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- And they have been commanded no more than this: to worship Allah offering Him sincere devotion being True (in faith); to establish regular prayer; and to practice regular charity; and that is the religion right and straight. (98:5).
- Those who Rehearse the Book of Allah establish regular prayer and spend (in charity) out of what we have provided for them secretly can openly hope for a Commerce that will never fail. (35:29).

How to Calculate your Zakat

Includes a Zakat Calculation Form

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About the Author

Ebrahim Iqbal Lambat was born and raised in Bulawayo, Zimbabwe, where he qualified as a chartered accountant. He migrated to South Africa in 1989 and to Australia in 2000.

During Iqbal's residence in South Africa he was associated with a number of Islamic organisations that focused on Islamic education.

Islamic law has been a focus of Iqbal's for a number of years. Under the tutelage of the Late Professor Doi and Imam Yusuf Patel, Iqbal authored his first book titled: ***Wills and Inheritance: An Islamic and South African Law Perspective***. He has since authored a number of publications on Islamic law, largely published in South Africa and Zimbabwe.

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Law (Fiqh) of Zakat

1. INTRODUCTION

Zakat is one of the five basic pillars of Islam. It is an act of worship which “*eliminates miserliness and greed from hearts and consolidates the Islamic economy, leading to its stability and prosperity*”¹. If you fulfill this duty the Quran and hadith promise abundant reward in this world and in the hereafter - but if you evade zakat the Quran and hadith warn of the consequences. Zakat is obligatory like prayers and fasting. Charity (which includes zakat) is mentioned in at least eighty different places in the Quran and it is usually mentioned with Prayer. Both practices are fundamental in importance. The Quran states:

- And they have been commanded no more than this: to worship Allah offering Him sincere devotion being True (in faith); to establish regular prayer; and to practice regular charity; and that is the religion right and straight. (98:5).
- Those who Rehearse the Book of Allah establish regular prayer and spend (in charity) out of what we have provided for them secretly can openly hope for a Commerce that will never fail. (35:29).
- The Believers must (eventually) win through - Those who humble themselves in their prayers; Who avoid vain talk; Who are active in deeds of charity.....These will be the heirs, Who will inherit Paradise: they will dwell therein (for ever). (23:1-10).

Zakat means: “blessing, purification, increase and goodness. It is so called as it blesses the wealth from which it is taken and protects it from misfortunes²”. Ibn Taimiah said, "The soul of one who gives Zakah is blessed and so is his wealth."³ It is purification in that it purifies one from selfishness and miserliness resulting in blessings. The blessing is not only spiritual blessing and growth. It has economic blessing in that it achieves wealth redistribution and ensures that the poor are adequately maintained in the only social system today that is mandated by God.

The Quran outlines the benefits of charity:

For those who give in Charity men and women and loan to Allah a Beautiful Loan it shall be increased manifold (to their credit) and they shall have (besides) a liberal Reward. (57:18).

Believe in Allah and His Apostle and spend (in charity) out of the (substance) whereof He has made you heirs. For those of you who believe and spend (in charity) for them is a great Reward. (57:7). The Almighty is commanding you to spend the wealth that he has given you in trust.

No one will get poor giving charity

The Prophet (PBUH) said: “Never does charity cause wealth to diminish.” (At-Tirmidhi, hadith number 2247).

2. IMPLICATIONS OF NOT GIVING ZAKAT

A person who does not give zakat will be punished. The Quran states:

And there are those who hoard gold and silver and do not spend it in the way of Allah, announce to them a most grievous penalty (when) on the Day of Judgment

heat will be produced out of that wealth in the fire of hell, then with it they will be branded on their foreheads and their flanks and backs. (It will be said to them) This is the treasure which you hoarded for yourselves, taste then the treasure you have been hoarding. (9:33-34).

The Prophet (PBUH) also warned those who do not pay zakat. Bukhari (volume II): Narrated Abu Huraira: Allah's Apostle said, "Whoever is made wealthy by Allah and does not pay the zakat of his wealth, then on the Day of Resurrection his wealth will be made like a bald-headed poisonous male snake with two black spots over the eyes. The snake will encircle his neck and bite his cheek and say, 'I am your wealth, I am your treasure.' "

Narrated Abu Huraira: The Prophet said "(On the Day of Resurrection) camels will come to their owner in the best state of health they have ever had (in the world), and if he had not paid their zakat (in the world) then they would tread in with their feet...."

A person who does not take out a portion of his wealth (provided by the Almighty) is likened to an ungrateful person. The Almighty has blessed the person with wealth, but now the person is refusing to obey the Almighty's commands with respect to spending a small portion of that wealth.

3. WHO IS ZAKAT PAYABLE BY?

Islamic scholars are of the opinion that zakat is payable by all Muslims who are sane and own assets/income in excess of the minimum stipulated by the Prophet (PBUH). This minimum is referred to as nisaab and is discussed in detail in section 8 below. Zakat is only payable if your net wealth equates to or is in excess of the minimum threshold outlined by the Prophet (PBUH).

Each person is responsible for paying zakat on their own assets. You pay your own zakat and your spouse (husband/wife), children, parents, etc pay their own zakat, provided they qualify to pay zakat. It is permissible for a husband to pay his wife's zakat on her behalf from his funds – but if you consider that a key objective of zakat is to increase piety and reduce miserliness, it is better for the wife to pay the zakat herself as it increases her spirituality.

With regards to children and persons who are not sane, Imam Hanifa was of the view that "since *zakat* is an act of worship the intention is a must and hence it is not obligatory on the wealth of a minor and the insane person" (Prof. Abdul Aziz⁴). Imams Shafi, Maliki and Hanbal on the other hand were of the opinion that children are obliged to pay zakat. Some contemporary scholars are of the view that zakat is levied on the wealth and not the person - Sheikh Muhammad ibn Al-Mukhtar Ash-Shanqiti, President of the Islamic Association of Lubbock, Texas, US, states⁵: "In Islamic jurisprudence, *zakah* is an obligation on money and not on the person. This means that even if the person is a child or insane—and thus is not Islamically accountable—this does not mean that his money is not *zakatable*. However, the legal guardian, has to pay *zakah* on this person under your guardianship."

4. NIYYAT/INTENTION

You must make an intention to give zakat - this is a pre-requisite for the discharge of the obligation. In the absence of such intention the amount paid will be regarded as voluntary charity.

5. WHO QUALIFIES TO RECEIVE ZAKAT?

The Quran states:

Alms are for the poor and the needy, and those employed to administer the (funds); for those whose hearts have been (recently) reconciled (to Truth); for those in bondage and in the debt; in the cause of Allah; and for the wayfarer; (thus is it) ordained by Allah, and Allah is Full of Knowledge and Wisdom. (9:60).

Scholars interpret the above verse in the narrow context of zakat only. Charity other than zakat can be given to a broader spectrum as codified in the Sunnah (practice) of the Prophet (PBUH).

The Quran identifies the needy in the above verse as follows:

- a) the poor and needy (*Fuqaraa* and *Masakeen*). Scholars identify three types of poor and needy:
 - those who do not own any assets at all;
 - those who do not own any property or assets in excess of basic necessities (basic necessities include a house, furniture, clothing, etc.);
 - those who own property in excess of basic necessities but below the value of nisaab.
- b) persons who are appointed for the collection of zakat (*Al Aamileen*). These persons are not themselves needy but they are collecting on behalf of a fund from where allocations will be made to those who qualify.
- c) persons (*Muallafatul Quloob*) who have recently accepted Islam and are in need of basic necessities as they have either lost the support of their family and friends or are being persecuted by their former associates and require assistance. The intention is not to bribe new Muslims but help them feel the spirit of Islam by aiding them (if aid is required).
- d) slaves (*Ar-Riqaab*).
- e) persons who are in debt (*Gharimeen*) and do not possess any other wealth or goods with which they could repay what they owe. Some scholars are of the opinion that a person will only qualify as a *Gharimeen* if the person's net wealth is below the nisaab. The person's basic necessities of life (house, furniture, etc.) will not be taken into account.
- f) persons who are struggling and striving in Allah's cause (*Fi-Sabeelillah*).
- g) a traveller (*Ibnus-sabeel*) who whilst wealthy at his residence is stranded and is in need of assistance, may be given zakat.

