



THE HISTORY OF *Zakat*





ZAKAT BEFORE THE ADVENT OF ISLAM

The concept of Zakat has a historical continuity like that of Salat (prayer). The Qur'an indicates that like Salat, Zakat has always been a part of the law of the previous prophets.

The followers of the religion of Ibrahim (Upon whom be peace) were well acquainted with the practice of Zakat. In Surah Al-Ma'arij (70:25), it is described as **"A specified right"** due to its existence as a pre-existing Sunnah. The Prophet (peace be upon him) continued this act of worship with necessary reforms.

The Qur'an provides examples in various verses, illustrating how Zakat was prescribed to the previous Prophets. For instance:

- Prophet Isma'il (Upon whom be peace) and his observance of Zakat: "Also mention in the Book (the story of) Isma'il: He was (strictly) true to what he promised, and he was an apostle (and) a prophet. He used to enjoin on his people Salat and Zakat, and he was most acceptable in the sight of his Lord." [Surah Mariam 19:54-55]
- Zakat among the Jews: "And (remember) when We made a covenant with the Children of Israel, (saying): Worship none save Allah (only) and be good to parents and to kindred and to orphans and the needy and speak kindly to mankind; and establish Salaah and pay Zakat." [Surah Al-Baqarah 2:83]
- Zakat practiced by the progeny of Prophet Ishaq (Upon whom be peace) and Prophet Yaqub (Upon whom be peace): "And We sent them inspiration to do good deeds and to be diligent in the Salat and pay Zakat." [Surah Al-Anbiyaa 21:73]
- Zakat observed by Prophet Isa (Upon whom be peace): "He said: Lo! I am the slave of Allah. He has given me the Scripture and has appointed me a Prophet. And has made me blessed wheresoever I may be and has enjoined upon me Salat and Zakat so long as I remain alive." [Surah Maryam 19:30-31]

In this way, the practice of Zakat has been a recurring and integral part of religious teachings since the time of previous Prophets, and it continues to hold significance in Islam.

ZAKAT IN THE TIME OF THE PROPHET

(peace be upon him)

When we delve into the historical context of Zakat during the time of the Prophet (peace be upon him), we are essentially exploring its origins. In Makkah, the verses related to Zakat primarily referred to voluntary contributions, leaving it to the individual's faith and conscience to determine the amount and recipients.



Surah Al-Ma'arij (70:24-25) advises: "And in whose wealth there is a right acknowledged. For the beggar and the destitute."

After migrating to Madina, approximately eighteen months later, Zakat became obligatory (Fard) for Muslims. The Madina verses provided clear instructions, mandating the payment of Zakat, and from that point, the Prophet (peace be upon him) dispatched Zakat workers to collect and distribute the due Zakat.

The Qur'an does not provide a comprehensive definition of Zakaatable wealth, except in a few cases. Instead, it offers general principles without intricate details, such as:

1. Gold and Silver: "And there are those who hoard gold and silver and spend it not in the way of Allah. Announce unto them a most grievous penalty." (Surah Al-Taubah 9:34)
2. Crops and Fruits: "Eat of their fruit in their season but render the dues that are proper on the day that the harvest is gathered." (Surah al-An'am 6:141)
3. Earnings of Trade: "O ye who believe, give of the good things which ye have earned." (Surah Al-Baqarah 2:267)
4. Wealth from beneath the earth: "And of that which we have produced for you from the earth." (Surah Al-Baqarah 2:267)

Furthermore, the Qur'an mentions Zakat in a general context, using the term "amwal" (i.e., property, wealth, or earnings) in verses like "Out of their wealth take Sadaqah thereby purifying and sanctifying them." (Surah Al-Taubah 9:103) and "In their wealth and properties is the right of the poor, the beggar, and he who is in deprivation." (Surah Al-Dhariyat 51:19)

The Sunnah of the Prophet (peace be upon him) provides us with detailed specifications based on the general Qur'anic command, transforming theoretical principles into practical application. As the one most knowledgeable about Allah's ordinances, the Prophet's Sunnah gives insights into the types of Zakaatable wealth, the minimum exempt amount for each, and the applicable rates. The Sunnah also outlines the categories of people eligible to receive Zakat.





WHAT IS ZAKAT?

Zakat, with two core meanings of purification and growth, is a vital concept in Islam, derived from the Quran and Sunnah. It signifies a portion of a Muslim's possessions that must be spent in accordance with Quranic guidance. As one of the five pillars of Islam, Zakat is obligatory for every Muslim to fulfill.

