



Your guide to understanding & calculating

Zakat

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1st Ethical

1st Ethical Charitable Trust, established in 2003, are a leading British-based educational charity. We provide a free information service on important money matters such as Zakat, Islamic Wills and Halal Money, through guides (like this document), and an email support service. If you have any questions about the information in this guide, please email info@1stethical.com

We also work in partnership with the leading 250 Mosques and Darul Uloom, (through our adult focused 1st Ethical Scholars brand) and Primary, Secondary & Supplementary Muslim Faith Schools and Home Schoolers, (through our child focused IIm 2 Amal brand) nationwide, where our remit covers both Money Matters and Social Responsibility.

The shari'ah accuracy of all of our work is reviewed and certified by leading scholars.

Why our work is important:

We believe one of the greatest challenges facing our current and future generations is strengthening a mode of living which allows us to thrive as practicing Muslims whilst also being upstanding citizens. **We believe the best way to safeguard the faith of our current and future generations is by practicing our faith holistically**, in a manner where we fulfil the rights God has given to creation (Huququl Ibad). Good character (Akhlāq), money matters (Mu'amalat) and social responsibility (Mu'asharat) are the three areas within huququl ibad which we focus on.

For further information on any of our offerings, please visit 1stethical.com



National Zakat Foundation (NZF) was launched in the summer of 2011 and is now the premier Zakat institution for the UK Muslim community, serving Zakat payers and recipients nationwide. By providing a complete Zakat service within the UK, NZF aims to achieve its vision of a **pious, confident, selfless and self-sufficient UK Muslim community, where no individual in need is left abandoned.**

As of June 2014, NZF has achieved the following milestones:

- Processed over 1,300 Zakat applications from vulnerable and destitute people across the UK.
- Distributed over £1,400,000 of Zakat funds to local, deserving recipients.
- Launched four supported housing projects to serve vulnerable Muslims. Three of these are for single, homeless women in London, Birmingham and Manchester. The fourth project is in London and caters for young, male ex-offenders.

NZF distributes 100% of its Zakat funds in line with the Qur'an and Sunnah, with its Zakat policies and practices being authenticated and audited by the Al-Qalam Shari'ah Panel and AlKauthar Institute. To give your Zakat to National Zakat Foundation or if you know someone in the UK who may be eligible to receive Zakat, please visit nzf.org.uk

1st Ethical and National Zakat Foundation are pleased to be working in partnership to revive the pillar of Zakat in the UK Muslim community, both in theory and practice.



The Shari'ah accuracy of this guide has been authenticated by the Al-Qalam Shari'ah Scholar Panel



The Guide



The shari'ah accuracy of this guide, as well as NZF's Zakat disbursement policy, has been approved by the Al-Qalam Shari'ah Panel. For further information please visit alqalam.org.uk

Al-Qalam Shari'ah Panel: Mufti Zubair Butt, Mufti Barkatulla, Mufti Muhammad Ibn Adam Al-Kawthari, Mufti Yusuf Sacha, Imam Abu Eesa Niamatullah, Shaykh Abdul Qayyum and Shaykh Haytham Tamim.

What is Zakat?

Zakat is a compulsory act of worship that requires Muslims who own wealth at or over a certain threshold (called the Nisab) to donate a portion of that wealth, typically 2.5%, to those who are eligible. It is a right the poor have over the rich.

The Nisab was set by the Prophet Muhammad (peace be upon him) at a rate equivalent to:

87.48 grams of gold
612.36 grams of silver

These equate to approximately £2,100 and £225 respectively (June 2014).

See "How do I calculate my Zakat?" to know which Nisab to use for your Zakat calculation.

Linguistically, Zakat is associated with purification and growth.

The importance of this pillar is such that in the Qur'an it is mentioned 28 times alongside the observation of Salah, the obligatory prayer.



Why Zakat?

Islam encourages Muslims to seek halal employment and take part in entrepreneurial activity, but in order for commerce to benefit society, Islam places several obligations on those involved in wealth creation.

Amongst these is the obligation of Zakat, the third of five pillars of Islam.

Scholars state that the giving of Zakat has both an outer and an inner dimension. The inner dimension suppresses the ego, helping Muslims to overcome tendencies such as selfishness and miserliness.

The outer dimension involves the purification of a Muslim's wealth.

Who receives Zakat?