Some scholars are of the opinion that zakat should be given to each of the above eight. However, most scholars are of the view that you should make enquiries to ascertain who is the neediest and distribute your zakat accordingly. You can give all your zakat to any one or more of the categories above.

You need to ensure that you pay zakat to qualifying persons only. Dr. Muzammil Siddiqi, President of the Fiqh Council of North America states⁶: "It is the duty of the person who gives *Zakah* to make sure that his/her *Zakah* reaches the deserving people according to the rules of the Shari`ah. If knowingly or due to negligence the *Zakah* is given to a person who does not deserve it, then the *Zakah* is not paid and one has to pay it again. However, if the mistake was not deliberate then the *Zakah* is paid. When paying *Zakah* through *Zakah* collecting agencies, relief organisations or Islamic centers, one should make sure that they distribute it according to Islamic principles. Once the *Zakah* is given through reliable and trustworthy institutions it is considered paid." Mufti Desai, a leading South African Fiqh scholar reiterates the need for you to ensure that any zakat given to zakat organisations is distributed correctly⁷: "You should give out your zakat personally to the poor and needy who are eligible to accept zakat. If you choose to give your zakat to an organisation make sure that there are competent Ulama there who are well versed in the laws of Zakat. You should not give your zakat

to an organisation where there are no reliable Ulama and the organisation is not well versed in the laws of zakat. If they did not discharge your zakat according to Shariah, your zakat obligation will not be fulfilled.”

Some scholars are of the opinion that zakat can be paid to persons in other cities and countries, whilst others are of the opinion that you should first ensure that the poor and needy in your locale have been catered for, prior to benefiting persons in other cities/countries⁸.

Zakat to Non-Muslims

The four jurists (Hanifa, Hanbal, Malik and Shafi) were unanimous that zakat could not be paid to non-Muslims. Sheikh `Atiyyah Saqr, former head of Al-Azhar Fatwa Committee, states⁹: "The majority of scholars are of the view that non-Muslims should not be given of the money of Zakah except those whose hearts are inclined to Islam, though there is a difference over whether such stipulation is still relevant or not and the permissibility of giving them of the Zakah money is hunted with controversy. The prohibition of giving them of the Zakah money is based on the hadith of Mu`adh Ibn Jabal when he was sent by the Prophet to Yemen: **"It (Zakah) is to be taken from the rich among them and given to the poor among them,"** i.e. the rich among Muslims and the poor among them. (Reported by Al-Bukhari and Muslim). Ibn Al-Mundhir says: "All people of knowledge we know are unanimous on the fact that a *Dhimmi* cannot be given of the Zakah on properties."

Some scholars are of the opinion that Zakat can be given to Muslims that are not practising and to non-Muslims who are inclined towards Islam. Dr. Muzammil Siddiqi, a member of the Fiqh Council of North America states¹⁰:

“...a non-Muslim can receive some zakah, if there is a hope that he/she can be guided to the truth of Islam. Similarly, if you think that by giving zakah, you can win the heart of a misguided Muslim and bring him back to Islam, then zakah can be given to him. According to some jurists, such people also come under the category of *mu'allafati qulubuhum* or those whose hearts are to be reconciled. You help him with zakah and remind him to follow his religion. Perhaps by this good treatment he will come back to Islam. Very often, we Muslims give *da`wah* to others, but we do not take care of their physical and financial needs. Poverty sometimes pushes people to neglect their faith. The Prophet (peace and blessings be upon him) is reported to have called poverty **“an evil that sometimes makes people forget Allah.”** (Reported by At-Tirmidhi).”

Zakat to your family

The Prophet (PBUH) said, “The one who gives zakat to kith and kin shall get double reward; one for fulfilling the rights of kith and kin, and the other for paying the zakat.” (Bukhari). All the schools are of the opinion that you can give zakat to your kith and kin, you cannot give zakat to those whose maintenance you are responsible for. Sheikh Ahmad Kutty, a senior lecturer at the Islamic Institute of Toronto, Ontario, Canada, states¹¹: “General scholarly consensus is that one must not pay Zakah to one’s dependants, i.e. those he is obligated to take care of, if they cannot take care of themselves. One’s parents and grandparents as well as children and grandchildren belong to this category. It is one’s duty to take care of them, and this includes paying their legitimate debts as well.”

Dr. Muzammil Siddiqi, President of the Fiqh Council of North America, states¹²: “....all non-dependant relatives such as brothers, sisters, uncles, aunts, nephews, nieces etc. can receive the Zakah if they are poor and need help. The person who gives the Zakah must make an intention that the amount he/she is giving is for the purpose of Zakah. The recipient does not have to be informed about it.”

Can Zakat be given to Religious Organisations?

Most scholars are of the opinion that possession of zakat must be taken by a qualifying person, and therefore cannot be given (for example) for the construction of Mosques etc. A person must receive direct benefit. Mufti Ebrahim Desai, a leading South African scholar, states¹³: "In principle, the prerequisite for discharging zakat is tamleek (making the needy owners of the zakat). (Hidaayah). Zakat must be given to the poor and needy. Zakat cannot be used directly for constructing a madrassa or an orphanage." The leading Pakistani jurist, Mufti Taqi Usmani concurs.

Dr. Muzzamil Siddiqi, states ¹⁴: "In the Qur'an, Allah Almighty has mentioned 8 categories of people who can receive Zakah. Allah Almighty says: **"Alms are for the poor and the needy, and those employed to administer the (funds); for those whose hearts have been (recently) reconciled (to the truth); for those in bondage and in debt; in the cause of Allah; and for the wayfarer: (thus is it) ordained by Allah, and Allah is full of knowledge and wisdom."** (At-Tawbah :60).

"The expression "in the cause of Allah" or *fi Sabil Allah* was generally interpreted "*Jihad fi Sabil Allah*" and so many jurists restricted this *Zakah* expense for this purpose.

"Muslim jurists also say that in the Qur'an Allah used the word "*Lil fuqara' wa Al-masakin* or 'for the poor and the needy' and the '*lam*' or (for)" here means '*tamlik*' or possession. Thus they interpret the above verse to mean that the poor and needy should be made owners of this money or *Tamlik Al-Zakah*.

"Since in public and social welfare projects no one becomes the owner, so, according to their interpretation the *Zakah* should not be used for this purpose. Thus you will find in the books of Fiqh statements emphasizing that the money should not be used to build the *Masajid*, schools, hospitals, hostels etc. because this money belongs to the poor and it should be given to them. There are some jurists who still hold this strict opinion concerning *Zakah*.

"However, there are a number of jurists of this century, such as Sheikh Muhammad 'Abduh, Rashid Rida, Maulana Mawdudi, Amin Ahsan Islahi, Yusuf Al-Qaradawi and some Fatwa organisations in Kuwait and Egypt, that are of the opinion that the phrase 'in the cause of Allah' covers a broad category and it should not be restricted to Jihad only. It is a general term and it should be applied in all those situations where there is a need to serve Islam and Muslims.

"Those scholars consider it permissible to use the *Zakah* money to finance the *Da'wah* and public welfare programs. They say that the expression 'for the poor and needy' can also mean 'for the benefit of the poor and needy'.

"The modern jurists also argue that in the past Muslim governments used to build Mosques, schools and used to finance public welfare projects. Now many governments are negligent in this matter. Many Muslims are living in areas where there are no Muslim governments.

"In his famous book *Fiqh Az-Zakah*, Sheikh Yusuf Al-Qaradawi, has thoroughly discussed this subject. His Fatwa is that in non-Muslim countries it is permissible to use *Zakah* funds to build Mosques, schools and hospitals.

"*Zakah* is basically for the poor and needy and most of it should be used to take care of their needs. I believe that for the Mosque constructions Muslims should make extra

charity and should give from funds other than *Zakah*. However, it is not forbidden for Muslims to give their *Zakah* money for the building of Mosques and schools, especially in non-Muslim countries.”

This is an issue that you need to decide on.

