

The Fiqh of Zakāt

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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

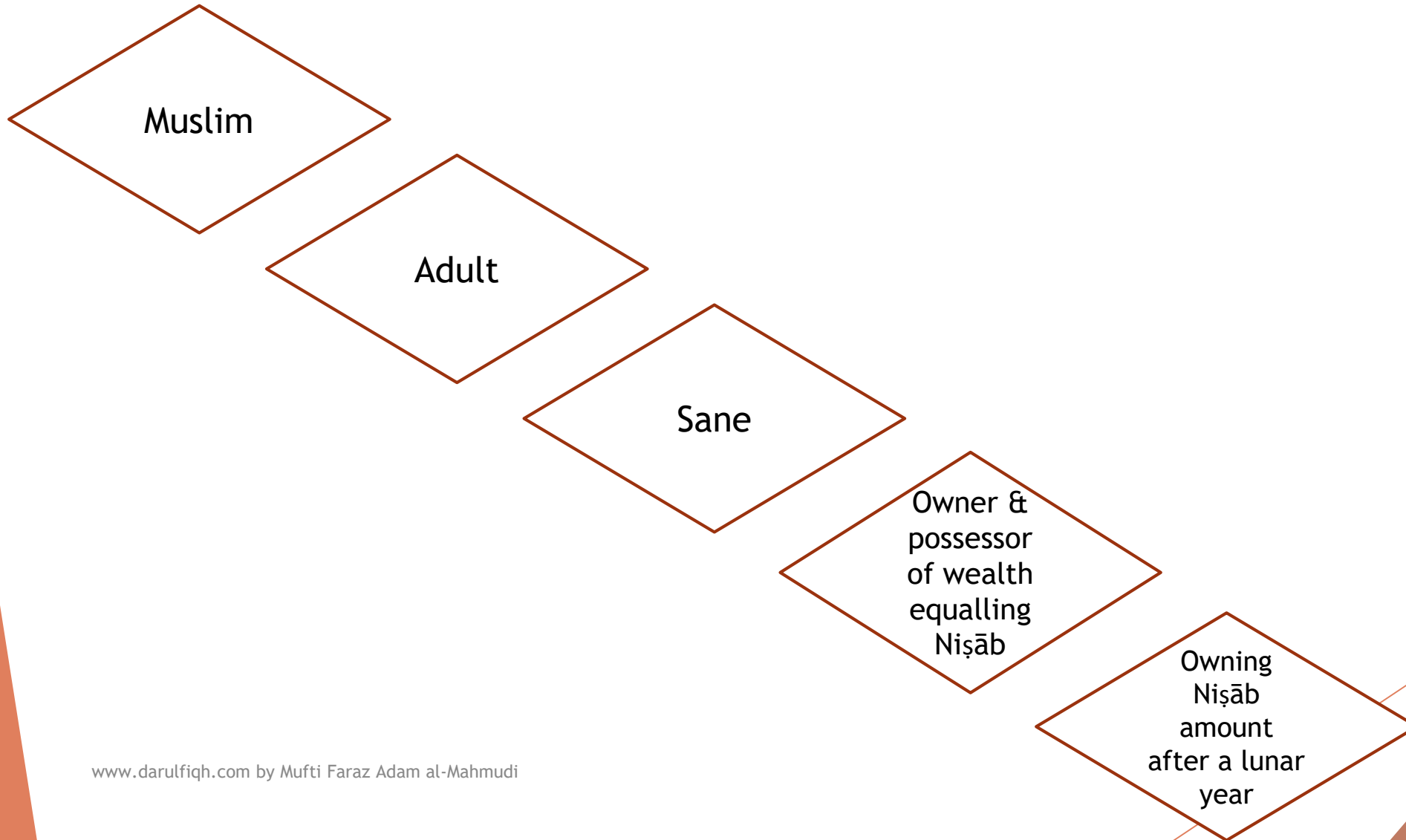
“The example of those who spend their wealth in the way of Allah is like a seed [of grain] which grows seven spikes; in each spike is a hundred grains. And Allah multiplies [His reward] for whom He wills. And Allah is all-Encompassing and Knowing.” (Qur’ān 2:261)

