

# Introduction & Summary

Compiled by: Iqbal Lambat

Reviewed by:

- **Imam Uzair Akbar** and **Mufti J Akbar**, Holland Park Mosque, Brisbane, Australia
- **Imam Y Patel** – Secretary, Jamiat-ul-Ulama, Mpumalanga, South Africa (prior edition)

The Prophet (PBUH) clearly identified the assets that should be included in a zakat calculation and the zakat rates to be applied to these assets/income. At the time of the Prophet (PBUH) the common assets were gold and silver, livestock, business assets and land and crops. These assets are today complimented by “new” investments such as: shares and associated stock market instruments, property, superannuation funds, etc. Since these “new” investments did not exist at the time of the Prophet (PBUH), jurists/scholars differ on how they should be treated for zakat.

This series of articles will provide you with information to assist you to calculate your zakat. The various options for “new” investments are explored. You need to decide which option to apply in your zakat calculation.

The table below provides a summary of assets/income subject to zakat. Each asset/income category is discussed in more detail later in this chapter.

Asset/income	What to include in your zakat calculation
<b>Cash</b>	All cash and bank accounts. A number of scholars are of the opinion that you do not include any earnings from your employment as the cash and bank accounts (and any other investments you make) include your earnings.
<b>Salary</b>	Contemporary jurists are of the opinion that your net savings each month (once you have nisaab) is subject to zakat immediately. If you adopt this approach, then be careful you do not double count by including your total cash and bank accounts.
<b>Gold and silver</b>	At the time of the Prophet (PBUH) gold and silver represented cash wealth and investment. From a Hanafi law perspective all gold and silver irrespective of form (jewellery, certificates, etc) is subject to zakat. The other schools are of the same opinion excluding jewellery. They are of the view that only excess jewellery should be included in your zakat calculation.
<b>Assets in business</b>	Include net current assets (stock + debtors + cash – creditors) There is a difference of opinion on fixed assets – 3 options exist: <ul style="list-style-type: none"> <li>• Ignore fixed assets</li> <li>• Include the current market value of fixed assets</li> <li>• Include you current year net profit as that represents your investment in fixed assets</li> </ul>
<b>Businesses where you have shares either as a silent or active partner/joint ventures</b>	Include your percentage ownership of the net current assets and net profit for the year.

Asset/income	What to include in your zakat calculation
<b>Shares in companies listed on the Stock Exchange</b>	<p>If you are holding the shares to resell once you get an opportunity to make a profit, then the current value of the shares are subject to zakat.</p> <p>If you are holding the shares for the long term to earn dividends then the net dividends that you earn are subject to zakat. Some scholars are of the view that both the net dividends and the current value of the shares should be included in your zakat calculation.</p>
<b>Property</b>	<p>The current value of any property that you are holding to resell is subject to zakat.</p> <p>If you have properties that you are renting, then the net rental is subject to zakat. Some scholars are of the opinion that both the net rental and the current market value of the rental property is subject to zakat.</p>
<b>Debts owing to you</b>	You should include any debts owing to you.
<b>Superannuation funds</b>	<p>Any voluntary contributions that you make to a superannuation fund is subject to zakat.</p> <p>Where your employer makes contributions on your behalf, these are not subject to zakat except in the years that you actually receive benefits from the superannuation fund.</p>
<b>Life assurance</b>	The surrender value of any annuity/endowment policy is subject to zakat.
<b>Mining</b>	The value of ore extracted is subject to zakat.
<b>Crops</b>	Zakat at the rate of 10% is paid on the yield of the land if the land is irrigated by natural means (that is, rainfall, rivers, etc.). If the land is irrigated by “artificial” means then zakat at the rate of 5% should be paid.
<b>Livestock</b>	<p>Zakat is due on camels, cattle, water buffaloes, goats and sheep (any animal that can be slaughtered for Qurbani) when they:</p> <ul style="list-style-type: none"> <li>graze on the open field for the greater part of the year and are not stall fed;</li> <li>are kept for milk, breeding or fattening. Such animals are referred to as <i>Saaimah</i>.</li> </ul> <p>Zakat on <i>Saaimah</i> animals is calculated on the number and not the value. Stud, thoroughbred and crossbred animals are therefore treated alike for zakat purposes.</p> <p>Where the animals are kept for trade, zakat will be calculated as for business assets above.</p>
<b>Liabilities</b>	You are permitted deductions for any amounts you owe. The full value of short term debts can be deducted whilst only the current year portion of long term/mortgage debts are permitted.

## Ownership

For assets to be subject to zakat you must have ownership of them – that is, no other person should have a better title to yours.

## Property held for one Islamic year

The assets upon which zakat is paid must be held/possessed for a full lunar year. If you purchased any assets during the year then the asset is not subject to zakat. “Zakat is not paid on property until a year has elapsed over it.” (hadith quoted by Imam Malik in his hadith compilation: Muwatta).

In practice, you pay zakat on all qualifying assets in your possession at the end of a lunar year. Each asset is not considered separately for assessment as to whether it was held for an entire lunar year or not. Assets acquired during the lunar year are treated as if they had been in your possession for the entire year.

For businesses it may be more appropriate to calculate zakat at the end of the financial year, rather than the lunar year. In this case, scholars are in agreement that a higher rate of 2.577% should be paid.

## Zakat Calculation Date

You should choose a date to calculate your zakat and use the same date each year. If you choose to use the lunar year then choose an Islamic date that you adhere to each year – for example 5 Ramadan. You can choose the Gregorian calendar (the calendar used in the western world) – but as stated above, you need to adjust the zakat rate.

## Zakat Rates

The Prophet (PBUH) applied different zakat rates to different assets/income streams. Broadly these rates are as follows:

Rate	Asset/income applied to
2.5%	Cash, gold and silver. Scholars have expanded this to include business assets.
5%	If the land is irrigated by “artificial” means then zakat at the rate of 5% is due on agricultural produce. Some scholars extend this to include the net profit from a business.
10%	Zakat at the rate of 10% is paid on the yield of the land if the land is irrigated by natural means (that is, rainfall, rivers, etc.). Some scholars extend this to include net dividends and net rentals.
20%	Ore extracted.

## Bibliography

The following books were referred to:

- The Holy Quran
- The following books containing hadith: Bukhari, Muslim, Abu Dawud, Muwatta
- Sallie: *The Book on Zakah*.
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- Al-Misri: *The Reliance of the Traveller*, Modern Printing Press.
- Nawawi: *Al-Maqasid*, Sunna Books.
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- Khaf: *The Calculation of Zakah*.