



Zakah Made Easy Session 2

By Muadh Chati



Academic Knowledge

BRINGING THE LIGHT OF '

Who is obligated to give Zakah? Who is Allah talking to?

- **Muslim**; therefore, a non-Muslim does not need to pay the Zakāh of the years before he accepted Islam
- **Baligh**; therefore, money owned by a child is not zakātable
- **Sane**; therefore, an insane person's wealth is not zakātable
- **An individual who has (1) owned *and* (2) had ease of access to (3) Zakatable wealth the value of which, (4) after deducting their debts, (5) reaches the nisab (6) and is maintained for an entire (Islāmic) year**

An individual who has (1) Owned *and...*

- The Zakatable wealth must be in the ownership of the mature and sane Muslim
- This means that if you are receiving child benefit, although the money is given due to the child, the government is making you the owner. Accordingly, you will pay Zakah on it.
- On the other hand, if you collect money on behalf of your child in a separate account, then this money belongs to the child and there will be no Zakah on it.
- A good indicator of ownership is to determine who bears the **risk of loss**, i.e., if this wealth was lost, who would be losing money?

Session 2: A deeper look at ownership

- Money acquired through haram means doesn't enter your **ownership**, in fact, this money is like stolen money meaning that you should quickly be putting it into charity without the intention of reward.
- You cannot use haram money, e.g., interest, to pay Zakah
- However, if you have invested money into a haram investment, then you will pay Zakah on the capital (initial investment) but not on the haram profit

...(2) Had ease of access to...

- The Zakatable wealth must not only be in your ownership, but you must also have ease of access to it such that you are able to increase it
- Accordingly, if the Zakatable wealth is not easily accessible, then Zakah will not be paid upon it
- If you have money in an overseas bank, e.g., India, and you would be able to use that money if you wanted to through an agent, then that would also be zakatable due to the **ownership and ease of access**

Example:

Zaid has £3,000, after deducting his debts, at the end of the Islamic lunar year, he also has £5,000 in a bank account that has been frozen by the bank. Although the £5,000 is in his ownership, because he has not access to it, he will only pay Zakah on the £3,000.

Example:

Umar gave Imran £1,000 to pass on to Iqbal prior to the Zakah date. (Iqbal's Zakah date is 20th Ramadan). Iqbal was informed of this on 25th Ramadan. Who will have to pay Zakah on the £1,000?

Answer:

If Umar had access to Imran on the Zakah due date and could have taken the £1,000 back, then Umar must pay the Zakah.

However, if Umar had no access to Imran on the Zakah due date (because Imran went on vacation and switched his phone off), then no one will have to pay Zakah. Umar will not pay because although he had ownership of the wealth, he had no ease of access to the wealth and Imran will not pay because although he had ease of access to the wealth, he did not have ownership of the wealth.