“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:

- ▶ Valuate finished goods at sale price.
- ▶ Unfinished goods will be valuated 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**

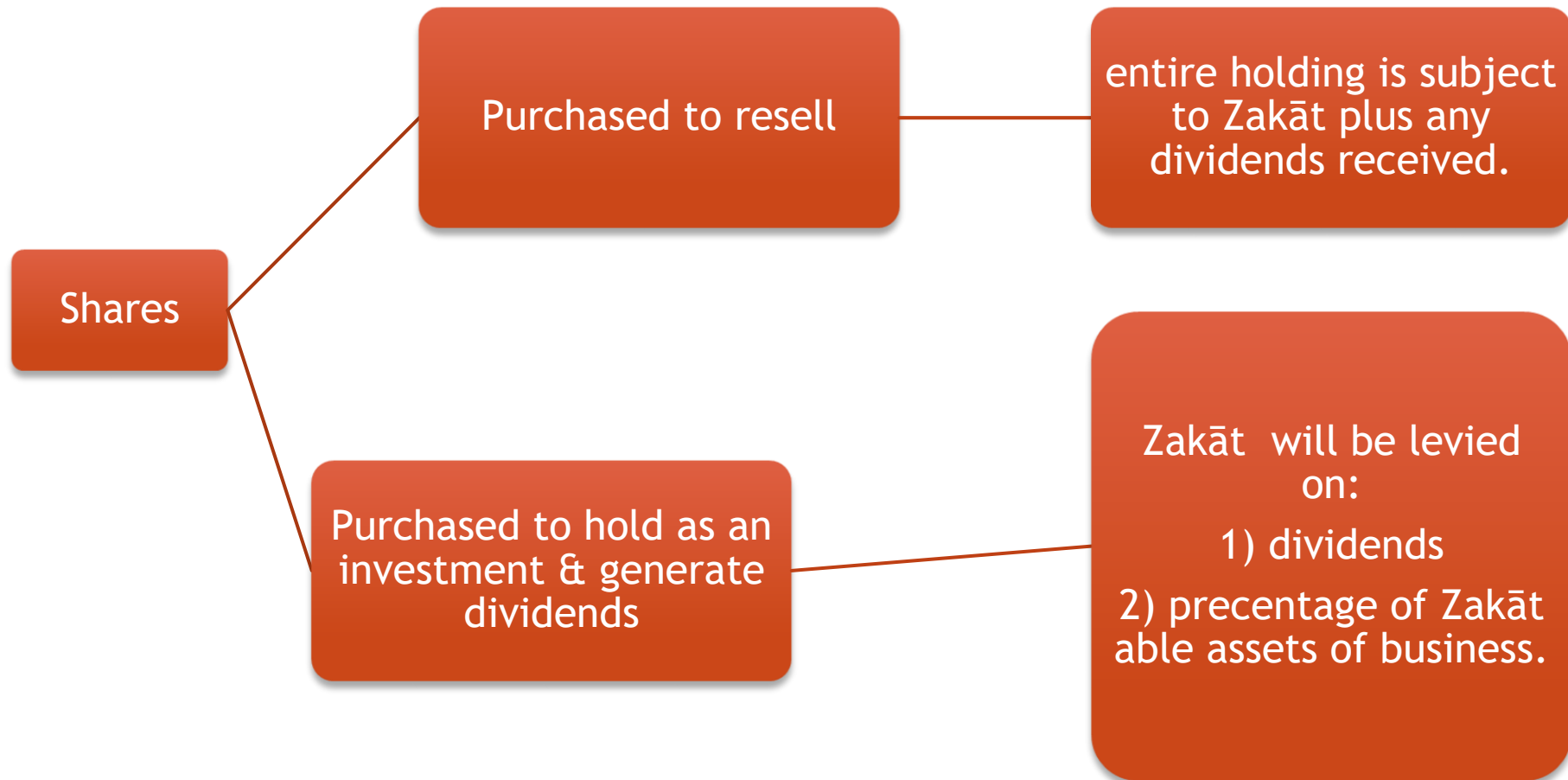
Debts which do not have to be paid in the next **12 months** are **NOT** deductible.

