

Lesson Two

'FIQH OF ZAKAH'

When does zakat become obligatory?

Zakat becomes obligatory upon an individual when they meet 5 conditions:

1. Be a Muslim.
2. The person must be free (not a slave).
3. Mature (reached puberty-baaligh).
4. Sanity (not mentally unsound).
5. When he/she becomes the owner of the appointed Zakat-payable amount (nisab), for the first time in his/her life, after reaching puberty.

On what 'assets' does zakat need to be paid?

Zakat is to be paid only on certain items, namely:

- 1) Gold and silver-** ornaments, jewellery (even if personal use), utensils etc.
- 2) Cash-** on person-in hand, in banks, generated from property on rent, generated from all possessions, money lent to others - expected to be returned.
- 3) Merchandise** - items/goods bought with intention of 'resale' (market value/selling price- not the price it was bought), stocks & shares... Goods that are purchased with the intention of re-sale are referred to as 'merchandise'.

If one purchased a piece of land, car, house or a property etc with the intention of reselling it, then Zakat becomes obligatory on its current market value.

Therefore, if the piece of land or property has come into your ownership and your time for zakat payable arrives, then Zakat will be obligatory on the current 'market value' of this land or property. (*for specifics ask a Scholar*).

For example, if Zayd purchased a house with the intention that, when the opportunity arises 'I will sell it' and accumulate profit. In this case, Zakat will be obligatory on the current 'market value' of the property.

However, if he purchased the property keeping his options open, without making a clear and firm intention to buy and resell. For example, he thought to himself, if the opportunity arises I will sell it, or give it on rent, or if there is a need, I will reside in it myself or keep it for my future family, then Zakat will not be obligatory on the 'market value'. (Although the rent generated from the property will have to be added for zakat).

Giving zakat of the 'market value' means: if the house is valued at £ 100,000. When his Islamic date of zakat payable arrives, and the house is in his ownership – along with his other assets, the value of £ 100,000 will also have to be added to his total calculation when calculating his 2.5% zakat.

If he had the intention of personal use, but later changed his mind and put it up for sale, Zakat will not be on the current 'market value' and will only have to be given when he sells the property and receives the money and has the money at the time when his zakat payable date arrives. The reason for this is that, at the time of purchase there was no intention of re-sale. Changing the intention (after purchase) will have no effect on the ruling.

(The Creator knows our inner thoughts/intentions even before we think them).

4) Agricultural produce

5) Animals & Livestock

Is the intention obligatory when giving zakat?

The intention is also obligatory in giving zakat, so one needs to have a firm intention when giving zakat, and this needs to be made at the time of giving the zakat or setting aside the money.

(One cannot give money for charity/sadaka and later on decide that the money given will be classed as their zakat).

When do I need to pay zakat and what is 'nisab'?

This 'Nisab' is monetary equivalent to, 612.36 grams of silver and/or 87.48 grams of gold.

So as a guide, because silver in value is lower compared to gold, as long as a persons 'total assets/wealth' are the value of 612.36 grams silver or more (calculate the grams in 'cash' and see if you have that amount- see www.e-nisab.com) – then they need to give zakat at the rate of 2.5%.

For example, 612.36 grams silver was equivalent to approximately (£221.79p) in cash value as at 30/07/10(18th sha'ban)...

- Zayd reached puberty at the age of 15 and he became '*Sahib al-Nisab*' for the first time, he became the owner of at least (£221.79p) on 18th sha'ban) 2010.
- So on (18th sha'ban) 2011, if Zayd's 'total assets/wealth' are still at least the amount £221.79p or more – and (assuming the value of 612.36 grams silver is still the same), then he needs to give 2.5 % Zakat on that day of all his 'assets/wealth'.

Please note: '*total assets/wealth*' is taking into account the value of all your assets added together, not just money one has, so one needs to...

- calculate all their assets (assets points 1-5 mentioned above)
- add them together as one total
- take away any debt
- Then see whether the total remainder wealth/assets, reaches the 612.36 grams silver nisab threshold or not.
- If it does, then one gives 2.5% zakat of that total remainder asset/wealth.

What about if a particular asset hasn't been in my possession for a whole Lunar year?

