

Ilm Essentials

Zakāh Lesson 1

The Book of Zakāh

كِتَابُ الزَّكَاةِ

Definition of Zakāh

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- Zakāh literally means growth or increase
 - ▣ Denotes purification (Quran 91:9 and 87:14)
- According to the sharīah
 - ▣ Zakāh is the transfer of ownership of a specified portion of wealth (usually 2.5%)
 - To specified individual(s)
 - Possessing specified characteristics
 - For the sake of Allah Most High

Who Must Pay Zakāh

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- Zakāh is fard on every person who is
 - Muslim
 - Free
 - Mature
 - Children do not have to pay zakāh
 - Sane
 - Whose overall assets reach the level of the nisāb amount for one lunar year

Understanding the Nisāb Amount

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- Nisāb is based on gold and silver
- 200 dirhams (silver coins) or 20 dīnars/mithqāl (gold coins)
 - ▣ During the time of the Prophet (sallallahu alaihi wa sallam) these two were roughly equivalent
 - Since then gold has increased relative to silver
- Should we use gold or silver
 - ▣ General rule in zakāh is “whatever is more beneficial for the poor” (anfā li ‘l-fuqarā)
 - Unless a person only has either gold or silver

Nisāb Values

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- 200 dirhams (silver coins)
 - ▣ 612.36 grams of silver or 19.69 troy ounces
 - Approximately \$410 (in 2010)
 - Approximately \$650 (in 2012)
 - Approximately \$360 (in 2017)
- 20 dīnars/mithqāl (gold coins)
 - ▣ 87.48 grams of gold or 2.81 troy ounces
 - Approximately \$3,600 (in 2010)
 - Approximately \$5,200 (in 2012)
 - Approximately \$3,750 (in 2017)
- Can use www.e-nisab.com for the rates
 - ▣ Or any other site that gives gold/silver values

When Is Zakāh Due

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- Think back to the first time, after reaching puberty, that you had the nisāb amount of wealth, greater than any debts
 - ▣ Let's say Ramadān 1. This is when your Islāmic year begins
- If your total zakātable assets go down to zero or below at anytime, your Islāmic year starts anew
 - ▣ If you go below the nisāb, but not to zero, the year continues
- Next year on Ramadān 1, you check to see if you are still above the nisāb amount
 - ▣ If you are, then zakāh is now due on you
 - You must calculate your zakāh on that day
 - Doesn't matter how much your wealth fluctuated during the year
 - As long as it did not go down to zero

When Is Zakāh Due: Examples

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□ Example 1

- ▣ Ramadān 1 of last year you had \$2,000
 - Ramadān 1 of this year you have \$6,000
- ▣ You will pay zakāh on \$6,000
 - Even if you received the extra \$4,000 the day before

□ Example 2

- ▣ Ramadān 1 of last year you had \$2,000
 - Ramadān 30 of last year you had \$1
- ▣ Ramadān 1 of this year you have \$6,000
 - You will pay zakāh on \$6,000

When Is Zakāh Due

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- This highlights when we should calculate our zakāh and when it becomes due on us
 - ▣ However, you can chose to delay the actual payment of zakāh to a later date
 - Best to pay it right away
 - Unnecessary delay is disliked
- Also correct to pay zakāh for a number of years in advance
 - ▣ Provided you possess the nisāb amount
- What if I don't remember
 - ▣ Make your best estimation
 - ▣ Often easiest to use Ramadān as your date
 - But do people only need zakāh in Ramadān
 - Perhaps best to use another Islāmic date

How Is Our Zakāh Fulfilled

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□ Intention

▣ Intention is in the heart

- Either when making the actual payment of zakāh
 - Or giving the money to a representative

□ Tamlik (ownership)

▣ Making a person who is eligible to receive zakāh the owner of the zakāh funds

□ Not necessary that the person receiving the zakāh knows he is receiving zakāh funds

▣ You can tell them it is sadaqah or a gift

Zakātable Assets

What Is Zakāh Due Upon

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- Gold or silver
- Currency
- Stocks
- Business goods
- Livestock
 - ▣ Will not be covered
- Agricultural produce
 - ▣ Will not be covered

Zakātable Assets: Gold / Silver

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- Does not matter what form it is in
 - ▣ Coins, bricks, utensils, etc.
- Does not matter for what purpose you have it
 - ▣ Investment, capital preservation, personal use, ornamentation, collection, etc.
- On your zakāh date, total up all the gold and silver you have
 - ▣ Look up the current price for that day
 - Best to use the same website each year for prices
- If something is only partially gold
 - ▣ Pay on the portion that is gold

