

Your guide to
understanding and calculating

Zakat



National Zakat
Foundation™

**Our mission is to
distribute Zakat
transformatively
within the UK**

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Zakat

What is Zakat?

Linguistically, Zakat is associated with purification and growth.

In Islamic law, Zakat is a compulsory act of worship that requires Muslims who own wealth at or above a certain threshold (called

the Nisab) to pay a portion of that wealth, typically 2.5%, to those who are eligible.

Who receives Zakat?

The Qur'an specifies eight categories for the distribution of Zakat:

“Indeed, Zakat expenditures are only for [1] the poor and [2] the needy, and [3] to those who work on [administering] it, and [4] for bringing hearts together, and [5] to [free] those in bondage, and [6] for those in debt, and [7] for the cause of God, and [8] for the stranded traveller. [This is] an obligation from God. God is All-Knowing, All-Wise.”

(Qur'an, Chapter 9, Verse 60)

Zakat in the Qur'an and the Sunnah

The word Zakat is mentioned thirty-two times in the Qur'an.

In thirty from these thirty-two, Zakat is in its technical meaning of paying Zakat. From these thirty, Zakat has been interlinked with Salah, the obligatory prayer, twenty-eight times. This interlinking in the Qur'an highlights the connection between the first, second and third pillar of Islam. It is on this common theme and thread that the great scholar Al-Hafiz al-'Iraqi stated that whoever can perform these three pillars with diligence, he will be able to perform fasting and hajj easily. The renowned hadith scholar Al-Kirmani commented that Salah and Zakat have been paired together multiple times due to their universal nature and significance.

Paying Zakat has been associated to several physical and spiritual benefits in the Qur'an.

For example:

“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.”

(Qur'an, 7:156)

A virtue on Zakat

“The example of those who spend their wealth in the way of Allah is like a seed [of grain] which grows seven spikes; in each spike is a hundred grains. And Allah multiplies [His reward] for whom He wills. And Allah is all-Encompassing and Knowing.”

(Quran 2:261)

Just as the Qur'an makes multiple references to Zakat, there are multiple 'Ahadith (prophetic narrations) which discuss Zakat. For example: Abdullah Ibn 'Abbas (May Allah be pleased with them) narrates:

The Prophet sent Mu`adh to Yemen and said,

“Invite the people to testify that none has the right to be worshipped but Allah and I am Allah's Messenger, and if they obey you to do so, then teach them that Allah has enjoined on them five prayers in every day and night (in twenty-four hours), and if they obey you to do so, then teach them that Allah has made it obligatory for them to pay the Zakat from their property and it is to be taken from the wealthy among them and given to the poor.”

(Sahih al-Bukhari)

An admonition on Zakat

“Whoever is made wealthy by Allah and does not pay the Zakat of his wealth, then on the Day of Resurrection his wealth will be made like a bald headed poisonous male snake with two black spots over the eyes. The snake will encircle his neck and bite his cheeks and say, 'I am your wealth, I am your treasure.'“ Then the Prophet recited the verses: - ‘Let not those who withhold . . .’ (to the end of the verse).

(Qur'an, 3:180) (Sahih al-Bukhari)

Zakat in society

Zakat is more than just a tool of poverty alleviation and purification of wealth; Zakat is one of the foundational pillars of Islam and a macro-micro element for success.

Until these pillars are not uplifted again, we cannot expect success at any level. Thus, Zakat plays a huge role as a safety-net from disbelief. Zakat is a spring which elevates the faith of the community. Zakat, along with the other pillars of Islam, has the power to uplift and support the sustainable development of an entire nation. Zakat strengthens faith and empowers society to prosper spiritually, economically and socially.

Islam encourages Muslims to seek halal employment and take part in entrepreneurial activity, but for commerce to benefit society, Islam places several obligations on those with wealth. Amongst these is the obligation of Zakat.

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, and it also involves the purification of a Muslim's wealth.
- **The outer dimension involves removing barriers** for individuals and provides opportunities for the community to prosper.

This is why it is essential that we are all up to date with Zakat payments

Who pays Zakat?