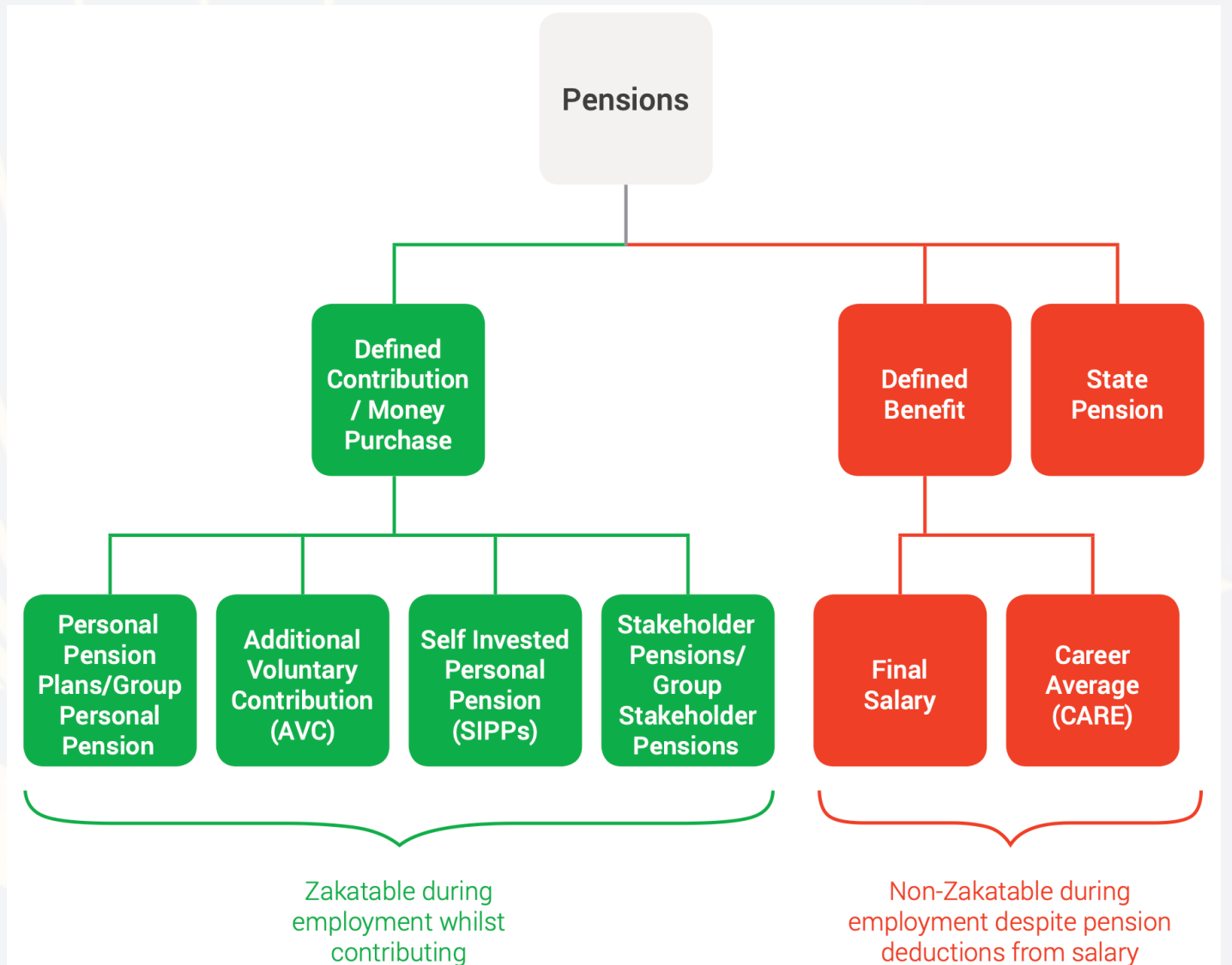
Session 2: A deeper look at ease of access

- Money given as a down-payment (when you've bought a product and have made some payment) is not Zakatable
- However, money given to a seller that is **completely refundable** will be Zakatable. Refundable here means that they must give it back to you if you wanted it back.
- Money put in as an investment in a fixed deposit Islamic account where physical access is restricted is still Zakatable, this is because although you don't have access to your money, it is because the money is affecting an increase

Session 2: A deeper look at ease of access

Pensions

- You pay Zakah on **Defined Contribution** not Defined Benefit. In defined contribution, you have ownership through the fund manager. Although access is restricted, it is to allow the wealth to grow
- You don't pay Zakah on **Defined Benefit** or **State Pension** (unless it has been given to you) as this money is not owned by you as the employer bears the risk of loss.



...3) Zakatable wealth the value of which...

Wealth is of two types:

1) Zakatable wealth:

➤ Money



➤ Gold & Silver,



➤ Merchandise/trade stock



➤ Livestock



2) Non-Zakatable wealth: every other form of wealth

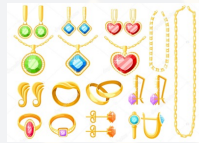
What is Zakatable wealth?

Zakatable wealth is defined as any wealth (that is owned by an individual and is easily accessible) from which profit can be derived, it includes:

1) Money (notes and coins)



2) Gold and silver



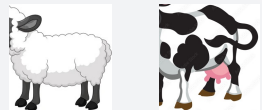
This includes jewellery as well as utensils (must be 50% or more), not precious metals or stones such as platinum and diamonds

3) Merchandise

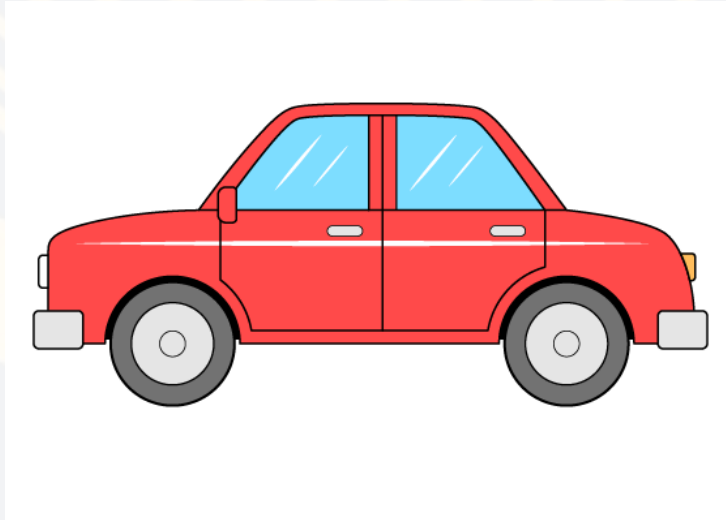


Merchandise is any item brought with the intention of resale. E.g., I buy clothes with the intention of selling them in my online business, I will calculate their selling price value (retail value), and this will contribute to my nisab.