The Qur'an (9:60) specifies eight categories for the distribution of Zakat:

- 1 The poor
- 2 The needy
- 3 Those employed to administer Zakat
- 4 Those whose hearts are to be reconciled
- 5 Those in slavery
- 6 Those in debt
- 7 In the way of Allah
- 8 The destitute traveller

The poor and needy are defined as those whose Zakatable assets are valued below the Nisab level and whose surplus non-Zakatable assets are also valued below the Nisab level. Surplus assets are defined as any non-Zakatable assets that are never used.

Someone whose surplus assets are valued above the Nisab level, and who also has Zakatable assets valued below the Nisab level does not pay or receive Zakat.

Example 1 • Someone who is entitled to receive Zakat

Zaynab is a poor widow who owns the house in which she lives, but she only has £100 worth of Zakatable assets. Hence she is not liable to pay Zakat. She does however possess some surplus items which she never uses, such as a second sofa set and some cooking utensils. The value of these surplus items is £100 which, when added to her Zakatable assets, comes to a total of £200. Because this total figure is less than the Nisab, Zaynab can receive Zakat.

Example 2 • Someone who neither has to pay nor can receive Zakat

Zaid has valued his Zakatable assets at £200, hence he is not liable to pay Zakat. Zaid also owns his own home within which he has many unused, surplus items whose value easily exceeds the Nisab threshold. Zaid, therefore, neither pays nor can receive Zakat.

When should Zakat be distributed?

Zakat should be paid as soon as possible. At the very latest, Zakat should be distributed one year after the due date as it is a sin to delay disbursement without a valid reason.

Where should Zakat be distributed?

It is preferred to give Zakat locally if deserving recipients exist. The number of those eligible to receive Zakat in the UK is increasing and such individuals have a right to the support of UK Zakat payers.

At the same time, situations of extreme poverty and disaster relief around the world also deserve the community's support. It is hoped that a suitable balance between local and international contribution will be achieved, God willing.

What is Zakat al Fitr?

Zakat al Fitr (or Sadaqat al Fitr) is a duty that is paid on the occasion of Eid al Fitr and is required of every Muslim, whether male or female, minor or adult, as long as he/she has the means to pay. The head of the household may pay the required amount for the other members.

Consult your local mosque for the recommended amount to pay per head.

Who pays Zakat?

Those required to pay Zakat must be:

- **Adult** (have reached puberty)
- **Muslim** (Zakat is not paid by non-Muslims)
- **Sane**
- **Has complete ownership of the nisab**

Please note, the three schools of thought other than the Hanafi school state that Zakat should be paid on qualifying wealth owned by the insane and children.

When & Where?

When is Zakat paid?

Your Zakat year starts on the date your wealth first equalled or exceeded the Nisab. Zakat should then be calculated and paid after one lunar year has passed and every year thereafter on that date. If you cannot remember the date you first became owner of the Nisab, then the date should be estimated. If this is not possible, then a random date should be selected and adhered to. Paying Zakat in Ramadhan is not necessary, although giving charity in this month guarantees greater rewards.

How do I calculate my Zakat?

Our calculator below will allow you to easily work out your Zakat payment
Please visit 1stethical.com or nzf.org.uk to make your calculation online

Part A deals with your Zakatable assets

Part B deals with your liabilities that can be deducted

Part C deals with the final calculation



A

1. Cash and liquid investments

- Cash and liquid investments are fully subject to Zakat.
- You should include cash in all your bank accounts, in your wallet and under your mattress!
- If interest has been earned on your liquid investments, then it should be given to charity and only the principal amount should be noted for Zakat purposes.

My total cash amount is The value of my liquid assets minus interest is

2. Gold and silver

- Gold and silver, in whichever form (jewellery, coin, ingots etc.) are subject to Zakat. The Hanafi school treats all gold and silver jewellery as Zakatable, regardless of whether it is worn or stored.
- If you own personal use items made from a mixture of metals, these are only liable to Zakat if half or more of the metal is gold or silver, although some scholars hold that the proportion of gold or silver in any owned asset is Zakatable.
- You can find out the current value of your gold by consulting your local jeweller.

The value of all the gold in my possession is The value of all the silver in my possession is

3. Shares, unit trusts & equity investments

- If shares are purchased with the express intention for resale then the entire holding is subject to Zakat.
- If, however, shares are purchased as an investment to generate dividends, then as Zakat is only due on the Zakatable assets of the firm, a realistic attempt must be made to calculate the percentage of the share holding relating to Zakatable assets. Please visit alqalam.org.uk for more information.
- Any dividends received should be added to one's cash balance for Zakat purposes.

