

ZAKAT

Zakat

What is zakat?

“And perform the prayer, and pay the alms; whatever good you shall forward to your souls’ account, you shall find it with God; assuredly God sees the things you do.”(2:110) Zakat is an Islamic tax paid by qualifying Muslims to deserving recipients, and a means to purify one's wealth. It is not charity. Rather, it is a portion of one's property that needy Muslim members of society already own by virtue of it having been in one's possession for one lunar year. Zakat therefore, is distributed, not donated. Unlike charity (sadaqah), which is recommended to give, zakat is obligatory, whose non-payment or late payment is an enormity.

Obligation Of Zakat

Who is obliged to pay zakat?

Zakat is obligatorily due on every sane, adult Muslim male and female. Zakat is due on those possessing the minimum nisab and are free of debt obligations; financial obligations (where the net worth of the individual is below the nisab amount because he owes more than he is worth) exempt one from paying zakat only if the individual exhausts all reasonable means to repay these debts using other forms of surplus wealth (i.e. wealth that exceeds what is normal considered a requirement for living).

Exceptions To Zakat On Estate Of Deceased

When is zakat not paid on the deceased's estate?

Unpaid zakat is not taken from the estate of the deceased unless a bequest specifies that zakat should be paid posthumously, in which case zakat is paid on one-third of the estate, regardless of whether this amount covers the zakat obligation or not; it is permissible, though not obligatory, for the inheritors of the remaining two-thirds of the estate to fulfill the balance of the zakat obligation from their own portion.

Zakat-Deduction On Taxable Income

Is it permissible to deduct zakat from one's taxable income when preparing a tax filing?

It is permissible to deduct zakat from one's taxable income as one would a charitable donation when preparing a tax filing.

Money Changers' Zakat

Is zakat payable on money changers' capital exchanged within one lunar year?

There is no zakat on money changers' capital exchanged within one lunar year.

Giving Total Zakat To Single Person

May I give all my zakat to a single person?

It is permissible to give all of one's zakat to a single person, but this becomes offensive, though no less valid, if the recipient exceeds the nisab minimum as a result of having received this amount.

Distributing Zakat In One's Area

Is it necessary to distribute zakat only in one's area?

It is recommended to give zakat in one's area (and offensive not to), unless recipients in another area are more deserving (such as victims of war, zakat eligible relatives, students of Sacred Law, military jihad soldiers fighting intruders, etc.).

Obligation Of Zakat On Non-Muslims

Is zakat obligatory upon non-Muslims?

Non-Muslims and apostates to Islam do not pay zakat, even in Muslim lands, nor do they pay zakat for the time spent out of Islam if they later decide to become Muslim.

Zakat Of One Unable To Pay In Person

Who is responsible for the zakat of one unable to pay in person?

A guardian or trustee must pay zakat from the wealth of a qualifying individual who is unable to pay in person, such as a traveler, prisoner or incapacitated person.

Zakat On Behalf Of Insane Individual Or Minor

Is it obligatory to pay zakat on behalf of an insane individual or a minor?

There is difference of opinion about the obligatoriness of zakat payment by a guardian on behalf of an insane person or a minor. Imams Shafi'i and Malik hold that it is obligatory while Imam Abu Hanifah holds that it is not.

Unpaid Zakat Of Deceased

Should unpaid zakat be deducted from the estate of a deceased?

Unpaid zakat is not taken from the estate of the deceased unless a bequest specifies that the zakat should be paid posthumously, in which case zakat is paid on one-third of the estate, regardless of whether this amount covers the zakat obligation or not; it is permissible, though not obligatory, for the inheritors of the remaining two-third of the estate to fulfill the balance of the zakat obligation from their portion.

Obligation Of Zakat On Children

Must children pay zakat?

Children do not pay zakat; neither is the guardian obligated to pay zakat on behalf of the child from the child's wealth, nor is one expected to pay zakat for one's childhood; zakat is only obligatory on the zakat-eligible child upon puberty, where actual payment is due one lunar year after puberty.

Zakatable Property And Zakat Rates

What property is zakatable and what are the zakat rates?

