



ZAKĀH

Meaning, Importance, Payers
& Recipients

ZAKĀH –IMPORTANCE

Zakāh

- lexically: purification, increase, blessing, praise
- Islamic law: proprietary transfer (tamleek) of a portion of wealth specified by the Lawgiver (2.5%) to a poor Muslim who is not a Hashimite in a manner that excludes all benefit to the payer for the pleasure of Allāh Taala.

ZAKĀH – IMPORTANCE

- Zakāh is the 3rd Pillar of Islām and is mentioned throughout the Holy Qur’ ān.
- On 32 occasions it appears in conjunction with Ṣalāh. [Radd al-Muhtār]
- It purifies the rest of the wealth - The Holy Prophet (peace be upon him) has said:

“Allāh has made it a source of purification for ***your wealth***”

[Ibn Mājah and Baihaqī]

ZAKĀH – IMPORTANCE

- It also purifies one’s inner qualities - The Holy Qur’ān says:

“Take out of their wealth a *ṣadaqah* (obligatory alms) by which you may cleanse and purify *them*.”

[At-Taubah: 9:103]

- The Messenger of Allāh (peace be upon him) said:

‘Whomsoever Allāh has bestowed with wealth and he does not pay its Zakāh, that wealth will be made to appear before him on the Day of Judgement in the form of a bald serpent with two horns/spots. His neck will be encircled therewith on the Day of Resurrection. Then it [serpent] will hold him [from the hand] with its two jawbones and say: “I am your wealth, I am your hoarded treasure.” ...’

[Bukhārī & Muslim]

ZAKĀH PAYERS AND RECIPIENTS

Conditions to be fulfilled for Zakāh to be payable

- Sane
- Adult (reached puberty)
- Sāhib Un-Nisāb (owner of wealth equal to or above Nisāb level)
- Muslim

Recipients of Zakāh

- Holy Qur'an (9:60) lists eight categories of people entitled to receive Zakāh:
 - (1) Poor
 - (2) Needy
 - (3) State appointed Zakāh revenue collectors
 - (4) Those whose hearts have to be reconciled
 - (5) Emancipation of slaves
 - (6) Debtors
 - (7) In the way of Allāh
 - (8) Wayfarer

ZAKĀH PAYERS AND RECIPIENTS

- 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.

ZAKĀH PAYERS AND RECIPIENTS

Those barred from receiving Zakāh

- Certain Hashimites – descendents of:
 - ‘Abbās
 - Hārith
 - Abū Ṭālib from ‘Alī, Ja‘far and ‘Aqeel
- Payer’s lineal descendants (child, grandchild, etc)
- Payer’s lineal ascendants (parent, grandparent, etc)
- Payer’s spouse

Conditions for validity of Zakāh

- Intention at disbursement or at separation of amount payable
- Eligibility of Recipient
- Recipient’s ownership (cannot pay to Masjid / hospital)
- Pre-paying Zakāh

DEFINITION OF NISAB

- Niṣāb was set by Prophet Muhammad (SAW) at 20 Mithqāl of gold or 200 dirhams of silver. This is the equivalent of 87.48 grams of Gold and 612.36 grams of Silver respectively.
- If someone possesses only Gold, then the Niṣāb level for Gold must be used, if however a mixture of assets are possessed then the (lower) Silver Niṣāb level must be used.
- On current [01/08/11] market rates the Niṣāb level is £2,764.37 for Gold and £472.06 for Silver.
- Assuming a person's wealth is equal to or exceeds the Niṣāb level, then Zakāh is payable on it at 2.5%.

ZĀKAH

Assets, Liabilities and Calculation

OVERVIEW

1. PERSONAL ASSETS

2. BUSINESS ASSETS

3. DEBTS owed to you by others

4. DEBTS you owe to others (need to subtract)

5. CALCULATE total and pay 2.5% ZAKĀH if it equals or exceeds NISĀB

6. DEFINITION of NISĀB

7. WHEN to pay Zakāh

8. CASE STUDY

PERSONAL ASSETS

IMPORTANT RULES

1. All assets owned for PERSONAL USE are **exempt** from Zakāh **except Cash, Gold & Silver** which are always subject to Zakāh
2. Zakāh is always paid on the balance of the assets owned on the zakāhtable anniversary and not any fluctuating figure during the year.
3. Zakāh is NOT payable on Ḥarām income. This must all be donated to charity.
4. Zakāh is also payable on livestock and agricultural crops
5. 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.
6. Gold-plated personal jewellery is therefore not subject to Zakāh due to above.