4) Livestock (animals)



You will **not** pay Zakah on any non-Zakatable wealth even if it is beyond your necessities. E.g., cars, clothes, platinum, diamond, sofas, houses, and any other item bought without the intention of resale



Session 2: A deeper look at Zakatable wealth

1) Money (notes and coins)

Notes and coins are Zakatable wealth irrespective of what intention you have with them. For e.g., if you are saving up for hajj, or a new house, or your child's wedding, the money saved up will still be Zakatable as long as the deal has not been made and the money is now owed.

Session 2: A deeper look at Zakatable wealth

2) Gold and silver

This includes jewellery as well as utensils (must be 50% or more), not precious metals or stones such as platinum and diamonds. Yesterday, we said that the gold and silver content must be 50% or more, however, there is a very strong position in the hanafi madhhab that there is Zakah on 9 carat gold and above. Only the gold content will be Zakatable.

To determine the value of the gold and silver that you have, you will take it to the jewellers.

Gold Tooth

If the gold tooth cannot be easily separated from the mouth, then there is no Zakah. Otherwise, it will be Zakatable.

Gold plated items

There is no Zakah upon gold plated items, however, based on the strong position in the madhhab, it would be ideal to give some extra wealth in Zakah to cover for this gold.

Session 2: A deeper look at Zakatable wealth

3) Merchandise

The intention of resale must be found at the time of purchasing the product. So, if someone buys a watch for themselves, and then later decided, “I want to sell this watch,” the watch is NOT considered merchandise.

Similarly, if they bought it with the intention of **resale**, then decided to keep it, and then decided to sell it, it will NOT be Zakatable.

Similarly, if a person bought a product with a dual intention (I’ll sell it if I find a good buyer otherwise, I’ll keep it), then too it will NOT be Zakatable.

Properties on lease

There is no Zakah on properties bought with the intention of putting on lease, rather, the intention must be to **resell** at the time of purchase. If you bought the property (e.g., house) with the intention of resale, and then put it on rent for the time being, both the property (e.g., house) and the rentals will be Zakatable.

Session 2: A deeper look at Zakatable wealth

Machinery or Equipment of a Business

At the end of the Islamic year, the value of the machinery or equipment that the business uses to produce products will not be Zakatable.

Example: a petrol pump owner does not need to evaluate his building or pumps but does need to evaluate his stock and oil on his Zakāh date and add it to the nisab. Similarly, a restaurant owner will not pay Zakah on his restaurant building, furniture, cooker, plates, spoons, etc.

Session 2: A deeper look at Zakatable wealth

Materials of a Business

There will be zakāh upon the materials of a business that remain inside the product being made or sold.

Example: a cake business owner will evaluate his ingredients for baking a cake as well as evaluating his cakes, this is because the ingredient remain in the product. They will evaluate these items on their Zakah date

Example: A restaurant owner will pay Zakah on his ingredients such as meat, chicken, vegetables, deserts, salads, toppings, buns, etc. They will evaluate these items on their Zakah date.

Example: A person designs canvases and sells them on Instagram, he will not pay Zakah on the brush, but will pay Zakah on his paint, canvases. They will evaluate these items on their Zakah date.

Example: On the other hand, a car wash business owner will not evaluate his soap for washing a car as the soap does not remain on the product.

