

بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ

# THE INSTITUTION OF ZAKAT

إِنَّمَا الصَّنَاقَاتُ لِتُفَقَّرَاءِ وَالتَّمَسَاكِينِ وَالتَّعَامِلِينَ عَلَيْهَا  
وَالْمُؤْتَفَقَةُ هُوَ بِيَهُمْ وَفِي الرِّقَابِ وَالتَّعَارِمِينَ وَفِي سَبِيلِ اللّٰهِ  
وَابْنِ السَّبِيلِ فَرِيضَةً مِّنَ اللّٰهِ وَالتَّوَكَّلِ عَلِيمٌ حَكِيمٌ



**The Central Zakat Committee**

**The Council of Islamic Organizations of Greater  
Chicago (CIOGC)**

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# **THE INSTITUTION OF ZAKAT**

## **(An Obligation and an Opportunity)**

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## FOREWORD

Zakat is one of the five fundamental obligations of Islam. It is an obligatory form of worship (Ibadah) prescribed by Allah Subhanahu wa Ta'ala. Allah commanded in the Qur'an:

*"... so establish Salat and give Zakat, and hold fast to Allah ..."*  
(Al-Qur'an 22:78)

Zakat is a duty from Allah similar to the duty of Salat (Al-Qur'an 2:43, 110, 177, 277; 4:162; 9:103; 24:56; 73:20; 98:5). For establishing Salat, the Muslim community organizes a place of worship (Masjid / Islamic Center) to offer Salat in congregation. Similarly, the Muslim community is obligated to establish the institution of Zakat in order to collect Zakat from rich Muslims of the community and distribute it among the needy ones.

The establishment of the institution of Zakat is a function of an Islamic State. In the absence of an Islamic State, various Islamic organizations have taken it upon themselves voluntarily to collect and disburse the Zakat in the communities. While these efforts deserve appreciation, the benefits of Zakat have not been fully realized due to a lack of centralization and coordination.

Upon the recommendation of the member organizations of the Council of Islamic Organizations of Greater Chicago (CIOGC), a Central Zakat Committee (CZC) has been organized to coordinate the Zakat collection and distribution efforts in the Metropolitan Chicago area. The mission of the Central Zakat Committee is to make Zakat a living institution in order to realize its spiritual and socio-economic impact on Muslim individuals, businesses, as well as Muslim communities in the Greater Chicago area. Indeed, it has a potential for developing enormous resources for the community.

The Central Zakat Committee is an effort to institutionalize Zakat through:

- Organized promotion, collection, and distribution of Zakat,
- Organized assistance to the poor and needy of the community.
- Pooling of individual Zakat payments for major community projects,
- Supporting high priority community needs permissible through Zakat.

## The Institution of Zakat

The Central Zakat Committee (CZC) humbly presents this simplified document titled, *“The Institution of Zakat”* in order to make Muslims aware of the significance, need, system, rules, and procedures of the duty of Zakat. In compiling this booklet care has been taken to deduce rulings directly from the Qur'an and Sunnah. While respecting the differences of opinion among various Muslim jurists (Fuqaha), the valid opinions that are more appropriate to the present situation in North America have been chosen to answer the frequently asked questions. Other significant opinions have also been presented for reference.

The contents of this booklet can be accessed from The Central Zakat Committee's website: [www.zakatchicago.com](http://www.zakatchicago.com)

***The Central Zakat Committee (CZC)***

***The Council of Islamic Organizations of Greater Chicago (CIOGC)***

## KEY TERMS

The following are definitions of certain key terms necessary to explain the institution of Zakat. Readers should familiarize themselves with these important key terms.

**Basic Needs:** (*Al-Hajat al-Saliyah*) implies the necessities of life required for a decent livelihood for a Muslim in his/her environment. It includes food, clothing, shelter, health care, transportation, household utensils, tools and equipment of trade or profession, etc.

**Debt:** To owe; amount owed. For calculating Zakat, the status of one's debt is very important.

**Debtor:** An individual who is in debt to an extent that after paying his debt, he/she would not have any possession left above and over the 'Nisab'. Such a debtor is not required to pay Zakat. Instead he/she should try to pay his/her debt first.

**Fard:** The Qur'anic term for obligatory duty. Examples of 'Fard' (plural of 'Fard') are Salat (worship prayers), Zakat (charity), Saum (Fasting in the month of Ramadan), Hajj (pilgrimage to Makkah), etc. A Muslim must fulfill these obligatory duties to qualify as a practicing believer of Islam.

**Ibadah:** The Qur'anic term for worship of Allah. When a Muslim does anything according to the way Allah has asked him/her to do; it is considered 'Ibadah'. Examples of the prescribed rituals of Ibadah are Salat, Zakat, Saum, Hajj, etc.

**Khums:** (literally one fifth): The Zakat for fortuitous fortune (Rikaz) is termed as 'Khums'. Khums becomes obligatory as soon as the fortuitous fortune (equal to or exceeding the amount of Nisab) is possessed. One-fifth (20%) of the total gain must be paid immediately after possession (Q 8:41).

