

In the name of Allah, the Beneficent, the Merciful

Zakat

By Qazi Fazlullah

“Zakat” is a mandatory financial rite, and one of the five pillars of Islam. It must be paid by anyone who owns certain kinds of wealth or valuables whose value is at least equal to the limit of Nisab.

Nisab means the minimum amount fixed by Islamic Shariah for certain kinds of wealth and valuables.

Terms and Conditions

1. Zakatable assets must be at least equivalent to Nisab.
2. Zakatable assets at least to the limit of Nisab must be in the ownership of a person for one lunar year.

Zakatable Assets and its Nisab

1. **Gold:** The Nisab for gold is 3 oz. or 100 g.
2. **Silver:** The Nisab for silver is 21 oz. or 700 g.
3. **Cash:** The Nisab for cash is an equivalent to the value of the Nisab of silver. The evaluation on the basis of silver was the practice of all the Sahabas, Imams, and Rulers, therefore most Muslims have to pay Zakat. Since the price of silver is less than that of gold, it is easier for larger number of people to contribute.

4. **Merchandise and Inventories:** The Nisab for merchandise and inventories is the same as the Nisab for cash.

Note: Stocks and shares are considered the same as cash and inventories. However, tools, equipment and machinery used in business are excluded from Zakat deduction. This means they are not Zakatable.

Important Issues in Zakat

1. If a person owns wealth or the above-mentioned valuables or merchandise in an amount less than Nisab, he is not bound to pay Zakat.
2. If a person owns Nisab, but it suddenly fell below the Nisab limit, then the due date for Zakat is delayed for one year from the day when it reaches the Nisab limit again.
3. A person may fix his own due date for Zakat payment; however, it must be on the basis of the lunar calendar and that date will be his due date for payment every year. For example, a person who fixed the first of Ramadan as his or her due date shall use this date to calculate his or her Zakat every year.
4. A person has to pay Zakat on “all” his/her owned assets on this due date and not on just the basis of his/her earnings.
5. If a person’s wealth fluctuates (increases and decreases rapidly) during the year but he has been the owner of Nisab for the whole year, and his wealth never reduced below the level of Nisab, he/she may pay Zakat for all the owned wealth on the due date. This is because to keep track of every single increase and decrease during the year is not practical.

6. According to Imam Abu Hanifa, Zakat is not a wealth tax but a type of worship (Ibadat). Therefore, a minor or an insane individual having wealth is not bound to pay Zakat. However, Imam Malik, Shafi and Ahmed state that the individual's guardian must pay Zakat for their wealth.
7. There is no Zakat on land or homes as long as they are not for business purposes (meaning the person is not in the real estate business)
8. All due loans are to be dropped from the assets and then Zakat is to be paid from the rest.
9. All jewelry other than gold and silver, no matter how precious and valuable, is not Zakatable. However, this exemption is not valid if it is owned for business purposes.
10. According to Imam Abu Hanifa, Zakat is mandatory on all and any form of gold and silver used by women. However, Imam Shafi and Imam Ahmed state that there is no Zakat on gold and silver that a woman is using.
11. If a person owns more than one type of a Zakatable item, which is not equal to Nisab if evaluated separately. However, if they collectively exceed the level of Nisab, then the items are Zakatable.
12. If a person has lent money or any Zakatable item to another person and the debtor never denies repaying his creditor, then Zakat is to be paid for that wealth as well.
13. A creditor cannot ask a debtor to accept the amount owed as Zakat even though the debtor is eligible to receive Zakat. The intention for Zakat and payment at the same time is a must. If the creditor wishes to benefit the debtor, he/she should give the amount to the debtor physically and then ask him/her to repay the same back to him for the amount he owes him.
14. Zakat must be given to those eligible as mentioned in verse 60, chapter 9 of Surah Taubah, "Verily, 'Sadaqat' (the mandatory ones) are only for the 'Fuqarah' (poor people having

nothing and do not ask for); and ‘Masakin’ (poor people having very little, and they are asking and begging for); and the employees collecting Zakat; and to attract the hearts of those who have been inclined towards Islam; and to free the captives; and for those in debt (for a legitimate cause); and (for those) in the path/cause of Allah (who fight a holy war); and for the wayfarer (a traveler who is cut off from everything), a duty imposed by Allah. And Allah is All-Knower, All-Wise.”

Note: All these people mentioned must be Muslims.

All prominent ‘Fuqaha’ (scholars of Islamic Shariah who are considered an authority in matters related to Shariah) have *not* generalized the words “in the path/cause of Allah” to mean that Zakat is payable for the burial of dead Muslims, the construction of a Mosque, hospital, road, bridge, or purchasing land for something, etc. These are the collective responsibilities of the Muslim ummah, and for those who are rich. Since Zakat must be a transfer of ownership and possession of Zakat money to the afore-mentioned people.

Only Allamah Kasani of the Hanafi School of Thought generalized it to that meaning, but all the other scholars hold that had that been the case, then Allah would not have explicitly mentioned the list of eight categories eligible for Zakat in detail. If Allah had said, “Verily, ‘Sadaqat’ is in the cause of Allah”, then the scholars would have explained the cause, and would have generalized it to the mentioned categories, and all other good causes.

Note: The Prophet (SAS) said, “Charity given to a poor is one charity, but charity given to a poor relative is two charities (double reward)”. So it is recommended to send your Zakat/ Sadaqat to your poor relatives where ever they may live.

Zakatable items

Gold	\$ 0
Silver	\$ 0
Cash on hand	\$ 0
Checking Account	\$ 0
Savings Account	\$ 0
Business Bank Account(s)	\$ 0
Stocks	\$ 0
Business Merchandise Inventory	\$ 0
Retirement Plans (401K/IRA/etc.)	\$ 0
Accounts Receivable	\$ 0
Total:	\$ 0