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

Zakāt on shares



Business assets

- ▶ 1) Fixed assets e.g. machinery, buildings, furniture etc. = Non-Zakātable
- ▶ 2) Current assets e.g. cash, stock in trade, receivables etc. = Zakātable

- ▶ One will pay Zakāt on the percentage of current assets in ratio to his share value.
- ▶ For example, Zaid purchased £1000 worth of shares in company XYZ. 40% of the company's assets cover machinery, furniture, cars for use etc. 60% of the company's assets are in the form of stock in trade, cash, receivables, gold etc.
- ▶ Zakāt will be on 60% of £1000 which is £600. 2.5% of £600 will be Zakātable in addition to dividends received.
- ▶ The way to ascertain the proportion of Zakātable assets from non-Zakātable assets of a company is to review the balance sheet and profit & loss account. These documents are available as part of the company's annual report.

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.

Ushr on Agricultural Produce

What is Ushr?

- ▶ Zakāt for agricultural produce is known as ‘Ushr.

What is subject to ‘Ushr?

- ▶ Fruits, vegetables and all produce are all levied with an ‘Ushr payment.
- ▶ Common British produce such as wheat, barley, oilseed, sugar beet, potatoes, peas, field beans, maize and other grains are also subject to ‘Ushr.
- ▶ Trees, grass, weed and other similar undesirable produce are not subject to ‘Ushr.
- ▶ The produce of any cultivated land will be subject to ‘Ushr.

`Ushr on Agricultural Produce

How much should be given?

- ▶ If artificial methods of irrigation are employed such as sprinklers, travelling guns, applicators such as orifices, emitters, porous tubing, perforated pipes and other such methods, one will pay 5% of the total value of the crop.
- ▶ If the land was irrigated solely by rainfall, 10% of the total value of the crop must be dispensed.
- ▶ If there is a combination of natural and artificial methods, the more frequent method will be considered.

When is 'Ushr paid?

- ▶ At the time of harvest, one will have to give an 'Ushr payment regardless of the quantity or quality of the crop.

Ushr on Agricultural Produce

Is ownership of the land necessary?

- ▶ It is not necessary to own the cultivated land; leased, borrowed as well as land under endowment (Waqf) will be subject to Ushr if it was cultivated and crops were produced.

Does a lunar year have to pass?

- ▶ It is not necessary for a year to pass, whenever one harvests crop, Ushr will be given.

Can cash be given?

- ▶ It is permissible to pay the value in cash.

Ushr on Agricultural Produce

What about home-grown produce?

- ▶ Ushr is not levied on produce grown in backyards.

Who should be given Ushr payments?

- ▶ Ushr will be dispensed to the same recipients as Zakāt.

Will debt absolve one from Ushr?

- ▶ Despite debt one will have to give Ushr.

Zakāt on Animals and Livestock

Zakāt is compulsory on the following animals:

- ▶ Camels
- ▶ Cattle
- ▶ Sheep and goats

Conditions for Zakāt to be compulsory on livestock:

- 1) Animals graze on public land
- 2) The purpose for having livestock is growth of the flock and milk.

Zakāt on livestock

- ▶ If they eat from their owner's private land or the owner provides food for them, Zakāt is not binding for them.
- ▶ If one has animals as a conveyance, for transporting or for consumption, they are not subject to Zakāt.
- ▶ If one trades in livestock, they will be treated as a commodity and Zakāt will be given on their selling price.

Please note that the Niṣāb for animals has not been mentioned. For more information, one can email darulfiqh.com.

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)

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

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Most importantly, we request you to make dua for the Darul Fiqh Team that Allah accepts their efforts and grants them the most noble death in His path.