6. SHOULD THE RECEIPIENT BE INFORMED THAT THEY ARE RECEIVING ZAKAT?

Dr Ahmad Kutty, a senior lecturer at the Islamic Institute of Toronto, Ontario, Canada, states¹⁵: “Generally speaking, it is not at all considered necessary to tell anyone that what you are paying him/her is from *Zakah*. What is required of you is simply to ascertain that the person you are paying belong to the deserving categories of *Zakah*; once you have determined that, you don’t have to mention anything to him or her. In reply to someone who asked him, “Shall I tell someone that I am giving him *Zakah*?” Imam Hanbal replied, “Give, and remain silent; would you like to insult people?”

The Quran states: "If you disclose your charity, it is well, but if you conceal it and make it reach to those who are in need that is best for you. It will remove from you some of your sins and Allah is well-acquainted with what you do." (Al-Baqarah 271).

7. ASSETS THAT ARE EXEMPT FROM ZAKAT

All assets that are intended for your personal use (excluding cash) is exempt from zakat.

Generally the following assets are excluded from zakat:

- Your home and any other self occupied building.
- Personal clothing, household furniture (including appliances) and personal vehicles.
- All personal jewellery (Shafi and Maliki schools). Only personal jewellery that does not contain gold and/or silver is excluded under Hanafi law.

Dr. Monzer Kahf, a prominent economist and author of the book “The Calculation of *Zakah*” states¹⁶: “The idea of *zakah* is based on giving to the poor and the needy out of one’s wealth. Therefore, all items that are assigned for personal use are exempt from *zakah*. This includes personal clothing, books, residence, furniture, home appliances, and personal means of transportation, and so on.” This is also why the condition of *nisab* exists. The condition of *nisab* means that a person who owns less than a given amount is not subject to *zakah* on the grounds that this amount is needed for emergencies and other precautionary spending.”

Some scholars are of the view that excessive personal assets should be included in the zakat calculation.

8. CALCULATING WHETHER YOU HAVE THE EQUIVALENT OF NISAAB

The Prophet (PBUH) stipulated a minimum amount under which no zakat is due. Zakat is only due on your net estate (after deducting liabilities) if it is equal to or in excess of the stipulated minimum. This minimum is referred to as *nisaab*. The Prophet (PBUH) stated: “No zakat is due on property amounting to less than five Uqiyas (of silver), and no Zakat is due on less than five camels, and there is no zakat on less than five Wasqs.” (Bukhari).

The Prophet (PBUH) specified different minimums for gold and silver, agricultural products

and livestock. The majority of jurists concur that for non agricultural assets, nisaab is calculated on the gold and silver stipulation.

The Australian dollar equivalent of this is calculated as follows:

NISSAB		Grams	Tolas	Grains	Troy Oz.	US\$/Troy Oz.	Australian Dollar Equivalent
Gold	20 Mithqaals	87.48	7.5	1350	2.8125	438.7	\$1,667
Silver	200 Dirhams	612.36	52.5	9450	19.6857	6.94	\$184

The nisaab calculation will change as the gold and silver prices change. Certain scholars are of the opinion that the lower value should be used. In the Australian context, \$184 is very low and \$1,700 is a more reasonable figure. If you have net assets lower than \$1,700 you qualify to receive zakat, whilst if you have net assets in excess of \$1,700 you must pay zakat.

The fact that you may be a recipient of Centrelink, Family Tax Benefits or other benefits from the Federal government does not exempt you from zakat. If you have net assets above nisaab, you must pay your zakat.

If your net assets either equate to or are in excess of the nisaab, then zakat is due on the entire wealth - no deduction is permitted for the nisaab.

Imam Hanifa was of the view that you need to have the equivalent of nisaab at the beginning and end of the year – if it decreases during the year it does not matter. The Shafi, Maliki and Hanbali schools are of the opinion that you must have nisaab for the whole year. The Shafi Imam Nawawi said¹⁷: “In our view and the views of Imam Malik and Hanbal....the amount of property liable for payment of zakah is tied to the completion of nisaab through the turn of the whole year. If the nisaab decreases in any time of the year, [the counting of] the year discontinues. Later, if the nisaab is completed, the year count is resumed from the time of its completion.”

You can test whether you qualify to pay or receive zakat by completing the following assessment:

Question	Yes	No
1. Do you own a business?		
2. Are you employed and earning in excess of \$25,000?		
3. Are you in receipt of Centrelink, family tax benefits, or pensions?		
4. Do you have cash, cheque, savings and money market accounts in excess of nisaab?		
5. Do you have shares in companies, bonds, options, warrants, investment in futures in excess of nisaab?		
6. Do you own any rented property?		
If the answer to any of the above is yes, then answer the following:		
7. Are you in debt for more than you own, excluding any mortgage bonds and other long term loans?		
If your answer to question 7 is no, then you should go through the process of calculating your zakat and completing the zakat calculation form that accompanies this book. It is likely that you have the equivalent of nisaab.		

9. 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.

How to calculate your Zakat

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 chapter 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. Chapter 3 includes a zakat calculation form that you may use to calculate your zakat.

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
Cash	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.
Salary	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.
Gold and silver	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.
Assets in business	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"> • Ignore fixed assets • Include the current market value of fixed assets • Include you current year net profit as that represents your investment in fixed assets Recommendation: Net current assets + net profit for the year.
Businesses where you have shares either as a silent or active partner	Include your percentage ownership of the net current assets and net profit for the year.
Shares in companies listed on the Stock Exchange	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. 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.
Property	The current value of any property that you are holding to resell is

Asset/income	What to include in your zakat calculation
	subject to zakat. 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.
Debts owing to you	You should include any debts owing to you.
Superannuation funds	Any voluntary contributions that you make to a superannuation fund is subject to zakat. 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.
Life assurance	The surrender value of any annuity/endowment policy is subject to zakat.
Mining	The value of ore extracted is subject to zakat.
Crops	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.
Livestock	Zakat is due on camels, cattle, water buffaloes, goats and sheep (any animal that can be slaughtered for Qurbani) when they: <ul style="list-style-type: none"> • graze on the open field for the greater part of the year and are not stall fed; • are kept for milk, breeding or fattening. Such animals are referred to as <i>Saaimah</i>. 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. Where the animals are kept for trade, zakat will be calculated as for business assets above.
Liabilities	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.

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.

The notes below expand on the tables above.

1. CASH

All your cash holdings (worldwide) are to be included in your zakat calculation, whether the cash is in the form of bank deposits, treasury bills, cash on hand, etc.

Only that portion of the cash held for one lunar year is included in the zakat calculation. For example, if you had \$5,000 in your bank account on 5 Ramadan last year – the date that you last calculated zakat and your bank balance now is \$6,000, then you can assume that you have saved the \$5,000 for an entire lunar year and hence need to pay zakat on it. However, if your balance now is only \$3,000 – then you only pay zakat on the \$3,000 as you have only saved \$3,000 out of the \$5,000. In reality you may not have saved anything for a year as you may have spent the \$5,000 and replenished it from new savings generated this year.

It is easier to use your closing bank balance each year.

If you have any joint accounts with your spouse, then you need to include your portion of the joint account in your zakat calculation form.

Zakat is payable on all cash reserves, even if you are saving to purchase a particular asset. Until the asset is bought, you need to pay zakat on the cash.

If you are a working person, then you do not pay any zakat on your salary – you only pay zakat on the amount of money you have actually saved after spending on your personal and family requirements.

There is a growing view that instead of waiting one year to pay zakat on your savings, you should immediately become liable to pay zakat based on your salary/professional fees/earnings. Sheikh Faysal Mawlawi, deputy chairman of the European Council for Fatwa and Research, states¹⁸: “The majority of scholars, including the Maliki, Shafi`i, and Hanafi scholars, believe that no matter how high the incomes people earn from work are, the incomes are not subject to zakah unless the earners save from these incomes an amount that reaches *nisab* and a lunar year passes while having this amount, or according to the Hanafi scholars, the amount reaches *nisab* in both the beginning and the end of a lunar year. However, there are some eminent Companions, righteous predecessors, and knowledgeable scholars—such as Ibn `Abbas, Ibn Mas`ud, Mu`awiyah, `Umar ibn `Abdul-`Aziz, Az-Zuhri, Al-Hasan, Makhul, Al-Awza`i—who are of the opinion that if a person earns enough so that after expenses are deducted the *nisab* is reached, he is to pay zakah on that remaining amount as soon as he gets his income. Analogous to this, Imam Ahmad ibn Hanbal was reported to have said that a lessor is to pay zakah on the rent he gets from the lessee as soon as he gets it. This view is held also by An-Nasir, As-Sadiq, and Al-Baqir, eminent imams of the Prophet’s descendents, as well as by the eminent scholar Dawud Az-Zaheri.”