**Nisab:** The minimum amount of wealth owned by an individual for one year that obligates the individual to pay Zakat. This minimum amount of wealth is separately defined for each category of wealth. The Shari'ah has prescribed a specified 'Nisab' for each category of wealth or possession. Zakat becomes due when the wealth and/or possessions of an individual exceed the limit of Nisab.

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**Owner of Nisab:** The individual who possesses (excluding the non-zakatable items and after paying the debts) a total aggregate wealth equal to or above the limit of 'Nisab'.

**Recipients of Zakat:** There are eight prescribed categories of the recipients of Zakat. These recipients are determined by Allah and are described in the Qur'an (9:60).

**Sadaqah:** Sadaqah is the Qur'anic term used to cover all kinds of charities. Zakat has also been called 'Sadaqah' in the Qur'an (9:60) as it is a kind of compulsory charity.

**Sadaqat-ul-Nafilah:** (also called Zakat-ul-Tatawwu'): Voluntary charity or optional charity.

**Ushr:** (literally one tenth): The Zakat for agricultural produce is termed as 'Ushr'. Ushr becomes obligatory as soon as the crop is harvested. Ushr is payable on the produce of lands owned even by minors, insane, or waqf (endowment). Ushr can be paid in cash or kind.

**Zakat:** The literal meaning of the word "Zakat" is cleansing and growth. The Shari'ah meaning of Zakat refers to the obligatory charity.

**Zakat-ul-Maal:** Obligatory charity paid by an individual to the needy. It is obligatory on an individual who possesses wealth equal to or above a minimum amount called Nisab for an entire lunar year. For the purpose of calculating Zakat, different categories of wealth are defined. It is a prescribed welfare-contribution from one's stored wealth.

**Zakat-ul-Fitr:** Special charity paid to the needy on or before the day of Eid-ul-Fitr, which is the first day of the month of Shawwal following the month of Ramadan. Zakat-ul-Fitr is paid as atonement for any shortcomings in the worship of Fasting during the month of Ramadan. This is calculated as a fixed amount per person. An individual pay this on his/her behalf and on behalf of his/her dependents. This amount is specified as the cost of one normal meal and therefore it varies based upon the time and place.

## INTRODUCTION

Charity is the provision of help or relief to the poor. Many people in the world practice different kinds of charity for different reasons. Charity has been a part of the universal religious tradition of mankind. Throughout human history all religions and older civilizations have recommended some form of charity to their respective followers.

Charity has found acceptance in all religious systems although its forms and motives vary with different creeds and nationalities. Following the previous revelations, the glorious Qur'an, reaffirms the continuation of charity as divine ordinance. Allah decrees in the Qur'an:

*“And they are ordained nothing else than to serve Allah, keeping religion pure to Him, as men by nature upright and to establish Salat and to pay the Zakat. That is true religion.”*  
(Al-Qur'an 98:5)

Charity has been given a very broad meaning in Islam. Any benefit done to any creature; economic, moral, spiritual, or consolatory, is considered charity. Every good deed, therefore, is a charity. Islam has institutionalized charity as a regular exercise of benevolence, good will, and affection.

Sadaqah is an Arabic term widely used to cover all kinds of charity. Literally 'Sadaqah' means 'truth'. It signifies a charitable deed. However, Muslims are commanded to give compulsory charity with determined purpose and established rules. This compulsory charity is referred to as 'Zakat'.

The term 'Zakat' and 'Sadaqah' are often used interchangeably in the Qur'an and the Sunnah. Zakat, however, denotes obligatory charity and Sadaqah implies voluntary charity. For easy understanding, the Sadaqat may be classified into two categories:

- (A) Sadaqah Wajibah (Obligatory Charity)
- (B) Sadaqah Nafilah (Voluntary Charity)

## The Institution of Zakat

### (A) Sadaqah Wajibah (Obligatory Charity)

Sadaqah Wajibah is an obligatory charity. There are two kinds of obligatory charity.

- (1) Zakat-ul-Maal (Zakat on the wealth)
- (2) Zakat-ul-Fitr or Sadaqat-ul-Fitr (Zakat on the individual)

### (B) Sadaqah Nafilah (Voluntary Charity)

It is recommended that every Muslim pay Sadaqah (voluntary charity) in addition to the obligatory Zakat-ul-Maal and Zakat-ul-Fitr. The socio-economic benefits from this avenue are directly proportional to the generosity of the Muslims. Sadaqah contribution can be utilized in various good causes locally as well as world over.

## DEFINITION OF ZAKAT

The literal meaning of the word “Zakat” is cleansing and growth. In keeping with these qualities, Allah has prescribed Zakat as an obligatory charity, as a duty to Allah, upon every wealthy individual. Wealthy individual is defined as one who is in possession of a minimum amount of wealth called Nisab for an entire lunar year. This charity is prescribed in order to cleanse the individual’s wealth, heart, and by extension the society in general, of the baser characteristics of miserliness, selfishness, greed and materialism and replace them with higher qualities of generosity, love, care, and mutual help.

## INSTITUTION OF ZAKAT

Zakat is a meaningful institution with a definite religio-socio-economic purpose. It has its established rules and procedures, structure, standard, and specific functions. Muslims all over the world practice Zakat as an obligatory duty of their religion. While the payment of Zakat is an individual duty, the collection and distribution of Zakat is a collective obligation. Islam has organized the institution of Zakat with a spiritual approach leading to the socio-economic benefit of mankind.