The payment of Zakat occurs once a year, following the lunar calendar, on the entire wealth held for at least one year, provided it meets or surpasses the Nisaab threshold. Although it is preferred to pay Zakat during the month of Ramadan due to the multiplied rewards and blessings for good deeds (70 times), it is permissible to make payments at any time of the year, even in smaller instalments throughout the year.

However, it's essential to note that Zakat is not compulsory for all Muslims. Instead, it is considered an act of worship and an obligation only for Muslim adults (Baligh) who are of sound mind and fulfill the Nisaab requirements (Sahib-un-nisaab). Minors are exempt from paying Zakat until they attain maturity or regain their sanity.

Allah Ta'ala says in Surah Taubah:



خُذْ مِنْ أَمْوَالِهِمْ صَدَقَةً تُطَهِّرُهُمْ وَتُزَكِّيهِمْ بِهَا وَصَلِّ عَلَيْهِمْ إِنَّ صَلَاتَكَ سَكَنٌ لَّهُمْ وَاللَّهُ سَمِيعٌ عَلِيمٌ

Take sadaqah (obligatory alms) out of their wealth through which you may cleanse and purify them and pray for them. Indeed, your prayer is a source of peace for them. And Allah is (All-) Hearing, (All-) Knowing. (103)

- At-Taubah 9:103

This verse has explicitly mentioned the first benefit i.e. purification of inner self. The second benefit is not mentioned in this verse. It points to the fact that the real purpose and objective of paying Zakah is the purification of one's own self, though the second benefit exists in its inference. (Ma'ariful Quran).

Retribution for not giving Zakah

Allah Ta'ala says in the Quran



وَالَّذِينَ يَكْتُمُونَ الذَّهَبَ وَالْفِضَّةَ وَلَا يَنْفِقُونَهَا فِي سَبِيلِ اللَّهِ فَبَشِّرْهُمْ بِعَذَابٍ أَلِيمٍ (34) يَوْمَ يُحْمَىٰ عَلَيْهَا فِي نَارِ جَهَنَّمَ فَتُكْوَىٰ بِهَا جِبَاهُهُمْ وَجُنُوبُهُمْ وَظُهُورُهُمْ هَذَا مَا كَنَزْتُمْ لِأَنفُسِكُمْ فَذُوقُوا مَا كُنْتُمْ تَكْتُمُونَ

“As for those who accumulate gold and silver and do not spend it in the way of Allah, give them the ‘good’ news of a painful punishment” (34) on the day it (the wealth) will be heated up in the fire of Jahannam, then their foreheads and their sides and their backs shall be branded with it: “this is what you had accumulated for yourselves. So, taste what you have been accumulating.” (35)

- At-Tawbah 9:34-35



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DEFINITION OF NISAAB

Nisaab is the minimum amount of wealth whose owner is deemed to be wealthy in the conception of Shari'ah and Zakat is obligatory on him (Ahkam-e-Zakah by Mufti Muhammad Rafi Usmani pg.: 11). For example, one who owns 87.48 grams of gold or 612.36 grams of silver or its equivalent amount of cash or trading assets etc. is called Sahib-un-nisaab and it is obligatory on him to pay Zakat (i.e., 2.5% of his total Zakaatable assets) to those who deserve Zakat.

WHEN TO PAY ZAKAT

The start of your Zakat year should coincide with the moment your wealth reaches or exceeds the Nisaab threshold. When your wealth meets or exceeds the Nisaab after one lunar year (known as Hawl), Zakat becomes due. In this case, the same date will be used as the starting point for the next year.

If your wealth does not reach the Nisaab within one year, there is no obligation to pay Zakat. Instead, you will wait until your wealth reaches or surpasses the Nisaab threshold.

Your Zakat due date

When your wealth reaches or exceeds the Nisaab threshold, a new Zakat year begins. Subsequently, after one year from this new date, you need to assess whether your wealth still meets or surpasses the Nisaab. This date is referred to as your **"Zakat due date"** or **"Zakat anniversary"**.

Zakat must be paid promptly on your Zakat anniversary. If you are unsure of the exact date or if you are paying Zakat for the first time, you can calculate the day you first possessed wealth above the Nisaab threshold (an estimated date is acceptable if the exact date is unknown). Once you have made your initial Zakat payment, that date becomes your Zakat anniversary.

