Zakkah

“The Misunderstood Pillar”

Shawwal 1448 - March 2016

“Whenever any amount of wealth is destroyed in the land or in the sea it could be because its Zakat was not paid.” (Al-Tabarani)

“Zakat is never intermingled with any amount of wealth without destroying and rotting it.” (Bukhari)

- Zakkah is NOT a TAX - it is worship
- Money is not owned by you

Conditions for Obligation

- Sanity
- Puberty
- Islam
- Nisab (threshold)

Categorisation of Zakkah

1. Wealth [زكاة المال]

2. Livestock [السوائم]

3. Agricultural Produce [زروع و ثمار]

NOTE: Each one of these categories has its own ‘Nisab’

Nisab

- Zakkah is taken from the ‘rich’ and given to the ‘poor’
- The Law-Maker decides what is defined as rich and poor
- Gold & Silver were used classically as currencies and a store of value so to work out how much Zakkah was due was calculated directly from Gold and silver
- Gold was used for high value transactions and Silver for daily trade such as paying wages etc.
- In the time of the Messenger of Allah, Gold & Silver were <u>valued</u> the same

https://nzf.org.uk/nisab/ (can also check previous years Nisab)

Nisab

Gold & Silver

	GOLD	SILVER
Time of the Messenger	20 [مثقال]	200 [درهم]
Opinion 1	87.48g	612.36g
Opinion 2	85g	595g
Value: 23/03/2026	£8,370 *Values differ	£920

One Tola = 11.66 grams

Zakatable Assets

The lawmaker has specified what is zakatable

1. Gold & Silver
2. Currency (all current, savings account & Cash at home)
3. Investment & Shares (inc. Pension & Cryptocurrency)
4. Stock (goods bought for resale)
5. Debts receivable (money that you are owed)

NOTE: Zakkah is a individual & personal obligation/worship. So one MUST assertion what they <u>individually</u> own (تمليك)

1. Gold & Silver

- Gold & Silver in all of its form is <u>included</u> in the calculation

- For white gold (alloy of gold with one other white metal, usually silver, nickel, manganese, or palladium), Zakat is calculated based on the gold content in the piece, as white gold is an alloy containing gold and at least one other metal

- Gold carats (or karats) measure the purity of gold, denoted as parts per 24. A 24-carat (24K) item is 100% pure gold, while lower carats signify the gold is alloyed with other metals for durability. Common standards include 18K (75%), 14K (58.3%), and 10K (41.7%)

- ‘Mixed’ Gold - look at majority

- To work out how much gold one has there are two ways:

  (1) Asking your local jeweller how much they would buy your gold at

  (2) Or they can give you the weight of the gold and you can calculate the value using today’s live gold price in grams – this is known as the universal measurement. This is perhaps most suitable to ensure 100% accuracy.

- Gold tooth- if attached in a permanent manner that cannot be removed without surgery, there is no Zakat on the gold cap. However, if it is easily detachable, then there will be Zakat on the gold cap annually.

2. Currency

- All savings account including ISA's
- Current accounts
- Joint accounts (e.g between spouses)
- Cash in home

3. Investment & Shares

- Homes (ownership + Rental)

- Zakat is not due on defined benefit schemes. Therefore, final salary and CARE schemes are not Zakatable.

- There is no Zakat due on National Insurance contributions

- Zakat is only due on defined contribution schemes in proportion to the underlying Zakatable assets in the fund such as; Personal Pension Plans or Group Personal Pension, Additional Voluntary Contribution (AVC), Self-Invested Personal Pension (SIPPs), Stakeholder Pensions/ Group Stakeholder Pensions

- Any cryptocurrency or token purchased with the intention to resell or trade for profit is Zakatable, and in this case, Zakat would be due on its full market value, regardless of the type of token.

- Coin-based currencies such as Bitcoin and Ethereum are generally Zakatable as they function in a similar way to cash and are used as a medium of exchange within their ecosystems.

