

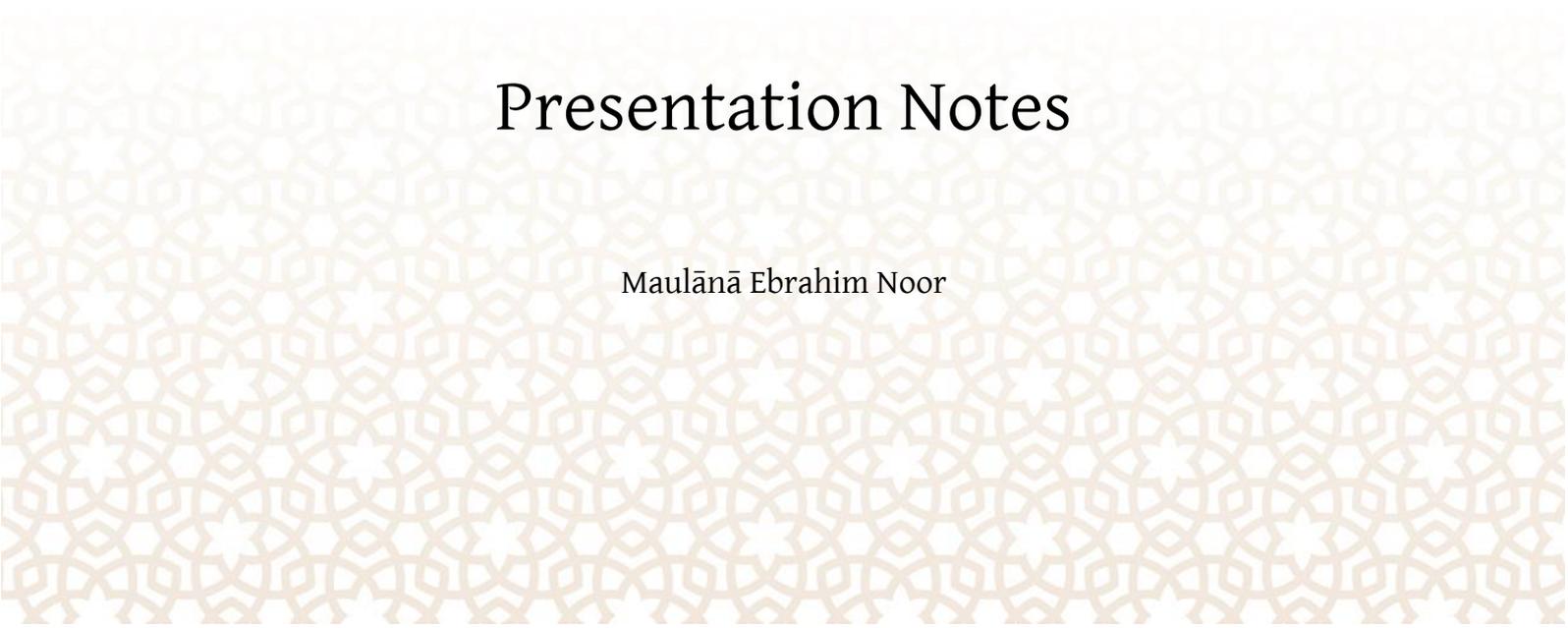


Islamic Academy Coventry

An Introduction to Zakāt

Presentation Notes

Maulānā Ebrahim Noor



## An Introduction to Zakāt – Workshop Notes

### Slide 1

الحمد لله رب العالمين والصلوة والسلام على سيد المرسلين و على اله و صحبه اجمعين اما بعد  
رب اشرح لي صدري ويسر لي امرى واحلل عقدة من لساني يفقهوا قولي  
سبحانك لا علم لنا الا ما علمتنا أنك انت العليم الحكيم

### Introduction

My dear respected ‘Ulamā’, elders, brothers & sisters, Assalāmu ‘Alaykum Wa Raḥmatullāhi Wa Barakātuhu. Welcome to the ‘An Introduction to Zakāt’ Workshop. I begin by Praising Allāh  
سُبْحَانَكَ وَتَعَالَى, Lord of the Worlds and sending Peace and Salutations to our beloved Prophet  
Muḥammad صَلَّى اللهُ عَلَيْهِ وَسَلَّمَ

I would like to thank XXXXXXXXX for giving me the opportunity to present this workshop and I would also like to extend my thanks to you all as well for attending. I hope and pray that we all learn something new today and that it will be beneficial.

Housekeeping:

I just wanted to go through a few housekeeping rules before we begin:

1. Try and sit in a place where you can see the Screen, don't sit to far back
2. Please pay attention and listen with the intention of learning and acting upon what we learn today.
3. If you have any questions throughout the workshop, then please note them down and we may have some time to go through them after the Workshop has finished.
4. Please try not to use your phones during the workshop
5. There will be questions throughout this Workshop so please participate.
6. Finally, please ensure you all have a pen and a worksheet

My name for those who do not know me is Ebrahim and without Further Ado, I shall go through the schedule for today.

## Course Schedule

This course has a total of 8 modules in total.

(Run through each Module by clicking the right hand arrow key)

## Introduction to the Academy

Run through the points

## Aims & Objectives of this Course

Alḥamdulillāh, this presentation was prepared under the guidance of our dear teacher Maulāna Abdul Raheem Saheb Ḥafīzahullāh. He asked me last year to prepare a presentation on Zakāt as it is an integral subject in Islām and a subject which needs to be communicated to the Adults, as they are main body of people who will discharge the Zakāt. And one of the best ways to teach them would be through a workshop such as this where both brothers and sisters can attend.

What are the aims and objective of this workshop?

- Firstly, we will learn the importance of Zakāt in Islām and the wisdom behind it.
- Then we will learn about how the subject of Zakāt relates to a person's finances. As times change, the rules of Zakāt will not change, however the application of Zakāt will evolve to meet the requirements of that time. For example, there were no pensions, shares, bonds, bank accounts, just a few years ago, and now there are, so the question arises, how do we discharge our Zakāt on them. So, it was important that a course be developed which will address our current financial status.
- Zakāt is also only given once a year, so our knowledge on this subject needs to be refreshed to ensure we discharge is correctly.
- We will learn how to calculate our Zakāt, what do we have to pay it on, what don't we have to pay it on, when do we have to pay it, how often etc.

- We will learn about who valid recipients are. A condition of Zakāt is that it must be given to a valid recipient.
- We will then go through Zakāt Scenarios and learn how to calculate Zakāt practically.
- References – One of the main texts I have used is the commentary on Jami‘ Tirmidhī by Mufti Sa‘īd Aḥmad Pālanpuri Ḥafīẓahullāh called Tuḥfatul Alma‘ī.
- For advice on the contemporary rulings I have used material prepared by Mufti Faraz Adam, including his booklet on pensions.