*“Allah deprives usurious gain of all blessings, whereas He blesses charitable deeds (Sadaqat) with manifold increase.”*  
(Al-Qur’an 2:276)

## The Institution of Zakat

### ZAKAT-UL-MAAL (ZAKAT ON WEALTH)

Zakat-ul-Maal is the obligatory charity paid by an individual to the needy. It is obligatory on an individual who possesses wealth equal to or above a minimum amount called Nisab for an entire lunar year. For the purpose of calculating Zakat, different categories of wealth are defined.

In terms of Islamic jurisprudence (Fiqh), **Zakat is an obligatory duty (Fard) on every Muslim and Muslimah possessing wealth equal to or exceeding the prescribed amount of Nisab.** It is a prescribed welfare-contribution from one's stored wealth. It is the right of Allah on a Muslim's wealth. Paying Zakat-ul-Maal is the responsibility of the owner. If one fails to carry out the obligation of Zakat, one is a sinner, consequently incurring Allah's displeasure, even His punishment

### PURPOSE OF ZAKAT

Paying Zakat is an act that purifies one's wealth. It is a divinely prescribed method of cleansing and purifying a person's heart and soul from all kinds of worldly greed and material love. It instills love of Allah, making a person an obedient, sincere, and grateful servant of Allah.

The institution of Zakat-ul-Maal embodies a viable system established to assist in the process of growth and development of the Muslim community. It takes care of the basic needs of the poor in the community. It is considered **the right of the poor on the wealth of the rich**, thereby establishing mutual rights and responsibilities between them. It contributes toward a fair and just distribution and circulation of wealth in a society.

### RULES OF ZAKAT PAYMENT

#### Criteria for Zakat Payment:

As a Muslim, Zakat becomes obligatory (*Fard*) on you when you meet the following four conditions:

1. You are the `owner of Nisab'.
2. You are meeting the basic needs of yourself and your family,
3. You are not an insolvent debtor ( i.e., you are meeting the financial obligations of your debt),

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4. You have possessed the wealth/livestock for one complete lunar year (*Haul*), or raised and harvested crop, or gained the ownership of fortuitous fortune.

If any one of the above four conditions is not met, the payment of Zakat is not obligatory. However, once all the above four conditions are met, one is required to pay Zakat on all the Zakatable items that one owns.

The guardian of a child, an orphan, or a mentally retarded person is required to pay Zakat on their behalf from their property if it is at or above Nisab. Zakat is also taken from the estate of a deceased person if he/she died before paying the Zakat that was due.

### **Validity of Zakat Payment:**

The obligation of Zakat is considered fully discharged when you meet the following four essential conditions:

1. You have made the intention (*Niyyah*) of paying Zakat.
2. You have assessed your due Zakat correctly.
3. You have paid Zakat only to eligible recipients of Zakat to the best of your knowledge.
4. The recipient of Zakat is made the rightful owner of the paid Zakat.

Once all four of the above conditions are fulfilled, the obligatory duty (*Fard*) of Zakat is considered to have been carried out.

## **RULES OF CALCULATING ZAKAT**

### **Zakatability of the Possessions:**

The items of one's possessions can be classified into two groups:

- ◆ Zakatable Possessions (Table I)
- ◆ Non-Zakatable Possessions (Table II)

### **Zakatable Possessions:**

An item is Zakatable when it meets the following four conditions:

1. The item is not intended for one's personal or household use and/or consumption
2. The item is in one's complete ownership. (A person is considered a complete owner of a property when it is in his lawful possession and he is able to dispose of it at his will).

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3. The item is held in one's possession for a stipulated period of time.
4. The amount of the item in one's possession exceeds a prescribed limit (Nisab).

Table I below illustrates a partial list of the items that are Zakatable when possessed in the quantity above 'Nisab':

**Table I -- Zakatable Items**

<p><b>1. Un-invested Wealth:</b></p> <ol style="list-style-type: none"><li>a) Gold</li><li>b) Silver</li><li>c) Savings in the bank</li><li>d) Valuables (antiques, paintings, ornaments, collector's items, etc.)</li></ol>
<p><b>2. Invested Wealth / Tradable Commodities:</b></p> <ol style="list-style-type: none"><li>a) Yield (net profit) from business and/or industry (after deducting direct expenses from total revenue)</li><li>b) Net profits from shares or partnerships</li><li>c) Net value of inventory (raw material / work-in-process / finished goods) of a business or industry (after deducting debt and any other direct expenses)</li><li>d) Net value of stocks and bonds</li><li>e) Net value of all tradable commodities (after deducting debt and any other direct expenses)</li><li>f) Net income from rental property (after deducting debt and other direct expenses)</li></ol>
<p><b>3. Agricultural Produce:</b> (After deducting direct expenses)</p> <ol style="list-style-type: none"><li>a) Harvest from cultivated (irrigated) land</li><li>b) Harvest from non-cultivated (un-irrigated) land</li></ol>
<p><b>4. Fortuitous Fortune:</b> Treasures, mines, minerals, oil, natural gas, etc., found on a property</p>
<p><b>5. Livestock:</b></p> <ol style="list-style-type: none"><li>a) Sheep, lamb and goats</li><li>b) Cows and Buffalo (domestic, not wild)</li><li>c) Camels</li></ol>

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If the profit of the business is distributed to the individual owners (partners), it should be included in their personal wealth for calculating Zakat. Likewise the value of the inventory should also be apportioned according to the share of the partners. If the profit of the business is not distributed to the partners, the business as an entity should pay the Zakat on the net assets including inventory (excluding fixed assets employed in the production of the goods/services).