BUSINESS ASSETS

ZAKĀH POSITION DEPENDS ON YOUR INTENTION

i) Clear intention to resell

Zakāh due on entire Asset value – always use Selling Price/Market Value

ii) Clear intention to hold as an Investment

Zakāh not payable on Market Value but payable on net income from Asset. For shares, Zakāh ONLY payable on stock and cash. Zakāh is NOT payable on goodwill or fixed equipment.

iii) Clear intention to reside (if Asset is property)

No Zakāh Payable (this then becomes a PERSONAL ASSET)

iv) No clear intention

No Zakāh payable on asset value, but income received subject to Zakāh

BUSINESS ASSETS

INTENTION NOT TO RESELL IMMEDIATELY

- i) Business Owners – Zakāh payable on stock and cash only NOT on goodwill or on capital equipment / property
- ii) Shares – Zakāh is NOT payable on value of shares – Zakāh is payable ONLY on the cash balance and stock valuation – this needs calculating
- iii) Properties – Zakāh is ONLY payable on net rental income
- iv) Pensions – Zakāh is ONLY payable if you can choose how to invest the pension fund – the amount of Zakāh depends on the asset being invested in. (property fund / shares / cash fund etc.)
- v) Child Trust Fund – Zakāh is NOT payable. After child receives cash on 18th birthday, they are personally responsible for paying Zakāh.

DEBTS OTHERS OWE YOU

There are three categories of debt:

1. **Strong debt** – loans (including Qard e Hasana) and debts incurred in consideration of commercial goods.
 - Creditor remains liable to pay Zakāh even before possession, but obligation to pay only matures upon receipt of the value of 40 dirham's of the debt.
2. **Weak debt**
 - debt that accrues without consideration (inheritance or bequest) or in consideration of other than what is deemed 'property' (deferred dower, unpaid salary, consideration agreed in Khula', compensation agreed to commute Qiṣāṣ).
 - Such debt is not liable to Zakāh unless received, and only then for the future and not retrospectively.
3. **'Medial debt'** – debt incurred in consideration of non-commercial goods (debt arising from the sale of personal property). Two different opinions:
 1. Zakāh liability applies from time of sale but obligation to pay is realised upon receipt of the value of Niṣāb [200 dirham's].
 2. Zakāh liability applies after receipt of the value of Niṣāb [200 dirham's] and the passage of one lunar year.

Bad debts – lost all hope of recovery – Zakāh is not payable

LIABILITIES / DEBTS

DEBTS OWED TO OTHERS

1. Debts owed to others are **deductible** from your Zakātable total if they are to be **repaid in full within the next twelve months**.
2. Debts **not repayable at all** in the **next twelve months** are **NOT** deductible.
3. If debts are **payable by instalment**, then **twelve months debt** is deductible.

Please refer to www.alqalam.org.uk for detailed fatwa.



ISLAMIC HOME PURCHASE PLANS

Murabaha Schemes –

Twelve months of future instalments can be deducted from Zakātable assets

Ijara & Diminishing Musharaka Schemes –

These are NOT considered as DEBT therefore no future payments at all can be deducted from Zakātable assets.

RECAP

ADD PERSONAL ASSETS (GOLD, SILVER & CASH ONLY)

ADD FULL VALUE OF BUSINESS ASSETS IF INTENTION IS TO RESELL IMMEDIATELY

ADD ZAKĀTABLE VALUE ONLY, NOT FULL VALUE OF BUSINESS ASSETS IF INTENTION IS NOT TO RESELL IMMEDIATELY (properties, shares, pensions, business stock and cash)

ADD [qualifying] DEBTS owed to you by others

SUBTRACT [qualifying] debts you owe to others

PAY 2.5% ZAKĀH on total if it equals NIŞĀB

WHEN TO PAY

- Zakāh only paid when you are at or above the Niṣāb level on your Zakāh anniversary.
- If a person cannot remember the date upon which he/she first become Sahib un-Niṣāb then one should make the best estimate. If an estimate cannot even be made then a date should be selected which is then stuck to each lunar year.
- The selected date does not have to be in Ramaḍān. It is however more virtuous to donate in Ramaḍān than at any other time.
- Zakāh should be distributed as soon as possible, at the very latest within 1 lunar year of the calculation date.
- Missed Zakāh should be calculated to best of one's ability and paid.

