

ZAKAAT

ZAKAAT is Fardh on every sane adult Muslim whose wealth is equivalent to the Nisab value

Allah ﷻ has stated in the Qur'an: Allah ﷻ destroys wealth obtained from interest and will give increase for deed of charity. (Al Baqarah 276)

Rasulullah ﷺ said Whomsoever Allah ﷻ has given wealth but do not pay Zakaat, a huge snake with two fangs will bite him on the Day of Judgement and will say 'I am your wealth!' (Sahih-ul-Bukhari).

A woman brought her daughter into the company of RasulAllah ﷺ. There were large golden bracelets in her arms, RasulAllah ﷺ asked as to whether they gave Zakaat on the bracelets. She replied in the negative, RasulAllah ﷺ said: would you like that Allah ﷻ make you wear bracelets of Fire on the day of Judgement?! (Jami Tirmidhi).

Whether the jewellery be worn, stored in the home or used to trade, it is compulsory to give Zakaat on all gold/silver in a person's possession.

ZAKAAT is fardh upon a person if he/she is a Muslim, an adult, sane, and owns wealth equal to the value of Nisab. Nisab is the amount of wealth, which makes one liable for payment of Zakaat and must remain in his/her possession for one lunar year. If the wealth decreased lower than the Nisab in the course of the year but it was equivalent or more than the Nisab in the beginning and at the end of the year it will be considered as if he/she owned the Nisab for the full year. The value for Nisab varies according to fluctuation in the market price of Gold/Silver.

Value of Nisab (Threshold value)

7½ Tolas of Gold = 87.48g

Price of Gold on **25th June 2012** is (a) £31.22 per gm

Gold Nisab = 87.48/10 x (a) = **£2731.45**

52½ Tolas Silver = 612.35g

Price of Silver on **25th June 2012** is (b) £0.58 per gm

Silver Nisab = 612.35 x (b) = **£355.45**

The lowest of these two values, (c) **£355.45 is the value of Nisab**

If one has in his/her possession mixed wealth (e.g. gold, silver, cash etc) equal to **£355.45** that has remained in his/her possession for one whole lunar year then the Zakaat of 2½% (1/40) of the total aggregate balance (after deducting debts) is due.

Zakaat on Shares: If the shares are bought only for the sake of reselling them to make a profit (Capital Gain), then Zakaat will have to be paid on the market value of the shares. If the shares are bought with the intention of benefiting from the dividend then, if the company is trading e.g. if it is dealing in cloth, iron, steel, machinery goods, cement, or supplies electric power etc, then Zakaat will have to be paid on the market value of the shares and the dividend. However machinery used in the business, factories/buildings, land, fixtures and fittings, and furniture are all exempt and one is allowed to subtract these from the total assets. (These figures can be obtained from the Annual Report). E.g. If the share worth of £100 comprises of the following, then Zakaat is only payable on the £30.

Buildings £40	Machinery £30	Stock £15	Raw Materials £10	Cash £5
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← Zakaat due on £30 only →

If the company does not trade but realizes rent (i.e. bus, train and air companies), then Zakaat will only be paid on the dividend and not on the value of the shares.

White Gold: Due to the fact that 75% of White Gold consists of REAL GOLD and 25% of other material – **ALL OF IT WILL BE CONSIDERED AS GOLD**, hence Zakaat will have to be given on White Gold.

Business Goods: What is bought with the intention of selling with the profit. If at the time of buying intention of business was not made it will not be defined as business goods.

Properties: If the property was bought with the intention of renting and not reselling then Zakaat will only be liable on the accumulative rent and not on the value of the property.

ZAKAAT CALCULATION TABLE

Cash in Hand		£	:	p
Cash at Bank		£	:	p
Stock in trade		£	:	p
Gold/Silver	Jewellery/Ornaments/ Cutlery or other forms	£	:	p
Debtors	Money owed to you	£	:	p
Shares	See note	£	:	p
Business	See note	£	:	p
Total		£	:	p
Less Creditors	Money you owe others	£	:	p
Amount Eligible for Zakaat		£	:	p
Zakaat at 2.5% of the above	Amount eligible for Zakaat x 0.025	£	:	p

Note: As important as it is for a Muslim to give Zakaat, it is equally as important for him to ensure that the funds are donated to Fuqaraa (eligible Muslims). It is most virtuous to give Zakaat funds to family relations, thereafter priority should be given to institutions of Islamic learning (Dar ul ulooms) located in poverty stricken areas. This preference is due to the educational nature of the institutions which gives rise to the propagation of Islam. Where possible, the amount should be donated directly to the Muslims in need or at the very least investigations should be made to ensure that funds are being honorably discharged.

In Sharia, priority in the transfer of Zakaat funds is given to the charity that generates as well as provides the highest percentage of donated funds to the Muslims in need, because some charities spend large portions of donated funds on their administration costs.