### Non-Zakatable Possessions

The items of one's basic needs and necessities are exempted from Zakat. All items of value, (movables and immovable), that are designated for personal and household use and/or consumption are non-Zakatable.

Table II below enumerates the items that are exempted from Zakat.

**Table II -- Non-Zakatable Items**

<b>Items</b>	<b>Brief Explanation</b>
1. Food	The stored food for the consumption of the individual and his/her family (for less than one year's consumption).
2. Clothing	All personal and family wearing apparel.
3. Residential Home	The dwelling house needed and occupied by the owner, including the furniture, household utensils, equipment, etc. (which covers the basic needs and necessities).
4. Petty cash	The reasonable amount of petty cash on hand for personal day to day expenditure. Example: Cash to pay transportation, utility bills, medical bills, tuition fees, repairs, etc.
5. Transportation	The means of personal and family transportation such as bicycle, motorcycle, automobile, riding animals, etc., used by the owner and his/her family members.

(Continued on page 7)

**Table II -- Non-Zakatable Items (Continued)**

6. Books	The books, stationary, educational material, and equipment used for personal study.
7. Domestic Animals & Poultry	The animals such as cows, buffaloes, goats, and poultry such as chicken, turkey, to cater to the domestic needs of the owner's household.
8. Tools of the Trade	The tools, instruments, and equipment used in one's personal trade or profession.
9. Articles of Adornment	Jewelry adorning the women in day to day use.
10. Agriculture / Land	The land, animals, and equipment used in agricultural cultivation by the owner.
11. Arms & Ammunition	Arms and ammunition for personal use.

**NISAB – THE PRESCRIBED LIMIT**

Nisab is the minimum amount of wealth owned by an individual for one lunar year that obligates the individual to pay Zakat. This minimum amount of wealth is separately defined for each category of wealth or possession.

The Shari'ah has prescribed a specified 'Nisab' for each category of wealth or possession. Zakat becomes due when the wealth and/or possessions of an individual exceed the limit of Nisab. Nisab is a measure used to determine the Zakatability of wealth or possession(s).

All types of wealth or possession(s) exceeding the prescribed limit of Nisab are subject to Zakat. If the quantity of wealth or possession(s) is less than the prescribed limit of Nisab, it is exempted from Zakat.

Table III on page 8 illustrates the specific limit of Nisab for each type of wealth or possession(s).

**Table III - Nisab**

Type of wealth/possession	Exemption limit – ‘Nisab’
<b>1. Un-invested Wealth:</b> a) Gold b) Silver c) Savings in the bank d) Valuables	20 Dinars (Equivalent to 3 ounces of gold) 200 Dirhams (Equivalent to 21 ounces of silver) Equivalent to the current market value of 3 ounces of gold Equivalent to the current market value of 3 ounces of gold
<b>2. Invested Wealth:</b>	Equivalent to the current market value of 3 ounces of gold
<b>3. Agricultural Produce:</b>	5 Awsuq (equivalent to 653 Kilograms or 1439 pounds of wheat)
<b>4. Fortuitous Fortune:</b>	Equivalent to the current market value of 3 ounces of gold
<b>5. Livestock:</b> a) Sheep and Goats b) Cows and Buffalo c) Camels	40 sheep, lambs and/ or goats 30 Cows and Buffalo (domestic, not wild) 5 Camels

*Note: Minor difference of opinion exists among Muslim jurists regarding the determination of Nisab for various types of wealth or possession(s).*

**Owner of Nisab:**

When an individual possesses (excluding the non-Zakatable items and after paying the debts) a total aggregate wealth at or above the prescribed limit of Nisab, he/she is considered to be the **owner of Nisab**.

When the individual is in debt that is not serviceable from his/her normal income and the only way that individual can repay his/her loans is by disposing of some or all of his/her assets, the amount owed should be subtracted from the total value of his/her “personal wealth.” The

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remaining amount is then evaluated to see if it meets the Nisab in that category. If it does, Zakat should be calculated upon the net value (total amount less loans). On the other hand, if loans are serviceable, from the ongoing income (such as in case of regular mortgage payment or an installment loan), the unpaid loan should not be subtracted from the asset unless the individual plans to pay off the loan that year from his/her wealth.

Similar treatment will apply to loans that were incurred for agriculture, which are normally payable upon a successful harvest. They should be subtracted before the agricultural produce is evaluated for Nisab and Zakat. In addition, any other expenses incurred in generating agricultural produce, should be subtracted, before deciding whether the requirements of Nisab are satisfied or not. Like in the case of a business, investments made or equipment used in the case of agricultural produce are not included in calculating Zakat.

