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FIQH of ZAKAAH

REFRESH YOUR KNOWLEDGE ON THE ESSENTIALS OF ISLAM

**FIQH
of the
FUNDAMENTALS**

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- ① Introduction to Zakaah
- ① Basic Principles
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Introduction to Zakaah

④ LITERAL/LINGUISTIC MEANING OF ZAKAAH

④ Growth

- ④ Qualitative vs Quantitative
- ④ Fortify your wealth through Zakaah (Hadith)

④ Purification

- ④ Take from their wealth a charity through which you purify them (Surah Tawbah:103)

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Introduction to Zakaah

④ TECHNICAL MEANING OF ZAKAAH

- ④ For the owner of Nisaab to disburse 2.5% of Qualifying Assets less Qualifying Liabilities to Eligible Recipients every lunar year

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Introduction to Zakaah

④ THIRD PILLAR OF ISLAM

- ④ خُذْ مِنْ أَمْوَالِهِمْ صَدَقَةً تُطَهِّرُهُمْ وَتُزَكِّيهِمْ بِهَا... (التوبة: 103)
- ④ وَأَتُوا الزَّكَاةَ... (الحج: 41)

④ THE TWIN OF SALAAH

- ④ Zakaah has been mentioned together with Salaah in 28 different parts of the Qur'aan, 27 of which are in the same verse

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Introduction to Zakaah

④ DISREGARDING / REJECTING A FARDH

- ④ Rejecting the *Fardhiyyah* (compulsory obligation) or deeming it trivial (Allah Forbid) is equivalent to *Kufr* (disbelief)
- ④ Not fulfilling the obligation whilst believing in *Fardhiyyah* is a major punishable sin

④ THE STANCE OF ABU BAKR RA

- ④ After the tragic demise of Rasulullah ﷺ, some Arab tribes said, "We will fast but we will not discharge Zakaah." Abu bakr RA said, "By Allah, I will wage war against the one who separates between Salaah and Zakaah..."

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Introduction to Zakaah

④ ZAKAAH IS A CONNECTOR TO ALLAH

- ④ The main objective of any act of worship is to gain nearness to Allah
- ④ Adherence to Zakaah and Islamic laws of finance and economics brings about global order and prosperity which allows people to reconnect to Allah

④ BENEFITS FOR THE ZAKAAH PAYER

- ④ Subsistence to Allah by fulfilling obligations
- ④ Show of gratitude to Allah
- ④ Purification of the soul
- ④ Develops care and compassion for the poor
- ④ Means of Barakah and protection

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Introduction to Zakaah

④ BENEFITS FOR THE ZAKAAH BENEFICIARY

- ④ Provides a baseline provision
- ④ Alleviates poverty
- ④ Removes spiritual maladies such as jealousy

④ BROADER BENEFITS OF ZAKAAH

- ④ Economic stimulus which activates consumer spending
- ④ Strengthens Islamic economy
- ④ Bridges the gap between rich and poor
- ④ Bonds of love, compassion, brotherhood between rich and poor

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Introduction to Zakaah

⑦ SPIRIT OF ZAKAAH

- ⑦ It is not a tax/liability – but an obligation – give generously
وَفِي أَمْوَالِهِمْ حَقٌّ لِّلسَّائِلِ وَالْمَحْرُومِ
- ⑦ We are more in need of the reward and benefit than poor person's need for our wealth
وَمَا تَقْدُمُوا لِأَفْسِكُمْ مِنْ خَيْرٍ يَحْدُوهُ عِنْدَ اللَّهِ هُوَ خَيْرٌ وَأَعْظَمَ أَجْرًا وَاسْتَعْتَبُوا اللَّهَ إِنَّ اللَّهَ غَفُورٌ رَحِيمٌ
- ⑦ From the signs of Qiyamah is that people will consider Zakaah a tax/penalty
" إذا اتخذ النبي دولا ... و الزكاة مغزما...x "

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Introduction to Zakaah

⑦ HARMS OF NOT DISCHARGING ZAKAAH

وَالَّذِينَ يَكْتُمُونَ الذَّهَبَ وَالْفِضَّةَ وَلَا يَتَّقُوا اللَّهَ فِي سَبِيلِهِ اللَّهُ يَبْشُرُهُمْ وَعَذَابُ اللَّهِ يَوْمَ يَحْمَى عَلَيْهَا فِي لَهْرٍ جَهَنَّمَ فَتَكُونُ بِهَا جباههم وجنوبهم وظهورهم هذا ما كنتم كتمتم لأنفسكم فذوقوا ما كنتم تكتمون

