

## ***Zakat-ul-mal (Zakat)***

*Zakat* is the third Pillar of Islam. It is sometimes translated as alms or poor-due, but actually means purification, growth, and blessing.

*Zakat* purifies the heart from the detested trait of stinginess, and also purifies the wealth by giving out a portion of that wealth. It also causes the wealth to grow through Allah's blessings. While regular charity is strongly recommended and abundantly rewarded by Allah (SWT), *Zakat* is a debt we owe Allah (SWT), and must be paid as a part of our belief in Him.

*Zakat*, as a specific amount, was ordained in Madinah during the month of Shawwal of the second year of *Hijrah*. In order to emphasize its importance, the order to give *Zakat* is associated with the order to perform prayers over eighty times in the Noble *Qur'an*. In one verse which is repeated many times Allah (SWT) says what can be translated as, "... **And perform prayers and give Zakat...**" and Allah (SWT) says to His Messenger (SAW) what can be translated as, "**Of their wealth take alms so that, through it, you may purify and sanctify them...**" [*Surah At-Tawbah* (9:103)]

The order to give *Zakat* is established numerous times not only in the Noble Qur'an, but also in the *Hadiths* of Prophet Muhammad (SAW). The Prophet (SAW) said: "*Islam is built on five pillars...*" [Reported by Imams Bukhari, Muslim] and he mentioned *Zakat* as one of them. When the Prophet (SAW) sent Mu'ath to the people of Yemen, he told him: "... *And let them know that Allah has ordained on them alms, to be taken from their rich (people) and given to their poor...*" [Reported by Imams Bukhari, Muslim, and others]

There are several verses and *Ahadith* that warn about the severe consequences for those who do not pay *Zakat*. We read what can be translated as, "... **and those who hoard gold and silver and spend them not in the way of Allah announce unto them a most grievous penalty. On the Day, when they (gold and silver) will be heated in the fire of Hell and used to brand their foreheads, their flanks, and their backs. This is what you have hoarded for yourselves, taste you then what you have hoarded.**" [*Surah At-Tawbah* (9:34-35)] What is meant by "hoarded" here is every wealth on which *Zakat* was due but was not paid.

the Prophet (SAW) says: "*For every owner of a hoarded wealth on which he does not pay Zakat, this wealth will be heated in the fire of Hell and made into sheets with which his flanks and forehead will be branded until Allah passes judgment among His servants on a day that measures fifty thousand years (of our reckoning), then his path will be shown, either to Heaven or to Hell.*" [Reported by Imams Bukhari, Muslim and Ahmad]

The companions of the Prophet (SAW) have unanimously agreed, during Abu-Bakr's term of Khilafah, to fight those who refused to pay Zakat; and they did in fact fight those who withheld *Zakat*.

## **WHO MUST PAY ZAKAT?**

*Zakat* is obligatory on every Muslim, male or female, who has an amount of money, called "*Nisab*", in excess of his/her basic needs that have stayed in his/her possession for one whole lunar year.

## **HOW IS NISAB DETERMINED?**

*Nisab* is either the equivalent of the price of eighty five (85) grams of gold, which, according to today's market value, is worth about one thousand dollars (\$1000), or the equivalent of the price of five hundred and ninety five (595) grams of silver, which is worth about one hundred and forty dollars (\$140). A Muslim can choose either one of the two estimates. Some scholars are of the opinion that it is preferable to consider the *Nisab* definition, which would help the needy, the most; i.e. the definition based on the value of silver. It is important to remember that *Zakat* is calculated based on the total amount of wealth owned at the end of the lunar year, not only the *Nisab*.

## **WHAT IS MEANT BY BASIC NEEDS?**

Basic needs refer to the things one cannot do without. These may include any or all of the following: food, clothing, housing, and transportation for oneself and one's dependents. Dependents include spouse, children who are unable to earn their living and parents who are in need.

## **HOW IS ZAKAT YEAR DETERMINED?**

Zakat year is one lunar year starting from the time one's wealth reaches the *Nisab*. If the wealth drops below the *Nisab* any time during the year, one should stop counting days and start again the day the wealth reaches the *Nisab*. For example, if you choose the gold definition of the *Nisab* (i.e. one thousand dollars- \$1000) and you have:

\$1000 on Ramadan 1<sup>st</sup> (Start counting for *Zakat* year)

\$1200 on Shawwal 1st.

\$1500 on Zulqadah 1st.

\$ 900 on Zulhijjah 1st..(Stop counting)

\$ 700 on Muharram 1st.

\$ 800 on Safar 1st.

\$1100 on Rabi'I 1st.(Restart counting and, on Rabi'I 1<sup>st</sup> of the following year, pay *Zakat* on the amount you would have at that time assuming you continued to have at least \$1000

throughout the year.)

