platinum, titanium, 9 carat gold jewellery (gold content is minority), etc.

CURRENT LIABILITIES:

- Money that one owes to his creditor, whether the debt incurred was for private or trade purposes.
- CURRENT LIABILITY refers to the amount that one is required to repay within one Islamic Year from the date his Zakâh is due.
(e.g. The outstanding liability on a home loan is \$500,000.00 which is being re-paid in monthly payments of \$2,000.00.
The current liability which will be deducted for Zakâh purposes is only the monthly payment of \$2,000.00.)
- Money that one is required to pay for any expenses incurred for the month, such as rent, phone bills, electricity, water, gas, school fees, etc.

NISAB (Zakâh Qualifying threshold):

- If a person owns a combination of the above-mentioned Zakâtable wealth then his Nisâb Rate (Zakâh Qualifying Threshold) would be the value of 612.36 grams of Silver (= 200 Dirhams).
- The equivalent Dollar value of 612.36 grams of Silver is updated hourly on the DarusSalam Foundation homepage.
- If a person owns only gold then the Nisâb for his gold is 87.48 grams of gold.
- If a person owns only Silver then the Nisâb for his Silver is 612.36 grams of Silver.

VALUATION OF GOLD:

- Zakâh is due on 24, 22, 21, 18 & 14 carat gold.
- Establish the carats and weights of all the gold items separately by a jeweller.
- Cluster/total the weights of each carat.
- Acquire the price per gram of each carat for that particular date on which Zakâh is due.
- The price of gold for each carat can be acquired online at www.goldprice.org
- Multiply the total grams of each carat to the value of that particular carat (per gram).
- Add all the values together to give you the total value of gold.

MISCELLANEOUS:

- The Zakâh donor should himself disburse his Zakâh to a recipient of Zakâh. If, however, he does not know of anyone or is unable to dispose of it correctly then he may appoint an agent to dispose of it on his behalf. The Zakâh donor should appoint such an agent that will not misappropriate his Zakâh.
- Zakâh will not be discharged on behalf of the Zakâh donor if the agent misappropriates his Zakâh.
- Zakâh cannot be used for administration costs incurred in disbursing Zakâh to its recipients. However, Lillâh or a special donation for this purpose could be utilized. It is advisable that the Zakâh donor gives his agent a donation to cover costs involved in disbursing of his Zakâh.
- It is more rewarding to distribute one's Zakâh to a family member or a debtor who is eligible to receive Zakâh.
- It is not permissible to give one's Zakâh to one's spouse, parents and offspring.
- Zakâh cannot be given to a person not eligible to receive Zakâh.

Zakât Calculation Table

	Assets	Zakâtable/ Non-Zakâtable	Zakâtable Value
1	House	Non-Zakâtable	
2	Property (not for resale)	Non-Zakâtable	
3	Furniture, Household effects, personal clothing	Non-Zakâtable	
4	Automobiles (not for re-sale)	Non-Zakâtable	
5	Gold coins	Zakâtable	\$
6	Gold Jewellery:		
	a) 24 Carat	Zakâtable	\$
	b) 22 Carat	Zakâtable	\$
	c) 18 Carat	Zakâtable	\$
	d) 14 Carat	Zakâtable	\$
7	Silver	Zakâtable	\$
8	Diamonds, gem stones (not for re-sale)	Non-Zakâtable	
9	Cash on hand and at the Bank	Zakâtable	\$
10	Saved rentals / Dividends	Zakâtable	\$
11	Stock in trade	Zakâtable	\$
12	Machinery, fixtures & fittings, tools of trade	Non-Zakâtable	
13	Debtors	Zakâtable	\$
14	Investments	Zakâtable	\$
15	Hobbies:		
	a) Coin/Notes Collection (non-legal tender)	Non-Zakâtable	
	b) Paintings	Non-Zakâtable	
	c) Stamp Collection	Non-Zakâtable	
	d) Cars	Non-Zakâtable	
16	Livestock	Zakâtable	\$
17	Other		\$
	Total Zakâtable Assets		\$

	Current Liabilities	Total Value	Deductable Value
1	Loan on House (monthly payment)		\$
2	Loan on Motor Vehicle (monthly payment)		\$
3	Personal Creditors		\$
4	Trade Creditors		\$
5	Installments on Credit Purchases (monthly payment)		\$
6	Other		\$
	Total Deductable Liabilities		\$

	Zakâh Calculation		Amount
1	Total Zakâtable Assets		\$
2	Less Total Deductable Liabilities		\$
3	Total Zakâtable Amount		\$
	Zakâh Due (2.5% of Total Zakâtable Amount)		\$

Pay Zakâh if Total Zakâtable Amount exceeds the Zakât Nisâb

This table is downloadable from: www.DSFnd.org

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SUPPORT FUTURE SCHOLARS

It is narrated that 'Abdullah ibn Mas'ud (RA) said:

"Become a scholar, if not then become a **full-time student**, if not then become a **part-time student**, if not then become a **supporter of students of knowledge**, but do not be in any fifth category."

(Sunan Darimi)

Annual Zakat Eligible Expenses Per Student

We urgently require 70 student scholarships



Tuition \$8,000



Housing \$3,600



Meal Plan \$3,300

Become:

1

OR

2

OR

3

A Guardian of
Islamic Knowledge
for \$8,000

A Sustainer of
Islamic Knowledge
for \$4,000

A Supporter of
Islamic Knowledge
for \$2,000

OR ANY AMOUNT OF THE ABOVE-MENTIONED COSTS

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