

Remember...



... to pay Zakat on your wealth

Zakat and the Method of its Calculation

Zakat is an obligatory form of charity, and one of the five pillars of Islam, which is required of Muslims once their wealth is equivalent or exceed a certain threshold (known as “Nisab”) for one full Lunar year (known as “Hawl”). As clearly stated in The Qur’an and the authentic quotes (Hadith) of the Prophet Mohammed (Peace Be Upon Him). As Allah mentioned **“And establish prayer and give Zakat, and whatever good you put forward for yourselves - you will find it with Allah. Indeed, Allah of what you do, is Seeing”** (The Qur’an Chapter 2: Verse 110).

Zakat is prescribed to serve philanthropic purposes, which include providing for the needy and achieving social justice among members of society. The payment of Zakat, is a purification from selfishness and greed. As Allah mentioned **“Take, (O, Muhammad), from their wealth a charity by which you purify them and cause them increase, and invoke (Allah’s blessings) upon them. Indeed, your invocations are reassurance for them. And Allah is Hearing and Knowing”**. (The Qur’an Chapter 9: Verse 103). It is considered a blessing which protects and increases the wealth of the payers in their life and leads to great reward from Allah the Almighty in the Hereafter and protection from punishment of fire of Hell, As Allah mentioned **“And whatever you give for interest to increase within the wealth of people will not increase with Allah. But what you give in Zakat, desiring the countenance of Allah - those are the multipliers”** (The Qur’an Chapter 30: Verse 39). Zakat leads to stronger social communion and solidarity among members of society. It helps in the eradication of poverty and the enhancement of morality and love. As Allah mentioned in the Qur’an **“My mercy encompasses all things.” So I will decree it [especially] for those who fear Me and give Zakat and those who believe in Our verses”** (The Qur’an Chapter 7: Verse 156).

The Presence of the Intention: Although the payment of voluntary charity is greatly recommended and rewarded, it cannot be a substitute for the payment of obligatory Zakat which is calculated as illustrated here and which must be paid with **such intention**.

Nisab - Conditions for its Fulfillment

- A. Payment of Zakat is obligatory once a person’s wealth equals or exceeds the “Nisab”. The “Nisab” is specified as 85 grammes of pure gold or 595 grammes of pure silver or their equivalent in cash and funds of all types, such as stocks, properties of all kinds, tradable assets and all that is mentioned in the table below, the methodology in estimating the Nisab of Zakat in cash money as follows: price of gramme Gold today x 85 = (Nisab). For example, if price of one gramme Gold today is BD 19, then Nisab will be BD 1,615. If you at least have an amount equivalent or exceeds the Nisab, for one full lunar year, you must pay Zakat at 2.5% on this full amount.
- B. The Zakat payer’s Lunar year begins on the date when a person’s wealth reaches the Nisab. To simplify matters and to avoid the repetition of Zakat date within a single Lunar year, it is acceptable for a Muslim to specify a single date on which to pay Zakat and to adhere to such date every year whether one full Lunar year has passed on every portion of his/her wealth or not, assuming that his/her wealth has the Nisab on this date.
- C. If a person dies before he/she has paid Zakat and it is due, his/her heirs must pay it from his/her estate, after settling debts before paying bequests. Children, minors, orphans, widows and widowers must pay Zakat on their wealth if the conditions mentioned above are met. This is because Zakat is tied to wealth and not individuals or status. Therefore, guardians (of minors) and trustees of such people should pay Zakat on their behalf.

Who is Entitled to Zakat?

Zakat may only be paid to the eight categories mentioned in the Qur’an Chapter 9: Verse 60, namely: (1) the poor, classified as someone who doesn’t have sufficient resources to meet half of his/her basic needs, (2) the needy, classified as someone who doesn’t have sufficient resources to meet all of his/her basic needs, (3) collectors and distributors of Zakat (as in wages), (4) to those who have recently embraced Islam, for example, to compensate them for difficulties they may face as a result, (5) in order to free a slave, (6) to support debtors who genuinely cannot pay off their debts, (7) in the cause of Allah, which is everything intended to champion Allah’s word, and (8) to support the traveler stranded far from home.