## Part 1 - An Introduction to Zakāt in Islām

### The History of Zakāt.

Allāh ﷻ has mentioned Zakāt numerous times in the Qur’ān. Many times it is mentioned along with Ṣalāt. But when was Zakāt actually made compulsory ?

We look at the early days of Islām. In Sūrah Al-Muzzamil which was the 3<sup>rd</sup> Sūrah to be revealed, Allāh ﷻ said:

وَأَقِيمُوا الصَّلَاةَ وَآتُوا الزَّكَاةَ<sup>1</sup>

“And establish Ṣalāt and pay Zakāt”

### The History of Zakāt cont’d

\*The Makkan Period

The ruling of Zakāt was revealed during the Makkan period but no further elaboration was revealed on this command. The Ṣaḥābah رَضِيَ اللَّهُ عَنْهُمْ even asked Rasūlullāh صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ about this.

In Sūrah Al-Baqarah, Allāh ﷻ tells us about this:

<sup>1</sup> Sūrah Al-Muzzamil – verse 20

وَيَسْأَلُونَكَ مَاذَا يُنْفِقُونَ قُلِ الْعَفْوَ<sup>2</sup>

“And they ask you as to what they should spend. Say, “The surplus””

So, the command was to spend from whatever is surplus, extra from your wealth. No fixed amount of wealth was specified.

Rasūlullāh صَلَّى اللهُ عَلَيْهِ وَسَلَّمَ then migrated to Madīnah and in the 2<sup>nd</sup> year of Hijri when the Islamic Society was established with a rule of law, Allāh سُبحَانَهُ وَتَعَالَى then revealed the details of Zakāt.

### Workshop Question Number 1

What are the 5 pillars of Islām?

### Foundational Ḥadīth

As well the Qur’ān, there are many Aḥādīth which tell us about Zakāt. The Ṣiḥḥa Sitta, the 6 authentic books of Aḥādīth all have chapters on Zakāt. And you will see Ḥadīth in which Zakāt has been mentioned with the other foundational commandments like the following:

In Ṣaḥīḥ Al-Bukhāri, in Kitābul Īmān, there is a Ḥadīth narrated by ‘Abdullāh ibn ‘Umar رَضِيَ اللهُ عَنْهُ.

عَنِ ابْنِ عُمَرَ قَالَ

قَالَ رَسُولُ اللَّهِ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ

" بُنِيَ الْإِسْلَامُ عَلَى خَمْسٍ شَهَادَةِ أَنْ لَا إِلَهَ إِلَّا اللَّهُ وَأَنَّ مُحَمَّدًا رَسُولُ اللَّهِ وَإِقَامِ الصَّلَاةِ وَإِيتَاءِ الزَّكَاةِ

وَالْحَجِّ وَصَوْمِ رَمَضَانَ<sup>3</sup>"

<sup>2</sup> Sūrah Al-Baqarah – verse 219

<sup>3</sup> Ṣaḥīḥ Al-Bukhāri - 8

‘Ibn ‘Umar رَضِيَ اللهُ عَنْهُ mentions that he heard the Prophet صَلَّى اللهُ عَلَيْهِ وَسَلَّمَ say, that the foundations of Islām are on five things, To bear witness that there is no God but Allāh سُبْحَانَهُ وَتَعَالَى, and Muḥammad صَلَّى اللهُ عَلَيْهِ وَسَلَّمَ is his Messenger, to establish Ṣalāt, to discharge the Zakāt, and (to perform) Ḥajj and to fast in the month of Ramaḍān.’

In the famous Ḥadīth Jibrīl عَلَيْهِ السَّلَامُ, one of the questions that was asked by Jibrīl عَلَيْهِ السَّلَامُ to Rasūlullāh صَلَّى اللهُ عَلَيْهِ وَسَلَّمَ was ‘Mal Islām?’ what is Islām, and Rasūlullāh صَلَّى اللهُ عَلَيْهِ وَسَلَّمَ gave these 5 foundational beliefs as the answer.

## The Foundational Beliefs

Let’s take each of these foundational beliefs one at a time. Each of these is unique in the fact that Allāh سُبْحَانَهُ وَتَعَالَى gives us the opportunity to worship him in different ways.

The first belief is to bear witness that there is no God but Allāh سُبْحَانَهُ وَتَعَالَى and that Muḥammad صَلَّى اللهُ عَلَيْهِ وَسَلَّمَ is his Messenger. This is our faith, and stays with a person continuously, 24 hours a day. A person who has faith stays in perpetual Imān, whether they are awake or asleep

The next pillar is Ṣalāt. This is something a person does daily, and is a badani, fe’li, physical form of worship. A person uses his or her body to worship Allāh سُبْحَانَهُ وَتَعَالَى 5 times a day, every day.

Then the next pillar is Ṣaum or fasting, which a person does for one whole month each year. A Muslim on average will spend one twelfth of their adult life fasting. And this is a taraki ‘Ibādah, a form of worship in which a person abstains. We abstain from food, drink and relations with our partners for the daylight hours. So here the worship is related to a person not doing certain things to abstention.

Then we have Zakāt, the obligatory alms giving. This is a Māli ‘Ibādah, a form of worship which is financial. A person uses his or her money to gain reward and this is done once a year. Inshā’Allāh we shall cover this in more detail later.

And then we have the Farḍ Ḥajj, this ‘Ibādah is only done once in a lifetime. The first Ḥajj is the only obligatory Ḥajj they will perform. And this worship includes all the previous forms, it is badani, fe’lī physical ‘Ibādah. A person will use their body, they will do the Ṭawāf and the Sa‘ī and go to Minā, ‘Arafah, Muzdalifah etc. It is also a Taraki ‘Ibādah, an abstaining form of worship. When a person is in Iḥrām, they have restrictions, men can’t cover the head or wear stitched clothes. Men and women cannot have relations with their husband or wife, cut their hair or pare their nails etc.

And finally, it is also a Māli, financial ‘Ibādah as a person will have to spend a lot of money to go for Ḥajj, sometimes it could be their life savings.

So, you can see my brothers & sisters, how Allāh ﷻ is so merciful and gives us all the opportunity to worship him in a multitude of ways.

It is also an obligation upon each Muslim to learn how to discharge Zakāt.

Rasūlullāh ﷺ mentions in a famous Ḥadīth, that the seeking of knowledge is obligatory upon every Muslim, and this includes learning about Zakāt and how to discharge it correctly.