The total value of my shares, unit trusts and equity investments is

4. Property and other fixed assets

- 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, then the entire value of the property/asset is subject to Zakat.
- If there is any other intention, then it is not subject to Zakat.
- Any rental income from properties owned should be added to one's cash balance for Zakat purposes.

The total value of my Zakatable property and other fixed assets is

5. Pension

- Zakat is payable in full on pensions received after retirement.
- For monies set aside for pensions prior to retirement, Zakat is only payable if the pension assets are being invested on behalf of the pension holder. If no such investment is being made, then Zakat is not payable. Please note, if pension monies are able to be invested, care should be taken to invest in a shari'ah compliant investment, and the Zakat liability will be determined by the nature of the investment (property or shares etc. as per points 3 and 4 above).

The total value of the Zakatable portion of my pension is

6. Debts owed to you

- Zakat is payable on strong debts, i.e. money that is owed to you that you are confident will be paid.
- This may include personal loans to friends and family.
- This does not include outstanding wages, dowry, inheritance or assets held in trust (other than assets held under a Bare Trust).

The total amount of money I have lent to others that I am confident will be repaid is

7. Business assets

- Business assets are subject to Zakat.
- These include cash, finished goods, work in progress, raw materials and strong debts, i.e. money owed to the business that is likely to be received.
- All business assets should be valued at their current market price. For finished goods, this should, therefore, be their retail sale price. For unfinished goods, this should be whatever price you expect the unfinished good to fetch on your Zakat anniversary date.

My total cash amount is The total value of finished goods for sale is
The total value of work in progress and raw materials is The total value of money owed to the business that I am confident will be repaid is

My total Zakatable assets are £

8. Personal liabilities

- Certain liabilities can be deducted from your Zakatable assets before calculating how much Zakat you owe.
- These include outstanding or overdue living expenses such as a rent payment or utility bill, as well as debts.
- Long-term debt, such as a mortgages or student loans, the Al-Qalam panel view is that the non-interest or principal portion only of the forthcoming year's worth of payments can be deducted for Zakat calculation purposes.
- However, because repayment of such debt is not required immediately and because such a deduction may even prevent someone on a high income from paying Zakat, you may choose not to subtract any part of your long-term debts from your calculation.

My outstanding or overdue basic living expenses that have not yet been paid for add up to My personal debts add up to
The forthcoming year's non-interest portion of my long-term debt is Money that I owe to third parties for completed purchases add up to
The outstanding dowry that I owe and intend to pay is

9. Business liabilities

The total value of rent, bills and salaries outstanding or overdue is The total value of outstanding short-term commercial loans is
The next year's non-interest portion of long-term business debt is The total value of goods purchased on credit is

Short term is less than 12 lunar months, and long term is more than 12 lunar months

My total deductions are £

My net assets are £ - £ = £

So do I have to pay Zakat or not?

Remember you only pay Zakat if your net assets equal or exceed the Nisab threshold. If you only have gold as an asset, then the Nisab measure for gold must be used. If, however, you have a mixture of assets, then the Nisab level for silver should be used. Although some scholars still maintain that gold should be used regardless, using silver is safer for the payer and more beneficial for the recipients of Zakat. Remember that the Nisab is either 87.48 grams of gold or 612.36 grams of silver. To find out the current monetary equivalent of the Nisab limit, it is necessary to establish the market rate for a gram of gold and silver. This can be obtained from bullionbypost.co.uk

I have a mixture of assets. Today's silver Nisab is
The approximate Nisab value as of June 2014 are £2,100 (gold) and £225 (silver)

If your net assets exceed or equal the Nisab then Zakat is due on 2.5% of total net assets

2.5% of my total net assets is

£
Zakat Due

Additional notes

It is quite possible that your wealth may fluctuate above and below the level of Nisab during the year. If this is the case then Zakat is only due if wealth is in excess of the Nisab on your Zakat anniversary. Zakat is always paid on the assets owned on the Zakatable date, not on fluctuating amounts during the year or even an average amount. It is permissible to prepay Zakat for future years. However, at the time of payment, the intention must clearly be for future years. In addition, a Zakat calculation should still be made on the Zakat anniversary to make sure that sufficient Zakat has been paid. Missed Zakat payments for previous years must be paid as a matter of urgency. A realistic attempt must be made to calculate the Zakat due for each of the years missed. Last but not least, don't forget to intend specifically the giving of Zakat when you make your payment!