It is possible to prepay Zakat before your Zakat anniversary. This is encouraged to promote increased worship and to take advantage of blessed periods such as Ramadan or the first ten days of Dhul Hijjah. However, even if you pay early, you still need to calculate and pay the appropriate Zakat amount on your Zakat anniversary to ensure accuracy.

Do I have to pay Zakat in Ramadan?

Paying Zakat in Ramadan is not necessary, although giving charity in this month guarantees greater rewards.

WHO CAN ZAKAT NOT BE GIVEN TO?

The Holy Qur'an determined who is eligible to receive Zakat, stating:



"As-Sadaqat (Zakat) are only for the Fuqara' (poor), and Al-Masakin (the needy) and those employed to collect (Zakat funds); and for 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 (i.e. for Mujahidun - those fighting in the holy wars), and for the wayfarer (a traveller who is cut off from everything); a duty imposed by Allah. And Allah is All-Knowing, All-Wise."

- Chapter at-Tawbah Tevbe, 60.

This means that Zakat donations cannot be given to just anyone. A husband cannot give his Zakat to his wife as he is already responsible for her, just as he is his children. A wife, though, is permitted to give Zakat to her husband, so long as he meets the relevant criteria - she must not benefit in any way from this donation (i.e. the husband using the funds to pay for a gift for his wife).

Those eligible to receive Zakat can be placed into one of eight categories, which are:

- **Fakir** - those with little to no income or wealth
- **Miskin** - those who are without food
- **Amil** - anyone designated to collect and distribute Zakat
- **Riqab** - anyone held involuntarily against their will in captivity or as a slave
- **Gharmin** - those struggling with unmanageable debt
- **Fisabillillah** - those who fight for Allah (SWT)
- **Ibnus Sabil** - struggling and/or stranded travellers
- **Muallaf** - friends of the Islamic community and/or revert Muslims

Not every Muslim is obligated to pay Zakat as per the rules set out in the holy Qur'an. To be eligible to pay Zakat, you must be past the age of puberty, of Muslim faith, sound mind, free and have a positive cash/goods flow, as well as a personal wealth which exceeds the Nisaab value.





ZAKAT IN QUR'AN

Zakat is not a random form of charity or imposed tax; Zakat is not a means of giving to be generous – it is something that Allah has ordained us to do – it is an obligation. As Muslims, Zakat has been set out as one of the pillars of Islam to achieve financial and spiritual reform, eliminate greed and consolidate the Islamic economy – this, in turn, will lead to its stability and prosperity.

The Qur'an describes Zakat as:



The means by which to attain Allah's mercy

“My Mercy extends to all things. That (Mercy) I shall ordain for those who have God-consciousness and give their Zakat and those who believe in Our Signs.”

- Surah Al-A'raf 7:156

ZAKAT ON CASH AND SAVINGS

The amount of cash in your checking and savings bank accounts are Zakaatable, along with any cash kept at home. You are obligated to pay zakat on your cash holdings that have matured over the previous lunar year. While this can be difficult to calculate, to play it safe, choose a snapshot date that you can reference when calculating your cash balances.

If interest has been earned against your cash holdings, then all gains from the interest should be donated to charity. Only the principal amount should be considered as zakat eligible.

ZAKAT ON PROPERTY AND OTHER FIXED ASSETS

The Property and other fixed assets category do not include the home you live in but includes property purchased with the intention to make profit from reselling. In addition, the value of leased property is not subject to Zakat. Only the rental income is subject to Zakat.

Is Zakat due on the house I live in?

- There is no Zakat due on the house that a person owns and lives in or in the house that he or she owns but their dependents (wives / children etc.) live in.
- There may, however, be Zakat applicable on any other property or building that a person owns.

Typical Scenarios:

- Living in the property** – No Zakat due.
- Using the property for business and trade** – No Zakat is due on the property itself however there is Zakat due on business goods and profits from the business.
- Rental income:** whatever is left over from your rental income on your Zakat date after any expenses, maintenance, mortgage and so on will join the rest of your cash balance and will be Zakaatable at 2.5%.



It is important to note that any rental income from properties owned should be added to one's cash balance for Zakat purposes.



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Mortgage

Mortgage payments are not deducted from your Zakaatable assets. Scholars give an allowance for up to one year's worth of the non-interest portion of the payments to be deducted but this allowance should only be taken if one feels that not doing so significantly impacts one ability to make the repayments in a timely fashion.