## Workshop Question Number 2

What does the word Zakāt mean?

From both a literal point of view and a Shar‘ī point of view?

## The Literal Meaning of Zakāt

Purity - Ṭahārah

قَدْ أَفْلَحَ مَنْ تَزَكَّى<sup>4</sup>

Allāh ﷻ says in Sūrah Al-A‘lā:

“Success is Surely achieved by him who purifies himself”

The reason why Zakāt has been called Zakāt, is because it purifies the person who discharges it from the baseness of sin and miserliness.

خُذْ مِنْ أَمْوَالِهِمْ صَدَقَةً تُطَهِّرُهُمْ وَتُزَكِّيهِمْ بِهَا<sup>5</sup>

Allāh ﷻ says in Sūrah At-Taubah

“Take Ṣadaqah (obligatory alms) out of their wealth through which you may cleanse and purify them”

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<sup>4</sup> Sūrah Al-A‘lā verse 13

<sup>5</sup> Sūrah At-Taubah verse 103

Another meaning is Increase - Numū'. The reason why it is called 'increase' is because Zakāt is a means for a person's wealth to grow. Allāh **سُبْحَانَهُ وَتَعَالَى** gives a return to the person who discharges their Zakāt in this world and gives them reward in the hereafter.

Another meaning is truthfulness. And the reason is when a person discharges Zakāt, it shows their truthfulness in their faith and the state of their heart. The truthfulness and purity are a mark of their sincere intention

When a person gives Zakāt, then this becomes a form of them purifying their wealth. And once our wealth has become purified, Allāh **سُبْحَانَهُ وَتَعَالَى** gives us barakah, blessings in our wealth and this in turn causes it to increase. Subhānallāh. So, a person will give the Zakāt and Allāh **سُبْحَانَهُ وَتَعَالَى** will give them barakah, blessings.

One thing we must remember here is that it is not about the amount of money we have, but the amount of barakah Allāh **سُبْحَانَهُ وَتَعَالَى** puts in our money. We could have one person who has a lot of money, spends £150 a week shopping and even before the week is over, all the food has run out. On the other hand, a person goes and spends £50 and after a week, there is still food left, so you can see how Allāh **سُبْحَانَهُ وَتَعَالَى** can put barakah in a person's wealth.

### The Shar'ī Meaning of Zakāt

So, what is the Shar'ī meaning, the Islamic meaning?

The meaning is "the transfer of ownership of a certain amount of wealth that has been prescribed by the law from a rich person to a poor Muslim who is not a Ḥashimī and neither a slave of a Ḥashimī for the sake of Allāh **سُبْحَانَهُ وَتَعَالَى**".

What does this mean? A person who is classified in Islām as eligible to give Zakāt, has to transfer ownership of wealth to a person who is classified in Islām as being eligible to receive Zakāt. This person cannot be from the family of Rasūlullāh **صَلَّى اللهُ عَلَيْهِ وَسَلَّمَ** or be a freed slave from his family. More details on this later. The recipient must also be a Muslim and must then be able to do with the wealth whatever he or she wishes.

So, if a person had a room to rent in his house and he has a poor tenant. He says to his poor tenant that you can live here free for the next year, and the amount of rent equals how much Zakāt they

need to pay. This will not satisfy the criteria of ownership so the persons Zakāt will not be discharged.

## Part 2 – The Ḥadīth concerning Zakāt

### Reward for those who Zakāt

As mentioned earlier, the books of Ḥadīth are full of narrations talking about all aspects of Zakāt. We have already seen how Zakāt can benefit a person in this world, but how else can they be rewarded?

عَنْ أَبِي هُرَيْرَةَ رَضِيَ اللَّهُ عَنْهُ قَالَ قَالَ رَسُولُ اللَّهِ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ " مَنْ تَصَدَّقَ بِعَدْلِ تَمْرَةٍ مِنْ كَسْبٍ طَيِّبٍ وَلَا يَقْبَلُ اللَّهُ إِلَّا الطَّيِّبَ وَإِنَّ اللَّهَ يَتَقَبَّلُهَا بِيَمِينِهِ ثُمَّ يُرَبِّبُهَا لِصَاحِبِهَا كَمَا يُرَبِّي أَحَدُكُمْ فَلُوَّهُ حَتَّى تَكُونَ مِثْلَ الْجَبَلِ " <sup>6</sup>

In Ṣaḥīḥ Al-Bukhari, Abū Hurayrah رَضِيَ اللَّهُ عَنْهُ narrates that Rasūlullāh صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ said, "If one give in charity what equals one date-fruit from honestly earned money and Allāh accepts only the honestly earned money –Allāh سُبْحَانَهُ وَتَعَالَى takes it in His right and then enlarges its reward for that person (who has given it), as anyone of you brings up his baby horse, so much so that it becomes as big as a mountain

Subḥānallāh, look how Allāh سُبْحَانَهُ وَتَعَالَى increases the reward of even a little charity, on the condition that it must be from honestly earned sources.

### Warning for those who do not give Zakāt

What about the warning for those who do not pay their Zakāt?

Again in Ṣaḥīḥ Al-Bukhari:

عَنْ أَبِي هُرَيْرَةَ رَضِيَ اللَّهُ عَنْهُ قَالَ قَالَ رَسُولُ اللَّهِ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ " مَنْ آتَاهُ اللَّهُ مَالًا فَلَمْ يُؤَدِّ زَكَاتَهُ مِثْلَ لَهُ يَوْمَ الْقِيَامَةِ سُجَاعًا أَقْرَعَ لَهُ زَبِيبَتَانِ يُطَوَّقُهُ يَوْمَ الْقِيَامَةِ ثُمَّ يَأْخُذُ بِلَهْزِمَتَيْهِ يَعْنِي شِدْقَيْهِ ثُمَّ يَقُولُ أَنَا مَالِكٌ أَنَا كَنْزُكَ " ثُمَّ تَلَا {لَا يَحْسِبَنَّ الَّذِينَ يَبْخُلُونَ} الْآيَةَ <sup>7</sup>

<sup>6</sup> Ṣaḥīḥ Al-Bukhārī 1410

<sup>7</sup> Ṣaḥīḥ Al-Bukhārī 1403

Abū Hurayrah رَضِيَ اللهُ عَنْهُ narrates that Rasūlullāh صَلَّى اللهُ عَلَيْهِ وَسَلَّمَ said, "Whoever is made wealthy by Allāh and does not pay the Zakāt of his wealth, then on the Day of Resurrection his wealth will be made like a baldheaded poisonous male snake with two black spots over the eyes. The snake will encircle his neck and bite his cheeks and say, 'I am your wealth, I am your treasure.' " Then Rasūlullāh صَلَّى اللهُ عَلَيْهِ وَسَلَّمَ recited the verses: --

### Sūrah Āl-Imrān verse 180

“Those who withhold in miserliness what Allāh has given them out of His grace should not take it as good for them. Instead, it is bad for them. They shall be forced, on the Doomsday, to put on what they withheld, as iron-collars round their necks. To Allāh belongs the inheritance of the heavens and the earth. Allāh is All-Aware of what you do.”<sup>8</sup>

## Part 3 – Who must pay Zakāt & what do they have to pay it on?

### Workshop Question 3

Upon whom is Zakāt obligatory? Meaning, what conditions must a person satisfy to make Zakāt obligatory upon them.