Session 2: A deeper look at Zakatable wealth

Debts

A debt that is owed to an individual is placed in the ruling of merchandise. Accordingly, if a person is owed a certain amount of money, then this money will be Zakatable. But not all debts are Zakatable, rather debts are of three types:

- 1) A strong debt: money owed to you as a loan or outstanding money a buyer still needs to pay you for a merchandise that they bought off you

Ruling: it will be Zakatable for that year if the debtor is admitting that he owes you the money and you have legal recourse to make him pay

- 2) A weak debt: money owed to you that is ***not*** in exchange of a loan or a merchandise

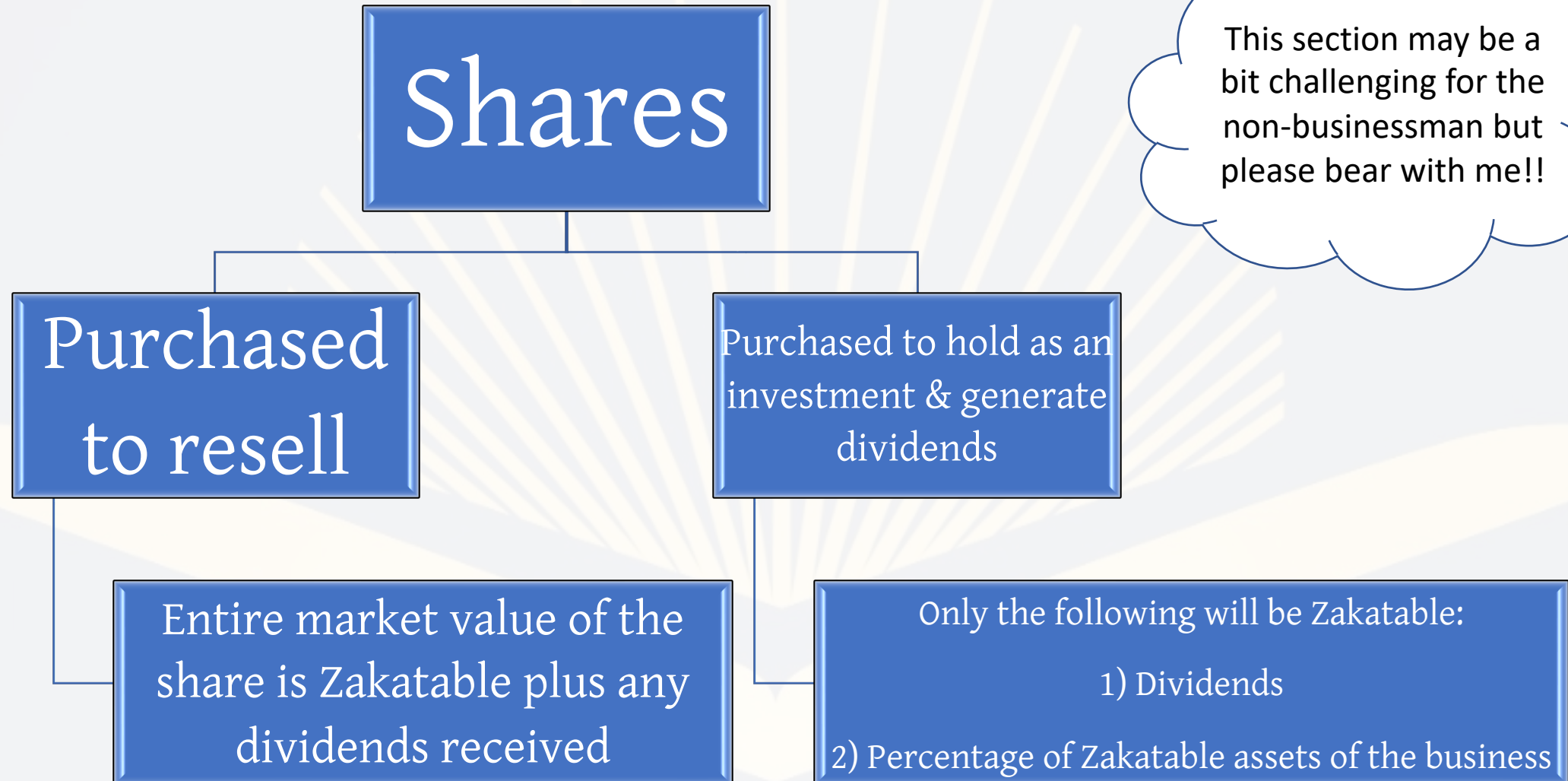
Examples:

- Employee's outstanding wages, Unpaid rental for landlord, Outstanding mahr, Outstanding bequest/inheritance payment, outstanding pay-outs and awards,

Ruling: it will not be Zakatable, you will only pay zakah on it once you receive it

Session 2: A deeper look at Zakatable wealth

Shares



Session 2: A deeper look at Zakatable wealth

Zakatable assets of a share:

The **balance sheet** is the most useful financial statement for a company for Zakat calculation purposes