Zakātable Assets: Gold / Silver

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- Rare to have 100% pure gold or silver
 - ▣ Most contain some alloy (copper, silver, zinc, etc.)
- If the gold/silver is 50% pure or greater
 - It is considered gold/silver
 - 12 karat gold is 50% pure
 - ▣ If it is 49% or less
 - No longer considered gold/silver
 - 9 karat gold is not zakātable

Zakātable Assets: Jewelry

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- Jewelry made from gold or silver is also zakātable
 - ▣ Does not matter for what purpose you have it
 - Wear it every day, wear it once a decade, intend to sell it, give it as a gift, daughter's wedding, etc.
- If the piece contains other metals or gems
 - ▣ Estimate the portion that is gold or silver
- Value of jewelry for zakāh is based on the weight of the gold/silver
 - ▣ Not the cost of the item

Zakātable Assets: Jewelry

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- Gold watch
 - ▣ Ask a watchmaker what portion is gold
- Gold and platinum ring
 - ▣ Only pay on the weight of the gold
- Diamond earrings in a gold backing
 - ▣ Only pay on the weight of the gold
- Just have to do this once and then keep track
 - ▣ Anytime you buy something new
 - Get this information on the spot

Zakātable Assets: Currency

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- Currency, including foreign currency, which is still in use
 - ▣ Any currency which is no longer used will be considered worthless
 - Use the same website each year
- Includes any money you have in your accounts
 - ▣ Any spare change you may have

Zakātable Assets: Stocks

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- Two primary reasons people purchase stocks
 - ▣ To sell once the price goes up
 - In this case you will pay on the full value of the stock
 - ▣ In order to benefit from the dividends
 - Only need to pay on that portion of the stock price which reflects the company's "zakātable assets"
 - So you will pay on the value of the stock, less the value of the fixed assets
 - The dividends you received would have been counted with your currency
- 401k and other retirement accounts will also be included

Zakātable Assets: Business Goods

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- Anything purchased with the primary intention of selling
 - ▣ If the intention at the time of purchase was not resale
 - And then you later decide to sell it
 - It does not become a business good
 - ▣ If the initial intention was resale
 - But then you decide to keep it for personal use
 - It is no longer a business good
- Includes anything that will go to the customer
 - ▣ Anything used to create the product (i.e. raw materials)
 - As well as any packaging
- When calculating, use the price you will get when selling the item (i.e. the retail value)
 - ▣ Not what you paid for the item or its actual cost
 - If you sell at wholesale, you will use the wholesale rate

Zakātable Assets: Business Goods

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- Zaid owns a pizza shop
- When calculating zakāh, he will include
 - ▣ Whatever raw ingredients he has that day
 - Best to estimate the number of pizzas he can make from them and use the retail pizza price
 - ▣ The retail value of any drinks or other items he sells
 - ▣ The value of all the pizza boxes he has in stock
 - Even those that will get used throughout the year
 - ▣ The value of any promotional items he may give away or anything else that goes to the customer
- He will not pay on the value of pizza trays, pizza oven, delivery vehicle, etc.

Zakātable Assets: Business Goods

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- Bakr is an accountant
 - ▣ When calculating zakāh, he will include
 - Anything which goes to the client
 - Which is probably just some paper and envelopes

Zakātable Assets

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- For all of the above, use the value on the day you are calculating your zakāh
 - ▣ As opposed to the value on the day you bought the item
 - Or the day you actually distribute your zakāh

Non-Zakātable Assets

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- Precious stones
 - ▣ Diamonds, rubies, pearls, etc.
- Precious metals other than gold or silver
 - ▣ Platinum, titanium, etc.
- Fixed assets of a business
 - ▣ The building itself, computers, manufacturing equipment, etc.
- Items which you rent out for income or profit
 - ▣ Renting out a second house or renting your car
 - The rent you received will be counted with your currency
- Items you are selling at a garage sale or on eBay
 - ▣ Unless they were purchased with the intention to resell

Non-Zakātable Assets

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- Household items
 - ▣ Clothing, pots and pans, bedding, books, your car, computer, appliances, furniture, etc.
- Interest or other harām money
 - ▣ Bank interest, tax refund is delayed, etc.
- Money given as a security deposit
 - ▣ For an apartment, etc.
- Zakāh funds set aside to be paid in the future

Additional Reading

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- Principles of Sharīah Governing Islāmic Investment Funds
 - ▣ Muftī Taqī Uthmāni
- Permissibility of and Zakāt on 401k Plans & Other Securities
 - ▣ Muftī Abdur-Rahmān ibn Yusuf Mangerā
- Both are available in the Student Section

Questions and Discussion

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