### The Conditions

Islām places certain conditions on a person before they must pay Zakāt. So, what are they?

1. The person must be a Muslim, be free (not a slave), non-Muslims do not have to pay Zakāt.
2. Bāligh meaning classified as an adult in Islām,
3. Be sane, and
4. Sāhibe Niṣāb from productive wealth. Sāhibe Niṣāb means he or she must own a minimum amount of wealth which is known as the Niṣāb, in that type of wealth which is productive. This will be discussed in more detail later.

Another condition is that the person must have been a Sāhibe Niṣāb for the duration of 1 Islamic year which is a Lunar Year.

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<sup>8</sup> Sūrah Āl-Imrān verse 180

**Note:** If a child has some wealth and they are Sāhibe Niṣāb, this could be cash or money in a bank account, or even jewellery, then the date the child become bāligh, will be the start of their Zakāt anniversary. Once year later, if they are still Ṣāhibe Niṣāb, they will have to discharge Zakāt.

The same ruling would also apply to a person who reverts to Islām.

There are now 2 things we need to explain, what is the Niṣāb value and secondly what do we mean by productive wealth.

Let's look at the Niṣāb value first.

The Niṣāb value is owning wealth over a certain amount of silver or gold.

### Gold Niṣāb

The value of gold is based upon 20 Mithqāl which was a weight used in the time of Rasūlullāh ﷺ and in today's time the Mithqāl would weigh 4.374g.

$$20 \times 4.37g = 87.4g$$

### Silver Niṣāb

The value of silver is based on 200 Dirhams. Again, a dirham used to have a weight - 3.0618g per dirham.

$$200 \times 3.0618g = 612.36g$$

### What is the Niṣāb Value?

In today's prices (9<sup>th</sup> March 2020) the value is as follows:

Commodity	Weight	Price per gram	Niṣāb Value (09/03/20)
Silver Niṣāb	612.36 grams'	£0.37	£251.07
Gold Niṣāb	87.48 grams'	£31.94	£3,102.92

At the time of writing, If a person has £251.07 then they are known as Ṣāhibe Niṣāb.

If a person owns a mixture of Assets, like gold and silver and cash etc., then they will use the silver value as a minimum threshold.

If for some reason a person only owns gold and they have no other productive assets apart from gold, then they would use the gold value as a minimum threshold.

### Calculate Niṣāb value on the day you discharge it

On the day you are going to discharge your Zakāt, i.e. your Zakāt anniversary, calculate the Niṣāb value that day. There are many sites where you can get the latest values, like <http://wellwishers.org.uk>

### What do we have to pay the Zakat on?

Zakāt must be paid on all types of Productive Wealth:

It will be paid on all money, cash in the bank, in the wallet, in the house. It will be paid on gold, silver, merchandise for business, crops, cattle, pension funds to which we contribute – this will be covered in more detail later, shares (again covered in more detail later on), committee's that we are involved in which we have paid into. All our assets above must be added together to make a total sum.

For this Presentation we are not going to go into detail on Zakāt on animals, or on crops which includes fruit, dates etc. If anyone has any livestock or orchards, then please speak to a Scholar to get more information on what you must pay.

### What don't we have to pay Zakāt on?

Zakāt will not be paid on Non-Productive Wealth: Any assets that the person owns, like a house he lives in, or car he uses for work, or the furniture they have in the house, this would include all electrical items as well as the pots pans.

Any Jewelry which is not gold or silver as well as any Tools in the house.

Also, if anyone has a business then their fittings in the shop will not be Zakātable.

The value of this type of wealth is not taken in consideration for Zakāt as it is not productive.

## Part 4 – Information required prior to Calculating Zakāt

### Zakāt

So now we know what the Niṣāb value is and what items we must pay Zakāt on, before we can calculate our Zakāt, we still require some more information as follows:

- How much Zakāt do we have to pay, what is the percentage of our total wealth?
- When do we have to start paying it, is there a date and how often do we have to pay?
- Once we have calculated our total Gross Wealth, are there any deductibles which can be taken away from it to calculate our Net Wealth?
- What happens if I have a debt, or I have loaned a sum of money to someone else? Do I need to pay Zakāt on it?

### Workshop Question Number 4

How much Zakāt do we have to pay? Meaning what percentage or share of our Net Wealth must we give in Zakāt.

### How much Zakāt do we have to pay?

Once a person has worked out their Net Assets, they will pay 2.5% of the total or 1/40<sup>th</sup>. We will talk about Net Assets later.

### Workshop Question Number 5

How often must we pay Zakāt?

### How often do we have to pay?

Zakāt must be paid, once every Islamic year, so each Lunar Year.

## When do we have to start paying Zakāt?

Ideally a person should make note of the Islamic Date, they first became owners of the Nişāb Value, i.e. a Nişāb holder. It is important we teach our children as well, as some of them who have just become Bāligh have their own accounts which have more than the Nişāb value, so they must pay as well.

Once you have got the date, one Islamic year later if you are still equal or above the Nişāb threshold, and you haven't gone below Zero during the year, you will have to pay 2.5% of your total Net Assets on that day.

On that day each year, you will now discharge your Zakāt.

## Paying Zakāt in Ramaḍān

It may well be the case that a person cannot exactly remember the Islamic Date they became a Nişāb holder and are not familiar with the Islamic Calendar in general.

In this case we can choose a date which everyone is familiar with and that is Ramaḍān.

If you are going to use Ramaḍān then ensure you are not in arrears and all back dated Zakāt is paid. And then choose a suitable date in Ramaḍān. From then on, you will calculate and discharge your Zakāt on that day each year.

It is also more rewardable to discharge your Zakāt in this month, as the reward for all deeds are multiplied.

## What if wealth drops below Nişāb during year?

Now let's say within any year a person total wealth drops below the Nişāb threshold, according to the Ḥanafī school of thought, what is the Ruling?