When calculating your investment property mortgage, if your mortgage is not shariah compliant, then exclude the portion of the mortgage payment going towards "interest" as interest is not zakat exempt.

Example:

If your conventional mortgage payment is \$1,500 where \$1,000 goes towards the principal loan amount and \$500 goes towards interest, then the zakat exempt portion is equal to the principal amount \$1,000. If your mortgage is a sharia compliant mortgage, you may exclude the entire mortgage monthly amount.

To Summarise

- The house in which you live is not subject to Zakat.
- If a property or other fixed asset has been purchased with the express intent to resell within the Zakat year, then the entire value of the property / asset is subject to Zakat.

Example:

You purchase an additional property other than the residential house & the intention for purchasing it is just to invest cash in it. In this scenario, the second house is not to live in, so there is no zakat due on it because it is a long-term investment. However, if you make an intention to sell your property, it will not be subject to Zakat. Upon the sale, any remaining proceeds on your annual Zakat Day will be liable for Zakat.

Fixed assets

- Like property, Zakat is due based on the use of the fixed asset and your intention. For fixed assets such as land, Zakat is not due on the land if you have simply inherited or purchased it with no intention or as a store of wealth.
- If it was bought for investment, then Zakat is due on the approximate sale price of the land every year, on the Zakat anniversary. This means that the land needs to be valued each year to see if its value has increased, depreciated, or remains the same. It's always important to check to ensure that you do not over - or underpay. You can delay the payment for each year for the time when the land is sold. In this case it will be due for each of the previous years based on the land value at the time.

Your personal residence along with homes you own which are occupied by your dependents are considered zakat exempt. Only calculate the zakat for properties which fall in one of the below categories.

Rental Investment Properties: Zakat is due on the profit gained from renting a property. Zakat should not be calculated using the underlying value of the property. Once you plan on selling a rental property, then zakat will be due on the value of the property.

Example:

To calculate the zakat eligible portion, deduct your mortgage payments in full for the zakat period if you have a Shariah compliant mortgage, otherwise only deduct the principal amount of your mortgage as the interest paid is not zakat exempt.

In the last year, you received \$20,000 in rental income, however \$12,000 went towards paying your shariah compliant mortgage and \$3,000 went towards property maintenance and upkeep.

Zakat eligible portion = Total Rental Income (\$20,000) - Mortgage (\$12,000) - Maintenance & Upkeep (\$3,000) = \$5,000. You are required to pay zakat on the remaining \$5,000.





”For Sale” Investment Properties: If you “flip” properties or recently decided to sell or sold an investment property, then zakat is due on the property. Zakat is due on your percentage ownership of the home. For example: If you sold a flip property for \$200,000 but had an outstanding mortgage of \$75,000 against the property, then the Zakaatable amount is \$125,000 or your share of ownership.

ZAKAT ON CREDIT CARD DEBT

Monthly credit card expenses: For credit card balances which you intend to pay off within a month of your zakat due date, you can exclude the total amount you plan to pay off. For example: If you have \$5,000 in credit card bills you plan to pay off during your next billing cycle, then you can include all \$5,000 towards your personal liabilities.

Recurring credit card balances: For recurring balances, only deduct what is past due or “immediately” owed.

Example:

If you have a credit card with a \$10,000 recurring balance and you are paying \$500 monthly towards this debt, you may only include \$500 towards your personal liabilities.

UTILITY BILLS & EXPENSES

When calculating your zakat eligible wealth, you may deduct essential living expenses including utility bills, food costs, insurance, car payment, etc. during the month of your zakat due date.

TAXES

Enter all outstanding taxes or taxes coming due within a month of your zakat due date. Examples of taxes include vehicle property tax, home property tax, income tax, etc. Interest accrued against outstanding taxes are not zakat exempt and should be excluded from the total tax amount.



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DO I NEED TO PAY ZAKAT ON MY GOLD AND SILVER?

Gold and silver in whichever form they are in (jewellery, coins, ingots etc.) are all subject to Zakat. If you own personal items made from a mixture of metals, then the gold/silver content is liable to Zakat in the mixed metal. Some scholars are of the opinion that mixed metals are only liable to Zakat if half or more of the metal is gold or silver.

How much gold or silver do you have to own before Zakat is payable?

