

How to calculate the Zakat of your money

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Pre-conditions for obligation of Zakat

Allah (Tabaraka wa ta'aala) made the Zakat an obligation and one of the five pillars of Islam.

Two conditions have to exist for Zakat to be an obligation. These are:

1- One must own the Nisab (minimum amount of money or other form of wealth on which Zakat is payable.)

The Nisab differs according to the type of wealth.

2- One must have the money in one's possession for one lunar year (according to Islamic calendar.)

The rules regarding the wealth on which Zakat is payable differ according to the type of wealth.

On the following pages some of the main rulings.

Firstly: Zakat of Cash Money (Banknotes)



The *Nisab* of money is equivalent to the lesser of the value of *Nisab* for gold (85 grams) or silver (595 grams.) The lower of the two at our present time is that of silver. Accordingly, the *Nisab* of money is equivalent to the value of 595 grams of silver. The current value of one gram of silver is €0.5 and thus the *Nisab* of money is equal to $595 \times 0.5 = €298.00$.

Once money has come into one's ownership, reached the *Nisab* or exceeded it and one Hijri year has passed since possession, the amount to be paid is equal to quarter of a tenth or 2.5% of the total money in one's possession.

The easiest way to calculate the Zakat of your money is to determine a day in the year on which to pay your Zakat. When this day comes you add together all the money that you own. This includes the salaried money, rental money you have received and money earned through other ways. You should add to the cash the money that you have in your bank account(s) (in single or different currencies; in one or more countries.) You should then subtract the debt that is due for repayment and out of the remainder pay 2.5% as Zakat.

Secondly: Zakat of Debts

1-Debts which are owed to you:

i) If the debt is likely to be re-paid, then one must pay its Zakat with the rest of one's money. It is permissible to delay the payment of Zakat of debt money until such time when one receives one's money. One must then pay Zakat for the past years.

ii) If the debt is unlikely to be settled such as if the debtor is insolvent, denying or putting off repayment of the debt, then one is not obliged to pay the Zakat of debt until one receives what is owed to one. One should start calculating the year from the time when one receives what is owed to one. If one pays the Zakat for one year after receiving one's money, then that is good.

2) Debts owed by you to others:

i) If the debt is due for payment during the year, then it should be subtracted from the money that one has before payment of Zakat.

ii) If the debt is not due for payment during the year, then the scholars have different opinions regarding subtracting it from the money on which Zakat is payable. Some scholars are of the view that it should be subtracted in full, some say it should not be subtracted. The latter seems to be the safer opinion.

Thirdly: Zakat on Goods Stocked for Trade

Zakat is an obligation on goods that are intended for trade. It is not an obligation on belongings that are not meant for trade. *Nisab* of goods of trade depends on their value. It is equal to the *Nisab* of paper money (the value of 595 grams of silver or 298 Euro.)

The amount to be paid is equal to quarter of a tenth or 2.5% of the total market value of the goods at the end of the year. Evaluation is to be based on the sale's price whether it is whole sale or retail.

Fourthly: Zakat on Land

Zakat on land differs depending on the owner's intended purpose behind holding the land.

1. If the owner intends trading in the land, then he pays 2.5% of the market value of the land at the end of the year as Zakat – whether he owned it through inheritance, as a gift or purchased it.
2. If he did not intend trading in it when he/she owned it, there is no Zakat payable. This is if he intended to build a house on it, to use it as a farm etc.

Fifthly: Zakat of Company Shares

There are two cases for the shares owner:

- 1) If he intends investment and return on the shares and if the company pays Zakat on the shares (as in some Muslim markets), then there is no Zakat to be paid by the owner. If the company does not pay the Zakat on the share or if the owner is not sure whether the company has fully paid the Zakat or not, then he should pay Zakat at 2.5% of the book value of the shares which he/she owns.
- 2) If he intends trading in the shares to benefit from the difference of the prices of the shares, then he should treat like goods stocked for trade and at the end of the year determine the market value of the shares and pays 2.5% AS Zakat.

Sixthly: Zakat of Investment Funds

Whoever owns units in an investment fund must pay their Zakat unless the fund manager pays the Zakat on behalf of the owners.

Zakat on the fund units are calculated at 2.5% of their value at the end of the year like that of stocks for trade. The value of fixed assets and non-trade assets, if present, should be subtracted.

A practical example for calculation of Zakat:

Determine a day in the year when you pay your Zakat, say for example the first day of Ramadan every year. When this day comes, add the following together:

- 1) Cash in hand and money in your bank account(s.)
- 2) The market value of your company shares on that day.
- 3) The latest evaluation of the investment fund units that you own.
- 4) Gold and silver that is not used for ornament by women.
- 5) The debts owed to you which are likely to be repaid.
- 6) All the items stocked for trade whether it is a land, cattle or goods in a shop.

From the total amount you should subtract the debts that are due for repayment. If, for example, you bought a house by instalments for €250,000.00, you should not subtract €250,000.00 from the total but what you are supposed to pay on or before the determined day (1st of Ramadan.)

You should pay 2.5% of the final figure after subtracting the debt.

It is possible that there could be different dates for payment of Zakat on different types of wealth such as a date for the cash money and another date for goods of trade.

And Allah knows best.

How to pay your Zakat:

You can hand your Zakat money to the Islamic Foundation of Ireland to pay it on your behalf to the needy Muslims in Ireland and abroad.

Zakat money received by the Islamic Foundation of Ireland is not used for the running expenses of the Mosque or Islamic Centre but given to the people who are allowed to receive Zakat according to the Shari'ah.

Methods of payment:

- 1- Zakat money can be handed to the IFI office or put in the Zakat box in the Dublin Mosque.
- 2- Transfer or lodge your Zakat in the Islamic Foundation of Ireland Zakat Fund bank account. Account details are as follows:
Islamic Foundation of Ireland – Zakat Fund
Account No. 63843033.
Allied Irish Bank, 219 Crumlin Road, Dublin 12.
Sort code: 93-10-20
Iban: IE11AIBK93102063843033.
Swift (BIC): AIBKIE2D