All you are doing is paying your zakat as you earn your salary rather than at the end of the year – there should be no difference in the amount of zakat you pay.

2. GOLD AND SILVER

In addition to paying zakat on all cash and cash equivalents, zakat must also be paid on any gold and silver in your possession. Zakat on gold and silver is calculated on its weight multiplied by the ruling gold or silver market price. Australian dollar prices of gold and silver are available in certain newspapers. Alternatively, the US\$ price per ounce (oz) is available in most newspapers and you need to convert that to Australian dollars at the US\$/A\$ exchange

rate.

Jewellery:

Imams Shafi, Hanbal and Malik were of the opinion that gold and silver jewellery being used is not subject to zakat. Imam Hanifa on the other hand was of the opinion that gold is gold and no matter what form it takes, is subject to zakat. Hence under Hanafi law, all jewellery containing gold and/or silver is subject to zakat.

The schools concur that zakat should be payable on jewellery owned by a male. The Shafi and Maliki schools state that zakat should also be paid on excess jewellery.

Zakat on jewellery is calculated on the weight of the gold and/or silver portion of the jewellery, irrespective of the price paid.

Ali Muhi-Deen Al-Qurrah Daghi, head of department of Islamic Jurisprudence, Qatar University, says¹⁹: “Concerning Zakah on women’s jewellery that is worn, it is a controversial issue. The opinion deemed to be the most correct states that Zakah is not levied on jewellery worn by women throughout the year, or most of the year, for the sake of adornment, and if the jewellery worn is not more than usual. However, Zakah is due on the jewellery that is not worn most of the time (i.e. that is kept) and on that which is more than usual.”

3. BUSINESS ASSETS

There are two approaches with regards to business assets:

- a. You include your net current assets in your business in the zakat calculation. This is based on a hadith of the Prophet (PBUH) that stated that stock in trade is subject to zakat. Jurists have interpreted this to include all your net current (or variable) assets – that is your stock, debts owing by people who have purchased from you, and any cash your business owns. You are allowed to deduct any short term debts that you owe (usually to your stock creditors). There is disagreement with regards to including fixed assets – refer to the section on fixed assets below for an explanation of this.
- b. You include the capital in your business in the zakat calculation form. The capital comprises any shares that you have purchased, your loans to the business and all your profits from this and prior years that have not been distributed as dividends.

Most scholars prefer the first approach. The Saudi Arabian Ministry of Islamic Affairs, Endowments, Da’wah and Guidance states: “When the time of Zakah is due, the commercial body, whether an individual or company, should make an inventory and estimate the actual value of goods in hand. The value of these goods together with cash assets, whether used in business or not, and the total of recoverable debts owed to him by others are considered the amount of trade activity on which Zakah is due, after subtracting the debts he owes to others from the total value. The following equation may be useful to conveniently get the percentage of Zakah:

The amount of Zakah = the value of goods in hand + cash assets + recoverable debts - debts x 2.5%.”

Based on the hadith of the Prophet (PBUH) and the majority of Islamic scholars, the zakat calculation form in chapter 3 has adopted option one.

Net Current Assets:

The majority of jurists agree that net current assets/variable assets need to be included in your zakat calculation. Certain Jurists refer to current assets as commercial commodities. Your net current assets (working capital) comprise:

- Stock
- Debtors
- Cash

Less

- Creditors
- Other liabilities

The zakat rate is 2.5%.

You need to prepare a balance sheet on the day you elect to calculate your zakat. Many Muslims prefer to calculate and pay their zakat in Ramadan and if this date differs with your normal financial/tax year end, then you will need to prepare a special balance sheet. With the accounting software currently available, this is a relatively simple exercise. Should you elect to calculate your zakat at the end of your financial/tax year, you should pay your zakat immediately you can afford to do so and not wait for Ramadan to pay it.

Stock:

Narrated Samurah Ibn Jundub: The Apostle of Allah used to order us to pay zakat on what we prepared for trade. (Abu Dawud).

Scholars concur that for stock to be included in the zakat calculation, it must have been acquired for re-sale. Stock may include any article or asset. For example, the stock of a clothing retailer is the clothing in his/her store, whilst the stock of a property developer/speculator is the property he/she has on hand (that is not yet sold). No zakat is due on stock not intended for trade.

Scholars also agree that zakat is only paid on stock after it has been held for a year. For businesses that turnover stock regularly, scholars view the replacement stock as a continuation of the original purchase. In practice, the stock on hand at the time the owner calculates his/her zakat should be included in the zakat calculation.

To ascertain the correct stock on hand, you need to conduct a stock count.

A number of scholars are of the view that stock should be its current purchase value. The Saudi Arabian Ministry of Islamic Affairs, Endowments, Da‘wah and Guidance states: “Zakah is estimated according to the current market price. According to juristic authorities, estimating the amount of Zakah is based on the wholesale price of commodities. (This view is one of the recommendations of the First Contemporary Zakah Questions Symposium.)”

Debtors:

Debtors are included at book value less any write-off for bad debts. A bad debt is only recognised as such when the debtor no longer has an obligation to pay the debt (different from the commercial definition).

Under Hanafi law, debts are classified as follows:

- a) Debts arising from the sale/loan of zakatable assets (strong debts) - these are debts arising from the sale of stock and/or the loan of a zakatable asset (for example, cash). These debts must be included in your zakat calculation.
- b) Debts arising from the sale of non-zakatable assets (medium debts) - for example fixed assets, investments, etc. are only included in the zakat calculation when the cash is received and in possession at the date of the zakat calculation.

You may elect to include debtors in the zakat calculation in the year the debt is paid. Under Hanafi law, you would have to pay zakat for each year that the debt has been outstanding. Under Maliki law, if such an election is made, zakat only has to be paid once.

Cash:

All cash in the bank account of the business needs to be included in your zakat calculation. This cash represents profits not invested in fixed assets or working capital.

Creditors/Liabilities:

The First Symposium of Zakat Contemporary Issues stated²⁰: “As for the loans which finance the circulating working capital, they are to be deducted from the possessions upon which Zakah is due.”

You can deduct from your current assets any amounts that you owe your creditors for the purchase of stock and other items. If you have included fixed assets in your calculation, then to arrive at net assets, you can deduct any liabilities you have over the fixed assets.

Certain Shafi scholars are of the view that liabilities should not be deducted on the principle that how you finance your activities does not detract from the fact that you have accumulated wealth.

Fixed Assets:

Fixed assets are buildings, plant and machinery, equipment, furniture and fittings, goodwill, etc. - all items used by a business to generate a profit. Some scholars are of the opinion that no zakat is payable on fixed assets on the basis that they are used to generate income. In response to a question on this issue Dr Yusuf Al-Qaradawi, Dean of the University of Qatar and author of the book “Fiqh-az-Zakah” states²¹: “Zakah is imposed on trade goods as with liquid assets where there are items for sale that are transferred from one hand to another. For example, if the merchandise that is for sale is deposited in containers, then these containers are not subject to Zakah. This is because these containers are not for sale. The same rule applies to a building or an office with desks, scales, shelves, etc. All these are not accounted for when inventoried as capital that is subject to Zakah.

“Zakah in trade is imposed on liquid assets in trade (merchandise planned for sale), and the payable debts. Concerning fixed assets that are not planned for sale, these are not included in the accounting.”

