

## Zakah Lesson 4-5 Handout of Notes

**Zakah** is Arabic word which means to make something purified. Literally means "to be clear, to grow, to increase."

(There is no English word to describe it accurately, but it is translated as Poor Due, charity, or Tithe. The word taxes is inappropriate description)

**Zakah** is a Rukn and an obligation. It is an act of Ibadah, worship.

**Zakah** is the recognized right of the poor and needy from the wealth of the rich.

What is the pupose of Zakah?

1. To create a more economically balanced Ummah.
2. To purify our wealth.
3. To bless our wealth. ( i.e to increase the wealth or to bring blessings to the family)
4. To teach us sharing and generosity.
5. To feel responsibility toward one another.
6. To show mercy, love, and concern within the Ummah.

What are the conditions to pay Zakah?

1. A Muslim: adult or a minor.<sup>1</sup>
2. Reaching Nisab.
3. One **Lunar** year passes.<sup>2</sup>

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<sup>1</sup> A minor who inherited wealth, which reached Nisab, should pay Zakah; his/her guardian should pay it on his/her behalf; it is preferable, in this case, that the guardian should put the inherited wealth into business to grow; thus to prevent the wealth from being eaten by the yearly Zakah.

<sup>2</sup> In case the budget is linked to the solar year, the solar calendar can be applied provided that the percentage of Zakah is raised up to 2.577% instead of 2.5% so as to make up for the difference between the two calendars.

## **Who is entitled to receive Zakah?**

There are eight groups of people on whom Zakah should be spent, as mentioned in the Quran: "The alms are only for the Fuqara' (the poor), and Al-Masakin (the needy) and those employed to collect (the funds); and to attract the hearts of those who have been inclined (towards Islam); and to free the captives; and for those in debt; and for Allah's Cause, and for the wayfarer (a traveler who is cut off from everything); a duty imposed by Allah. And Allah is All-Knower, All-Wise." [Al-Quran 9:60]

1. **Fuqaraa:** Those who own property in excess of basic necessities but below the value of Nisab.
2. **Masakeen:** Persons of extreme poverty who possess no wealth whatsoever.
3. **Aamileen:** (Zakah collector) Those persons who are appointed by an Islamic Head of State or Government to collect Zakah. It is not necessary that this be a needy person.
4. **Muallafatul Quloob:** Those poor and needy persons who are given Zakah with the intentions of solidifying their hearts because they maybe recently converted to Islam or to bring them closer to Islam.
5. **Ar-Riqaab:** slaves whose masters have agreed to set them free on a payment of a fixed amount. Zakah may be used to purchase their freedom.
6. **Ibnus-Sabeel:** A traveler, who, whilst wealthy at his residence, is stranded and in need of financial assistance.
7. **Al Ghaarimeen:** A person whose debts exceeds his assets and his net assets (after deducting his liabilities) is below the Nisab limit. To determine whether a person qualifies, his basic necessities of life (house, furniture, clothes, vehicle, etc.) will not be taken into account. It is conditional that the debts were not created for any un-Islamic or sinful purpose.
8. **Fi Sabeelillah:** Those who are away from home in the path of Allah. Those in Jihaad, those seeking knowledge or a stranded Haji may be assist with Zakah if they are in need.

## **What is Nisab?**

It is the minimum amount of wealth that one must possess before one is obligated to pay Zakah. One should have had this minimum amount in possession for a complete lunar year (hawl). The minimum amount (or Nisab) should not be owed to someone, i.e., it should be free from debt.

**Nisab and debts:** One should pay debts before paying Zakah.

1. If Debts > Nisab -- **do not pay Zakah**
2. If Debts < Nisab -- **pay Zakah**

Examples:

Wealth	Debts	Nisab*	Zakah
15,000	11,000 >	10,000	Do not pay
15,000	3,000 <	10,000	Pay Zakah on (15,000-3000 =12,000)

Once you get the total amount, divide by 40 and you get 2.5%

- The Nisab of money is equivalent to the value of either\*
  - 87 grams of gold (3.1 oz.) [9/2010 price: \$1290/oz]
  - 613 grams of Silver (21.5 oz) [9/2010 price: \$21/oz]

\* Scholars calculate the Nisab based on silver value (to benefit poor). Therefore, if a person has approximately \$450 (September 2010 silver value) for one lunar calendar, then he/she should pay Zakah.

- If Zakah becomes due upon you, consider what you have in cash and other assets; then evaluate these assets in terms of money. Total what others owe you and your debts to others and deduct them from the whole amount, and then pay Zakah on what is left.
- Zakah must be paid for different kinds of wealth (which reached Nisab); however it's calculation is variable on different types of wealth:
  - a. 2.5% due on money, gold and silver, trade, work earnings, profits.
  - b. 5% due on crops and fruits that are irrigated by tools and equipment (with irrigation costs).
  - c. 10% due on crops and fruits that are irrigated by springs and rain (without irrigation costs).
  - d. 20% due on mineral resources.

### **What kinds of things require paying Zakat on them?**



- Gold and Silver
- Cash
- Stocks
- Mutual Funds

- Stock Options
- Business Merchandise Inventory on-hand acquired for purpose of resale
- Retirement Plans (401K, IRA, etc.)
- Real Estate Investments in Property Owning Companies
- Profits from Investments
- Severance Package
- Income Tax
- Liabilities which may be deducted
- Buried Precious Metals or Minerals (Rikaz)
- Livestock, Animals, Cows, Sheep, Camels
- Agricultural Produce

Sources:

<http://www.hidaya.org/publications/zakat-information>

<http://www.al-islam.org/laws/>

<http://www.islamic-relief.com/zakat/>

<http://www.jamiatuk.com/zakat.php>