Look at the chart, we can see that on the 1<sup>st</sup> of Muḥarram this person had Net Wealth over £300, so they were over the Nişāb Value.

In Jamād At-Thāni and Rajjab, the Net Wealth dropped below the Niṣab Value and then by Sha‘bān it went back up again.

On the 1<sup>st</sup> of Muḥarram the following year, on their Zakāt anniversary they have £900 in wealth, so they will pay Zakāt on the total £900. Even though their wealth dropped under the Niṣāb value, it did not go below Zero.

To summarize, if a person was above the threshold at the beginning of their Zakāt anniversary and one year later they are still above, then they will have to pay Zakāt on the Net wealth they own on their Zakāt anniversary. It does not matter if they went above and below the threshold during this time period if they didn't go below zero.

### What if wealth drops below Zero during year?

What if there is another scenario where the persons Net Wealth drops below zero?

Let's look at this chart, here the persons Zakāt anniversary is again, on the 1<sup>st</sup> of Muḥarram.

In the months of Jamād At-Thāni & Rajjab their net wealth fell below zero. On the 15<sup>th</sup> of Rajjab they reached the Niṣāb threshold again and stayed positive.

In this scenario, the person will now have a new Zakāt Anniversary date, of 15<sup>th</sup> Rajjab. Zakāt will now be due on them one year from this date if they have stayed above zero in that year and are above the Niṣāb threshold.

### Deductibles

We have not learnt how to calculate our Gross Asset Value. But Zakāt will not be paid on the Gross Asset Value but on the Net Asset Value. And how do we get to that? Look at the formula below:

Gross Asset Value – Deductibles = Net Asset Value

**Note:** The value of the deductibles will be taken off the Gross Asset wealth, not off the Zakāt payable.

Example: Gross Asset Value = £40,000

Deductibles = £20,000

Net Asset Value = £20,000 = Zakāt liability

Zakāt payable = £500

So in order to calculate our Zakāt, we also need to work out our deductibles. These are items which we are still due to pay.

- Bills which are currently outstanding. For example if you still must pay your Utility bills, Gas, water rates, Council Tax etc.

Note: You cannot deduct any bills which are not outstanding, i.e. future bills.

- Loans which need to be repaid within that Islamic year – Immediately Payable. More information on this later.
- Deferred Loan where payments have been arranged - Ḥalāl Mortgage – Payments which will be due within the coming Islamic Year can be deducted
- Any outstanding debts on goods purchased. For example, you have just purchased lots of books and you still have to pay for them. So the amount you have to pay will be a deductible.
- If you have a business and you must pay your employees, then the employee salaries for that month can be deducted.
- Maḥr – Dowry. In the unlikely case where a person has got married and still hasn't paid the Maḥr. If they intend to pay it in that year, then this can also be deducted.

## Debts to be paid

We briefly touched upon this subject in the previous slide. This is also known as debt liabilities. Lets look at this in more detail.

There will be cases where we have borrowed money. This could be a personal loan from someone, or it could also a loan to buy a car or a Ḥalāl mortgage to buy a house.

The Loan will now be of two types.

1.Immediate (short term)-This is when the loan must be paid back as soon as possible.

If the Loan is immediately payable, then this will be a deductible.

2.Deferred (long term) – This is when the loan is not immediately payable. An arrangement has been made with the lender where the payment has been deferred or a payment plan has been put in place. As is the case when a person gets a Ḥalāl mortgage.

If the Loan is deferred and a payment plan is in place, then the payments for the following 12 Lunar months (one Islamic Year) can be a deductible as would be the case for someone who has a Ḥalāl mortgage.

Example = monthly payment = £500

$12 \times £500 = £6000$

In the case that someone has a normal conventional interest-bearing mortgage or loan, they must pay this off as soon as possible as taking and receiving Interest in all forms is impermissible, Ḥarām.

If they have a conventional interest-bearing mortgage or loan, then each payment will consist of 2 parts. One will be a repayment, and the other will be an interest payment. They can only offset the repayment part and not the interest, so this will have to be calculated. As mentioned previously, once calculated, you will use this as a deductible.

Example = monthly payment = £500

Repayment share = £400

Interest share = £100

$12 \times £400 = £4,800$

## Money Loaned to Others

Nowadays, many people loan money to other people. One thing we must remember, as Muslims, we do not give or take interest, so we cannot charge interest on the loan.

So the Lender will be the person who has given the money. And the Debtor is the person who has borrowed the money.

The money that we are waiting to receive can be of 2 types.

A Weak Debt Receivable or a Strong Debt Receivable.

### Weak Debt Receivable

The Weak Debt Receivable is when a person is waiting to receive one of the following types of payment:

#### Details

- Wages to be paid
- Any rental income if you are a landlord
- If you are a woman and are still to receive your Maḥr
- If you are waiting for any inheritance or bequests to be paid

### Ruling for Weak Debt Receivable

For a Weak Debt Receivable, you will not add this money to your Assets so Zakāt will not be payable on it unless you receive the money.

Also there will be no back dated Zakāt on these payments. For example, if you are woman and your husband hadn't paid your Maḥr for 10 years and then he paid it, you will not have to pay the back dated Zakāt for this.

### Strong Debt Receivable

#### Details

A Strong Debt Receivable is where you are waiting to receive money from a loan you have given to someone.

For a Strong Debt Receivable, this is now split into 2 different types.

There is a good debt, and a bad debt.

## Good Debt

A good debt is when the debtor acknowledges the debt and you are confident that you will receive the money. Lets say you have borrowed some money to a family member to buy a house.

Ruling - in this case, you will add the value of the loan to your assets.

Note: if there is a case where you have borrowed money to someone, and you cannot pay Zakāt on it until you receive it off them. In that case you can defer your Zakāt payment on the money until you receive the money, however you will have to pay back dated Zakāt as well.

## Bad Debt

A bad debt is where the debtor doesn't acknowledge the debt, they deny that you have given them money, there is no realistic chance of getting the money back.

An example of this case is where a person has absconded, ran away with your money and you have no probability of getting it back.

Ruling - in this case you will not have to add the value of the loan to your assets.

If you do get the money back, then you will have to pay back dated Zakāt on the money.

Example:

Amount borrowed = £5,000

Money turns up 5 years later so back dated Zakāt = £125 per year x 5 = £625

## Pensions

Before I start this section, I wanted to mention the excellent research done by Mufti Faraz Adam on this topic. He has prepared an excellent booklet called 'Zakat on Pensions' which I recommend everyone who has a pension reads. This will give them detailed information on how Zakat on pensions is calculated and the reasons why.