So, if a person's wealth consists of gold, silver, cash, stocks, bonds, and merchandise (1), he/she should add up the values of all these possessions. If the total amount is equal to or greater than the *Nisab*, and it has stayed above the *Nisab* for one whole lunar year, then *Zakat* is due on this wealth, at a rate of two and a half percent (2.5%) of the amount owned at the end of the year. (See examples at the end of this paper).

## WHO IS ELIGIBLE TO RECEIVE ZAKAT?

There are eight categories of people eligible to receive *Zakat*. They have been specified in the Noble *Qur'an* what can be translated as, "**Alms are for the poor, the needy, the employees who administer the funds, those whose hearts have been recently reconciled to the Truth, those in bondage, those in debt, in the cause of Allah, and the wayfarer, (thus it is) ordained by Allah, and Allah is most knowledgeable, most wise.**" [*Surah At-Tawbah* (9:60)]

Based on this verse, the ways of spending *Zakat* funds can be classified as follows:

- 1- For the poor (*Fuqara'*) who do not have enough to take care of their basic needs.
- 2- For the needy (*Masakeen*) whose basic needs are met but their income does not take care of other important needs.
- 3- For those whose sole job is to collect and distribute the *Zakat* funds.
- 4- For those who are close to accepting Islam as a religion, and those non-Muslims whose evil can be avoided if they receive money.
- 5- For freeing a Muslim person from bondage (whether a slave in the old times, or a prisoner of war in our times)
- 6- For those who are indebted and cannot pay their debts.
- 7- In the cause of Allah (SWT): the scholars have said that what is meant here is that *Zakat* can be given to those who volunteer to fight in the cause of Allah (SWT) and do not receive a fixed salary from the government.
- 8- For the wayfarer who is stranded in a foreign land and cannot get enough money to go back to his homeland, even though he might be rich otherwise. He should be given enough money to allow him to return to his homeland.

It is preferable that *Zakat* be paid to the poor and the needy among the relatives first.

As we will see shortly, not all relatives qualify to receive *Zakat*.

### **WHO IS NOT ELIGIBLE TO RECEIVE ZAKAT?**

There are categories of people who are not eligible to receive *Zakat*. They include: a) the rich who have enough to support themselves; b) the healthy person who is capable of working and earning his living, unless he cannot find a job or his job does not provide him with enough money to support himself and his family. About these two categories, the Prophet (SAW) said: "*Alms are not to be given to the rich or to the well-built.*" [An authentic *Hadith* reported by Imam Abu Dawood] The term "*well-built*" conveys the meaning that he is able to work and support himself.

In addition, *Zakat* cannot be paid to: c) one's dependents whom he is responsible for supporting. These include the wife, the parents, grandparents (up to the eldest living grand grandparent), children, and grandchildren (down to the last born grand grandchild). Finally, *Zakat* cannot be paid to: d) a non-Muslim, unless this person belongs to category No. 4 of those eligible to receive *Zakat* (see previous section).

### **WHAT IF I HAVE A DEBT, SHOULD I EXCLUDE THAT FROM THE AMOUNT ON WHICH I HAVE TO PAY ZAKAT?**

Debts are usually of two types: a) due for payback in the immediate future, and b) long-term payback arrangement. If the debt is due in the very near future at the time of paying *Zakat*, this debt can be excluded from the amount on which *Zakat* is due. However, if the debt is being paid back as installments, say every month or every year, then the amount that has been paid back over the previous lunar year is subtracted from the total income in the process of calculating *Zakat*.

### **CAN TAXES BE CONSIDERED A PART OF ZAKAT, KNOWING THAT THE GOVERNMENT SUPPORTS THE POOR OUT OF THESE TAXES?**

No! For the following reasons:

- a. The avenues for spending *Zakat* funds in Islam have been clearly defined in the aforementioned verse.
- b. *Zakat* is paid only to Muslims (exception was mentioned earlier).
- c. The portion of the tax that is spent on projects for the poor is not precisely known, since other projects are funded from the same pool of tax money.

### **IS IT PERMISSIBLE TO TRANSFER ZAKAT MONEY TO AN AREA OTHER THAN WHERE IT WAS COLLECTED?**

In principle, *Zakat* should be distributed among the people in the area where it was collected, for this has been mentioned in the *Hadith* when Mu'ath was sent to Yemen.

However, if there were no people eligible to receive *Zakat* in the same area where *Zakat* was collected or if there were *Zakat* money left over after distribution, then this money can be sent to other areas where it is needed.