- ⑦ And those who hoard gold and silver and spend it not in the way of Allah - give them tidings of a painful punishment: The Day when it will be heated in the fire of Hell and seared therewith will be their foreheads, their flanks, and their backs, [it will be said], "This is what you hoarded for yourselves, so taste what you used to hoard."
(9: 34/35)

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Introduction to Zakaah

④ HARMES OF NOT DISCHARGING ZAKAAH

عن أبي هريرة رضي الله عنه أن النبي صلى الله عليه وسلم قال: ((مَنْ آتَاهُ اللَّهُ مَالًا، فَلَمْ يُؤَدِّ زَكَاتَهُ، مَثَلٌ لَهُ مَالُهُ شِجَاعًا أَقْرَعٌ، لَهُ نَرَبِيَّتَانِ، يُطَوَّقُهُ يَوْمَ الْقِيَامَةِ، يَأْخُذُ بِلَهْرَيْهِ، يَعْنِي شِدْقَيْهِ، ثُمَّ يَقُولُ: أَنَا مَالِكٌ، أَنَا كَنْزُكَ. ثُمَّ تَلَا: وَلَا يَحْسِبَنَّ الَّذِينَ يَبْخُلُونَ بِمَا آتَاهُمُ اللَّهُ مِنْ فَضْلِهِ هُوَ خَيْرًا لَمْ يَلْهُم بَلَىٰ هُوَ يُسْرِعُهُمْ سَيِّئَاتِهِمْ مَا يُخْلَوْنَ يَوْمَ الْقِيَامَةِ وَاللَّهُ مِيرَاثُ السَّمَاوَاتِ وَالْأَرْضِ وَاللَّهُ بِمَا تَعْمَلُونَ خَبِيرٌ

- ④ Whoever is made wealthy by Allah and does not pay Zakaah on his wealth, on the Day of Judgment it will become a bald-headed, poisonous, male snake with two black spots over his eyes. The snake, on the Day of Judgment, will encircle his neck, and bite his cheeks and say: 'I am your treasure, I am your wealth.' " Then he [the Prophet] recited this 'ayah: " 'And let not those who hoard up that which Allah has bestowed upon them of his bounty...'

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Basic Principles of Zakaah

④ UPON WHOM IS ZAKAAH OBLIGATORY?

- ④ Free
- ④ Muslim
- ④ Sane
- ④ Mature (Hanafi Madh-hab)
- ④ Own Excess Zakaatable Wealth to the value of Nisaab – Value of 612.36 grams of Silver
- ④ Remain in ownership of excess Zakaatable wealth to the value of Nisaab for a lunar year
- ④ Possession (includes term investments that are locked-in)

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Basic Principles of Zakaah

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Basic Principles of Zakaah

④ THE ZAKAAH LUNAR YEAR AND ZAKAAH DATE

- ④ The Zakaah Valuation / Calculation date is established on the first Islamic date an individual owns excess Zakaatable assets to the value or in excess of Nisaab.
- ④ Once established, this date does not change unless a person becomes bankrupt – net worth =/ <0
- ④ Zakaah calculation is based on net Zakaatable assets a person owns on the Zakaah Valuation date.
- ④ Each asset is NOT subject to Zakaah separately based on date of acquisition of that asset

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Basic Principles of Zakaah

④ ZAKAAH ASSETS

- ④ Gold & Silver in any form
- ④ Cash & Cash Equivalents
- ④ Receivables
- ④ Trading Stock
- ④ Livestock held for breeding
- ④ Investments

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Basic Principles of Zakaah

④ NON-ZAKAAH ASSETS

- ④ Fixed Property
- ④ Other Precious Metals
- ④ Household Effects
- ④ Motor Vehicles
- ④ Personal Use Items – Non-Gold/Silver
- ④ All Precious Stones (Ruling differs regarding mining, treasures etc.)