A very important and simple principle concerning the calculation of Zakat should always be kept in mind and which makes the calculation of Zakat straightforward - that is, when one becomes the owner of the fixed nisab amount (612.36 grams of silver) for the first time in one's life, then that (Islamic) date should be kept in mind.

Then the following year on the same (Islamic) date, if one is still the owner of nisab, one will be considered to be sahib al-nisab, hence Zakat will be obligatory at the rate of 2.5% on the total Zakat-able assets.

It makes no difference whether the wealth increases or decreases during the course of the year, neither is it necessary that every part of the wealth remains in one's possession for the whole year.

See example of Zayd above – when the date arrives of (18th sha'ban), whatever assets Ahmad has on that date, he calculates all his assets and gives 2.5% in zakat. (Even if he received a gift of 10,000 on the 17th of Sha'ban, but if he had the money one day later when the 18th of Sha'ban arrived- then he needs to include this amount in his assets for calculation for zakat).

However, if due to some reason 'all' the wealth is lost, (so Zayd goes even below the threshold of silver nisab), at any point in the year - then when he becomes the owner of Nisab once again, then that will be his 'new' date and zakat will be payable on the same Islamic date after one lunar year.

How do I deduct debts/loans that I need to pay back to others, from my total calculation?

The scholars differentiate between two types of debts:

Long-term debt: Which is a debt repaid on fixed installments for more than a year. E.g. Mortgages/student loans to be repaid. (Long-term debts are not deductible, except for the immediate installment. so one can deduct the payment of that particular time/month when zakat is due).

Short-term debt: is a debt immediately due 'within 12 months'. (One can subtract the entire amount if it is a short-term debt).

This differentiation is important when it comes to zakat.

Note: 'Future' installments such as bills / taxes 'cannot' be taken into account and cannot be 'subtracted' when calculating zakah, only the immediate payment that needs to be paid of that particular time/month when zakat is due, can be subtracted.

Note: No zakat is due on your personal belongings/items, such as car, clothes, household furniture etc.

What if someone on whom zakat was obligatory, hasn't paid zakat before?

We need to understand its obligation as a 'core pillar of Islam' and it is essential to adhere to the commands of the Creator, and recognise the severe consequences of not doing so.

If you have not paid Zakat for the previous years, you need to make a precautionary estimation as to the total wealth that was owned by you each year in the form of the items mentioned above. You need to estimate how much savings you had each year, whether the cash was at hand, in the bank, in the form of checks etc. You need to estimate how much gold and/or silver you possessed (if any) and how much business wealth (i.e items for resale) you owned, since after reaching puberty. Whatever total amount you consider to be your savings to be, give 2.5% zakat for 'each year'.

Recipients of Zakat

1. The poor (miskin)- those who effectively have no wealth.
2. The needy (faqir)- possessing less than the nisab, whether by actual gold, silver, valued goods- even if he is healthy and earning a living.
3. Zakat collectors (aamil) - if employed by the state (not privately appointed, like people in the west).
4. The slaves- to free slaves.
5. The person in debt.
6. In the way of Allah- the mujahideen and students of Knowledge (also, a soldier cut off from his group/ a pilgrim cut off from his group).
7. The traveller- even if he has wealth in his homeland, as long as he cannot access the wealth he has from his homeland and has less than the nisab with him on his journey.

It is more preferable to pay zakat to relatives first who are needy, starting with the nearest of relations first, then to one's locality, then to members of one's profession, and then to fellow citizens.

Generally, people from the west, arrange for their zakat to be passed to the needy in countries such as India, Pakistan etc. – this is completely fine, and one should give priority of one’s relatives in those countries, if they are needy.

Whom can you ‘not’ give zakat to?

- One cannot give Zakat to one’s parents, grandparents, great-grandparents, and so on; and one’s children, grandchildren, great-grandchildren, and so on. Likewise, it is impermissible to give Zakat to one’s spouse, be it one’s wife or husband.
- Also, one cannot give zakat to the Banu Hashim- the descendants of The Beloved Prophet (Peace and blessings be upon Him).
- Zakat cannot be given for use in institutions, hospitals, masjids etc. (zakat can be given to institutions and masjids who ‘collect’ the zakat, and according to the Islamic law forward on to those that are valid recipients of zakat).