



*Zakat*

**IS IT PAYABLE ON YOUR  
ISLAMIC SUPER?**





Zakat is 2.5% of the Zakat-able wealth of an individual, provided one meets a requisite level of wealth called nisaab and meets other requirements (e.g., being sane, adult, Muslim, in complete ownership of the nisaab).

The nisaab is the minimum amount of wealth a Muslim must possess before they become eligible to pay Zakat. The nisaab was set by Prophet Muhammad (SAW) at a rate equivalent to 87.48 grams of gold and 612.36 grams of silver.

As we no longer use silver or gold as currency, you need to find out the equivalent monetary exchange value of the rates the Prophet Muhammad (SAW) set in Australian Dollars.

## ZAKAT ON CONTRIBUTIONS INTO SUPERANNUATION

Zakat is not obligatory on the compulsory contributions during the lifetime of a Superannuation fund, specifically when the contributions consist solely of the 11% compulsory component. This applies when no voluntary contributions are being made into the fund.

However, if the individual or fund member voluntarily contributes to the Superannuation fund, in addition to the compulsory 11% contributions made by the employer from ordinary time earnings, Zakat is due on these voluntary contributions. This includes regular salary sacrifice contributions or any arbitrary amounts invested at the discretion and financial capacity of the individual or fund member.

Zakat becomes payable yearly on the voluntary contributions once it reaches the nisaab threshold, as indicated by Mufti Desai:



***“Zakat is applicable on all voluntary contributions you have made towards the superannuation scheme. However, since the money is not in your possession, Zakat will not be levied at this moment but only once you get physical possession of it.”***

- Mufti Desai

If an individual withdraws money from their fund at any time before retirement and the amount equals or exceeds the nisaab threshold, Zakat is due on that amount.

Zakat is calculated and becomes payable only when the wealth in the Superannuation fund can be accessed at retirement. This is because the criteria of ownership are applied to determine Zakatable wealth. Scholars have ruled that ownership can only be recognized when the individual gains control and can spend the money at will, which occurs upon receiving the funds at retirement. Once the individual gains access to the funds, Zakat will not be due for the previous year's constituting the lifetime of the fund. Zakat will only be payable from that point onwards. Mufti Desai also supports this ruling and advises that Zakat should be included in the calculation from that point onward.

In summary, Zakat is not required for the previous years when the individual did not have access to the funds. Zakat obligations arise once the funds can be accessed at retirement, and it should be calculated and paid from that point onward.

## Examples of Zakat Calculation

1. Lump Sum received at retirement - prescribed tax due = Zakatable Amount (Rahman, 2012)
2. Withdrawal Amount before retirement - (prescribed taxes and penalties) = Zakatable Amount (Al-Qudah, 2015)

The objective of Zakat is emphasised in the Quran itself:



***“Make, [O, Muhammad], from their wealth a charity by which you purify them and cause them increase and invoke [God's blessings] upon them. Indeed, your invocations are reassurance for them. And Allah is Hearing and Knowing”***

- Al-Taubah 9:103



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