This question can be answered in the context of your net assets. You then need to establish whether your net assets equal or exceed the Nisaab threshold. If you equal or exceed the Nisaab threshold, then Zakat is due on all your wealth at 2.5%.

Zakat is due on two types of precious metals – gold and silver. Gold and silver are used as the basis for calculating your Nisaab regardless of currency. This is the threshold of wealth you need to own before Zakat is due.

How do I calculate the value of my gold or silver?

Your local gold jeweller can tell you the current value of your gold assets. They can do this in two ways:

- They can give you the current value they would buy your gold at if you were to sell it
- Or they can give you the weight of the gold and you can calculate the value using today's live gold price in grams – this is known as the universal measurement. This is perhaps most suitable to ensure 100% accuracy.

Is there Zakat on white gold jewellery?

White gold is an alloy of gold and at least one white metal, usually silver, nickel, manganese, or palladium. This is added to add durability and strength, as pure gold is a very soft metal.

White gold is treated like normal gold and is subject to Zakat, as it contains pure gold. As some scholars are of the opinion that mixed metals are only liable to Zakat if half or more of the metal is gold or silver, you only must pay Zakat on the gold, but not the silver part of white gold.

The amount of Zakat payable would be calculated by multiplying the full weight of the jewellery by the price per gram for gold of that carat.

Example Calculations:

if one has an 18-carat white gold bangle weighing 50 grams, then 50 grams would be multiplied by the price of a gram of 18 carat gold. This is because 18 carat gold is 18/24 pure gold, so out of the total weight of 50 grams, 37.5 is pure gold.

Likewise, if one has a 9-carat white gold bangle weighing 50 grams, then 50 grams will be multiplied by the price of a gram of 9 carat gold. Similarly, this is because 9 carat gold is 9/24 pure gold, so it contains 18.75 grams of pure gold. Some scholars are of the opinion that there is no zakat on the 9 carat (pure) gold.

I have been informed I am not eligible to pay Zakat as my liability is higher than what I owe.

Zakaat will be wajib (compulsory) upon a person who possesses the amount of nisaab, over and above his basic needs and after fulfilling his debts.

If a person had so much debt that if he had to fulfil the debt, he would have a remainder of wealth which is equal to or more than the nisaab, then zakaat will be wajib on the remainder of the wealth. If the loan is such that it engulfs the whole wealth, or the remainder of the wealth after fulfilling the debt is less than the nisaab, then zakaat will not be wajib.

(Hashiyat-u-Tahtawi 'ala Maraqil Falah, Darul Kutub Al Ilmiyyah, Pg.715; and Bahishti Zewar, Maktabah Thanvi Deoband, Ch.3 Pg.23.)

However, the ruling will be different in the case of long-term debts that exceed the time period of one year. In such situations, the amount owed for one year will be calculated, and only that amount will be considered when applying the rules of zakat. I.e., if the remainder of the wealth were to exceed the nisaab after fulfilling this amount, then zakat will be wajib; and if this amount engulfs the remainder of the wealth or the remainder of the wealth after fulfilling this amount is less than the nisaab, then zakat will not be wajib.

(Jadeed Fiqhi Masail Vol.1 Pg.213 – Kutub Khana Na'eemiyah)



**Business Example:**

In principle, every person is responsible to dispense of his own zakat. If one is in a partnership, he will pay zakat according to his share of the business. For example, if Zaid and Amr are partners in a bookshop each investing 50% and therefore having a 50% share, Zaid will have to pay zakat on 50% of the merchandise in the business. So, if the total worth of the merchandise is \$10,000, Zaid will own \$5000, hence he will pay zakat on \$5000.

Only the merchandise in one's business is subject to zakat. Furniture, machinery, hardware, computers, and similar assets which are not for sale are not subject to zakat. The value of one's stock and merchandise should be calculated on the market price of that item.

As a principle, if one has merchandise as well as cash, he should combine the value of both. If the total value reaches the nisaab (quantum), he will give 2.5% of the total value.

How should I calculate Zakat on my dividends?

The calculation of Zakat on long term investments held for one lunar year or more is as follows:

From the balance sheet of the company (in which you hold shares), use the following formula:

1. Amount Y = Cash + Cash Equivalent + Accounts Receivables + Inventory Total Number of Shares Issued By Your Company
2. Your Zakatable Amount = [(Amount Y) x (Number of shares you own)]



If you are receiving dividends, please add the full amount to your **Zakaatable assets**. Long-term investors are considered part of the ownership, and so you must calculate this looking at the balance sheet of the company.