In case of a loan, Zakat on the amount loaned to someone is primarily the obligation of the owner of the money and the obligation is determined based upon the following conditions:

1. If the borrower is expected to return the loan in the year in question, the lender (the owner) should include the amount in his/her calculations. There are two opinions within this, one is that this Zakat shall be paid every year, and the other opinion is that it should be paid for all the years the loan was outstanding upon its return.
2. In case the repayment is not expected, there are three possible opinions:
  - a) Once returned, pay Zakat for all years the loan was outstanding,
  - b) Once returned, pay Zakat that year.
  - c) Once returned, pay Zakat after one year has passed since the return.

### **Zakatability of Items (wealth / possessions):**

An individual is obligated to pay Zakat on all Zakatable items upon meeting the following three criteria:

1. You are qualified as the 'owner of Nisab'.
2. The quantity of the Zakatable item(s) in possession exceeds the limit of Nisab.

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3. The Zakatable item(s) have remained in your possession for one complete lunar year (*Haul*). In case of the agricultural produce, it is raised to harvest. In case of fortuitous fortune, the ownership is acquired.

### **Zakat Rate:**

Wealth is a product of labor and capital input. The rate of Zakat varies with the amount of labor and capital expended. The greater the amount of labor and capital requirements in the generation of wealth, the lower will be the rate of Zakat and vice versa. This principle in general enhances the productivity of labor and capital.

Islamic jurisprudence (*Fiqh*) has determined the percentage rate of Zakat applied to each Zakatable item. Depending upon the kinds of Zakatable items, the Zakat rate differs. The table IV below illustrates the Zakat rates on various Zakatable items.

**Table IV - Zakat Rates**

Zakatable Item(s)	% of Zakat due only when in possession for one lunar year	% of Zakat due immediately after possession
<b>1. Un-invested Wealth:</b>	2.5%	
<b>2. Invested Wealth:</b>	2.5%	
<b>3. Agricultural Produce:</b> a) Harvest from cultivated land b) Harvest from non-cultivated land		5% 10% (Ushr)
<b>4. Fortuitous Fortune (Rikaz):</b>		20% (Khums)
<b>5. Livestock:</b>	For more information on this subject, please see the Frequently Asked Questions (page 21).	

*Note: Minor difference of opinion exists among Muslim jurists regarding the Zakat rate on some Zakatable items.*

### **DUE DATE OF ZAKAT**

In case of Un-invested wealth, invested wealth and livestock, the payment of Zakat becomes due exactly at the end of one lunar year (*Haul*) from the time the Nisab is attained. Accounts of the availability of Nisab at the beginning and at the end of the year are to be kept. The decrease in the availability of Nisab at any time in between the year may not matter. Muslims traditionally earmark the month of Ramadan for the payment of their Zakat

Advance payment of Zakat, before the completion of the year, is permissible. Zakat payments are also permissible in installments to make it easy on the payer. Upon completion of the year one should calculate his/her Zakat to ascertain the correct amount of the Zakat due.

In case of the agricultural produce and fortuitous fortune the payment of Zakat becomes due immediately after the wealth is in the possession of the owner.

Zakat is one of the rights of the poor member in a Muslim society. It is also regarded as a debt payable to Allah. Therefore, delinquency in Zakat payment is punishable in this world by an Islamic state. It is also punishable in the hereafter by Allah.

Muslims who are delinquent in Zakat payment are required to pay their overdue Zakat immediately. The payment of overdue Zakat is considered a valid discharge (*Ada*) of the obligatory duty.

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**ZAKAT CALCULATION FORM**

<b>LINE DESCRIPTION</b>	<b>TOTAL AMOUNT or CURRENT \$ VALUE</b>
1. Amount of cash at home or in bank accounts	\$
2. Current value of gold, silver, and jewelry owned	\$
3. Current value of stocks, shares, etc.	\$
4. Money in other optional plans – e.g., IRA, deferred income plan, optional pension plan, 401K accounts, etc.	\$
5. Net profit from business	\$
6. Value of inventory from business	\$
7. Any outstanding debt – Debt and Loans Given	\$
<b>Total Amount (add lines 1 through 7):</b>	\$
8. Indebtedness you would like to subtract	\$
<b>Net Amount (Subtract line 8 from Total Amount):</b>	\$

**CALCULATIONS:**

(If *Net Amount* above is equal to or greater than **\$1,155.00\***)

9. Zakat (Net Amount x 0.025):	\$
10. Less any payments already made towards Zakat:	\$
<b>Net Balance Due (subtract line 10 from line 9):</b>	\$

\* Check with your Islamic Center for the exact amount of *Nisab* for the current year.

**RULES OF DISTRIBUTING ZAKAT**

**Recipients of Zakat:**

There are eight prescribed categories of the recipients of Zakat. Allah has determined these categories.