- The Zakatable assets of a company can be determined by looking at the **balance sheet** of the company, this can be acquired by a simple google search, then do this:
 - 1) Deduct the company's liabilities from the Zakatable assets
 - 2) Divide the net Zakatable assets of the company by the value of the entire company (Market Cap) and then multiply by 100, this gives you the net % of Zakatable assets that the company has. Say for example it has 15%
 - 3) Now say your share is worth £100, so multiply the % you found earlier by £100, this is now the value of the Zakatable assets in your share. So, for us it is 15% of £100 which is £15
 - 4) Now pay 2.5% (Zakah) on that value. So, for us it is 2.5% of £15 which is £0.36
- If it is too difficult to determine, then consider 25% of the share to be Zakatable, this has been deduced by Mufti Faraz

Session 2: A deeper look at Zakatable wealth

4) Livestock (animals)

We will leave the discussion on animals as it is more relevant to situations in our 'back-home' countries such as Pakistan, Bangladesh and India.

...4) after deducting their debts...

- If a person owns and has ease of access to Zakatable wealth but there is a debt upon him, then he may deduct this debt from the value of his Zakatable wealth
- **Example:** Zaid has £10,000 on his Zakah date (20th Ramadan), but on 20th Ramadan, he still owes a relative £500 that he took as a loan, his wealth is now reduced to £9,500.
- **Examples of debts that can be deducted are:**
 - (1) Personal loans
 - (2) Utility bills
 - (3) Outstanding salaries and payable service fees

Session 2: A deeper look at deducting debts

- One will only deduct the amount that he owes that is *binding upon him* at that exact time at the end of the Islamic year, future debts/liabilities cannot be deducted. If it is a big sum that you need to pay back in installments (e.g., mortgages, university loan, credit card loan), then on your Zakah date, you will deduct the debts that are to be repaid in the next 12 Islamic months.

Example 1: a person saving up to buy a house, or car or to perform ḥajj cannot consider this a debt as he has not **yet** bought a house, car or ḥajj package. Thus, nothing is binding upon him at that exact time

Example 2: a person has a mortgage of £120,000, he will not deduct this entire amount, rather, he will simply deduct the amount binding upon him for that year

Example 3: a person has £10,000, he currently owes the Energy company £200, he knows that in the coming year, he will owe them £5,000 as that is the amount of energy he will use in the coming year, then he can deduct £200 but not £5,000.

...5) reaches the nisab...

What is nisab?

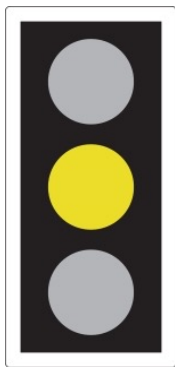
- Nisab means 'threshold'
- It is a **value** which if reached by the zakatable wealth after deduction of debts, then the person's Zakah date has begun. If after an Islamic year, on that exact same date, your Zakatable wealth is still above the nisab after deducting debts, then you will now pay Zakah
- For gold, the niṣāb is 87.48 grams or its value (£4,483) and for silver, the niṣāb is 612.36 grams or its value (£371)
- For most of us who have cash, gold, silver, etc. we will follow the niṣāb of silver which is currently £371
- So, if a person's Zakatable wealth collectively has a value below £371 by the end of the Islamic year, then he will not pay Zakah

...(6) and is maintained for an entire Islamic year



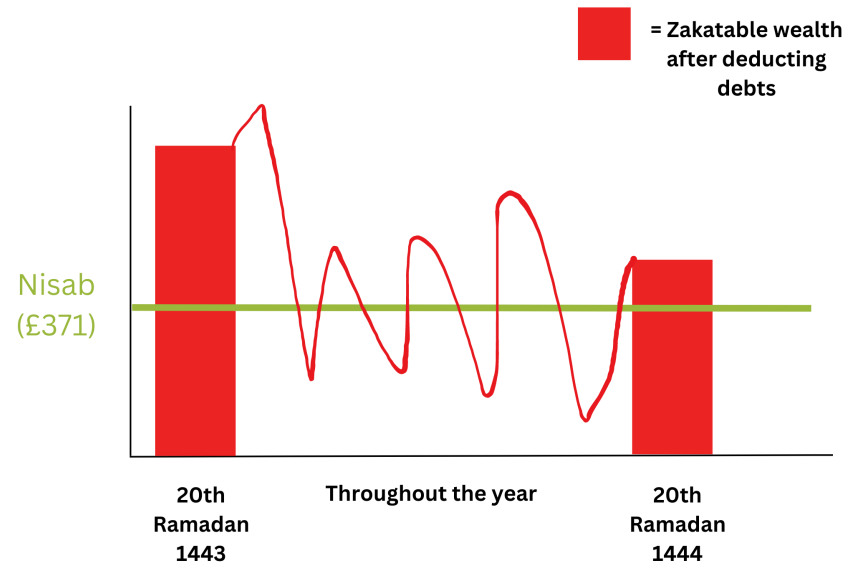
20th Ramadan 1443

A person owns the nisab (a value of £371) from Zakatable wealth after deducting debts