If your intention changes with the asset that is owned, then the Zakat due also changes. If you decide to cash out or become a short-term trader, which means the investment is held for less than one lunar year, then you must include the entire value of your portfolio and pay Zakat on it.

Zakat on pension fund withdrawal

The final amount you receive will be counted as part of your salary, including all extra amounts you receive upon leaving the company.

With regards to Zakat on mandatory pension funds, you are neither obligated to pay Zakat for the previous years nor upon receiving the money. There is no separate Zakat for monies invested in a mandatory pension fund. At the end of your Zakat year, the pension amount that you have withdrawn, should be added to your assets and Zakat should be calculated in accordance with that.

How does Project Us communicate to donors about the Zakat projects they have implemented?

After the implementation of each project, Project Us' field offices and implementing partners prepare completion reports with details of the project, its financial expenditure, and any accompanying media (photos/videos).

We endeavour to feed this back to our donors through a variety of channels – Feedback reports, our annual report, our campaign drives, and other methods.

What is the Islamic legal status of Project Us regarding Zakat?

Project Us are considered as an agent (wakil). They are entrusted by the donor to deliver the donated Zakat to the beneficiary.

How long does Project Us keep Zakat money in the bank before spending?

Zakat should not be kept later than an Islamic year (awl). Project Us are committed to distributing the Zakat funds as soon as possible soon after a donation. Only in extenuating circumstances out of Project Us' control would this be delayed towards the end of the year.





How does Project Us identify Zakat eligible beneficiaries?

Project Us through our field offices and/or implementing partners conduct needs assessments in the locations where we plan to work. In most cases, our teams will conduct an eligibility assessment which can include supporting evidence to identify the most vulnerable to receive zakat.

The ruling of one who does not pay Zakat if he is eligible?

The Qur'an and sunnah indicate that one who does not pay Zakat is committing a major sin if left due to laziness. This is emphasised in Surat al-Tawbah² where Allah says



“Those who hoard up treasures of gold and silver and spend them not in the way of Allah; give them the news of a painful punishment”.

As for one who does not pay believing it not to be an obligation (even after clearly being presented with the evidence), then he is out of the fold of Islam.

What happens if the Nisaab fluctuates during the year?

In some cases, one's Zakaatable wealth may dip below the Nisaab throughout the year. In such cases of uncertainty, it is preferable for one to take the value of one's Zakaatable assets at the beginning and end of the *hawl* (lunar year). If both values were above the Nisaab then Zakat would be due.

Should we pay Zakat based on the value of gold or silver?

Project Us advise to one should pay Zakat based on silver (the lower value) if their assets are a mix of gold, silver, cash etc. This is due to a greater number of people fulfilling zakat and hence being more beneficial to the poor and needy. However, if your only asset is gold, then the gold Nisaab figure must be used.

Valuating Gold:

- 24 Carats = 100% pure
- 22 Carats = 92% pure
- 21 Carats = 87.5% pure
- 18 Carats = 75% pure
- 14 Carats = 58% pure

Where should Zakat be distributed?

The preferable option is to distribute Zakat locally if there are several deserving recipients. Alternatively, one may give Zakat to one of the 8 categories defined in the Qur'an anywhere in the world if they feel there is a particular benefit and their contribution would be more beneficial (e.g. recipients in extreme poverty, insufficient local donations, increased demand due to natural disasters etc.).

GENERAL CONDITIONS FOR ALL ZAKAATABLE ASSETS

Only the balanced value of these assets at the end of the year is the subject matter of Zakat. No Zakat is obligatory on the amount spent over the whole year.

Ownership: The subject matter of Zakat must be in the complete ownership of the payer. If someone possesses an asset but does not own it, Zakat is not liable on it (Badai-us-sanai. Pg: 389, vol: 2)

Potential of growth: The asset must have the potential of growth as the word Zakat itself means "Growth" or "Increase" (Badai-us-sanai. Pg: 394, vol: 2)

Asset must be more than necessity: The subject matter of Zakat should be other than the necessities of a person. The assets included in the necessities e.g., crockery, furniture, car etc are not the subject matter of Zakat provided that these assets are not purchased with the intention of sale (Badai-us-sanai. Pg: 389-394, vol: 2)

One year must lapse over the asset: It is necessary that one-year elapses over the asset which is subject to Zakat.