Should any of the above be purchased with the intention of resale – will be Zakaatable

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Basic Principles of Zakaah

④ DEDUCTIBLE LIABILITIES

- ④ One month's personal expenses
- ④ Current Liabilities – due within 12 months
- ④ Personal loan/Credit sale with no repayment date is fully deductible as it is due and can be claimed immediately
- ④ Applicable taxes payable for the period – NOT TAX PAID!

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Basic Principles of Zakaah

④ DISCHARGING ZAKAAH

- ④ Intention to discharge Zakaah is necessary at time of disbursement
- ④ Can be given to eligible recipients in any proportion
- ④ It must enter into ownership of recipient (*tamleek*)
- ④ Cannot be given to Masjids, Non-Muslims, deceased estates
- ④ If in kind, apply fair value
- ④ Calculate obligation on Zakaah Valuation Date
- ④ Organizations that pay expenses on behalf of poor must be appointed as *wakeel* (agent) of recipient to spend Zakaat money on their behalf
- ④ Ensure that organizations have proper Shariah oversight

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Basic Principles of Zakaah

④ ZAKAAH RECIPIENTS

- ④ Fuqaraa: Have some money, but not sufficient for their everyday needs.
- ④ Masaakeen: In extreme poverty - who possess no wealth at all
- ④ 'Aamileen: Zakaat Collector appointed by the Islamic government/head of state
- ④ Mu'allafatul Quloob: Potentially New Muslims, given Zakaat to coax them.
- ④ Riqaab: Slaves who can be freed
- ④ Ghaarimeen: Overindebted
- ④ Fi Sabeelillah: Needy whilst on Hajj, in Jihad, studying Deen etc.
- ④ Ibnus-Sabeel: Stranded travelers

*Preference should be given to closest deserving recipients.
(Family/locality)*

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Basic Principles of Zakaah

④ ZAKAAH CANNOT BE GIVEN TO:

- ④ Wealthy Muslims
- ④ Direct descendants
- ④ Direct ascendants
- ④ Spouses
- ④ Sayyid (descendant of Fatimah RA)
- ④ Cannot be given to Banu Hashim (Relatives of Ali RA, Ja'far RA, Aqeel RA, Abbaas RA, and Haarith ibn Abdul Muttalib)
- ④ Non-Muslims

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Basic Principles of Zakaah

④ RATE OF ZAKAAH

- ④ 2.5% for all regular assets
- ④ 2.577% for assets computable as per solar year only such as shares in stock market, Zakaah on companies etc. (2.5775% for leap years)

④ UNPAID ZAKAAH

- ④ If Zakaah was unpaid / underpaid in prior years, irrespective of the reason, we are required to calculate/estimate Zakaah obligation in retrospect and discharge same urgently.

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Business Assets & Liabilities

④ ZAKAATABLE BUSINESS ASSETS

- ④ Cash & cash equivalents
- ④ Trade receivables
- ④ Loans receivable
- ④ Inventory
- ④ Investments in Zakaah assets
- ④ Raw materials
- ④ Unfinished goods

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Business Assets & Liabilities

④ NON-ZAKAATABLE BUSINESS ASSETS

- ④ Property, plant and equipment
- ④ Fixtures and fittings
- ④ Municipal deposits
- ④ Prepaid Expenses
- ④ Collaterals
- ④ Intangible assets not for resale (patents etc.)
- ④ Deferred tax asset
- ④ Lease smoothing asset / future rental income

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Business Assets & Liabilities

④ DEDUCTIBLE BUSINESS LIABILITIES

- ④ Loans payable (current liability)
- ④ Trade payables
- ④ Salaries payable
- ④ Utilities payable
- ④ Tax payable
- ④ Allowance for bad debts

④ NON-DEDUCTIBLE BUSINESS LIABILITIES

- ④ Provision for leave pay
- ④ Accrued expenses not yet incurred (e.g. work not completed)

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Contemporary Assets & Liabilities

④ CURRENT ACCOUNTS

- ④ Treated as a loan to bank
- ④ Receivable for the customer
- ④ Balance on Zakaah Valuation date is Zakaatable

④ ISLAMIC INVESTMENTS

- ④ Mudaraba/Wakala - Zakaah payable on the balance including profits on the Zakaah valuation date.
- ④ Unit Trust – Zakaah payable on market value / balance reflected on statement
- ④ Locked-in term investments are fully Zakaatable

