

ZAKAAT



*An Essential
Guide*

The Bounties of Allah

- Allah has created man of the best nature and endued him with the power and ability to exploit the treasures of the earth to his advantage and to harness the forces of nature to his needs, and set up, for this purpose, a marvellous mechanism of thought, feelings and actions within him.
- He favoured him with the gifts of understanding and curiosity so that he can avail himself of the Bounties of Allah.
- Allah not only subjugated for man the basic requirements of life, like fire, water and food crops without which he could not live, but also made them cheap and common

Is Man The Real owner?

- “And bestow upon them, of the wealth of Allah, which he has bestowed upon you” (23:33)
- “ And spend of that whereof he has made you trustees” (57:7)
- But due to the infinite mercy of the Almighty wealth has been ascribed to man
- “And eat up not your property among yourselves” (2:188)
- “Those who spend their wealth for the cause of Allah” (2:262)

Importance of Zakaat

- A unique and remarkable foundation of Islam.
- After the affirmation of the oneness of Allah and Apostleship and the establishment of Salaat, Zakaat is the most important tenet of Islam.
- In a number of places in the Quran, Zakaat and Salaat have been mentioned side by side to show its importance. (32 times)




Classification of Zakaat

- Zakaat is neither a form of charity, almsgiving or tax, nor is it simply an expression of kindness, but rather it is all of these combined and much much more. Zakaat is considered a right of the poor over the rich
- It is not simply a voluntary contribution to someone or some cause, but a duty (fardh) enjoined by Almighty and undertaken by Muslims in the interest of society as a whole.
- The literal and simple meaning of Zakaat is '*purity*' and '*increase*'.

3 Aspects of Zakaat

- 1. The way a person makes known by his body and soul during Salaat his humbleness and dependence to the Almighty, by paying Zakaat he offers his monetary tribute as a practical demonstration.
- 2. Help and care is rendered to the needy, such as widows, orphans, the disabled and poor - hence makes Zakaat an important branch of ethics.
- 3. Zakaat is a highly effective remedy against the excessive fondness and greed for wealth.

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- **Virtues:** “Establish Salaat and pay Zakaat, and bow your heads with those who bow (in worship)” (Al Baqarah)
 - The Prophet of Allah said “Protect your possessions by payment of Zakaat, treat the sick by giving sadaqa and face the waves of affliction with dua and crying unto Allah in humility.
 - “Verily, you can make your Islam perfect by your payment of the Zakaat due on your property.”

Benefits of giving Zakaat as stated in the Ahadeeth

- 1. Gaining the pleasure of Allah.
- 2. Increase in wealth.
- 3. Protection from losses.
- 4. Safety from calamities.
- 5. Security from 70 misfortunes.
- 6. Zakaat will provide a shelter on the Day of Judgement.

Warnings of non-payment

- Allah says in the Quran:
- “And there are those who hoard gold and silver and do not spend it in the path of Allah, announce to them a most grievous penalty (when) on the Day of Qiyamah heat will be produced out of that wealth in the fire of Jahannam, then it will be branded on their foreheads and their flanks and backs. (it will be said to them) This is the treasure you hoarded for yourselves, taste then the treasure you have been hoarding.”

WARNINGS OF NON-PAYMENT

- “Whoever is given wealth by Allah and does not pay the Zakaat due thereupon shall find that on the Day of Judgement the wealth will be made to appear to him as a hairless snake with two black specks, which chains him, and then seizes him by his jaw and says ‘I am your wealth! I am your treasure!’” (Bukhari)



Meaning of Zakaat

- Zakaat means to give a fixed portion of wealth (by the owner of Nisaab) each lunar year to the needy Muslims as stipulated in the Quran and thereby making them the owners of the given wealth.
- Proprietary transfer (tamleek) of a portion of wealth specified by the Lawgiver (2.5%) to a poor Muslim who is not a Hashmi (Syed)



- **Conditions of Zakaat to become Waajib.**

- 1. To be a Muslim.
- 2. Mature (not on minors nor on the guardians of such belongings of minors).
- 3. To be sane.
- 4. To be free (i.e. not a slave)
- 5. Wealth to be in one's possession for one lunar year (i.e. at the beginning and end of the year to have Nisaab although in the interim it may decrease).
- 6. Such wealth must be Zakaatable e.g. gold, money etc.

Pre-requisites for Zakaat to be correct.


- 1. At the time of giving Zakaat, niyyah should be made or at the time of giving it to an agent for distribution.
- 2. When the Zakaat is given, the poor person should be made the owner and recipient, meaning that he should have full control over it physically.
- 3. Zakaat can only be given to Muslims.

6 categories of Zakaatable items.