One must pay zakat annually on the following items held for at least one lunar year:

Gold and Silver: Gold exceeding 87.479 grams (about 0.2 lbs) at 2.5% (or 1/40th), in gold or its cash equivalent; Silver exceeding 613.35 grams (about 1.35 lbs) at 2.5%, in silver or its cash equivalent; includes all forms of gold and silver jewelry;

Cash and other exchangeable monetary instruments exceeding the equivalent of the silver nisab at 2.5%;

Tradable goods: Tradable goods such as stocks, inventory and merchandise for resale that exceed the equivalent of the silver nisab at 2.5% if the goods were bought with silver or a monetary instrument (e.g. cash, stock, goods); or exceeding the equivalent of the gold nisab at 2.5% if the goods were bought with gold;

Agricultural products: (search "Ushr");

Animals and livestock: equal to or exceeding 40 head of sheep and goat, 30 head of cattle or 5 head of camel.

Nisab is measured either 1) separately (for gold, silver, cash, stocks, and other exchangeable monetary instruments, and trade goods), by measuring the nisab separately for each zakatable category; or 2) if individual measures fall below the nisab amount, it is obligatory to combine individual measures from each category (of gold, silver, and so on) to determine the total amount of zakatable property; livestock is always measured separately.

Zakat is only obligatory on property possessed for at least one lunar year, though if during the year while the value of the property exceeds the nisab and more property which is held for less than one year is added to the original amount, zakat is paid on the new amount (i.e. zakat is paid on the original property held for one year plus new property held for less than one year).

Nisab

What is nisab?

Nisab is a measure of the minimum property one owns that obligates one to pay zakat, and is measured in addition to (not as a part of) the typical requirements necessary for living. Typical requirements necessary for living includes such items as food, clothing, housing, means of conveyance, tools for trade and household and personal effects, regardless of their cost.

Zakat On Items Containing Gold Or Silver

Is zakat due on jewelry, ornaments and other items containing gold or silver?

Zakat is due on jewelry, bars, decorations, ornaments, thread woven into cloth and all other items containing gold or silver regardless whether the items are used or not; for items containing a mix of gold and silver, or a mix of gold or silver with another metal in which the mixture is not accurately measurable, the predominant metal is assumed to comprise the whole (e.g. a bracelet made mostly of gold containing some silver ornamentation should be valued as if made entirely of gold, while a bracelet made mostly of steel containing some gold should be valued as if made entirely of steel).

Zakat On Tradable Goods

Is zakat due on anything purchased with the intention of reselling?

Zakat is due on anything purchased with the intention of reselling the item (e.g. business inventory, real estate, car, clothing), regardless of how much time elapses or how the item is used before resale (e.g. lent, rented out, put up as collateral); if there was no firm intention to resell at the time of purchase, but rather the individual considered resale only one possibility among others, such as using the item for personal use, then zakat is not due on the item; once the item is sold, zakat is payable on the proceeds after one lunar year elapses on the money.

If an individual does not make a firm intention to resell an item at the time of purchase, but later decides to resell the item, zakat is due once the item is sold and at least one lunar year elapses on the money. Tradable goods are zakatable at all stages of production, regardless of whether they are raw material, work in progress

or finished product.

Zakat On Means Of Production

Is zakat due on means of production such as machinery?

Zakat is not due on an investment's means of production (e.g. property, plant and equipment).

Zakat On Uninvested Cash

Is zakat due on uninvested cash?

Zakat is due on uninvested cash or cash that is returned to the investor for the period of time that it remained uninvested.

Zakat On Investment Income

Is zakat due on investment income?

Zakat is due on the returns that one receives from an investment.

Zakat On Items Given In Charity

Is zakat due on items held for one lunar year and subsequently given in charity?

Zakat is due on items held for at least one lunar year before being given away in charity, because after a year zakat becomes a debt obligation that remains unfulfilled even by charity.

Zakat On Disbursed Loans

Is zakat due on disbursed loans?

Zakat is due on loans that have been disbursed where there is a reasonable expectation of receiving repayment.

Zakat On Waived Loans

Is zakat due on loans waived even though the debtor is able to pay?

Zakat is due on loans that are waived when the debtor is able to pay; the poor are due a share of the loan and waiving it unnecessarily amounts to misappropriating another's wealth.

Nisab Fluctuations During The Year

Am I liable to pay zakat if my property drops below nisab during the year?

Zakat is due even if one's property value falls below the nisab minimum and rises back above it during the year.