AN EXAMPLE ZAKAT CALCULATION

A person 'X' has the following assets and liabilities at the end of the Zakat year.

ASSETS	AMOUNT	NOTES
House	\$850,000	
Furniture & Household contents	\$25,000	Not subject to Zakat unless they are purchased for trade.
Motor Vehicle	\$60,000	
Gold	\$10,000	Subject to Zakat whether for personal use or otherwise.
Diamonds	\$50,000	Not subject to Zakat unless acquired for trading purposes. The same applies to all metals other than gold and silver.
Cash	\$85,000	
Shares, Stocks, Dividends & Investments	\$10,000	Subject to Zakat by consensus of jurists, because they are assets capable of growth through commerce and economic activity
Bitcoin	\$50,000	
Money Owed to You	\$85,000	Subject to Zakat but the obligation to pay Zakat thereon only arises upon receiving of the debts in question in which event, the Zakat of preceding years must also be paid on such debts.
Vacant Land	\$450,000	Zakat is not obligatory on land unless acquired for trade. Even if they are purchased for rent, Zakat is not obligatory.
Total Assets	\$1,598,000	
LIABILITIES	AMOUNT	NOTES
HECS	\$50,000	Not allowed to deduct your (HECS) debts from your Zakat liability amount.
Credit Card Debt	\$30,000	Monthly credit card expenses: For credit card balances which you intend to pay off within a month of your zakat due date, you can exclude the total amount you plan to pay off. For example: If you have \$30,000 in credit card bills you plan to pay off during your next billing cycle, then you can include all \$30,000 towards your personal liabilities. Recurring credit card balances: For recurring balances, only deduct what is past due or "immediately" owed. For example: If you have a credit card with a \$30,000 recurring balance and you are paying \$500 monthly towards this debt, you may only include \$500 towards your personal liabilities.
Loans	\$700,000	Do not enter the outstanding balance of your mortgage. Only enter what is " immediately due ". This includes past due mortgage payments and any mortgage payments coming due within a month from your zakat due date.
Total Liabilities	\$780,000	
CALCULATION OF ZAKAT	AMOUNT	NOTES
Gold	\$10,000	
Cash	\$15,000	
Shares, Stocks, Dividends & Investments	\$10,000	
Bitcoin	\$50,000	
Total Calculation of Zakat	\$85,000	
Total Zakat Payable (\$85,000 x 2.5%)	\$2,125	



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The holy prophet (PBUH) said:



وما منع قوم الزكوة الا إبتلاهم الله بأسنين (جمع الفوائد)

Every nation that does not give Zakat, Allah Ta'ala will afflict them with a drought.

Narrated Abu Huraira: Allah's Messenger (PBUH) said,



"The person whom Allah has bestowed with wealth, yet does not give its Zakah, on the Day of Judgment, his wealth will be turned into venomous bald serpent with two black spots over the eyes (or two poisonous glands in its mouth) which will wind around his neck and bite his jaws and say: 'I am your wealth, I am your treasure.' "Then the Prophet (PBUH) recited the holy Verse: "Let not those who covetously withhold...."(to the end of the Verse)

- Sahih Al-Bukhari Hadith 1315 and 4199.

THE SPEED OF ACHIEVING SOCIO-ECONOMIC JUSTICE

As a direct transfer of income and wealth from the rich to the poor, Zakat must presumably be efficient and reasonably quick in eliminating poverty from Muslim societies. Otherwise, if it takes a very long period to bring justice, it should not occupy such a central and pivotal place in the Islamic economic system.

Abdallah Al Tahir made a simple comparative static simulation of the effect of Zakat on this gap in a ten-year period and concluded that, under his assumptions, the income gap between the rich and the poor (average income of the rich/average income of the poor) is reduced from 9 to 1 to 6.15 to 1.

Zarqa (15: p. 23) ascertains that Zakat doubles the income of the poorest 10% of the society every year since most of it is taken from the rich and given to the poor.

Kahf (5: p. 148) also argues that since Zakat covers both income and wealth and its spending is not limited to providing subsistence living for the poor but it rather aims at the poor's enrichment, it influences the distribution of wealth in the long run let alone the short run redistribution of income.

The above expectations are based on estimating the Zakat proceeds at around 2.5% to 3.5% of national income per year in any Muslim society.

(See Monzer Kahf The Principle Of Socio-Economic Justice In The Contemporary Figh of Zakah)



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