Those required to pay Zakat must be:

- **Adult** (have reached puberty)
- **Muslim** (Zakat is not paid by non-Muslims)
- **Sane**

Please note that the three schools of jurisprudence other than the Hanafi school state that Zakat should be paid on qualifying wealth owned by those who do not have mental capacity and children.

Complete ownership of wealth

Complete ownership refers to having ownership and the ability to benefit from a Zakatable asset. It is not necessary to have direct possession; one may have indirect possession such as having cash deposited in the bank or money kept with a relative. This is agreed upon by the mainstream schools of jurisprudence.

Asset is productive

Zakat is binding on wealth which is productive according to all four schools of jurisprudence.

Productivity in terms of Zakat refers to the potential of an asset to grow and increase. Productivity of an asset can be intrinsic as is the case with gold, silver and cash. Productivity can be activated by an intention to trade when purchasing stock or investing into Zakatable assets. And finally, productivity can be established through the breeding of flock.

Besides these three causes, the Sharia has not recognised any other cause of productivity. Personal assets and belongings which may appreciate will not be Zakatable despite growing in value as they are not productive wealth in Zakat terms.

When is Zakat paid?

Zakat is an annual obligation due once every lunar year. Your Zakat year starts on the date your wealth first equalled or exceeded the Nisab, to be paid on the same day as per the lunar calendar. 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 specific Islamic date should be selected arbitrarily and adhered to annually.



1st Ramadan 2018

One Lunar Year



1st Ramadan 2019

What is Nisab?

Nisab is a minimum threshold of wealth.

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 £2,695 and £235 respectively (April 2018).

For the payment of Zakat to be obligatory, it must equal or exceed the Nisab threshold on the Zakat anniversary.

How do I calculate my Zakat?

Our calculator below will allow you to easily work out your Zakat payment. You can also visit www.nzf.org.uk/calculator to make your calculation online.

1. Zakatable assets (What you own)

2. Deductible liabilities (What you owe)

3. Zakat calculation (2.5% of the total)

Zakatable assets

(What you own)



Gold and silver

Gold and silver, in whichever form (jewellery, coin, ingots etc.) are subject to Zakat, with certain conditions.

The Hanafi school treats all gold and silver jewellery as Zakatable, regardless of whether it is worn or stored. However, the other schools of Fiqh believe that gold and silver for personal use are exempt from Zakat.

If a person has jewellery made from a mixture of metals, then the gold/silver content is

Zakatable regardless of the ratio of gold/silver.

For your Zakat calculation, gold and silver can be valued at its current scrap value. Your local gold jeweller or a simple search online can determine this for your gold and silver assets.

The value of all the gold in my possession is:

£

The value of all the silver in my possession is:

£



Cash and receivables

Any cash in ownership on one's Zakat anniversary is Zakatable.

Cash includes all income earned whether salaries, benefits or rental. Cash kept in a bank account, wallet or under the mattress all qualify for Zakat. This value is to be taken on your Zakat anniversary.

Receivables, or money owed to you, can be divided into two common categories: strong and weak.

Strong receivables include:

- **Money which you have given to others to borrow**
- **Outstanding balance from the sale of commercial goods**

Zakat must be paid for every year a strong receivable is outstanding. One may pay Zakat before receipt of the strong receivable. However, if one did not pay, upon receipt, they must pay Zakat for all previous years.

Weak receivable include:

- **Outstanding invoices for the sale of personal items**
- **Outstanding wages, fees, remuneration of services**
- **Outstanding Mahr (dower) owed to the wife**
- **Outstanding inheritance shares**

Zakat is not binding on weak receivables for the years they are outstanding.

My total cash amount is:

£

The value of my liquid assets minus interest is:

£

Impure wealth

Zakat is not paid on impure and unlawful income.

In other words, 2.5% is not given as Zakat on unlawful income, instead, the entire amount (100%) of the unlawful income must be

dispensed in charity without any expectation of reward.



Business assets

A business asset is anything purchased with the intention to re-sell. In and out of business.