- 1. Gold
- 2. Silver
- 3. Cash. (cash ISAs / TESSAs/ PEPs, National Savings (run by the post office)).
- 4. Merchandise (i.e. items for resale, stocks, shares, Property and Personal Pensions)
- 5. Animals (e.g. stock farming)
- 6. Agricultural farming (e.g. orchards, fruit farms etc.), this is also known as Ushr.


Non-Zakaatable items


- 1. **Personal belongings** e.g. clothing, personal car, furniture, house, jewellery (except gold and silver jewellery which are always Zakaatable)
- 2. **Fixtures and fittings of a business**, e.g. computers, fridge, machinery, delivery van/truck, shelving, etc.

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- **3. Precious gemstones**, e.g. diamonds, rubies, emeralds, pearls etc. for personal use. (not for trading)
 - **4. Haraam wealth**, e.g. interest, gambling winnings, etc. (interest is not Zakaatable. However, its entire amount must be given in charity.)
 - **5. Liabilities are also not Zakaatable**, e.g. debts to suppliers, debts to others.

Interest (riba/usury)

- AbuHurayrah narrated Allah's Messenger (peace be upon him) said, "interest has seventy parts, the least important being that a man should marry his mother." (Ibn Majah and Bayhaqi, Tirmidhi)
- Abdullah ibn Abbas narrates Allah's Messenger (peace be upon him) said, "A dirham which a man knowingly receives in interest is more serious than thirty-six acts of fornication." Ibn Abbas's version adds that he said, "Hell is more fitting for him whose flesh is nourished by what is unlawful." (Ahmad and Daraqutni)

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- The Prophet forbade the use of the price of blood and the price of a dog, the one who takes (eats) interest, the one who gives interest, the woman who practises tattooing and the woman who gets herself tattooed. (Bukhari)
 - AbuHurayrah Allah's Messenger (peace be upon him) said, "On the night when I was taken up to Heaven I came upon people whose bellies were like houses and contained snakes which could be seen from outside their bellies. I asked Gabriel who they were and he told me that they were people who had practised usury." (Al-Tirmidhi, Ahmad and Ibn Majah)
 - Abdullah ibn Mas'ud narrated The Apostle of Allah (peace be upon him) cursed the one who accepted usury, the one who paid it, the witness to it, and the one who recorded it. (Abu-Dawood)


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- The Prophet (peace be upon him) said: If anyone intercedes for his brother and he presents a gift to him for it and he accepts it, he approaches a great door of the doors of interest.
 - The Prophet (peace be upon him) said: A time is certainly coming to mankind when only the receiver of usury will remain, and if he does not receive it, some of its vapour will reach him. Ibn Isa said: Some of its dust will reach him. (Abu-Dawood)
 - Ali ibn AbuTalib Ali heard Allah's Messenger (peace be upon him) curse those who took usury, those who paid it, those who recorded it, and those who refused to give sadaqah. And he used to prohibit wailing. (Al-Tirmidhi)

Nisaab

- This refers to the minimum amount of wealth in ones possession which makes Zakaat liable on a person i.e. the minimum threshold (Approx. £400 – Aug 12).
- **Nisaab for gold and silver:**
- 20 Dinars (misqal) = 87.48g of gold = 7 ½ tolas
- 200 Dirhams = 612.36g of silver = 52 tolas
- To ascertain the current monetary equivalent of the Nisaab limit, it is necessary to establish the current market rate for a gram of gold and silver.
- The current market rate for the rate of the Nisaab in gold is over £2400 and the rate for the silver is about £400 . in this instance the Nisaab for silver will be set because this will benefit the poor & needy as more people will fall into the threshold of being liable to pay Zakaat.

Completion of one lunar year

- It is a condition for Zakaat being payable that one lunar year is completed after becoming owner of the nisaab, and he remains an owner of nisaab at the end of the year.
- Once a person remains owner of nisaab for one full year, completion of one year is not necessary on each and every amount he acquires during the year.
- He must pay Zakaat on the balance he owns at his valuation date, even though some amount is acquired only one day before the valuation date.


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- **For example** On the 10th of Muharram 1432 a person owned £500 free of liabilities. The amount being above the nisaab he has now become owner of nisaab. Throughout the year this amount increased and decreased but never became zero.
 - On the 9th of Muharram 1431 he owns Zakaatable assets worth £1000 including £300 received on 8th Muharram, i.e. only one day earlier.
 - **He must pay Zakaat on £1000.**

Merchandise

- For merchandise, at the end of the lunar year its **present market value** should be determined.
- If you have stock in trade then if you want, you can calculate how much you will get if you were to sell all of your stock in one go. (this is according to the teachings of Mufti Taqi Usmani)

