

# ZAKAAT



## *An Essential Guide*

- 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

## **Man is not 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**

- 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.



## **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 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.

- **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.

- **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 )
- 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 Zakaatable)
- 2. **Fixtures and fittings of a business**, e.g. computers, fridge, machinery, delivery van/truck, shelving, etc.
- 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.

## **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. £150 – Oct06).
- **Nisaab for gold and silver:**
- 20 Dinars (misqal) = 87.48g of gold
- 200 Dirhams = 612.36g of silver
- To ascertain the current monetary equivalent of the Nisab 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 Nisab in gold is £750 and the rate for the silver is £188. in this instance the Nisab 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 of the amount is acquired only one day before the valuation date.

- **For example** On the 10<sup>th</sup> of Muharram 1429 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 9<sup>th</sup> of Muharram 1430 he owns Zakaatable assets worth £1000 including £300 received on 8<sup>th</sup> 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)

## **Stock in trade**

- The following items are included in this category.
- All goods bought with the clear purpose of resale, including real estate. Real estate purchased for giving on rent is not subject to Zakaat. However, the rent received is Zakaatable.
- 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).
- 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

## **Debts owed to oneself**

- All outstanding receivable debts are subject to Zakaat (except for bad debts)
- 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.

## Taxes and Zakaat

- Taxes paid before the valuation date of Zakaat are included in the expenses during the year which are not subject to Zakaat.
- Taxes unpaid on the valuation date should not be deducted from Zakaatable assets.

## 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
• <b>Total assets</b>	<b>£16000</b>

- **Liabilities**

Amount owing to creditors £8000
<b>Total liabilities</b> <b>£8000</b>

- **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.

- 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.

## **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)

- 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

- 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-laws. 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.

- 4. It is **not** necessary to inform the recipient that the money given is Zakaat.
- 5. Zakaat could be given in cash or kind.
- 6. 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.
- 7. It is best to give one's Zakaat when it is due, rather than wait for Ramadhan.

- **Any questions?**