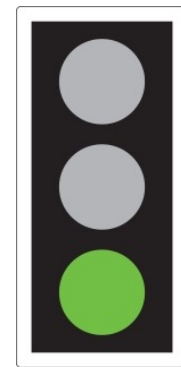
Zakah date started, Zakah not yet fard to give

If throughout the year, the value of the Zakatable wealth drops below the nisab, it doesn't matter



20th Ramadan 1444

A person owns the nisab (a value of £371) from Zakatable wealth after deducting debts



Zakah is now fard to give

Who can you **give** Zakah to?

The key aspect to remember in Zakah is that it is 'to provide ownership' (tamleek) to a living person. The transfer must not be in exchange for services. Finally, the living person must acquire **possession** and become owner of the portion of wealth unconditionally.

Zakāh can be given to:

- A poor person; more to be discussed in [session 2](#)
- Debtors; even if it is an interest-based loan
- Travellers; even if they have money at home but do not have any access to it
- Fi Sabilillah; i.e., a mujahid who is poor
- Zakat collectors; i.e., those zakat collectors who are commissioned by the Islamic government to collect Zakah funds

Session 2: A deeper look at which avenues you can give Zakah to

- We discussed yesterday that the key aspect of Zakah is ownership, what this means is:
 - ✗ You can't call the poor person to a feast (da'wah) as that is not making him an owner of the food
 - ✗ You can't pay your Zakah by forgiving a debt, e.g., Zaid owes Abdullah £2,000, Abdullah needs to pay £3,000 in Zakah, and he knows that Zaid owes him money. So, he forgives Zaid's debt and now only pays £1,000 in cash.
 - ✓ What Abdullah should do instead: Abdullah should pay Zaid £2,000 first and then ask him to give it back to Abdullah to fulfill his debt. If Abdullah fears that Zaid will run away with the £2,000, ask Zaid to appoint an agent that Abdullah trusts who will receive the £2,000 Zakāh on behalf of Zaid and then the agent would give the £2,000 back to Abdullah fulfilling Zaid's debt on his behalf

Session 2: A deeper look at which avenues you can give Zakah to

- We discussed yesterday that a poor person can be given Zakah, but how do we define a poor person? People are of three types:

- 1) Neither a person's Zakatable wealth (gold & silver, merchandise, money, livestock), after deducting his debts, nor their non-Zakatable wealth (e.g., cars, clothes, furniture, etc.) beyond their personal needs, after deducting their debts, reach the value of nisab (£371)

Example 1: Zaid has only his house, car, clothes and absolutely nothing else

Example 2: Zaid has £3,000 as well as an extra car and iPhone 14, but he is in debt of £6,000

Ruling: He does not give Zakah and can take Zakah

Session 2: A deeper look at which avenues you can give Zakah to

2) A person's Zakatable wealth (gold & silver, merchandise, money, livestock), after deducting debts, does not reach the value of nisab (£374), but his non-zakatable wealth (e.g., cars, clothes, furniture, etc.) beyond his personal needs, after deducting their debts, reaches the value of nisab (£374) or above

Example: Zaid has £200 (below the nisab) but he has an extra car and an extra mobile the value of which collectively reaches the nisab (£374)