It is preferred for Zakat to be paid first to relatives only if they fall within one of the eight categories mentioned above, then to the people of the same village, city or country and then people of other countries. It is also preferred for the person paying Zakat to pay it directly him or herself, if he/she knows those who are entitled to it, so that compassion and benevolence may be engrained in their heart. Otherwise, he/she may delegate this task to others.

Who is Not Entitled to Zakat?

Zakat should not be paid to those whom the person paying Zakat is obligated to support, for instance a wife, children, grand children, parents and grandparents. However, a wife may pay Zakat to her husband if he falls within one of the eight categories above. Also, the following are not entitled to receive Zakat: those who have wealth; those who are able to find a job and earn a living but choose not to do so; the family of Prophet Muhammed (Peace Be Upon Him) which are the progeny of Bani Hashim.

Method of Calculating Zakat

The method of calculating Zakat is generally as follows: (total Zakatable wealth less total debts due within the coming year only) multiplied by 2.5% = the amounts to be paid and distributed among those who fall under the eight categories. A more detailed explanation follows in the table:

Zakat Calculation Table

Use this Table to Calculate your Zakat

S. No.	Type of Wealth	Ruling	Amount Please fill in the space	Important Remarks
1.	Gold, silver and precious stones for the sake of trade or investment	Zakatable		Zakat is payable on its market value.
2.	Gold and silver for a woman's personal use	Not Zakatable		No Zakat is payable if the jewelry is used within a woman's social status. But Zakat must be paid for that quantity which is beyond that. If a woman wants to pay Zakat voluntarily on all of her gold and silver jewelry she is allowed to do so. No Zakat is payable on jewelry worn by a woman not made from gold and silver, like diamonds and other precious stones.
3.	Cash in hand	Zakatable		
4.	Balance of current accounts	Zakatable		
5.	Balance of saving and other deposit accounts	Zakatable		Zakat is payable on balance and earned profits.
6.	Shares owned for trading (buying and selling)	Zakatable		Calculated at their market value.
7.	Shares held for capital gain or dividend (long term investment)	Not Zakatable		Zakat is payable as advised by the respective company on each of the company's shares or calculated on the net working capital (current assets less current liabilities). Any dividends received are Zakatable.
8.	Employee's rights in pension funds and social insurance, which have not been paid out	Not Zakatable		If the employee receives such benefits, he/she must pay Zakat once one full Lunar year has passed from date of receipt.
9.	Savings for marriage, pilgrimage or to buy a car, house, etc.	Zakatable		Zakat is payable on such funds if not used for the intended purpose.
10.	Residential property and furniture for personal use	Not Zakatable		
11.	Properties intended for sale (whether land or buildings under construction, or a building ready for sale) held by a person in the business of buying and selling properties	Zakatable		Zakat is calculated on the market value of such properties, provided that one full Lunar year has passed with the properties under the ownership of the individual.
12.	Properties intended for rent	Not Zakatable		However, Zakat is payable on the rental income on Zakat due date.
13.	Properties held by an individual who is not in the business of buying and selling, but who may sell out of need or at favourable market condition.	Not Zakatable		Zakat is payable for one year only at the time of sale if one full Lunar year has already passed, even if the individual has owned the property for more than one year.
14.	Goods available for sale	Zakatable		Zakat is payable on the market value as of the Zakat date.
15.	Plant, equipment and tools used for manufacturing	Not Zakatable		
16.	Debts owed to you by others, which are not doubtful.	Zakatable		Zakat is payable on the loaned amount as if it were cash in hand. However, if the borrower is in financial difficulty, or if he/she defaults or repudiates the debt, and you do not have any evidence to prove the debt, no Zakat is payable on the loaned amount. If the loan is eventually settled and at least one full Lunar year has passed on this wealth Zakat must be paid for only one year regardless of the number of years already passed on the loan.
A	Total Zakatable wealth			
B	Less: Total debts due within the coming year only		()	
C	Net Zakatable wealth (A - B)			
D	Zakat rate		2.5%	
E	Zakat amount distributable to those who are entitled to it (C x D)			

The table above is approved by the Fatwa and Shari'a Supervisory Board of Kuwait Finance House (Bahrain) BSC (c). Farmers and those raising livestock should consult Shari'a scholars on the Zakat due from them.

May your good deeds be accepted by Almighty Allah

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