The intention behind the purchase

- **Zakaat position depends on your intention**
- 1. **Clear intention to resell**, if the asset is purchased with the express intent to resell at a profit, then that asset effectively represents stock in trade and therefore the entire value of the property/asset stock is subject to Zakaat.
- 2. **Clear intention to retain asset**, e.g. investment property, the rent gained will be Zakaatable
- 3. **Clear intention to reside in property**. No Zakaat because it falls under “personal use”
- 4. **No clear intention**. No Zakaat payable on asset value, but income received will be subject to Zakaat

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- Business owners-Zakaat payable on stock and cash only, not on goodwill or on capital equipment/property
 - Properties-Zakaat is only payable on net rental income
 - Child Trust Fund- Zakaat is not payable. After the child receives cash on 18th birthday, they are personally responsible for paying Zakaat

PENSIONS

- Pensions- Zakaat is only payable if you choose how to invest the pension fund
- Pensions received by an individual after retirement are liable to Zakat.
- Pension contributions in those cases is not liable for zakat in which the individual has no say over how the money is invested (as is the case with most final salary schemes)

Stock in trade

- The following items are included in this category.
- Finished factory products and raw material. (these are subject to Zakaat, as they are purchased with the express intention for resale)
- Shares bought for capital gains e.t.c. (in this case the full market value of the shares is Zakaatable)
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- Shares bought for investment. The dividend that you get will be Zakaatable.

Animals and livestock

- Such livestock must be in possession for the full lunar year, in the following numbers.
- Nisaab for:
 - Goats and sheep minimum is 40
 - Cattle and water buffaloes minimum is 30
 - Camels minimum is 5

Debt and Zakaat

- As a general principal, all payable debts may be deducted from one's Zakaatable assets. These include the following:
- Price of goods purchased
- Rent of properties that has become due
- Salaries or wages due or overdue on valuation date.
- Personal loans
- Some scholars have differentiated between certain deferred debt repayments e.g. mortgage repayments

Mortgages and other instalment based debt


- Mu'ajjal refers to debt where repayment is due immediately e.g. a personal loan from a friend which is now due. This type of debt is wholly deductible
- Muajjal refers to debts that are usually paid by instalments. Mortgage payments usually fall into this category as they are payments which are all not due at one point in time. This type of debt cannot be deducted from your asset able figures. So mortgage payments which are due in that year can only be deducted. Twelve months of future instalments can be deducted from Zakatable assets


Debts owed to oneself

- All outstanding receivable debts are subject to Zakaat (except for bad debts)
- Even if you have given Qarza -e- Hasanah (loan) to a Masjid/Madrassah you will still have to pay Zakaat on that.
- One has the option to pay Zakaat now or wait for the money to be received and then calculate your Zakaat but you will have to pay for the preceding years as well.

THE PAYMENT OF DEBT

- Abu Musa reported from the Prophet who said: Verily the greatest of sins to Allah with which a man shall meet Him after the great sins which Allah prohibited is his debt outstanding at death but leaving nothing for its payment.
- Muhammad-b-Abdullah reported that the Prophet of Allah said: “And by One in Whose Hand there is the life of Muhammad, if a man be killed in the way of Allah and then raised to life, and again be killed in the way of Allah and again raised to life, and again be killed in the way of Allah and again raised to life with debt due from him, he shall not enter Paradise till his debt is satisfied. (Ahmed)

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- Abu Hurairah reported that the Messenger of Allah said: The soul of the believer remains hanging with his debt till it is paid.-(Ahmad, Tirmizi, Ibn Majah)
 - Sayyiduna Abu Hurayra (Allah be pleased with him) narrates that the Messenger of Allah (Allah bless him & give him peace) said: "Delay in payment on the part of a rich man is injustice/oppression." (Sahih al-Bukhari)
 - Imam al-Bukhari (Allah have mercy on him) relates: It is mentioned that the Messenger of Allah (Allah bless him & give him peace) said: "Any delay in payment on the part of someone who has the means opens the way for his punishment and for damage to his reputation." Sufyan said that "his reputation" means that his delay in payment is talked (Sahih al-Bukhari)

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- 1. Abu Qatadah reported: I heard the Holy Prophet say: Whosoever gives respite to a debtor or grants him remission, Allah will save him from the calamities of the Resurrection Day.- (Muslim)
 - 2. Abu Hurairah reported that the Messenger of Allah said: Whoso takes loan of the properties of men intending to pay it back, Allah gives him means to pay it, and whoso takes loan intending to destroy it, Allah will destroy him on its account.- (Bukhari)
 - 3. Abu Qatadah reported that a man enquired: O Messenger of Allah inform me that if I be killed in the way of Allah, patient, hopeful of reward, advancing forward without retreating, whether Allah will forgive my sins, “Yes” replied the Apostle of Allah. When he retraced his steps, he called him and said: Yes, except debt. Thus said Gabriel.- (Muslim)

Calculation of Zakaat

- **Step 1** : formulate table to calculate assets and total liabilities.