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Contemporary Assets & Liabilities

④ ZAKAAH ON SHARES

- ④ Shareholder should identify and determine the value of the underlying Zakaatable assets on the Balance Sheet (SoFP), after deducting relevant liabilities, on the Zakaah valuation date.
- ④ This will be the Net Zakaatable Value of the Company.
- ④ Calculate Net Zakaatable Value of shares according to your shareholding in the Company.
- ④ Obtain Expert Shariah Advice in determining which assets are Zakaatable and which are not
- ④ Shares purchased with the intention to resell are fully Zakaatable at Market Value

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Contemporary Assets & Liabilities

④ ZAKAAH ON SHARES - EXAMPLE

- ④ Net Zakaatable Value = R 2 000 000
- ④ Issued Shares = 100 000
- ④ You own = 10 000 shares /10%
- ④ Zakaah Payable = R2 000 000 x 10% x 2.5% (or 2.577%) = R5 000
- ④ It is important to ensure companies are Shariah compliant prior to investing in shares
- ④ Impermissible income earned by the company must also be purified in the above pro-rata manner

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Contemporary Assets & Liabilities

④ FOREIGN CURRENCY

- ④ Can be paid directly in foreign currency (if in foreign country)
- ④ Determine the rand value of the foreign exchange on the Zakaat anniversary date.
- ④ Multiply the foreign currency amount by the spot exchange rand rate (on Zakaah Valuation date) to calculate the rand value on which Zakaah is payable.

④ COMPULSORY PENSION/PROVIDENT FUNDS

- ④ Not Zakaatable as it is not deemed to enter into your ownership until it is redeemable (resignation/retirement)

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Contemporary Assets & Liabilities

④ VOLUNTARY PENSION/PROVIDENT FUNDS

- ④ Zakaatable annually on the Net-Realizable Value – NRV

④ CONVENTIONAL INVESTMENTS

- ④ Only capital is Zakaatable
- ④ Interest is not rightfully possessed and is therefore not Zakaatable – must be disposed to charitable causes.

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Contemporary Assets & Liabilities

④ CONVENTIONAL FINANCE / LOANS

- ④ Current Principal portion deductible only
- ④ Interest is not deductible given its impermissibility

Amortization Schedule Example							
N	Loan amount	Payment	Interest	Principal	Balance	Interest	Principal
1	21,000	2,800	1,470	1,330	19,670	52.5%	47.5%
2	19,670	2,800	1,377	1,424	18,246	49.2%	50.8%
3	18,246	2,800	1,277	1,523	16,723	45.6%	54.4%
4	16,723	2,800	1,171	1,630	15,093	41.8%	58.2%
5	15,093	2,800	1,056	1,744	13,349	37.7%	62.3%
6	13,349	2,800	934	1,866	11,483	33.4%	66.6%
7	11,483	2,800	804	1,997	9,486	28.7%	71.3%
8	9,486	2,800	664	2,136	7,349	23.7%	76.3%
9	7,349	2,800	514	2,286	5,063	18.4%	81.6%
10	5,063	2,800	354	2,446	2,617	12.7%	87.3%
11	2,617	2,800	183	2,617	-0	6.5%	93.5%

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Contemporary Assets & Liabilities

④ MURABAHA FINANCE PRODUCTS

- ④ Current portion, due within next 12 months is deductible

④ MUSHARAKA FINANCE PRODUCTS

- ④ Bank and customer are partners in the Musharaka property.
- ④ The Bank's share of equity is not a debt owed by the client and is therefore not deductible.
- ④ The deductible liability only arises from client's purchase of units.
- ④ Therefore, the amount that qualifies as a deductible liability is the current instalment amount multiplied by the number of installments due up to the next sale of units date.

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Contemporary Assets & Liabilities

④ LEASE COMMITMENTS

- ④ One month's rental can be deducted where rental is paid in arrears.
- ④ If rental is paid in advance, nothing is deductible.
- ④ Same is applicable to Ijarah finance, conventional finance lease etc.

④ REWARDS PROGRAMS

- ④ All rewards received in the form of Cash bonuses/Cash back is Zakaatable if on hand at the Zakaah Valuation date
- ④ Rewards given in the form of points like eBucks, Voyager miles/Skywards points are not Zakaatable since these are not cash/currency.
- ④ It is a redeemable gift.