Stock and inventory that has been purchased by you are Zakatable. All stock should be valued at retail price on one's Zakat anniversary and not at cost price.

For manufacturing companies, work in process and raw materials should be priced and valued in their current state. A price should be estimated as much as possible for such products, however, if an estimation

is not possible, the work in process and raw materials can be valued at the cost price as a last resort.

Dead stock is also Zakatable. This should be valued at what it is currently worth as dead stock. Undelivered stock is also Zakatable. This should be valued according to the price in its current location.

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:	£

See our **Zakat on Business Guide** for more information



Investments

Shares, unit trusts & equity investments.

If shares are purchased with the intention to resell, then the entire shareholding is Zakatable at the current market value.

However, if shares are purchased as a long-term investment to generate dividends, then Zakat is only due on the net Zakatable assets

of the company. This can be calculated from the company's annual balance sheet. If you cannot, then NZF recommend 25% as a proxy figure. Any dividends received should be added to one's cash balance for Zakat purposes.

The total value of the Zakatable portion my shares, unit trusts and equity investments is:



If you are unable to calculate using the balance sheet then NZF advises you to pay Zakat on 25% of the total value of the shares.



Pensions

Only defined contribution pension schemes are Zakatable during the contribution phase.

Defined contribution schemes are Zakatable whilst working and contributing into the pension investment whereas defined benefit schemes are not.

For defined contribution schemes, Zakat is only due on the Zakatable assets in the pension fund. Zakat is calculated by determining the value of Zakatable assets in proportion to your total pension fund value.

If the portfolio consists only of equities, NZF advises to take 25% of the current market value of the portfolio as a proxy and then pay 2.5% of this figure. This is based on research undertaken by NZF.

Rental property in a pension fund is not Zakatable regardless of the percentage.

The total value of the Zakatable portion of my pension is:



My total Zakatable assets:



Deductible liabilities

(What you owe)

The schools of Islamic law permit certain debts to be subtracted from one's gross value of Zakatable assets in a Zakat calculation, however, we advise not to make a deduction unless necessary.



Deductible debts

1. Debts payable in full within 12 months

Incurred expenses (i.e. only those incurred prior to the Zakat anniversary date) to be settled in full within 12 lunar months can be deducted from one's Zakat calculation.

2. 12 month's instalments of long term liabilities

If the debt is scheduled to be repaid over a number of years, on the Zakat anniversary, one may deduct one year's worth of instalment repayments.

3. Arrears

All arrears and overdue payments can be deducted from one's Zakat calculation.

One can deduct whatever is currently due on their Zakat anniversary. Debts to be repaid within the next 12 months should only be deducted if the ability to repay the debt is impacted by the Zakat payment.



Non-deductible debts

1. Future expenses and bills

Expenses not incurred yet but will incur in the future cannot be deducted at present. For example, next month's rent or next month's utility bills cannot be deducted right now.

2. Not payable at all in the next 12 months

A long-term debt which is not due to be repaid now or in the next 12 months cannot be deducted right now. For example, despite the scholarly debate on the impermissibility of conventional student loans, a student who did take out a student loan cannot deduct the debt during their studies as that is not currently payable.

3. Unlawful income

Despite the explicit prohibition in the Qur'an and Sunnah of dealing with interest, if a person still engaged in interest dealings and had to pay interest, the interest amount cannot be deducted. The interest money must be dispensed in charity or to public welfare projects as a relinquishment of unlawful wealth and not as a rewarding act.



Personal liabilities

My outstanding or overdue basic living expenses that have not yet been paid for 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 adds up to:	£
Outstanding dowry owed and intended to pay is:	£
My total liabilities:	£

Zakat calculation

(2.5% Zakat on total)



Take the total value of your Zakatable assets and subtract the total value of deductible liabilities. If the resulting figure equals or exceeds the Nisab (minimum threshold on that day), you must pay Zakat, which is 2.5% of this figure.