Mufti Desai, a leading South African scholar concurs with the above view based on a fatwa on the topic issued by the Pakistani jurist, Mufti Usmani.²² However, Dr Monzer Kahf a leading Islamic economist and author of the book “The Calculation of Zakah” is of the opinion that fixed assets represent wealth and hence should be included in the zakat calculation. Dr Kahf²³: “We think that all fixed assets used in business and industries carry more similarity to the principal of urud al tijarah (=business inventory) and to the stock of cattle, sheep and camels because all these assets are intended for investment to make growth and profits whether through production, exchange or grazing and the Shariah did not intend to favour one form of business use of wealth over another. Consequently zakah must be paid on the net worth including fixed and variable assets.” The Prophet (PBUH) stated that livestock is subject to zakat.

Monzer Kahf’s argument is a compelling one. Some businesses (for example, a takeaway) have limited current/variable assets and fixed assets such as goodwill comprise the wealth in the company.

A better approach would be to include your net profits in your zakat calculation since some

businesses may not have any fixed assets at all. The general principle of paying zakat on the income of investments applies here as well – your capital invested in the business attracts an income that should be zakatable. This is based on the following ruling issued by the Saudi Arabian Ministry of Islamic Affairs, Endowments, Da‘wah and Guidance:

1. Capital goods stand for all properties that are not invested as trading objects. Treated as permanent assets, these goods are not counted for Zakah. Rather, Zakah is to be paid on their revenues if they remain after the lapse of a full year.
2. Revenues are added to the amount of Zakah payable on the owner's cash money and commercial commodities after the lapse of a full year at the rate of 2.5%. This view is adopted by the majority of jurists and agreed upon by the Fatwa and Legal Supervision Authority, the Kuwaiti House of Zakah.

Therefore your net profit should be added to your net current assets. There may be some duplication to the extent that your cash reserves capture realised profits to date.

You need to decide on the approach you wish to adopt for fixed assets – in summary you have 3 options:

- Exclude fixed assets;
- Include fixed assets and pay zakat at the rate of 2.5%;
- Include your net profit from the business.

Recommendation - what to include: summary

In summary, include your net current assets (stock + debtors + cash – creditors) + net profit for the year.

4. PARTNERSHIPS/LARGE INVESTMENTS/BUSINESS TRUSTS

Where you are not the sole shareholder/owner of a business, you have two options:

- a. let the business calculate the zakat due and pay it on your behalf; or
- b. you calculate your portion of the zakat.

Narrated Anas: Abu Bakr wrote to me what Allah’s Messenger has made compulsory (regarding zakat) and there was mentioned in it: If a property is equally owned by two partners, they should pay the combined zakat and it will be considered that both of them have paid their zakat equally. (Bukhari).

The first option is only feasible if you have Muslim partners. If you elect this option you need to ensure that your partners have calculated and distributed the zakat correctly.

If you elect the second option, then you should calculate the zakat based on your shareholding of the net assets. For example, if you have a 15% shareholding in a company, then you should include 15% of the net current assets of the business in your zakat calculation (and net profit for the year, refer to the section on net business assets above).

If you cannot get access to a balance sheet then calculate your zakat based on the investments and loans made to the partnership/company.

The same principle applies to trusts, if you have a fixed share in the trust. If the trust is a discretionary trust then the trust has to calculate the zakat and pay it on behalf of its beneficiaries.

5. SHARES IN COMPANIES LISTED ON THE AUSTRALIAN STOCK EXCHANGE

If you have shares in Australian listed companies or other investment instruments such as

options, warrants, convertible debt, etc then you need to include these investments in your zakat calculation.

Shares held for resale and speculative transactions:

If you hold shares for resale, then you have to pay zakat on the market value of these shares, in the same way that a trader pays zakat on stock for resale. The UK based Islamic author and fiqh commentator Adil Salahi states in the monthly magazine *Islamic Voice*²⁴: “If one is trading in shares, buying and selling according to the fluctuations of the market, then such shares are treated like other commercial commodities. Their market value is calculated on his zakah date and he pays zakah for that value every year. These shares are not different from the merchandise a businessman has in his shop, supermarket or other outlets. The rate of zakah payable is 2.5% of the market value every year.”

The fact that you are not a trader in shares is irrelevant – if you have an intention to sell the shares once they achieve a certain price, then you need to include the current market value of the shares in your zakat calculation. All jurists and scholars are in agreement on this. In this case you are holding the shares for capital gain rather than dividend income. Dr. Monzer Kahf, states²⁵: “Stocks which are permissible to buy and own may be purchased for either holding them and expecting their dividends or for participating in the management of the company, or for using them as tradable objects waiting for a good opportunity to realise a capital gain and selling. In the latter case (where you are holding to sell) you are called in the Shariah a merchant or trader, regardless of the English jargon of “investor,” and you need to pay *Zakah* on the market value of the shares or the net asset value on the due date of *Zakah*.”

Daily share prices are available in most newspapers. Certain types of stock exchange investments by nature are regarded as speculative and hence need to be included in your zakat calculation – for example, options, and warrants depending upon the reason for the purchase.

Shares held for long term dividend returns:

Two views exist on this type of investment.

- a) One view is that the shares represent capital (similar to fixed assets) and hence only the income (dividends) from the shares should be included in the zakat calculation. The fact that these shares will grow in capital value over this period is irrelevant. The Islamic Jurisprudence Academy in Jeddah (Islamic Conference Organisation) issued a fatwa confirming that only dividends in this case should be included in your zakat calculation. Adil Salahi states²⁶: “A person holding shares in a company for the income they generate does not pay zakah on the value of his shares, but on the profits or dividends he receives. His zakah becomes payable on the day of receipt of such returns, whether they are paid annually or every six months, or shorter or longer periods. He does not wait for a year after receiving his payment. Rather, he pays his zakah straightaway at the rate of 10% of the amount of returns. This ruling is based on analogy with agricultural land irrigated by rain only. Its produce is liable to zakah on harvest day at the rate of 10%.” Most scholars are in agreement with the 10% rate.
- b) The second view is that the shares represent growing wealth similar to livestock (which the Prophet (PBUH) said was subject to zakat) and hence both the dividends and the current market value of the shares should be included in your zakat calculation at 2.5%. Adil Salahi states in *Islamic Voice*²⁷: “The view I am more inclined to is to treat them as commercial commodities, which means that on one's zakah date, one should find out their market value and pay zakah on the basis of that value at the rate of 2.5%. The other view treats them in the same way as profit gained without effort, which

means that only the dividends paid on these shares is liable for zakah at the rate of 10%.” Some scholars are of the opinion that since listed shares can be easily transferred to cash, they should be treated as cash.

Once again this is an issue that you need to decide on.

Share based unit trust investments are the equivalent of trading shares as you are investing in and hence becoming a partner of a trader in shares.

6. PROPERTY

Like shares, property can be purchased to hold for the long term and realise rental income or it can be bought for speculative purposes to resell as soon as an appropriate gain can be realised.

Land:

Dr Yusuf Al-Qaradawi, Dean of the University of Qatar, in responding to a question on whether land is subject to zakat, states²⁸: "The purchased land can be categorised as one of two types. The first type is purchased for resale after a period for profit. This type of purchase is a trade transaction and the land in this case is considered a commercial commodity. The land should be appraised annually to determine its value and then Zakah is paid at a rate of 2.5% of that value. This is the opinion of the majority of scholars. Only the followers of Imam Malik have a different opinion. They hold that the land is not subject to Zakah unless it is actually sold. The Zakah is 2.5% of the amount a person receives when the property is sold. The majority of scholars, however, consider this land as wealth and it is then subject to Zakah. This opinion is the most appropriate.

"The second type is a land that is purchased to build on and not for resale. In this case, it is not subject to Zakah unless the owner has actually built on the land and rents out the property. Then, he should pay Zakah on the revenue derived from the rent."

The South African scholar Mufti Desai states: "If a residential plot or barren land, etc. is purchased for resale, then Zakat will be liable at the market value, but if it is purchased for purposes other than resale there will be no Zakat."

The issue of land is clear – if you hold land for resale you need to include its current value in your zakat calculation. If the land has been purchased to build a home for resale, then the land must be included in your zakat calculation at its current valuation.