To calculate cryptocurrency Zakat:

1. Determine the market value of all your Zakatable cryptocurrency holdings on your Zakat anniversary date.

2. Convert that value into your local currency using the rate on the day of calculation.

3. Add this amount to your other Zakatable assets, such as cash, savings, gold, or business assets.

4. Stocks

- Calculated at price being sold
- Machinery excluded
- Personal items for sale are treated as stock and are Zakatable

5. Debt

Money owed to you | Money owed to others

1. Money Owed to you:

- Can pay year on year
- Or pay once you have been repaid

2.Money Owed to other is divided into two types:

- Long term debt- such as mortgages, biusiness loan , student loan etc
- Short term debt- owed to people , credit card debt, monthly repaymentts

Zakat rules on tax:

1. Personal taxes, such as road and income tax, are not normally deductible for Zakat. However, any tax that is due or overdue is treated as a deductible debt.
2. Money set aside to pay a tax bill that is already due may also be deducted.

How to calculate Zakkah

Stage 1: Hawl

- Find out when reached the age of puberty
- Write down the date when one reached 'Nisab'
- Wait ONE lunar year [Hawl]
- Lunar Year = Solar years - 11 days
- At Zakkah due date if one is still above Nisab; 2.5% is paid

How to calculate Zakkah

Stage 2: Paying Zakkah

1. Total Zakatable assets according to market value on valuation date.

2. Then deduct all deductible debts.

3. This equals the Zakatable value. Pay 2.5% of this vale.

Hawl

Permutations during the Lunar Year

1. Above Nisab beginning of year and above Nisab at the end of the year = PAY ZAKKAT
2. Above Nisab and during the year go below Nisab. By the end of the year still above Nisab = PAY ZAKKAT
3. Reach Nisab, then during the year go below 0. = Zakkat year gets cancelled

Zakkah eligibility

Who can you give to:

Surah Tauba: 60- {إِنَّمَا الصَّدَقَاتُ لِلْفُقَرَاء وَالْمَسَاكِينِ وَالْعَامِلِينَ عَلَيْهَا وَالْمُؤَلَّفَةِ قُلُوبُهُمْ وَفِي الرِّقَابِ وَالْغَارِمِينَ وَفِي سَبِيلِ اللّهِ وَابْنِ السَّبِيلِ فَرِيضَةً مِّنَ اللّهِ وَاللّهُ عَلِيمٌ حَكِيمٌ}

1. **Poor** (Faqir), has some wealth but less than Nisab.

2. **Needy** (Misqeen), does not even have basic needs.

3. **Those who collect Zakat.**

4. **Those who hearts need to be reconciled** (Abrogated)

5. **Slaves**

6. **Indebted persons**

7. **FisabiLILLAH**

8. **Traveller**

<u>NOTE</u>: Anyone that is <u>**paying**</u> Zakkah (Wealth, animal & Agriculture) cannot <u>**receive**</u> Zakkah

Non-eligibles of Zakkah

The following cannot receive Zakkah:

1. A Hashimi- from the Bani Hashim tribe (Ali, Jafar, Abbas, Aqeel & Harith)
2. The payers son or grandson or daughter and on down.
3. The payers father or grandfather or mother and on up.
4. The payers Spouse.
5. Someone who has excessive possessions, but does not own Nisab (more on following slide)
6. **Non-Muslim-** cannot give Wajib Sadaqah to a non muslim

Note: All other relatives may receive Zakat, including brothers, sisters, uncles, aunts, nephews etc. Furthermore, it is preferred to give them Zakat and to pay Zakkah locally

Excessive possessions

نصاب حرمان الزكاة

- Someone who has excessive possessions a few unique rulings apply:

1. Can NOT receive Zakkah (even if below Nisab)

2. Does NOT have to pay Zakkah (if below Nisab)

3. Has to give Saqah al-Fitr (even of below Nisab)

4. Has to give Qurbani (even if below Nisab)

Paying Zakat via an agent:

It is permitted to pay via an agent but the following must be observed:

- One must have complete trust in the agent. Whether an individual or organisation is used one must be confident that they will distribute according to the Sharia regulations.
- If the agents fail to fulfil Sharia conditions then the sin is upon them but the responsibility on the payer is not lifted, so payment must be repeated

Miscellaneous 1

Intention

Intention of paying Zakat is **requried**, this is achieved in the following manner:

1. At the time of paying Zakkat
2. At the time of segregation of Zakkat from ones wealth
3. Zakkah money still in hand of poor and then intention made

- If someone spends much on the poor but has no intention of Zakat, then Zakat is not paid.

Miscellaneous 2

- The recipient must be a person eligible to receive Zakat, and he or she must be made to own the amount (Tamleek تمليك)

- It must be given to a specific individual person who must be made to own it

- It cannot be used to build mosques etc, or even pay wages of teachers or Imams.

- It is allowed to **pre-pay Zakat** for the next year with a clear intention to do so and as long as your above Nisab when pre-paying

- But any extra amount paid without this intention cannot be adjusted against the Zakat of the following year. For Example you paid £100 but when you made the calculations on what you actually have to pay it worked out to be £50, the extra £50 can not be followed on to the next year as there was no intention.

- If Zakat is paid to a person whilst being under the impression that he is entitled to receive Zakat, but becomes clear later on that he was not, the liability of Zakat stands discharged, and one is not required to repeat.

- The payer is duty bound to check if the recipient is eligible, but does not have to go into deep investigation. One can rely on what is apparent. So if one feels this person is telling the truth and seems eligible it is valid. But the payer should check that the recipient actually knows what qualifies him to receive Zakat and what prevents him.

Livestock

[السوائم]

Zakkat animals

The lawmaker has only made Zakkat on the following animals:

1. Ovines (sheep's & goats)
2. Bovines (cow’s and buffalo)
3. Camels
4. Horses

1. Ovines

Sheep's + Goat's

Just like wealth has Nisab, there is also Nisab for Sheeps and Goats which is 40. The age of the Goat which is given as Zakkat must be a minimum of 1 year old:

(1) 0-39 = 0 Zakkat

(2) 40- 120 = 1 Goat (at lease one full year old)

(3) 121-200 = 2 Goats

(4) 201-399 =3 Goats

(5) 400-499 = 4 Goats

2. Bovines

Buffalo + Cow

The Nisab for Buffalo + Cow is 30. The age of the Goat which is given as Zakkat must be a minimum of 1 year old:

(1) 0-29 = 0 Zakkat

(2) 30 -39 = 1 year old calf

(3) 40-59 = 2 year old calf

(4) 60-69 = two calfs (min one year old)

3. Camels

The Nisab for Camels is 4:

(1) 0-4 = No Zakkat

(2) 5-9 = 1 goat (one year old)

(3) 10-14 = 2 goats

(4) 15-19 = 3 goats

(5) 20-24 = 4 goats

4. Horses

- Horses are unique when it comes to Zakkat
- There is no Zakkat on MALE horses
- If there is the presence of a female horse Zakkat is due on all flock
- Zakat paid is 2.5% of value of the flock according to Abu Hanifa
- Qadi Abu Yusuf and Imam Muhammad said their is no Zakkah on horses

Agricultural Produce

Produce

5% or 10%

1. Abu Hanifa said there is NO Nisab for produce

- He does not consider if the goods are perishable or not
- So Zakkat due on all fruits, vegetables, rice, nuts etc
- 5% Zakkat due is self irrigation & 10% due if natural irrigation

2. Abu Yusuf & Muhammad said there is a Nisab for produce, approx 1 tonne

- If goods are perishable then NO ZAKKAT on them
- No Zakkat on vegtables and fruits
- 5% Zakkat due is self irrigation & 10% due if natural irrigation

Obligatory alms in Islam:

1. Zakkat
2. Sadaqh al-fitr
3. Qurbani