My net Zakatable assets are:

£		—	£	=	£
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Case study for a Zakat calculation

Zakatable assets	Value (£)	Zakat treatment
Gold	1,000	Zakatable at the current value of the gold
Cash	1,000	Zakatable at nominal value
Receivables	1,000	Zakatable at nominal value
Gross Zakatable assets	3,000	

Deductible liabilities	Value (£)	Zakat treatment
Outstanding rent	1,000	Deductible
Council tax	1,200	Deductible
Private loan	50	Deductible
Interest	100	Non-deductible
Total deductible liabilities	2,250	

Net Zakatable assets	750
Zakat due at 2.5%	18.75

Frequently asked questions

When should Zakat be paid?

The four mainstream schools of Islamic jurisprudence, namely, the Hanafi, Shafi'i, Maliki and Hanbali schools are all in agreement that the payment of Zakat is due immediately upon one's anniversary.

Zakat is an immediate obligation as Allah has instructed us to pay immediately in the following verse: "And give its due on the day of its harvest." (Qur'an 6:141)

Can Zakat be prepaid and in advance?

Zakat can be paid in advance before one's Zakat anniversary. The wisdom behind this is to encourage people to increase in worship and capitalise on blessed times like Ramadan or the first ten days of Dhul Hijjah.

If a person does pay Zakat in advance, it is still necessary to make a Zakat calculation on one's Zakat anniversary to ensure the advance payments offset the actual Zakat liability.

Where should Zakat be distributed?

We encourage Zakat to be given locally. This is based in part on the instruction that the Messenger of Allah (peace be upon him) gave to his companion, Mu'adh, who was sent to spread the message of Islam in Yemen, "O Mu'adh! Inform them that Allah makes Zakat obligatory for them, (it is) to be taken from their rich and given to their poor." (Sahih al-Bukhari)

As the need for those eligible to receive Zakat is increasing and such individuals have a right to the support of UK Zakat payers.

Therefore, give your Zakat locally and donate your Sadaqah wherever you like.



**National Zakat
Foundation™**

**So far, you have
empowered over
10,000 people with
more than £10m.**

NZF is the UK's only Zakat institution.
We distribute grants in our communities
to offer support and relief for those in
poverty as well as to further the cause
of devotion to God in larger society.

**Our vision is for Islam to flourish in society
as a source of prosperity and harmony for all.**

Our Zakat Strategy

The purpose of Zakat is to enable Islam to flourish in society.

But this purpose can only be achieved when Zakat is given out efficiently and effectively.

In order for Zakat distribution to be effective, it needs to be unified, localised and balanced to address the various concerns affecting Islam and Muslims.



Unified

Our Zakat is so much more powerful when we pool our resources.



Focused

We distribute Zakat locally to focus on the society for which we are most responsible.



Balanced

We distribute Zakat across the eight categories mentioned in the Qur'an.

The Qur'an (9:60) specifies eight categories for the distribution of Zakat, supported through NZF's programmes:

Economic Empowerment Programme

1. The poor
2. The needy
5. To [free] those in bondage
6. Those in debt
8. The stranded traveller

Leadership Investment Programme

4. Bringing hearts together
7. The cause of God

Administration

3. Those who work on [administer] it



How can you calculate Zakat?

NZF provides Zakat payers with many ways to help ensure they pay the right amount of Zakat

- **Online Zakat calculator**
- **Website content**
- **Publications**
(available online and hard copy)

How can you pay Zakat?

NZF provides Zakat payers with many avenues to ensure safe and secure Zakat collection

- **Remote collection**
(website, bank transfers, post, Al Rayan Bank branches)
- **In-person collection**
(Zakat Centre, mosque collections)

Ensuring trust

NZF is audited by a leading auditor in the not-for-profit sector and has consistently had full, clean audits. In addition, the Strategy, Policy & Research team consults a wide range of expert advisers – scholars, researchers and practitioners – who are committed to ensuring our Zakat distribution in the UK is legally sound, purposeful and effective.

**Join thousands in giving
your Zakat locally.**

**Because together
we are stronger.**



**National Zakat
Foundation™**

41 Fieldgate St, Whitechapel, London E1 1JU
03333 123 123 | info@nzf.org.uk | nzf.org.uk

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