If you purchased the land to build rental homes – then the land is subject to zakat at its current market value until you have commenced construction of the houses. The UK based Islamic scholar and author of a number of Islamic publications, Adil Salahi, in response to a question on this issue, states²⁹: "The plots of land bought for constructing houses are liable to zakah, because the whole project is an investment one. I realize that some people told the reader that as the plots now stand, they are not liable to zakah, but the basis of that opinion is faulty. These plots are bought for investment, and while no construction work is going on, they are treated as a commercial venture. If the owner receives an offer which gives him a tidy profit, he will seriously consider it, and he may very well sell them to buy some other plots where he constructs buildings, or may buy other types of property. As such they are treated as commercial commodities, and they are liable to zakah. However, the value which should be considered in assessing the zakah liability here is the market value on the zakah date, not the purchase price."

Rental properties and rental incomes:

There are divergent views on this issue. Two schools of thought exist: one is that only the rental income is subject to zakat, whilst the second opinion states that both the rental property and the rental income are subject to zakat. The rate of zakat to be paid differs depending upon the option you chose.

The South African scholar, Mufti Ebrahim Desai states³⁰: “Zakat is not payable on the actual property if it was not acquired for resale. Zakat is only levied on the income received. Your Zakat on the income received will be calculated as follows: Cash on hand less current liabilities (like annual bond repayments, rates, etc.) Zakat is payable on the balance.”

This view is supported by the following issued by the Islamic Jurisprudence Academy in Jeddah (Islamic Conference Organization): “After the Academy surveyed the different studies submitted about “Zakah on buildings and non-arable leased land” and after detailed discussion on the subject, the following has been decided:

1. There is no Qur'anic verse or a Prophet's Hadith which points that Zakah is due on buildings and non-arable leased land.

2. There is no Qur'anic verse or a Prophet's Hadith which points that Zakah is immediately due on the revenues of buildings and non-arable leased land.

Therefore, the Academy decides the following:

First: Zakah is not due on the value of buildings and non-arable leased land.

Second: Zakah is due on their revenues following the lapse of a year after receipt. The rest of Zakah payment conditions should be taken into consideration.”

The alternate view is that both the property and rental are subject to zakat. Dr. Monzer Kahf states³¹: “Other people, including myself, argue that rental property, being an investment asset, is more similar to the capital of traders or merchants. Livestock are also similar to rental assets because the Arabs used to hold livestock as an investment capital. Therefore, Zakah must be calculated on the value of the asset itself plus any amount of the rent left at the end of the Lunar year (after payment of all expenses of the property itself and of family expenses) and the rate would be 2.5%. In other words, at the end of the year, you look at the market value of the property, add other Zakatable assets that you have such as money and stocks, etc., and then calculate Zakah at 2.5%.”

What to do?

From an economic perspective, property, like shares represents a growing investment. Your net profit from rental income for the first few years of a property is low as you pay mortgage repayments, maintenance, rates, etc. In many cases it may even be negative. However, whilst your rental returns are low, your capital value is appreciating and this is not accounted for anywhere in your zakat calculation. Since zakat is wealth redistribution, is this correct?

This is a question you need to answer as you decide which option to pursue in your zakat calculation. If you elect to include the current market value of your rental properties, then you can deduct any liabilities you owe on the property.

What rate of zakat?

A number of scholars are of the opinion that zakat on rentals should be the same as that of agricultural land on the basis that rentals are a yield similar to the yield of agricultural land. You have a choice: either build a house to rent or sow crops. Dr Kahf: “Sheikh Yusuf Al-Qaradawi says that Zakah is calculated from either the net rent (after payment of insurance, taxes, maintenance and other related expenses) at a rate of 10%, similar to agricultural products that are watered by rain, or on the gross rent (before deductions)

at the rate of 5%. This is based on an analogy made with agricultural land where its produce has Zakah."

Scholars that state that the property itself should be included in the zakat calculation are of the view that the zakat rate is 2.5%.

7. DEBT

You should include in your zakat calculation all debts due to you irrespective of when they are due. Dr. Monzer Kahf author of "The Calculation of Zakah" in response to a question on the issue, states³²: "Provided that the debt is strong, in the sense that the debtor acknowledges it and he or she is able to pay it back, the answer really oscillates between two opinions, each of which has its own strength and merits in Shari`ah.

"On the one hand, a debt is a property of the creditor. There is no difference between a debt on one who acknowledges the debt and is capable to pay and cash in one's bank account or on hand. Nor does it matter who is rich and who is poor. This makes the debt subject to Zakah every year (by the creditor), just like other assets subject to Zakah.

"On the other hand, you have no accessibility to the debt until you actually get your money repaid to you. This makes it subject to all probabilities, and currently you cannot make use of it.

"The Maliki School of Fiqh argues that any debt that stays for one lunar year with the debtor is subject to Zakah by the creditor once the creditor gets it back and for only one year past, regardless of the period of indebtedness. Other jurists require the payment for all the past period no matter how many years it was. Payment for all past years can be delayed until you actually get the money back.

"In calculating the Zakah on companies, the International Shari`ah Board of Zakah took the majority's stand, which seems to be more supported by the general principles of Zakah. On personal debts, it seems to me that the Maliki view may be reasonable, especially for long term debts that stay for many years.

"As for the debts of the deceased, they are not subject to Zakah. If they are ever collected, you pay only for one past year on the collected amount.

"With regard to doubtful debts, they are considered in proportion to their strength. For example, if they are only 40% doubtful, you pay on 60% of the amount of the debt."

Secured debt, such as debentures, need to be included in the zakat calculation. If you trade in debt instruments/bonds then you need to include the bonds at their current market value in the shares section.

8. SUPERANNUATION FUNDS

Dr. Muzammil H. Siddiqi, President of the Fiqh Council of North America states: "The basic rule of Zakah is that it is due on the wealth that one owns and has the freedom to use. A committee of scholars under the leadership of Maulana Mujahidul-Islam Qasmi discussed this issue in great detail. In the light of the discussion of the scholars the following points can be presented:

"The employee's contribution to this fund is Zakatable if it is done by his/her own choice. There is no Zakah due on these funds if the employers due to the company or

government's policies collect them by force. Zakah will be due on these funds when they can be withdrawn.

"If these funds are withdrawn and they reach the value of *nisab* (3 ounces of gold or its cash value) and a year passes on them, then the Zakah (at the ration of 2.5 per cent) will be due.

"The Zakah must be paid for the money that one receives and then voluntarily contributes to a retirement fund, if it reaches the *nisab* and after a period of one year."

Mufti Ebrahim Desai³³: "Zakat is applicable on all voluntary contributions you have made towards the pension scheme. However, since the money is not in your possession, Zakat will not be levied at this moment but only once you get physical possession of it. Once you get possession, Zakat will have to be paid for all the previous years as well. For purposes of easier calculation, it is better to pay the Zakat annually on the complete sum of your pension contributions. Zakat is not levied on compulsory deductions nor on the amount contributed by your employer. Zakat on these will only come into effect when you get access to these funds."

In Australia, as an employee, your employers are required to pay 9% of your salary to superannuation funds for your benefit. Should you voluntarily increase this percentage as a deduction from your salary – then you need to include these voluntary contributions in your zakat calculation. Any voluntary contributions you make as a business owner, need to be included in your zakat calculation.

You need to include any monies received from the superannuation fund in your zakat calculation, to the extent that you did not include any contributions in earlier years. You only include it in your zakat calculation when you actually receive a pension or you commute part of your pension. In response to a question, Dr. `Abdul-Azeez Al-Qassar, professor of Comparative Jurisprudence, Faculty of Shari`ah, Kuwait University, says: "It is not obligatory to pay Zakah on what is known as retirement money (i.e. the pension paid to the employee upon his retirement) unless the money is really possessed. Muslim Jurists state that the person who is going to pay Zakah should possess the money he is going to pay."

9. LIFE ASSURANCE PREMIUMS

There are differing views with regards to the permissibility of life assurance – regardless, if you have made contributions to a growing asset base (for example an endowment policy) then you need to pay zakat on the surrender value of your policy.

10. OTHER

Mining activities attract a special zakat rate of 20% of the value of ore extracted. Crops and livestock are also subject to zakat. These topics are not covered in this book and advice on how to calculate zakat is available from a number of texts.