Ruling: He does not *give* Zakah but cannot *take* Zakah

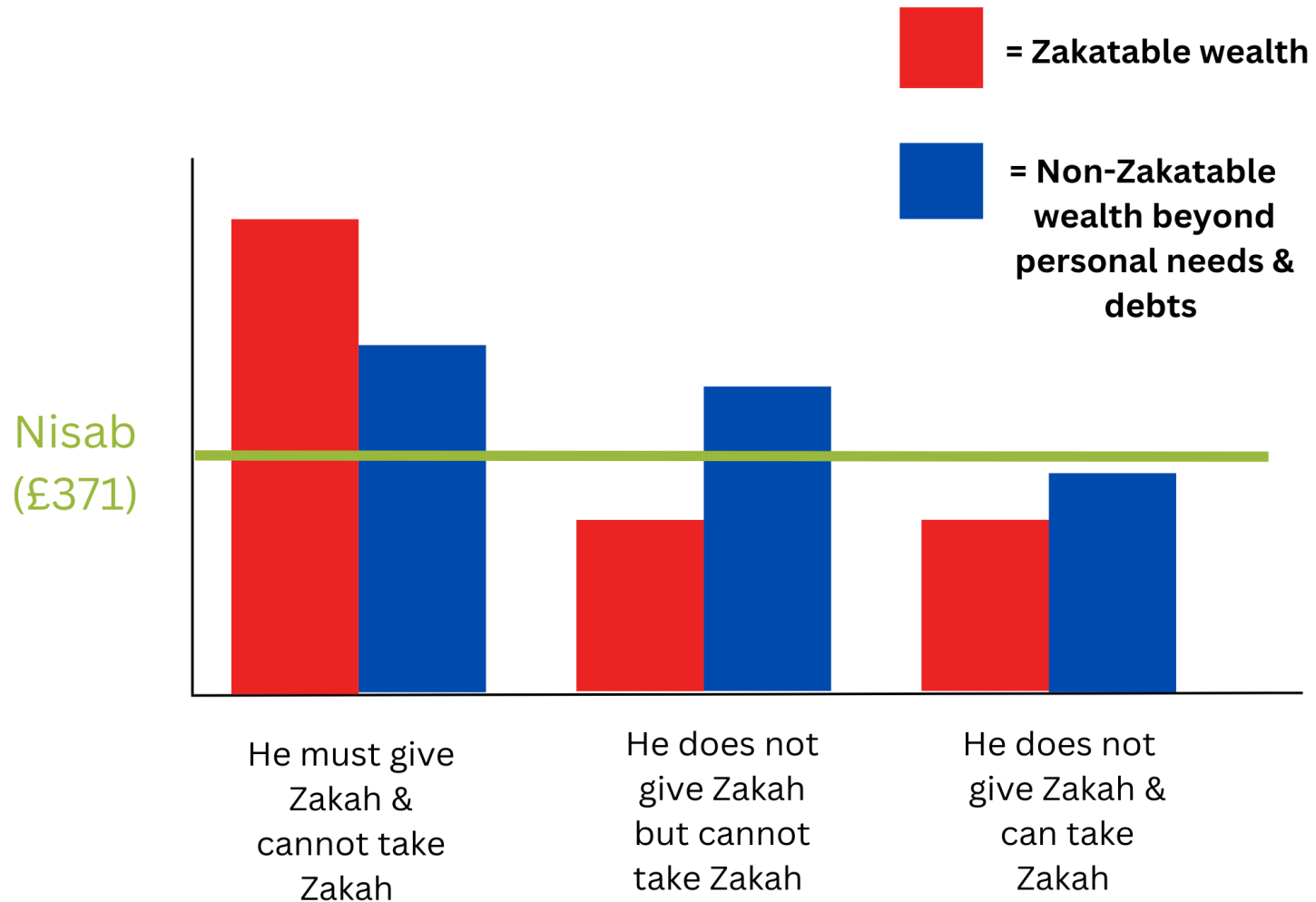
Session 2: A deeper look at which avenues you can give Zakah to

3) A person's Zakatable wealth (gold & silver, merchandise, money, livestock), after deducting their debts, reach the value of nisab (£374) or above

Example: Zaid has got £500 and is in debt of £100, therefore after deducting his debt, his Zakatable wealth reaches £400, this is above the nisab (£374)

Ruling: He must give Zakah and cannot take Zakah

Session 2: A deeper look at which avenues you can give Zakah to



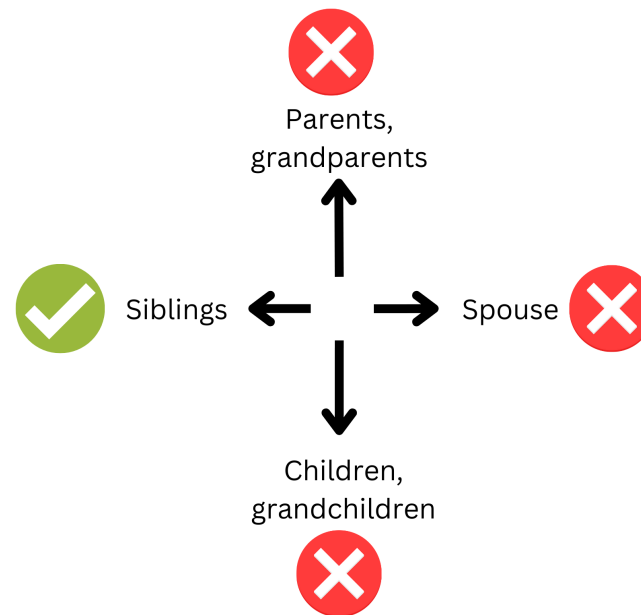
Who can you **NOT** give Zakah to?