In this section, I will briefly summarize how a person can first determine if they need to pay Zakāt on their pensions and then also calculate it.

**What is a pension?** A pension is a saving scheme which will help a person save money which they can receive when they reach retirement.

Everyone who invests is encouraged to ensure they invest in a Pension Fund which is compatible with Shari'ah and you can now also find Shari'ah compliant products on the Market.

The type of fund they invest in may have Zakatable Assets which make up a proportion of its value. And Zakāt will need to be paid on the percentage of the Net value of the companies Zakatable Assets.

### **What are the different types on pensions?**

There are basically 3 different types of pensions

1. State Pension – this is paid by the government when a person reached the State pension age. **There is no Zakāt on this type of pension.**
2. Workplace pension – The employer arranges a scheme where each month the employer pays a contribution and the employee will also pay a contribution at source.

There are 2 types of Workplace Pensions

- a. Defined Benefit – This is also sometimes known as a final salary pension. The amount a person receives depends on the salary they were earning when they retired and how long they worked for that particular employer. – **There is no Zakāt on this type of pension.**
- b. Defined Contribution – The money that is paid into this fund is invested by the provider. When a person retires, they amount they will receive depends on how much they have paid in and how well the investments have also done. **There is Zakāt on this type of pension**
- c. Individual Pension – This is a personal pension, or SIP (self-invested pension) or a stakeholder pension. The person has a choice how often they pay into it and the return depends on how much you put it and how well investments have done. **There is Zakāt on this type of pension**

## How do we calculate how much Zakāt we have to pay on Pension Funds?

Step 1 – Can you check the factsheet for the fund? This can be obtained from your Pension provider.

If you can, then can you Calculate the Zakātable Assets?

If you then calculate the Zakāt liability on your pension and discharge your Zakāt.

Step 2 – If you cannot get access to your fund sheet then you will have to use a Proxy Value.

A Proxy is an estimation to make matters easier for people and is supported in Islamic Law. The Proxy values were calculated by Mufti Faraz after months of research and analysing the 20 most common pension funds.

- a. Determine the type of fund you have – speak to Provider or your employers HR Dept, it will generally be one of 5 types as follows:

Shari'ah Funds
Direct Property Fund
Equity Funds
Mixed Asset Fund
Bonds/Gilts

- b. Once it has been determined, use the proxy table below to calculate the Zakāt Value.

Type of Fund	Zakātable Assets Proxy
Shari'ah Funds	26%
Direct Property Fund	15%
Equity Funds	27%
Mixed Asset Fund	50%
Bonds/Gilts/Fixed Interest Funds	100%

- c. Once you have got the value, Calculate the Zakāt liability on your pension and discharge your Zakāt.

## Example

Person A has a Property Pension Fund so check the table

Proxy Value = 15%

Pension Fund has total value of £50,000

Zakāt liability = 15% of £50,000 = £7,500

Zakāt payable = 2.5% of £7,500 = £187.50

## Shares

The final part of this section looks at Shares and how much Zakāt must a person pay on shares.

When a person buys shares in a company, the company will have assets upon which Zakāt would be due.

But there will also be creditors and debts as well which are deductibles,

Calculating the amount of Zakātable Assets can be a difficult task, especially with the limited knowledge of analysing financial data.

## Proxy Value

In the article Zakāt on Share Investments: Determining a proxy for Calculation, Mufti Faraz has recommended that a value of 25% is used as a proxy value.

So the Zakāt liability will be 25% of your total shares value.

However, this value cannot be used by the people who have shares in the following:

- Private limited companies
- Small companies which are known to have only cash assets
- Start-ups which are known to have only cash assets

People with investment in the above types will have to make the calculation themselves using

### Example

Person A has a Shares worth £10,000 in Company X

Proxy Value = 25%

Zakāt liability = 25% of £10,000 = £2,500

Zakāt payable = 2.5% of £2,500

= £62.50

### Break

*Note for presenters: You can either split this into 2 sessions or have a break here*

## Part 5 - How to Calculate Zakāt

So now we know what we need to pay our Zakāt on, what we don't need to pay our Zakāt on, what the deductibles are and what we do with debt, we are able to Calculate our Zakāt.

### Zakāt Calculation Flow

Firstly, the calculation must be made on your Zakāt Anniversary. Let's say it is the 1<sup>st</sup> of Ramaḍān.

**We need to calculate our Gross Asset value.**

So let's go to our list:

We have the following Zakātable Assets: Money, Gold, Silver, Investments, & we also have a Business.

Let's take a closer look and them all, one at a time.

### Money –

Cash in the bank/building society, in all our personal accounts, savings and current - 10,000

Cash in the wallet - 100

Cash in the house - 1000

Cash in foreign currencies (convert to pounds using current exchange rate) - 500

Cash in foreign Accounts (convert to pounds using current exchange rate) - 0

Cash in joint account, calculate your percentage – 5000

Total = £16,600

### Gold –

Weigh all the Gold (Not gold plated), this includes white gold as well. If you have embedded stones in rings or necklaces, you can subtract the weight of the stones, as there is no Zakāt on precious stones if they used for personal use.

Get the total weight of gold (e.g. 250g)

Get the price of Gold on the day.

And then calculate the Value of the gold by multiplying the Per gram price (example £40) and the total weight of the Gold.

Total value = £10,000

### Silver –

Weigh all the Silver. If you have embedded stones in rings or necklaces, you can subtract the weight of the stones, as there is no Zakāt on Stones.

Get the total weight of silver (e.g. 1000g)

Get the price of Silver on the day

And then calculate the Value of the Silver by multiplying the Per gram price (e.g. £0.40) and the total weight of the Silver.

Total value = £400

### Investments - Other types of Cash

Cash in any committees – let's say you pay £100 a month and after a year you get £1200, you are 5 months into your term - £500

Shares – Zakāt liability - £1,000

Pension – Zakāt liability - £10,000

Money Lent to others - £5000

Value of any other types on Investments

Total Value - £16,500

### Business –

Retail Value of stock in shop - £20,000

Money in any business accounts (if percentage then calculate accordingly) - £10,000

Total Value - £30,000

### Gross Asset Value

Now add up all the Values and you will come to a Gross Asset Value.

Total Cash Value + Total Gold Value + Total Silver Value + Total Investment Value + Total Business Asset Value = £73,500

### Calculate Deductibles

#### Household

Outstanding Bills - £500

Immediately Payable Loans - £2,000

Deferred Loan payments for 1 lunar year - £6,000 (12 x £500 month)

Outstanding debts on goods received - £1,000

### Business

Salaries to be paid - £2,000

Outstanding Business Bills - £2,000

### Other

Maḥr

Total up the value to get your Gross Deductibles figure

Total Value - £13,500

### Calculate Net Asset Value

Gross Asset Value – Gross Deductibles = Net Asset Value

£73,500 - £13,500 = £60,000

Now we have calculated our Gross Asset Value, we need to determine if we need to pay and if so how much.