11. DEDUCTIONS

You are permitted to deduct any amounts that you owe others from your qualifying zakat wealth. The liabilities must be in existence at the time you calculate zakat, you cannot claim a deduction for planned expenditure. For example, if you plan to purchase a car, you cannot deduct the cost of the car as a liability, unless you have actually bought the car and owe money on the car.

You are only permitted deductions for liabilities that you owe and need to pay in the next year. For mortgages and other long term loans, only that element that is due in one year can be deducted. For example, if you owe \$120,000 on a mortgage and have paid \$14,000 in mortgage repayments in the last year, then only that amount is allowed as a deduction. You cannot claim the entire \$120,000. Mufti Desai: "Only the amount that is due for one year will be regarded as a liability. (Shaami vol.3 pg.177; Lebanon)."

Adil Salahi, a fiqh commentator in the monthly Indian magazine *Islamic Voice* in response to a question on this issue responded (Rs = rupees): "A mortgage loan or a loan taken in the form of hire purchase of any item such as a car or machinery is not counted in the calculation of zakah liability, because of the nature of the repayment agreement. If a person is earning Rs.100,000 a year, and spending Rs.70,000 to meet his family's living expenses, including the installments he pays on his mortgage and hire purchase agreements, he cannot claim exemption from zakah because he still owes a substantial sum on his house or other purchases. This is because the nature of such debts does not require immediate or short-term repayment. Such a person will be saving Rs.30,000 which is liable to zakah. Only if he decides at the end of the year to reduce his outstanding loans by an additional repayment, using all this saved sum for the purpose, he does not pay zakah for it. It is wrong for anyone to defer the payment of one's zakah, saying that he has some heavy commitments. Zakah is a debt owed to God and it must be paid on time. If one has heavy commitments, his zakah liability will be proportionately reduced. But to say that zakah is unaffordable when its rate is so low is to make a false claim. When the reader increases his mortgage repayments now, he will be saving on the total amount he has to repay. This means a direct benefit. He cannot make such a personal benefit through the failure to pay zakah."

Note: Certain Shafi scholars are of the view that no liabilities can be deducted.

12. PROPERTY/WEALTH OWNED THROUGH A TRUST

If you own property or a business through a trust then you need to ensure that zakat is paid on the qualifying assets/income.

If you have a fixed interest in the trust (either unit trusts or ordinary non discretionary trusts), there is no problem – your interest in the trust will be included in your zakat calculation in a similar manner to partnership assets. However, if you have a discretionary interest, then in theory you are not entitled to anything until the trustees distribute something.

From an Islamic perspective, if you have placed a property/income in a trust for taxation purposes but with no intention of the beneficiaries obtaining immediate ownership of the property, then the trust is not recognised under Islamic law and the property is still yours and must be included in your zakat calculation.

Most business trusts are discretionary trusts established for tax efficiency purposes. Either you need to pay zakat on what is really yours, but legally is not, or you should ensure that the trust calculates and pays zakat on behalf of its beneficiaries.

Zakat Calculation Form

Refer to the notes in Chapter 2 prior to completing this form.

SECTION 1: CASH (PERSONAL)		Zakatable Value
Cash on hand – actual cash you have on you		
Cash you have in banks (savings accounts, fixed deposits, money at call, etc):		
Name of Bank:		
Cash that you have in overseas accounts (you can pay the zakat locally in local currency or you can pay the zakat from your overseas account):		
Name of Bank:		
TOTAL CASH		
SECTION 2: GOLD AND SILVER		Zakatable Value
Gold and silver is subject to zakat based on the current value of its weight. The original purchase price is irrelevant.		
Item:	Weight	
	Gold	Silver
Gold and silver coins		
Total weight of jewellery that qualifies for zakat		
Other gold and silver		
Total weight of all your gold and silver		
Current Australian dollar price of gold and silver (from newspapers)		
Gold and silver included in zakat calculation (weight x Australian dollar price per ounce)		
Value of gold and silver certificates/deposits		
Value of gold/silver futures and options		
TOTAL GOLD AND SILVER		
SECTION 3: NET BUSINESS ASSETS		Zakatable Value
Fixed Assets: There are 3 options with regards to fixed assets and you need to make a choice for the calculation of your zakat. Option 1 – do not include fixed assets Option 2- include the current value of fixed assets Option 3 – include the net profit from the business activity		
Investments – in subsidiary companies, etc. Include your share of the net business assets of the subsidiary company.		
Stock – include all stock on hand for resale or being manufactured for resale.		
Debtors – include all amounts due to you that you are certain will be collected.		

Cash on hand			
Cash at bank			
Cash investments			
Other current assets			
TOTAL ASSETS (add all amounts above)			
Less: Liabilities – only include liabilities that are due within one year			
NET ASSETS SUBJECT TO ZAKAT (subtract liabilities from total assets – the figure could be positive or negative. Negative implies that you owe more than you own in your business).			
SECTION 4: PARTNERSHIPS/TRUSTS/LARGE INVESTMENTS		Zakatable Value	
<p>If you have shares in a company or you are a fixed beneficiary in a trust, then ideally you should encourage your fellow partners to calculate zakat on the net business assets of the business assets and either the business pays your share of the zakat on your behalf or you include your share here.</p> <p>If the business cannot calculate the zakat on your behalf then you need to calculate your share of the net business assets based on your shareholding. Use this form to assist you in this regard.</p>			
Asset:		Company balance sheet value	
Fixed assets (if you elect to include)			
Cash			
Debtors			
Stock			
Other current assets			
Total Assets			
Less liabilities			
Net Assets			
Your percentage shareholding		%	
Your share of net assets (net assets multiplied by your percentage shareholding)			
SECTION 5: SHARES		Zakatable Value	
<p>Shares Held to Resell at a Profit Shares being held to resell to realise a capital gain are subject to zakat at their latest market value. This is the consensus of all the jurists – the shares are no different from stock in trade. The fact that you may not be an active trader in shares is irrelevant. Any funds that you have in unit trusts need to be included here. This section also includes any open options you have. List the shares below:</p>			
Share:	Number of shares	Price per share	Market value – number of shares x price

TOTAL MARKET VALUE OF SHARES HELD FOR RESALE			
Shares held for long term dividend returns			
<p>There is consensus amongst all the jurists that dividends earned from shares held for the long term needs to be included in the zakat calculation. The fact that you may earn capital gains whilst you hold the shares is irrelevant as your focus is dividends. Typically in this section of the form you will include your shares in listed companies. List the shares and the net dividends (dividends less any costs) you have earned below:</p>			
TOTAL DIVIDENDS RECEIVED			
Shares held for long term dividend returns – alternative view:			
<p>Some scholars are of the opinion that shares held for long term dividends represent wealth and hence should also be included in the zakat calculation at their market price (both the share and dividends are then included in the zakat calculation). This is based on the principle that shares are similar to livestock which the Prophet (PBUH) stated were subject to zakat. This is an issue you need to make a decision on. If you decide to include the market value of the shares, complete the section below:</p>			
Share:	Number of shares	Price per share	Market value – number of shares x price
TOTAL MARKET VALUE OF SHARES HELD FOR LONG TERM DIVIDEND RETURNS			
SECTION 6: PROPERTY			Zakatable Value
Property Held to Resell at a Profit			
<p>Properties held to resell are subject to zakat at their latest market value. This is the consensus of all the jurists – the properties are no different from stock in trade. The fact that you may not be an active property trader is irrelevant. List the properties below:</p>			
Property:			Market value
TOTAL MARKET VALUE OF PROPERTIES HELD FOR RESALE			
Properties held for long term rental returns			
<p>There is consensus amongst all the jurists that rentals earned from properties held for the long term need to be included in the zakat calculation. The fact that you may earn capital gains whilst you hold the properties is irrelevant as your focus is rentals.</p>			

List the properties and the rental less your expenses you have earned below. With regards to the interest element of a mortgage bond - this is an issue that you need to decide whether it is acceptable or not.				
	Property 1	Property 2	Property 3	Total
Rental income				
Less cash expenses:				
Mortgage				
Rates				
Maintenance				
Other				
TOTAL NET RENTAL RECEIVED (this could be a loss)				
Properties held for long term rental returns – alternative view:				
Some scholars are of the opinion that properties held for long term rentals represent wealth and hence should also be included in the zakat calculation at their market price (both the property and net rentals are then included in the zakat calculation). This is based on the principle that properties are similar to livestock which the Prophet (PBUH) stated were subject to zakat. This is an issue you need to make a decision on. If you decide to include the market value of the properties, complete the section below:				
Property:				Market value
TOTAL MARKET VALUE OF PROPERTIES HELD FOR LONG RENTAL RETURNS				
SECTION 7: DEBTS DUE TO ME				Zakatable Value
Include in the section below all debts where you are certain that the debt is recoverable and there is no undue delay in its payment				
Debtor:				Debt
If there is doubt over the payment of the debt only include the debt in your zakat calculation once the debt has been paid. List below the debtors that have paid you this year. (If the money repaid by your debtor is banked in your account, then only include the debtor receipt here if you include your opening bank balance in your zakat calculation. If you include the closing balance then there is no need to include anything under this section as it already is included in your bank balance).				