- **Assets**

Merchandise	£10000
Petty cash	£200
Cash in hand	£2000
Cash in bank	£3500
Debtors	£300
Total assets	£16000

Liabilities


Amount owing to
creditors £8000


Total liabilities
£8000

- **Step 2** : Subtract the value of the liabilities (these are exempt from Zakaat) from the assets i.e.
- Assets £16000
- Liabilities £8000
- **Step 3**: now calculate the Zakaat payable on £8000 at 2.5%
- $£8000 \times 2.5\% = £200$
- **Step 4** : therefore £200 will be given as Zakaat

Who may receive Zakaat money?


- 1. In an Islamic state the Zakaat should be given to the Baitul Maal (Treasury).
- 2. In an non-Islamic country, the Zakaat should be distributed to those recipients mentioned in the Holy Quran.
- 3. One can give Zakaat to all eight categories or even a single category of those mentioned.


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- 4. Agency – A person may appoint an agent to distribute Zakaat on his behalf. One should be cautious in determining such recipients so as to discharge Zakaat correctly.
 - 5. If initially a recipient was deemed needy in the eyes of the giver of Zakaat and thereafter the giver comes to know such persons were not needy, then the Zakaat needed not be repaid and the initial payment will be regarded as correct.
 - 6. It is allowed to prepay Zakaat for the next year with the clear intention to do so. But any extra amount paid without this intention cannot be adjusted against the Zakaat of the next year.

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- *Poor* are defined as those people whose net assets (excluding basic necessities such as house, food, clothing, furniture etc) are below the Nisāb threshold. [al-Durr al-Mukhtār]
 - A person's poor relatives should be given preference when distributing Zakāh above other poor people.
 - It is not necessary to inform the recipient of the payment being Zakāh.

The eight categories of Zakaat

- 1. Fuqaraa – Those who own property in excess of basic necessities but below the value of Nisaab.
- 2. Masaakeen – Persons of extreme poverty who possess no wealth whatsoever.
- 3. Aamileen (Zakaat collector)
- persons appointed by the Islamic state to collect Zakaat, who are paid from the Baitul Maal, even though they may not be needy Muslims. (those charities that take Zakaat money for admin cost is strictly not allowed)

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- 4. **Muallafatul Quloob** – Those poor and needy persons who are given Zakaat with the intention of solidifying their hearts because they may have recently converted to Islam or to bring them closer to Islam.
 - 5. **Ar-Riqaab** – slaves whose masters have agreed to set them free on a payment of a fixed amount. Zakaat may be used to purchase their freedom.
 - 6. **Ibnus Sabeel** – A traveller who, whilst wealthy at his residence, is stranded and in need of financial assistance


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- 7. **Al Ghaarimeen** – A person whose debts exceeds his assets and his net assets (after deducting his liabilities) is below the Nisaab limit. To determine whether a person qualifies, his basic necessities of life (house, furniture, clothes, vehicle, etc) will not be taken into account.
 - 8. **Fi Sabeelillah** – Those who are away from home in the path of Allah. Those in Jihaad, those seeking knowledge or a stranded Haji may be assisted with Zakaat if they are in need.


Persons to whom Zakaat may not be given

- 1. Zakaat may not be given to non Muslims.
- 2. A wealthy person.
- 3. It is not payable to the family of Nabi-e-Kareem (sallallahu alayhi wa sallam) i.e. the Banu Hashim.
- 4. One's family, I.e. his father grandfather, great grandfather, etc. His children, grandchildren, great-grandchildren etc, spouse.
- 5. One may not pay the debts of the deceased nor buy a kafn and pay the burial expenses with Zakaat, the reason being that there is no ownership

Some rules of Zakaat

- 1. One may give Zakaat to one's brother's sisters, uncles and aunties, nephews and nieces and parents-in-law. However they should be needy. Preference should be given to relatives as Islam greatly emphasis on the virtue of family ties.
- 2. Zakaat cannot be given in lieu of services rendered, i.e. as wages.
- 3. Zakaat cannot be used for the erection of hospitals, schools, Masaajid, or for the administration (payment of salaries) of welfare organizations.

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- 4. Zakaat could be given in cash or kind.
 - 5. A child of a wealthy father cannot be given Zakaat. However, when such a child becomes mature in age, and does not own wealth to the value of Nisaab, he may then be given Zakaat.
 - 6. It is best to give one's Zakaat when it is due, rather than wait for Ramadhan.

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- If a Gold/Silver asset is owned for personal use and is made from a mixture of metals including Gold or Silver then Zakāh is only payable if Gold/Silver form the majority of the asset.

Hence, gold-plated personal jewellery is therefore not subject to Zakāh due to above.

- Child Trust Fund – Zakāh is NOT payable. After child receives cash on 18th birthday, they are personally responsible for paying Zakāh.