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Contemporary Assets & Liabilities

④ DIGITAL ASSETS / CRYPTOCURRENCIES

- ⑦ Including coins, exchange tokens and payment tokens
- ⑦ Generally, coins are stores of value & mediums of exchange i.e. currencies in their respective environments and are therefore Zakaatable at 2.5% (rand value equivalent can be used)
- ⑦ Tokens, if purchased for resale, are Zakaatable at market value
- ⑦ Work/Utility tokens are not Zakaatable if not purchased for resale
- ⑦ Asset backed tokens may be Zakaatable depending on the nature of the underlying asset.
- ⑦ Equity/security tokens are Zakaatable – similar to shares
- ⑦ Governance tokens are ordinarily not Zakaatable

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Zakaah Calculation

1. Zakaat Anniversary Date

Islamic date on which one owned Nisaab for the first time.
Same date every year!

Islamic Date

2. Add Zakaat Assets

All assets on which Zakaat is payable, like cash, gold, trading stock etc.

+ Zakaat Assets

3. Deduct Qualifying Liabilities

Current liabilities (debts due within 12 months) and current expenses (for 1 month)

- Qualifying Liabilities

4. Net Zakaat Balance

If this amount is less than Nisaab, Zakaat is not payable for this year. If it is equal to or greater than Nisaab, Zakaat is payable at 2.5% of this amount.

Zakaat Balance

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Questions

PLEASE POSE QUESTIONS BY RAISING YOUR HAND

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A Story – Tafseer Ibn Rajab Hanbali

- ⑦ Once a woman came to ‘Aa’ishah RA saying:
- ⑦ “I went to bed absolutely fine and I awoken with my right arm paralyzed.”
- ⑦ She asked, “How did that happen?”
- ⑦ The woman said, “My father was extremely generous and open-hearted...”
- ⑦ ... and my mother was extremely miserly, never spending...
- ⑦ My father passed on and my mother followed soon thereafter
- ⑦ I seen my father in my dream, in beautiful yellow clothing, in front of a flowing river.
- ⑦ I asked him about it, he said: “Whoever does good in the world will see it, Allah has blessed me with all this...”

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A Story – Tafseer Ibn Rajab Hanbali

- ⑦ I asked, “And what became of my mother?”
- ⑦ He asked, “Did she pass away?” I responded, “Yes”.
- ⑦ He said, “This cannot be, she has deviated from us. Go and search for her in the left...”
- ⑦ She found her mother with her body exposed, with a small rag covering her, and a piece of fat in her hand whilst she was screeching in remorse and regret and out of thirst. When she tired from screaming she sucked on the piece of fat despite there being a flowing river before her.
- ⑦ I asked her, “Why are you crying out of thirst whereas the river is before you.” She said, “I am not allowed to drink.” I asked, “Should I not give you some?” She said, “I wish you would.” So I gave her to drink.

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A Story – Tafseer Ibn Rajab Hanbali

- ⑦ Suddenly, a voice from the right said twice, “Whoever gives this woman to drink, his right hand will be paralyzed”.
- ⑦ So I awoken with my right hand paralyzed.”
- ⑦ ‘Aa’ishah RA asked, “Did you recognize the rag?”
- ⑦ She said, “Yes, I never seen my mother give anything in charity except once when my father slaughtered an ox and a beggar came by she gave him a piece of its fat. And another beggar came by and she gave him the rag.”
- ⑦ ‘Aa’ishah RA said, “Allahu Akbar, Allah has spoken the truth and His Messenger has conveyed the message.”
- ⑦ **فمن يعمل مثقال ذرة خيرا يره ومن يعمل مثقال ذرة شرا يره**
So whoever does an atom's weight of good will see it, and whoever does an atom's weight of evil will see it.

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Generosity - A Sunnah of Ramadaan

- ④ Ibn Abbas reported: The Messenger of Allah, peace and blessings be upon him, was the most generous of people and he was even more generous in Ramadan when Gabriel would meet him. He would meet him every night of Ramadan to study the Quran. Thus, the Prophet would be more generous than a nourishing wind.

- ④ Source: Şahîh al-Bukhārî 1803, Şahîh Muslim 2308

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