*“Sadaqat are for the poor and the needy, and those employed to administer (the Zakat), for those whose hearts are to be won over, and for the freeing of human beings from bondage, and (for) those who are burdened with debts, and (for every struggle) in Allah’s cause, and (for) the wayfarer: (this is) an ordinance from Allah, Allah is All-Knowing, full of Wisdom.” (Al-Qur’an 9:60).*

Table V below illustrates the eight categories of the Zakat recipients with a brief explanation:

**Table V - Recipients of Zakat**

<b>Category of Zakat Beneficiary</b>	<b>A brief description of the Category of Zakat Recipients (Who have less than Nisab in their possession)</b>
1. Fuqara’ <i>(The Indigent/The poor)</i>	Poor (Faqir; pl. Fuqara’): One who cannot support himself/herself, provided (or to the extent) that the recipient of Zakat does not reach the level of Nisab.
2. Masakin <i>(The Needy)</i>	Needy (Miskin; pl. Masakin): One who cannot adequately support himself/herself, and is reluctant to ask for help. Such an individual, therefore, is not easily recognized as someone who needs help. Such an individual is eligible for Zakat, provided (or to the extent) that the recipient of Zakat does not reach the level of Nisab.

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**Table V - Recipients of Zakat (Continued)**

<p>3. Al-'Amileena Alaiha <i>(The Collector(s))</i></p>	<p>Those employed to administer the collection, distribution, and administration of Zakat (Al-'Amileena Alaiha): They need not remain below Nisab at the time of receiving compensation through Zakat.</p>
<p>4. Mu'allafat al-Qulub <i>(Those whose hearts are to be inclined towards Islam)</i></p>	<p>Those individuals who have been recently reconciled to the Truth (Mu'allafat al-Qulub): This category includes new Muslims, or those who are willing to support the Muslim State but need to be compensated. They could be non-Muslims as well. Such individuals can be in possession of Nisab and will not be disqualified because of that.</p>
<p>5. Fir-Rikaab <i>(Ransoming of slaves)</i></p>	<p>Freeing of those in bondage (Fir-Rikaab): Since the custom of bondage or slavery is now extinct, freeing of slaves may not be needed any longer. However, this can be interpreted to include individuals who due to excessive debt do not have any hope of ever standing on their own two feet.</p>
<p>6. Al-Gharimeen <i>(The Debtors)</i></p>	<p>Those in debt (Al-Gharimeen): Zakat money could be received by one who is in debt in order to pay off the debt or a part thereof provided at the time of receiving Zakat, he/she is not in possession of Nisab.</p>
<p>7. Fi-Sabeel Allah <i>(In the cause of Allah)</i></p>	<p>In the cause of Allah (Fi-Sabeel Allah): Those who are going out or working in the cause of Allah (including the task of conveying the message of Islam) or in a battle declared by an Islamic State for just cause. Being in possession of Nisab does not disqualify them.</p>
<p>8. Ibn as-Sabeel <i>(The Wayfarer)</i></p>	<p>The wayfarer (Ibn as-Sabeel): Traveler who is in need of help during his travel. One who belongs to the family of the Prophet (Peace be upon him) is not eligible for receiving Zakat.</p>

### **Distribution of Zakat:**

The collection and distribution of Zakat is a collective obligation of an Islamic State. In the absence of the Islamic State, a religious, not-for-profit, tax-exempt Islamic organization may carry out this collective obligation in an organized manner. Central Zakat Committee (CZC) of the Council of Islamic Organizations of Greater Chicago (CIOGC) has been delegated by member organizations of the Chicago Muslim community to institutionalize the collection and distribution of Zakat in the Greater Chicago area.

While distributing Zakat, the following salient points are to be taken into consideration:

### **Deserving Recipients:**

Zakat is paid only to the deserving individuals as designated in the Qur'an (Al-Qur'an 9:60). In the process of Zakat payment care should be taken to respect the dignity of the recipient. Wherever possible, it is commendable to pay to the deserving recipient enough so that he/she becomes self-supporting. Measures should, however, be taken to prevent an able bodied recipient a chronically dependant on Zakat funds.

One should not pay Zakat to one's parents, grand parents, children, grand children, or spouses. The care of these relatives is a duty enjoined by Shari'ah on every Muslim. However, it is preferable and commendable to pay one's Zakat to eligible relatives other than the ones mentioned above. The recipients are recommended to pray for the Zakat-giver at the time of its payment.

Zakat money should not be paid to the well-to-do people who are the 'owners of Nisab', to the non-Muslims, and to the members of the family of Prophet Muhammad (S), i.e. children of Hashim (*Banu Hashim*). The children of Hashim are paid a certain specified share from the Khums (Al-Qur'an 8:41).

### **Transfer of Ownership:**

The payment of Zakat must result in the transfer of ownership from the payer to the recipient. It is not necessary to inform the recipient that he/she is being paid from Zakat fund.

### **Mode of Zakat Payment:**

The Zakat can be paid in cash or kind.

**Locality of Zakat Payment:**

Zakat funds should be disbursed to local needy people, those in the location where the Zakat was collected. On the basis of need and urgency, the distribution may be carried out at other places. The needs of the deserving local recipients should, however, be taken care of first.

**ZAKAT-UL-FITR OR SADAQAT-UL-FITR**

Zakat-ul-Fitr is Zakat on the individual. Prophet Muhammad (S) is reported to have said:

*“Remember Zakat-ul-Fitr is essential (Wajib) for every Muslim, man or woman; free or in servitude; adult or child.”*  
(At-Tirmidhi)

Zakat-ul-Fitr or Sadaqat-ul-Fitr is a special charity paid to the needy on or before the day of Eid-ul-Fitr, which is the first day of the month of Shawwal following the month of Ramadan. Zakat-ul-Fitr is paid as atonement for any shortcomings in the worship of Fasting during the month of Ramadan.

