Whoever pays the Zakat on his wealth will have its evil removed from him.

(Ibn Khuzaimah and at-Tabaraani).

The Prophet (Peace be upon him) said

“Whoever pays the Zakat on his wealth will have its evil removed from him”
**What is Zakat?**

Zakat, one of the five pillars of Islam, 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 that the poor have over the rich.

Linguistically, Zakat in the Arabic language means growth; one says Zaka az-Zar meaning the plant grew. It can also mean ‘purification’.

As Allah said

“*Tāke Sadaqah (alms) from their wealth in order to purify them and sanctify them with it...*” (7:103)

In Islamic law, both meanings apply.

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.
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**

Equating to approximately £2,225 and £258 respectively

(These values are valid as of June 2015. For the latest gold and silver values, see: www.bullionbypost.co.uk).

See “So do I pay Zakat or not?” (page 21) to know which Nisab to use for your Zakat calculation.
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 ill tendencies. The outer dimension involves the purification of a Muslim’s wealth.

Scholars have enumerated several virtues and benefits of Zakat, of them are:

1) To distribute the wealth of the community amongst the poor, as mentioned in the famous Hadith of Mu’adh (Allah be pleased with him):

“If they obey you to do so, then inform them that Allah has made it obligatory upon them to pay Zakat from their wealth. It is to be taken from the wealthy amongst them and given to the poor amongst them.” (Bukhari)

2) Removing the love of wealth from one’s heart, a spiritual disease that could be detrimental to one’s Iman. Thus, it is a form of purification.

3) Encourage giving in the path of Allah, acknowledging that whatever wealth one possesses is in reality the Almighty’s.

4) Prevention of monopolies in the society.
The Qur’an (9:60) specifies eight categories, eligible to receive Zakat:

• The poor
• The needy
• Those employed to administer/distribute Zakat
• Those whose hearts are to be reconciled
• Those in slavery
• Those in debt
• In the way of Allah
• The destitute traveller

Who pays Zakat?
Those required to pay Zakat must be:

• Adult - (Have reached puberty)
• Muslim - (Zakat is not paid by non-Muslims)
• Sane - In possession of the Nisab (see page 6)

According to the Shafi’i, Hanbali and Maliki schools, Zakat must be paid on that wealth owned by the insane and children.

Who receives Zakat?

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.
**Scenario 1 – Someone who can receive Zakat**

Zaynab is a poor widow who owns only £100 worth of Zakatable assets and is not liable to pay Zakat.

She does, however own her own house, where, in addition to owning basic necessity items, she owns some surplus items, which are never used, such as a second sofa set, and also some cooking utensils. The market value of these surplus items comes to £100, and when added to her Zakatable assets, comes to a total of £200. As this total figure is less than the Nisab level, Zaynab can receive Zakat.

**Scenario 2 – Someone who cannot pay or receive Zakat**

Zaid has valued his Zakatable assets at £200, and so is not liable to pay Zakat.

Zaid also owns his own home in which he has many unused, surplus items whose value easily exceed the Nisab threshold. Zaid, therefore, cannot receive or pay Zakat.

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**When is Zakat paid?**

Your Zakat year starts on the date your wealth first equalled or exceeded the Nisab. Zakat is then payable 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 Ramadan is not necessary, although giving charity in this month guarantees greater rewards.
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 away to charity and only the principal amount should be noted for Zakat purposes.

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. 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 jeweler.

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 the Al-Qalam website for more information (www.alqalam.org.uk). Any dividends received should be added to one’s cash balance for Zakat purposes.
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 intention 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.

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.

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 business debts, 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).

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.

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. With regards to long-term debt, such as a mortgage or student loan, then the view of the Al-Qalam panel is that 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.
It is mandatory to make intention when giving Zakat at the time of either when putting the Zakat payment aside or at the time of payment.

**Intention to give 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.

**Where Zakat should 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.

**Where is your Zakat distributed?**
Muslim Aid collects and distributes Zakat according to guidelines provided by the Quran and Sunnah. With your Zakat we support orphans, widows, the poor, the elderly and families in extreme poverty.

Muslim Aid also uses the funds to help poor communities to start small businesses and income generation initiatives. Zakat funds also go towards emergency relief programmes so that they can come out of the poverty cycle.

In the UK, our UK Development Programme has increasing capacity to distribute Zakat to the growing number of those eligible to receive Zakat here in the UK.
So do I pay Zakat or not?

Remember you only pay Zakat if your net assets are equal to or more than 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 value of the Nisab limit, it is necessary to establish the market rate for a gram of gold and silver.

This can be obtained from www.bullionbypost.co.uk
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 equal to, or 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!

Al Qalam Shariah Scholar Panel have verified the shariah accuracy of this document which mostly relates to Zakāt calculation. Please note Al Qalam Shariah Scholar Panel have NOT verified the shariah accuracy of the Zakāt distribution policies of Muslim Aid.

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**How to Calculate Your Zakat:**

**Step 1: Work out what you own**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash in hand</td>
<td></td>
</tr>
<tr>
<td>Cash in bank account(s)</td>
<td></td>
</tr>
<tr>
<td>Value of gold (current market value)</td>
<td></td>
</tr>
<tr>
<td>Value of silver (current market value)</td>
<td></td>
</tr>
<tr>
<td>Amount given out in loans (where the debtor is able and willing to pay back the loan)</td>
<td></td>
</tr>
<tr>
<td>Current value of shares</td>
<td></td>
</tr>
<tr>
<td>Value of goods in stock for sale</td>
<td></td>
</tr>
</tbody>
</table>

**Total Assets £**

**Step 2: Work out your outgoings from what you own**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount owed in debt (short term loans or those payable within a year)</td>
<td></td>
</tr>
<tr>
<td>Expenses (tax, rent and other bills due immediately)</td>
<td></td>
</tr>
</tbody>
</table>

**Total Liabilities £**

**Step 3: Minus Total Liabilities from Total Assets and if the amount is more than the Nisaab then multiply by 0.025**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Assets</td>
<td></td>
</tr>
<tr>
<td>Total Liabilities</td>
<td></td>
</tr>
<tr>
<td>Total Zakat</td>
<td></td>
</tr>
</tbody>
</table>

**Additional notes**

“It is not piety, that you turn your faces to the East and to the West. True piety is this: to believe in God, and the Last Day, the angels, the Book, and the Prophets, to give of one’s substance, however cherished, to kinmen, and orphans, the needy, the traveller, beggars, and to ransom the slave, to perform the prayer, to pay the Zakat.”

(Qur’an 2:177)

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Need help or have a question regarding Zakat?
Call Muslim Aid’s Zakat helpline this Ramadan.

Charity Reg: 295224

Donate your Zakat NOW
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