TOTAL AMOUNT DUE TO YOU OR RECEIVED BY YOU FROM YOUR DEBTORS	
SECTION 8: SUPERANNUATION FUNDS	Zakatable Value
Your voluntary contributions to superannuation funds. Zakat is due on all voluntary payments made to date. Excluded from this section are contributions made by your employers or government regulations. Currently, in Australia, Government legislation requires that your employer pays 9% of your salary to superannuation funds – no zakat is due on these contributions.	
Total pension received in the current year for which you made no contributions.	
TOTAL SUPERANNUATION	
SECTION 9: LIFE ASSURANCE	Zakatable Value
The surrender value on any life policies	
Proceeds from any endowment policy	
TOTAL LIFE ASSURANCE	
SECTION 10: OTHER	Zakatable Value
TOTAL OTHER	
SECTION 11: LIABILITIES	Zakatable Value
List below any debts that you owe and are payable in the next year – exclude any mortgage or long term debts:	
Include below the current year payment of any mortgage or long term loans. There is a difference of opinion as to whether just the capital portion is allowed or the entire annual repayment (including interest)	
TOTAL LIABILITIES	

ZAKAT CALCULATION

Insert the totals from the various sections above in the summary below:

Zakat Calculation		Zakatable Value
Section	Zakat @ 2.5%	
1	Total Cash	
2	Total Gold and Silver	
3	Net Business Assets	
4	Partnerships/Trusts/Large Investments	
5	Market value of shares held for resale	
5	Market value of shares held for the long term	
6	Market value of property held for resale	
6	Market value of property held for the long term	
7	Total Debts owing to you	
8	Superannuation Funds	
9	Life Assurance	
10	Other	
	TOTAL ASSETS/INCOME SUBJECT TO ZAKAT (add all the above)	
11	Less Liabilities – Section Ten	
	NET ASSETS/INCOME (subtract liabilities from total assets)	
A = ZAKAT DUE @ 2.5% (multiply net assets/income by 2.5%)		
Section	Zakat @ 10%	
5	Net Dividends from shares held for the long term	
6	Net rental from property held for the long term	
TOTAL INCOME FROM INVESTMENTS		
B = ZAKAT DUE @ 10% (multiply net assets/income by 10%)		
TOTAL ZAKAT DUE = A + B		

As indicated previously, different zakat rates apply. The options that you have with regards to rates are as follows:

- Net profit from business – in the form above it is included in the 2.5% section. This is based on the principle that net current assets are also included in the calculation. Some scholars argue that net profit can be rated at either 5% or 10% depending upon the amount of labour involved in the business.
- Scholars do not agree with regards to the rate to be applied to net dividends and net rental. Some scholars argue that the rate should be 2.5%, others argue 5% or 10%. The reasoning is explained in chapter 2 and you need to decide which rate to apply based on the information available.

¹ Kingdom of Saudi Arabia - Ministry of Islamic Affairs, Endowments, Da'wah and Guidance

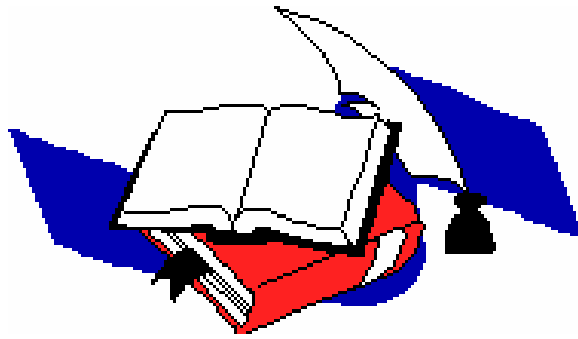
² Kingdom of Saudi Arabia - Ministry of Islamic Affairs, Endowments, Da'wah and Guidance

- ³ Kingdom of Saudi Arabia - Ministry of Islamic Affairs, Endowments, Da'wah and Guidance
⁴ Islamic Voice, an Indian magazine
⁵ Can I Pay the Zakah on My Daughter's Behalf? – Islamonline – 28 December 2003
⁶ Making Sure *Zakah* Reaches Its Due Recipients – 25 June 2002
⁷ Abaligh – Mufti Desai – 24 November 2002
⁸ Sabiq: Fiqh-us-Sunnah – section 3.81
⁹ Giving Zakah to Non-Muslims – Islamonline – 13 September 2003
¹⁰ Can a Poor Non-Practicing Muslim Receive Zakah? – Islamonline – 4 December 2002
¹¹ Can I Pay my Father's Debts from Zakah? – Islamonline – 12 October 2002
¹² Giving Charity: Should I Inform the Recipient That It's Zakah Money? – Islamonline – 29 July 2004
¹³ Abaligh – Mufti Desai – 24 November 2002
¹⁴ Can *Zakah* Be Given to Construct Mosques and Islamic Centers? – Islamonline – 14 June 2002
¹⁵ Giving Charity: Should I Inform the Recipient That It's Zakah Money? – Islamonline - 29 July 2004
¹⁶ Zakah on Jewelry: Scholars Debate – Islamonline – 20 July 2004
¹⁷ Sabiq: Fiqh-us-Sunnah – section 3.8
¹⁸ Zakah to be paid by professionals – Islamonline – 17 August 2004
¹⁹ Zakah on Gold - Islamonline – 10 September 2003
²⁰ The Fatwas delivered by the First Symposium of Zakah Contemporary Issues (Held in Cairo Rabi' Al-Awwal 14, 1409 A.H. / October 25, 1988 A.D.)
²¹ Zakah on Warehouses & Showrooms – Islamonline – 1 September 2003
²² Mufti Desai – website – Imam Online - <http://www.islam.tc/ask-imam/index.php>
²³ Monzer Kafh – The Calculation of Zakah
²⁴ Islamic Voice - India
²⁵ *Zakah* on Stocks and Mutual Funds – Islamonline – 26 July 2004
²⁶ Islamic Voice - India
²⁷ Islamic Voice – India – December 2001 edition
²⁸ Zakah on a Land Purchased for Trade – Islamonline – 7 March 2003
²⁹ Islamic Voice – India – December 2001 edition
³⁰ Abaligh – Mufti Desai – 24 November 2002
³¹ Zakah on Rental Property – Islamonline – 10 September 2003
³² Zakah on Debts – Islamonline – 26 October 2002
³³ Abaligh – Mufti Desai – 17 April 2004

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- Nawawi: *Al-Maqasid*, Sunna Books.
- Islamonline.
- Khaf: The Calculation of Zakah.



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A Focus on Islamic Education

This book contains the following:

- Fiqh of zakat – covering issues such as:
 - Why you need to pay zakat
 - The implications of not paying zakat
 - Who is liable to pay zakat
 - Who can receive zakat – including a detailed discussion on whether zakat can be given to non-Muslims, religious organisations for building Mosques, madressas, etc and whether zakat can be given to family members
 - How to calculate whether you are liable to pay zakat
- An explanation of the assets you need to include in your zakat calculation.
- A zakat calculation form.

“Zakah is obligatory like Prayer. There are some Muslims who do not pay zakah and they are some who give whatever they feel like giving, without observing the rules of zakah. Muslims must learn the rules of zakah, just as they learn the rules of Prayer.” Dr Muzzamil Siddiqi, member of the Fiqh Council of North America.