On the day of Eid-ul-Fitr, which marks the completion of the month of Ramadan, every Muslim possessing an amount of food in excess of his and his family's need for a day (24 hours) is mandated to pay Zakat-ul-Fitr on behalf of himself and all his dependent(s).

Zakat-ul-Fitr or Fitrah is "the one full meal per person or cash equivalent to the cost of one full meal, given directly to the needy of the community before Eid-ul-Fitr prayer. Arrangements for paying Fitrah should be made ahead of time so that it reaches the eligible recipients in time for them to make use of it on Eid day. The quantity of Zakat-ul-Fitr traditionally amounts to one Sa`. One Sa` is equivalent to 2751--3800 grams of food such as wheat, barley, rice, or the like. In Greater Chicago the cash equivalent of Fitrah has been determined by Islamic Organizations to be \$5.00 - 7.00 for each member of the family.

The categories of people who are eligible to receive Zakat-ul-Fitr are the same as for those who are eligible to receive the regular Zakat.

**SADAQAH NAFILAH OR ZAKAT-UT-TATAWWU**

Sadaqah is an Arabic term widely used to cover all kinds of charity. Although Sadaqah and Zakat are often used interchangeably, Sadaqah

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implies voluntary charity. Zakat-ut-Tatawwu` is another name for voluntary or optional charity.

All good deeds are considered Sadaqah. Every Muslim is exhorted to give Sadaqah. The Prophet Muhammad(S) said:

*“Every Muslim has to give Sadaqah.” The people asked: “O Prophet of Allah, what about the one who has nothing?” He(S) replied: “He should work with his hand to give Sadaqah.” They asked: “If he cannot find (work)?” He(S) replied: “He should help the needy who asks for help.” They asked:” If he cannot do that?” He (S) replied: “He should then do good deeds and shun evil, for this will be taken as Sadaqah.”*

*(Sahih al-Bukhari)*

Muslims practice Sadaqah and earn rewards from Allah by doing good deeds all their lives. They can continue earning Allah’s rewards even after their death should they leave any of the following legacies behind them. This is called perpetual Sadaqah (Sadaqat-ul-Jariyah). Prophet Muhammad (S) is reported to have said:

*“When a person dies (the benefit) of his deeds ends, except three: a continuous Sadaqah, knowledge from which benefit is derived, or a pious child invoking Allah for him.”*

*(Sahih Muslim & Ahmad)*

### **Etiquette of Giving Sadaqah**

1. Islam has recommended that its followers give Sadaqah. Sadaqah is to be given from one’s lawful (*Halal*) earnings because Allah does not accept Sadaqah if it is given from what is unlawful (*Haram*).
2. There is no limit on the amount to be donated as Sadaqah. It is up to the generosity of the individual to set a limit.
3. Sadaqah is to be given with utmost humility. In order to get the rewards of Sadaqah from Allah, the donor is required to avoid making a showoff his generosity.
4. Sadaqah can be given to any deserving person – Muslim or non-Muslim.
5. Precedence is given first to one’s needy dependents, relatives, and then to other needy people.
6. The beneficiary of the good deed (Sadaqah) is recommended to thank the person for his good deed.

## FREQUENTLY ASKED QUESTIONS

### **Q1. How do we treat money invested in shares or stocks for the calculation of Zakat?**

Though owning a share of stock of any business is like having a share in the ownership of the business; we have categorized it as "Personal wealth". Therefore, the lower of the value of stock at the beginning and the end of the year should be added in the category of "Personal wealth". This is categorized as "Personal wealth" because of two reasons.

1. For the most people who own stock it is held as a saving with expectations that it will grow in value over time. In fact it is readily traded for money. Considering it as a readily redeemable asset, we have treated it as another form of saving. Therefore, we suggest using its fair market value in calculating Zakat.
2. Calculating Zakat on stock treating it as a share in ownership is normally not very convenient. There are literally millions of shares owned by general public. A stockholder will need to know his/her share of cash on hand, profit, and inventory, in order to use those values in the calculation of Zakat. This information is ordinarily very difficult to obtain, unless it is a partnership of a few people. Therefore, we did not treat stocks as a business partnership.

### **Q2. What is the ruling on business wealth (net profit, investments)?**

When one is engaged in business, whatever its nature, one usually invests some money in the purchase of building, furniture, and equipment. Next there is investment in inventory (raw material, or work-in-progress, or finished goods). The inventory on hand is eventually sold and converted into cash. The third element is the net profits (after all expenses and taxes etc. are paid) that the business makes. This net profit flows into the cash that the business holds for further distribution to the owners or for re-investment. There are only two items on which Zakat is paid.

1. The operating cash on hand (or in the bank) and the net profit made during the year (if not already included in cash).
2. The value of inventory at the end of the year
3. These two items are to be included by the owner in the category of "Personal wealth". If there are many owners, the cash on hand, the profit, and the value of inventory shall be apportioned according to

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their respective shares, and each one will be responsible for the Zakat on ones individual share.