Is Net Asset Value above Niṣāb Value?

No – Don't pay Zakāt

Yes – pay Zakāt

### Calculate Zakāt

Net Asset Value = £60,000

Zakāt payable = 2.5% = 1/40 share =

£60,000 / 40 = £1,500

### Workshop Question Number 6

Calculate the Amount Payable in Zakāt

Firstly check if it is an asset or a deductible, then work out the total

Cash in Bank	1000	Asset
Cash in House	10000	Asset
Gold Value	20000	Asset
Money loaned to Masjid	5000	Asset
Ḥalāl Mortgage monthly payment	500	Deductible = 500x12 = 6,000
Money borrowed from friend (immediate)	2000	Deductible
Utility Bill	200	Deductible
Zakāt Payable on?		

£36,000 total Assets - £8,200 deductibles

Zakāt will be payable on £27,800 = £695

## Part 6 – How to Discharge Zakāt

Once you have calculated your Zakāt, the next step is to discharge it.

We must discharge it as soon as possible. Let's look at the conditions:

### Intention

Ṣaḥībe Qudūri mentions:

ولا يجوز ادا الزكوة الا بالنية مقارنة للاداء او مقارنة لعزل مقدار الواجب لان الزكوة عبادة فكان  
من شرطها النية

'It is not valid to offer Zakāt without an intention coinciding with the payment, or coinciding with the setting-aside of the obligatory portion because Zakāt is an act of Worship and one of its conditions is intention'

So, when we have calculated our wealth which we need to take out for Zakāt and we separate that amount from our Assets, then we should make an intention. We could also make the intention

when paying the Agent who will discharge the Zakāt for us or when we are making the payment ourselves.

The actual intention should be made at the same time as we are carrying out the act of worship, like when we pray Ṣalāt, we do the intention right before. But due to the fact that we may be giving the Zakāt to multiple people, we can make the intention at the times before as mentioned. Again no need to be verbal.

## Transfer of Zakāt

Let's go back to the Shar'ī meaning of Zakāt:

The meaning is “The transfer of ownership of a certain amount of wealth that has been prescribed by the law from a rich person to a poor Muslim who is not a Hāshimī and neither a slave of a Hāshimī for the sake of Allāh سُبْحَانَهُ وَتَعَالَى.”

So the possession of the wealth must be transferred to the recipient and they must have complete control over what they want to do with it.

## Workshop Question Number 7

Who can we give Zakāt to?

### Who can we pay Zakāt to?

It is very important that we only pay Zakāt to a person who is eligible receive Zakāt in Islām. If we do not give it to the right person, then our Zakāt will not be discharged.

Allāh سُبْحَانَهُ وَتَعَالَى mentions in Sūrah At-Taubah 8 groups of people to whom Zakāt can be given to:

إِنَّمَا الصَّدَقَتُ لِلْفُقَرَاءِ وَالْمَسْكِينِ وَالْعَمِلِينَ عَلَيْهَا وَالْمَوْلَّفَةِ قُلُوبُهُمْ وَفِي الرِّقَابِ وَالْغَرَمِينَ وَفِي سَبِيلِ اللَّهِ وَابْنِ السَّبِيلِ فَرِيضَةً مِّنَ اللَّهِ وَاللَّهُ عَلِيمٌ حَكِيمٌ<sup>9</sup>

<sup>9</sup> Sūrah At-Taubah verse 60

“The Sadaqat (prescribed alms) are (meant) only to be given to the poor, the needy, to those employed to collect them, to those whose hearts are to be won, <sup>19</sup> in the cause of the slaves and those encumbered with debt, in the way of Allah and to a wayfarer. This is an obligation prescribed by Allah. Allah is All-Knowing, Wise”.

## The 8 types of people

Let's look at these groups in more detail:

### The Fuqarā':

The Poor, according to the Aḥnāf, will be those people who have Net Assets of Productive wealth less than the Niṣāb value. There is more explanation on this later.

### The Masākīn:

The Needy, according to the Aḥnāf, those with no earnings at all

### Al-‘Amilīna ‘Alayha:.

This used to be the Zakāt collectors (‘Āmils) who went out to collect the Zakāt on behalf of the Islamic Governments at the time.

### Al-Mu'allafati-Qulūbuhum: Reconciliation of Hearts

People who have just embraced or are inclined to embracing Islām

In the book Tuḥfatul ‘Alma‘ī, Mufti Sa‘īd Aḥmad Palanpuri mentions that there were 6 different type of Mu'allafatul Qulūb, 2 for non-Muslims and 4 for Muslims.

‘Umar رَضِيَ اللَّهُ عَنْهُ during his time as the Khalīfah, suspended the share of Mu'allafatul Qulūb. He mentioned that Allāh سُبْحَانَهُ وَتَعَالَى has now given Islām victory so there is no need to now make the non-believers incline towards Islām, they are now needy of Islām themselves.

According to the Aḥnāf, and Imām Mālik, all 6 categories of this type are suspended. Furthermore, there are no narrations which mention that Rasūlullāh صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ gave money from Zakāt to

Mu'allafatul Qulūb. The narration which is mentioned by Imām Tirmidhī رَحْمَةُ اللهِ refers to wealth being given from the one fifth of the spoils of war.

**Fir-Riqāb:** For those in Bondage

**Al-Ghārimīn:** Those in Debt. Their liabilities are more than their Zakātable & surplus assets.

**Fi-Sabilillāh:** Those people who strove in the Cause of Allāh سُبْحَانَهُ وَتَعَالَى

**Ibnas-Sabīl:** The Wayfarer. Those travelers who have no access to their personal wealth and are in dire need.

## Types of Wealth

Just to recap, the wealth that we have can be divided into 2 types.

Productive and Non-Productive.

The Productive type is the one that can increase like, money, crops etc. and on which we pay Zakāt.

All other types will be classed as Non-Productive.

## Types of People

Now let's look at the different types of people who can and can't receive Zakāt. How can we be sure this person is classed as poor or needy?

**Person does not possess Niṣāb of Productive wealth but has Non-Productive wealth which exceeds value of Silver Niṣāb.**

No matter how much non-productive wealth this person has, they will never pay Zakāt.