- ✘ A rich person: anyone whose non-zakatable wealth (cars, clothes, furniture, etc.) beyond their personal needs, after deducting their debts, reach the nisab (£374)
- ✘ A non-Muslim
- ✘ General welfare projects such as building wells; because they do not involve transfer of ownership (tamleek)
- ✘ The non-baligh child of a rich father
- ✘ Hospitals; because they are not living persons

✘ Madrasahs; because they are not living persons.

✔ However, if the chancellor of the Madrasah is an agent for collecting the Zakah on behalf of the poor students, then that is valid.


✘ One's spouse, parents, grandparents, great grandparents, etc. and one's children, grandchildren, great grandchildren, etc.



What do you have to give in Zakah and how do you give it?

- Once a Muslim, mature, sane person has had Zakatable wealth the value of which, after deducting their debts, has reached the value of nisab (£374) or above for an entire Islamic year, Zakah is now fard upon him
- This will be 2.5% ($\frac{1}{40}^{\text{th}}$) of all the Zakatable wealth that he owns and has ease of access to
- You can give any item the value of which is 2.5% of your Zakatable wealth, of course, most people give cash which is best
- It's useful to have a Zakah book that allows you to keep track of your Zakah paid

Example

- Khadeejah gained £5,000 on 20th Ramadan 1443, her Zakah date has now started as her Zakatable wealth, after deducting her debts is above the nisab (£371).  has come on.

We will look again what she has on 20th Ramadan 1444.

We looked on 20th Ramadan 1444 and she has £3,000, 80 grams of gold and 500 grams of silver, with a debt of £1,000.

Will the  come on? Will she have to give Zakah?

Accordingly, she will go to the jewellers and evaluate her gold and silver. She finds out:

80 grams of gold: £4,120

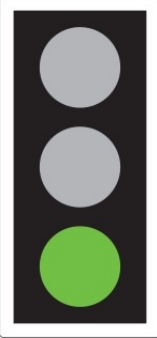
500 grams of silver: £310

Her current money: £3,000

Her debts: £1,000

Therefore, she will now calculate:

$$\begin{array}{r} 4120 \\ + 310 \\ \hline 3000 \\ \hline 7430 \\ - 1000 \\ \hline 6430 \end{array}$$

Her Zakatable wealth after deducting her debts are £6,430. This has reached above the nisab (£374). She now needs to pay Zakah.  is on.

Accordingly, she will do:

$$£6,430 \times 0.025 = \text{£}160.75$$

$$\text{Or she will do } £6,430 \div 40 = \text{£}160.75$$

Session 2: Frequently Asked Question

- Is intention needed when discharging Zakah?



Yes, intention is needed

- Does the recipient need to know that you are giving him Zakah?



No, the individual does not need to know. He can even think it's a loan or you can tell him it's a loan, though in your mind you are intending Zakah.

- I paid Zakah on my gold jewellery last year, do I have to pay Zakah again on it this year?



Yes, you will pay Zakah every year on the gold and silver that you have as it is Zakatable wealth, even if you do not use it. The same applies for the other 3 Zakatable assets, you will pay Zakah on money every year even if you never use it.

Session 2: Frequently Asked Question

- Is it permissible to pay the Zakah of a baligh child from their money or your money?



Yes, however, the baligh child must be informed that his Zakah is being paid

- I've set aside money for nafl sadaqah but the money is still in my possession, do I have to pay Zakah on it?



Yes

- Can Zakah be given to a poor child?



If the father is not eligible for Zakah, then no

Session 2: Frequently Asked Question

- Can Zakah be given to a poor child?



If the father is not eligible for Zakah, then no



If the father is eligible for Zakah, then yes, irrespective of the status of the mother

- Is a gift voucher Zakatable?



No, it is not. Because it is not money, gold & silver, merchandise or livestock

- Can Zakah be used to fulfill the debts of a deceased person?



No, as the deceased is not capable of becoming an owner

For any further questions, please
email:

info@Islamicknowledge.co.uk



Islamic Knowledge

SPREADING THE LIGHT OF 'ILM