This business has to be operating for at least one year. If any share of the business is sold during the year, that share will not be included in the "Personal wealth" of the seller or the buyer because neither of them had it for at least one year.

The assets used in the production of wealth (building, furniture, equipment, and even some animals or any other assets) are exempt from Zakat because Zakat is collected from the output from those assets.

### **Q3. Are minors, insane persons, and prisoners (who have Nisab) obligated to pay Zakat?**

Under the condition that they satisfy the Nisab, their guardian should pay Zakat on their behalf. It is incumbent upon that guardian to make sure that the money is growing otherwise the entire amount will be eaten up over a number of years by paying Zakat itself. Various opinions in this regard are:

1. There is no Zakat on the wealth belonging to an orphan (or insane person)
2. The guardian shall keep track of the Zakat owed by the orphan under his care, and provide this information to the orphan's reaching adulthood, and finally let the orphan decide.
3. If the wealth belonging to the orphan is invested in a business and only if it is growing then the guardian should pay Zakat on the profit. If the wealth is not invested or if there is no profit, no Zakat will be paid.
4. It is required of the guardian to pay Zakat on behalf of the orphan. (We have adopted this opinion with a strong recommendation for the guardian to invest orphan's money so it can grow).
5. The above opinions will also apply to an insane person or a prisoner.

### **Q4. How do we handle amount of money in a provident or retirement fund such as a 401K funds?**

If this amount is available to the individual at any time without any restrictions, then Zakat should be calculated for this amount through the category of "Personal wealth" because its nature will be that of savings.

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If the plan is restrictive and involves penalty and/or taxes, opinions differ on the payment of Zakat.

a. One opinion is that an individual should calculate the amount that is available to an individual after paying an early withdrawal penalty and taxes, and include this remaining amount in the calculation of Zakat as a part of "Personal wealth" category.

b. Another opinion is that Zakat should be only paid when the amount is actually received or is available to the individual without any penalty. In that case only taxes due on this amount should be deducted. The net amount after taxes (for the year the amount is completely available to the individual) should be included as a part of the "Personal wealth" category.

### **Q5. Can Zakat be paid to institutions also?**

Yes it can be paid in kind or in equivalent amount of money.

### **Q6. How do we know and follow various opinions of the scholars or schools of jurisprudence (Madhahib) in calculating Zakat?**

Indeed there are differences of opinion concerning the definitions of Nisab and the treatment of different categories of wealth. For the sake of providing a comprehensive tool, we have adopted those opinions, which are generally accepted by various scholars, or are easier to apply. However, other major differing opinions are also mentioned in the various answers given under frequently asked questions (FAQs) and the individual is free to follow other opinions if more appealing to him/her. For a greater in depth understanding, of course, one can access many books available on Zakat.

**Q7. What are the specified Nisab and the Rate of Zakat for each category of livestock?**

The following tables provide the amount of Zakat payable for the three sub categories of livestock:

<b>Sub Category 1: Sheep, lambs, and goats</b>	
Nisab: 40	Zakat
Number owned	Zakat in kind
1 to 39	0
40 to 120	1
121 to 200	2
201 to 399	3
400	4
Greater than 400	4+1 for every 100 above 400

<b>Sub Category 2: Cows, and buffaloes (Domestic and not wild)</b>				
Nisab: 30	Zakat			
Number owned	One year old calf		Two year old calf	Total
1 to 29	0	+	0	0
30 to 39	1	+	0	1
40 to 59	0	+	1	1
60 to 69	2	+	0	2
70 to 79	1	+	1	2
80 to 89	0	+	2	2
90 to 99	3	+	0	3
100	2	+	1	3

*(Continued on page 22)*

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For over 100 cows and buffaloes, increase progressively for each increment of 10 using combinations of Zakat for 30 and 40. Examples:

110 (40+40+30)	1	+	2	3
150 (30+30+30+30+30)	5	+	0	5
Alternate for 150 (40+40+40+30)	1	+	3	4

<b>Sub Category 3: Camels</b>										
Nisab: 5	Zakat									
Number owned	Goat or sheep (1 yr. old)		One year old she-camel		Two year old she-camel		Three year old she-camel		Four year old she-camel	Total
1 to 4	0	+	0	+	0	+	0	+	0	0
5 to 9	1	+	0	+	0	+	0	+	0	1
10 to 14	2	+	0	+	0	+	0	+	0	2
15 to 19	3	+	0	+	0	+	0	+	0	3
20 to 24	4	+	0	+	0	+	0	+	0	4
25 to 35	0	+	1	+	0	+	0	+	0	1
36 to 45	0	+	0	+	1	+	0	+	0	1
46 to 60	0	+	0	+	0	+	1	+	0	1
61 to 75	0	+	0	+	0	+	0	+	1	1
76 to 90	0	+	0	+	2	+	0	+	0	2
91 to 120	0	+	0	+	0	+	2	+	0	2
120	0	+	0	+	0	+	2	+	0	2

For greater than 120 camels, take two (2) three-year old she-camels plus zakat from the above table for increment above 120. Examples:

140 (120+20)	4	+	0	+	0	+	2	+	0	6
190 (120+70)	0	+	0	+	0	+	2	+	1	3

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