## **DO WOMEN HAVE TO PAY ZAKAT ON THEIR JEWELRY?**

The scholars have agreed that jewelry made of precious stones or metals other than gold or silver does not necessitate paying *Zakat*. As for jewelry that is made of gold or silver, the scholars have not reached a unified opinion. Some see that *Zakat* is due on this type of jewelry; among them are Saeed Ibnul-Musayyeb, Saeed Ibnu-Jubair, Mujahed, and Abu Hanifah. They have drawn their evidence from the *Hadith*, which starts with "*For every owner of gold or silver who does not pay their duty (i.e. Zakat), this wealth will be heated in the fire of Hell and made into sheets...*" In another *Hadith*, a woman came to the Prophet (SAW) accompanied by her daughter in whose hand there were two bulky bracelets made of gold. The Prophet (SAW) asked the mother: "*Do you pay Zakat on these?*" She answered "No". The Prophet (SAW) said: "*Would you like that Allah exchange them for two bracelets made of fire (you'd wear on the Day of Judgment)?*" [Reported by Imam Abu Dawood]

On the other hand, there are scholars who say *Zakat* is not due on this type of jewelry; they include Ash-Sha'bi, Tawoos, Malik, Ash-Shafe'i, and Ahmad. They have drawn their evidence from: "Aa'isha, (R.A.) looked after her orphaned nieces who used to wear jewelry and she did not pay *Zakat* on the jewelry." [Reported by Imam Malik] "Abdullah Ibn Omar (R.A.) used to give his daughters and female servants jewelry made of gold and he did not pay *Zakat* on it." [Reported by Imam Malik]

It should be noted, however, that stored gold and silver, whether in the form of jewelry or otherwise, are considered savings and thus are included in the calculation of *Zakat*.

## **WHAT IF ZAKAT WAS NOT PAID FOR YEARS, DOES IT HAVE TO BE PAID NOW?**

*Zakat* is considered a debt we owe Allah (SWT), and it should be paid when it is due without any delay. If a person is supposed to pay *Zakat* and he/she neglected to pay it for years with or without a legitimate reason, then the whole amount of *Zakat*, which he/she missed, paying should be paid immediately after calculating it precisely. Moreover, if he/she had no legitimate reason for being late to pay *Zakat*, he/she should repent and ask Allah (SWT) for forgiveness.

## **CAN ZAKAT BE PAID, PARTIALLY OR FULLY, BEFORE IT IS DUE?**

Yes, according to some Fiqh scholars. A situation may arise where there is a need to give out some or the entire anticipated *Zakat* amount before *Zakat* year is over. In this case, the amount given out with the intention of being considered *Zakat* is deducted from the actual *Zakat* amount due at the end of *Zakat* year.

### EXAMPLES OF HOW TO CALCULATE ZAKAT:

Example 1: a person who works as an employee:

Annual Salary	\$35,000	
Annual Expenses	(\$25,000)	
Savings.....	\$10,000	
Value of shares owned in a business.....	\$10,000	
Dividends during the past lunar year.....	\$ 1,000	
Total.....	<u>\$21,000</u>	
House used as a dwelling - Exempt***.....	\$ 0	
Car used for transportation - Exempt.....	\$ 0	
Money in a retirement account - Exempt****.....		\$ 0
Amount subject to <i>Zakat</i> .....	\$21,000	

Amount of *Zakat*     $\$21,000 \times 0.025 = \$525$

Houses or other properties (like machines or vehicles) are exempt if they are being used by the owner or rented to someone else, in which case *Zakat* is due only on the income from the rent. However, if these properties are kept as savings for the future, or are being offered for sale (as a business), then *Zakat* is due on the value of these properties.

Retirement accounts referred to here are those which are provided by employers, and which are not controlled by the employee or cannot be withdrawn without penalty. Once this money is withdrawn, however, it is considered income subject to *Zakat*. For other types of retirement or insurance arrangements in which the accumulated money is under the control of the person (i.e. he/she initiated it and can withdraw it easily), the accumulated money is considered savings and must be included in the calculation of *Zakat*.

Example 2: a person who owns a business:

(At the start of the business the capital was \$75,000, and over the first year this asset grew through buying and selling, which translated into a larger inventory)

After one lunar year, inventory was valued at....	\$100,000
Cash in the register.....	\$ 1,000

Money saved in the bank.....	\$ 7,000
Vehicles, furniture, appliances...etc. (used in the operation of the business) - Exempt.....	\$ 0
Amount subject to Zakat	\$108,000
Amount of Zakat	$\$108,000 \times 0.025 = \$2,700$

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(1) Note for owners and shareholders of businesses:

In general, there are three types of businesses: trade (buying and selling), manufacturing, and service.

For businesses that deal in trade, every partner in the business calculates *Zakat* based on his/her share of the merchandise on hand at the end of his/her *Zakat* year (merchandise might reflect the original capital plus any profit that was made during the year). Since shareholders are practically partners in the business, every shareholder must pay *Zakat* on the value of the shares and the dividends received during the year.

For businesses that deal in manufacturing or service, each partner pay *Zakat* based on net profits only; there is no *Zakat* on machines or tools used in these types of business. For shareholders in these businesses, *Zakat* is paid only on the dividends that were received during the year.

This paper has been designed to give general information about *Zakat*. If you need more detailed information, you may consult the appropriate sources.