



*Zakat*

# OBLIGATIONS FOR INDIVIDUALS & FAMILIES ON PAYING ZAKAT





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 is an **INDIVIDUAL** measurement so it should be calculated separately for each member of the family. Husband and wife, each should do their own Zakat calculations.

## JEWELLERY, GOLD, AND SILVER

Zakat is only applicable to the proportion of gold in your jewellery. Hence, when determining weights for calculation, please provide the best estimate of the weight of gold in your jewellery. To ensure accurate Zakat payment, it is advisable to consider the total weight of gold jewellery.

For men, wearing gold jewellery is prohibited in Islam. However, if a man possesses a gold item, such as a watch, Zakat should still be paid on that specific gold item.

When it comes to silver alloy items, where silver is mixed with other metals, Zakat is only due on the proportion that contains silver. To calculate weights, please provide the best estimate of the weight of silver in your jewellery. To avoid any underpayment of Zakat, it is recommended to include the total weight of silver jewellery when making calculations.

It is essential to adhere to these guidelines to ensure accurate Zakat calculations and fulfill your Zakat obligation in accordance with Islamic principles.

**Zakat is not due on jewellery made of platinum, pearls, or any other precious metals.**

## SALARY AND INCOME

Zakat is a mandatory obligation on the portion of salary and income that remains after an individual covers all essential expenses and needs.

The nisaab, which is the minimum threshold for Zakat, is determined based on the value of silver.

Scholars have outlined several methods for paying Zakat on salary and income:

1. Keeping track of monthly savings and considering each month as a separate Hawl (year has passed). Paying Zakat monthly based on the money saved from 12 months ago. However, this method can be challenging to implement.
2. Paying Zakat immediately on the estimated amount of money expected to be saved each month, right at the time the money is received.
3. Considering the Hawl (year) of the salary as continuous since the income is received monthly in the same currency and type of wealth. This approach is widely accepted and preferred among scholars.

Choosing the appropriate method for paying Zakat on salary and income is crucial to ensure compliance with Islamic principles and fulfill one's Zakat obligations accurately.



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## SHARES

When it comes to owning shares for long-term investment without the intention to resell, Zakat is only due on the dividend income received. This applies under the assumption that all your investments are Shariah compliant.

However, if you hold shares primarily for capital appreciation and with the intention to resell them, then their market value should be included in your Zakat calculation.

Scholars have varied opinions on how to determine Zakat for this type of wealth:

1. Some scholars recommend considering the nature of the business the company is involved in.
2. Others suggest treating it like Zakat on business and trade. This is the preferred opinion among many scholars.

Ultimately, to ensure accurate and compliant Zakat calculation, it is crucial to seek guidance from qualified scholars and experts in Islamic finance. By following the preferred opinion and fulfilling your Zakat obligation accordingly, you can align your financial decisions with Islamic principles and values.

### Types of Shares

Ordinary shares represent the most prevalent type of shares and offer flexible dividends that are adjusted based on the company's profits. Additionally, holders of ordinary shares possess full voting rights in the company.

Preferred shares, on the other hand, provide fixed dividends that must be paid before any dividends are distributed to ordinary shareholders. However, preferred shareholders do not have voting rights within the company.

If the value of shares reaches the nisaab threshold, Zakat becomes obligatory on them, calculated based on their value on the last day of the Zakat year.



Zakat is not applicable to options and any extra value associated with **golden shares**, as trading in these matters is not permitted in Islamic finance principles.



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## SUPERANNUATION

Zakat is applicable to the value of voluntary Super contributions if the owner of the superannuation has some level of control over how Superannuation is invested.

### Example:

if Esma paid her Zakat on the 20th of Ramadan last year, this year she will only pay Zakat on the value of her voluntary contributions to her pension scheme made between the 21st of Ramadan last year and the 20th of Ramadan this year.

Superannuation statements usually provide a breakdown of an individual's contributions and the employer's contributions. In the case of a personal Superannuation plan, all the contributions made by the individual during the Zakat year should be considered for Zakat calculation.

## PROPERTY

Zakat does not apply to the house that a person owns and resides in, or if it is occupied by someone under their care. However, Zakat may be applicable to any other property or building owned by the individual, such as:

1. If you own a property, other than your primary residence, for long-term investment without the intention to resell, Zakat is due on the rental income received from that property.
2. If you own additional property with the main purpose of capital appreciation and with the intention to sell it within the current Zakat year, you must include the value of the property in your Zakat calculation.
3. If you own additional property with no intention either to resell it or derive rental income, then no Zakat is due on that property.

### Example:

In the case where a person owns three houses - one for personal residence, one occupied by elderly parents, and the third one rented out - Zakat is only applicable to the third house, which is the rental property.

The amount of Zakat obligation and the method of payment depend on the use of the property and building owned:

1. If the property is used for personal residence, no Zakat is due on it.
2. If the property is utilized for business and trade purposes, Zakat is not applicable on the property itself. However, Zakat is due on the business goods and profits generated from the business.
3. If the property is rented out to tenants, Zakat is calculated based on the rental return from the property, minus any property taxes, council fees, maintenance costs, real estate agency fees, security charges, etc.

The same rules mentioned above also apply to any inherited property.

In situations where the properties are put on the market for sale, and Zakat calculation is conducted, but the properties have not yet been sold, and the full Zakat amount cannot be paid due to a lack of cash, the Zakat must be paid once the property is sold (according to Imam Malik).

By adhering to these guidelines, individuals can accurately calculate and fulfill their Zakat obligations while considering the specific use and nature of the properties they own.

## MORTGAGE, HECS AND RENTAL BOND

It is not permissible to deduct your home mortgage or study (HECS) debts from your Zakat liability.

If you are renting a property and have paid a rental bond to the landlord, you are required to pay Zakat only once on the bond amount when you receive the bond back at the end of the tenancy.