However, if the non-productive wealth exceeds their personal basic needs to the value of 612g of Silver, five rulings will now be compulsory upon them:

1. Ṣadqatul Fiṭr will be Wājib (obligatory)
2. Uḍḥiyah (Qurbāni) will be Wājib

3. The expenditure of both paternal & maternal relatives who are Dhī Raḥm Maḥram (those who you are forbidden to marry)
4. Ḥajj becomes Farḍ upon them, if they have extra land or houses, these should be sold to enable them to go for Hajj
5. Zakāt becomes Ḥarām for that person

If a person gives Zakāt to the above type of person, it will not be discharged. Many people give Zakāt to their relatives and this is recommended as you will be fulfilling 2 rights, but you need to make sure they do not possess non-productive wealth over the Silver Niṣāb Value.

### Person possesses Niṣāb value in Productive Wealth

For this person, they will have the same rulings as the above but one extra which is to pay Zakāt each Islamic Year.

1. Ṣadqatul Fiṭr will be Wājib (obligatory)
2. Uḍḥiyah (Qurbāni) will be Wājib
3. The expenditure of both paternal & maternal relatives who are Dhī Raḥm Maḥram (those who you forbidden to marry)
4. Ḥajj becomes Farḍ upon them (when they can afford it), if they have extra land or houses, these should be sold to enable them to go for Hajj
5. Zakāt becomes Ḥarām for that person
6. Zakāt must be paid each Islamic Year

Most people from our community will fall into this category.

### Person does not possess Niṣāb of either Productive or Non-Productive Wealth, but person has enough to live for 24 hours

1. It is permissible to give this person Zakāt
2. It is permissible for this person to receive Zakāt
3. It is Ḥarām, impermissible for him to ask for Zakāt

### Person does not possess Niṣāb of either Productive or Non-Productive Wealth, and does not have enough to live for 24 hours

1. It is permissible to give this person Zakāt

2. It is permissible for this person to receive Zakāt
3. It is permissible for this person to ask for Zakāt

## Summary

If a person is not Ṣāḥibe Niṣāb, they are not the owner of total productive assets totaling the Niṣāb Value in today's money and they also do not possess Non-Productive Wealth equal to or exceeding the Silver Niṣāb value, then we are able to give them Zakāt.

If we have relatives who are poor, then we should try and give it to them first as we will not only be honoring the Zakāt but also honoring the ties of kinship. But again, we must be sure they are legible for Zakāt.

## Who can't we give Zakāt to?

Apart from those people who are too rich to pay Zakāt, there are also some others who cannot receive Zakāt.

## The Family of Rasūlullāh ﷺ and the freed slaves of his family.

Rasūlullāh ﷺ great, great grandfather was ʿAbd Manāf and he had 4 sons. Hāshim, Naufal, ʿAbd Shams & Muṭṭalib.

Hāshim, also had 4 sons, amongst whom was ʿAbdul Muṭṭalib. Only his progeny survived.

There are 5 families to whom Zakāt cannot be paid:

1. The children of ʿAbbās رَضِيَ اللهُ عَنْهُ (uncle)
2. The children of Ḥārith ibn ʿAbdul Muṭṭalib (cousin)
3. The children of ʿAlī رَضِيَ اللهُ عَنْهُ (cousin)
4. The children of Jaʿfar رَضِيَ اللهُ عَنْهُ (cousin)
5. The children of ʿAqīl رَضِيَ اللهُ عَنْهُ (cousin)

## Relatives

A person cannot also give Zakāt to certain relatives:

1. Husband or Wife
2. Parents, Grand Parents, Great Grand Parents
3. Children, Grand Children, Great Grand children

### Other parties which cannot receive Zakāt

Masjids & Madrasahs – Construction & Maintenance.

Schools

Any Projects which are used by the public i.e. public water pump or well

Any Non-Muslims

## Part 7 - Charities

Alḥamdulillāh, there are many charities who collect money for Zakāt. Firstly, we must remember it is our responsibility to ensure that we discharge our Zakāt properly. We must vet the person\charity we are giving it to and ensure they will pass it on correctly. Here are several points and advices.

1. The charities we give to must have to have a 100% Zakāt donation policy.
2. Secondly, we must ensure that the Charity have a board of ‘Ulamā’ from your school of thought, Scholars who know how and to whom the money can be distributed. For example, we have Ummah Welfare Trust, we know the ‘Ulamā’ on the board and can trust them to discharge it according to our criteria. Some charities have no qualified ‘Ulamā’ so how will they know the conditions? So before donating, enquire about who determines how the funds are allocated and what criteria are used.
3. Do not take a risk with your Zakāt and give it to charities or people who have not been vetted or who do not distribute it properly. There are many charities who also raise money in ways which are contrary to Islām.
4. If you are not sure about a charity, consult your scholars as you will be responsible personally for not discharging your Zakāt properly. You can also check the Accounts of the Charity whcih can be found on the charity commission

5. Your charity contributions can also be offset for tax purposes where you can receive some tax relief
6. If you are a taxpayer – ensure that you select Gift Aid, this will benefit the Charity,
7. If possible, find the people yourself and give it to them personally, especially if they are relatives who satisfy the conditions given.

## Part 8 - Summary

Alḥamdulillāh, Islām has solutions to all of society's problems.

And here it addresses one of the biggest issues and that is poverty.

The aim is to not keep people poor but empowering them to get themselves out of poverty by giving them ownership of the wealth.

They can then use this wealth to get themselves out of poverty, invest it maybe, use to trade etc.

### Household wealth

If we look at here in the UK, in 2017 the household wealth was over 10 trillion pounds' household wealth, 12 zeros.

10,000,000,000,000

This is the total wealth for all households, so let's say just 1% is savings, that is 100 billion pounds

100,000,000,000

If 2.5 % was given in charity each year that would result in £ 2.5 billion each year,

£2,500,000,000

### Conclusion

Subḥān'Allāh . You can see the benefits of Zakāt, it brings Barakāh to our wealth,

it helps bring people out of poverty,

it eases social issues.

It brings people closer together

and we are fulfilling an obligation for Allāh سُبْحَانَهُ وَتَعَالَى.

It is an 'Ibādah, an act of worship which will be rewarded immensely by Allāh سُبْحَانَهُ وَتَعَالَى for those that discharge it properly.

If you have any other questions regarding your personal situation then please consult your scholars who will be able to help.

May Allāh سُبْحَانَهُ وَتَعَالَى give us all the ability to discharge our Zakāt properly, may he eradicate poverty all over the world and bless us in this holy month.

Once again Jazākumullāhu Khayr for attending and let us all make the intention of putting into practice what we have learnt today.

**Final Slide**