Case Study

Ayesha on her Zakāh Anniversary date, 10th of Ramaḍān, takes account of her finances as follows :

- Personal car / clothing / furniture: £15,000
- Personal Gold jewellery £2,000
- Owns half of another property – rented out. Value of property £180k.
- Ayesha has an opticians business which has stock of glasses and contact lenses worth £20k.
- Cash in her business account totals £15k, in her personal account £10k
- Owns some shares in BP for resale only = £2k
- She has lent £3k to her friend
- She has a Personal Pension, chosen to invest in Sharī'ah compliant cash account, MV = £30k
- She owes £5k to suppliers of glasses
- 3 years worth of Instalments are outstanding on furniture purchased, total debt outstanding = £6k

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Personal Car / Clothing / Furniture	Non zakāhtable
Gold	zakāhtable
Main Residence	Non zakāhtable
Investment Property	Not zakāhtable
Stock in business	zakāhtable
Cash	zakāhtable
Shares	Fully zakāhtable
Money owed to Ayesha	zakāhtable
Pension	zakāhtable
Money owed to supplier	Deductible for Zakāh
Debt on furniture	12 Months Deductible for Zakāh

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Item	Value
Gold	£2,000
Stock in business	£20,000
Cash	£25,000
Shares in BP	£2,000
Money owed by friend	£3,000
Pension	£30,000
Money owed to supplier	-£5,000
Money owed for furniture	-£2,000
Net amount for Zakāh	£75,000
Zakāh at 2.5%	£1,875

SUMMARY

- Zakāh is the 3rd Pillar of Islam and compulsory if you are Sāhib un Niṣāb
- Zakāh is a purification of one's wealth and a right of the poor over the rich
- Failure to pay Zakāh at all or to under pay Zakāh is a major sin
- Those whose total wealth, excluding basic necessities and debts is below Niṣāb level can receive Zakāh.
- Zakāh should be calculated promptly on the annual Zakāh date and then paid as soon as possible, at the latest within one year.
- Three main assets are subject to Zakāh: 1. gold & silver 2. cash and 3. business assets
- Business assets include shares, pensions, CTF, home purchase plans, properties
- Debts receivable from others are added to Total Assets in the Zakāh Calculation
- Debts payable to others are subtracted in the calculation
- Zakāh is payable at 2.5% on Net Assets

Attend A Zakāh Seminar



...in collaboration with...



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Online Resource

The screenshot shows the LST Ethical website interface. The header features the LST Ethical logo and the text 'Zakah, Wills, Finance'. Below the header, there is a navigation menu on the left with items like 'Accreditation', 'Calculators (Zakah/Wills)', 'Guides', 'Islamic Banking And Finance Text Book', 'Presentations', 'Research Papers', 'Rulings/Fatawa', 'Webinars', and 'Zakah Consultancy'. The main content area is titled 'Financial & Legal Matters' and contains a sub-section 'Contemporary Financial/Legal Issues Facing British Muslims'. The text describes the organization's focus on providing contemporary solutions to financial/legal issues for British Muslims. There are also social media links for Twitter and YouTube.

The screenshot shows the Al Qalam website interface. The header features the Al Qalam logo and the text 'AL QALAM'. Below the header, there is a navigation menu on the left with items like 'Home', 'About', 'Panel Members', 'Community Support', 'Imam Resource', 'Edict (Fatwa) Library', 'Useful Articles', 'Partner Organisations', 'Corporate Advisory', and 'Contact Us'. The main content area is titled 'Imam Resource' and contains a sub-section 'Friday Sermons (Khutbahs)'. The text describes the importance of certain legal and financial matters. There are also social media links for Twitter and YouTube.

Dynamic Website with Online Library

Receiving 5,000 hits every month

Imams Resource Portal

Assisting British Imams with
information resource
(e.g. Khutbahs)