

بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ

## THE INSTITUTION OF ZAKAT

إِنَّمَا الصَّدَقَاتُ لِلْفُقَرَاءِ وَالْمَسْكِينِ وَالْعَامِلِينَ عَلَيْهَا  
وَالْمَوْلَىٰ قُلُوبُهُمْ وَفِي الرِّقَابِ وَالْعَارِمِينَ وَفِي سَبِيلِ اللّٰهِ  
وَأَبْنِ السَّبِيلِ فَرِيضَةً مِّنَ اللّٰهِ وَاللّٰهُ 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 Opportunity)**

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## FOREWORD

Zakat is one of the five fundamental obligations of Islam. It is a necessary form of worship (Ibadah) prescribed by Allah. Allah commands in the Quran:

“... so establish prayer and give Zakat, and hold fast to Allah ...” (Quran 22:78).

Zakat is a duty from Allah similar to the duty of prayer (Quran 2:43, 110, 177, 277; 4:162; 9:103; 24:56; 73:20; 98:5). For establishing prayer,

the Muslim community organizes a place of worship (Masjid/Islamic Center) to offer prayer in a congregation. Similarly, the Muslim community is obligated to establish the institution of Zakat to collect Zakat from wealthy 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 to collect and disburse Zakat in communities. While these efforts deserve appreciation, the benefits of Zakat are not 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) is 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 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 the potential to develop enormous resources for the community.

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

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

The contents of this booklet are available on 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 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 Muslims in their 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 in debt to the extent that after paying the debt, they do not have any possessions left above the `Nisab' threshold. Such debtors are not required to pay Zakat. Instead, they should try to pay their debt first.

**Fard:** The Quranic term for obligatory duty. Examples of `Faraid' (plural of `Fard') are prayer (worship), Zakat (charity), Sawm (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 Quranic term for worship of Allah. What a Muslim does according to the way Allah commands is considered `Ibadah.' Examples of the prescribed rituals of Ibadah are prayer, Zakat, Sawm, Hajj, etc.

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

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

**Owner of Nisab:** Individuals who possess a total aggregate wealth equal to or above the limit of `Nisab' (excluding non-Zakatable items and after paying debts).

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

**Sadaqah:** Sadaqah is the Quranic term used to cover all kinds of charities. Zakat has also been called `Sadaqah' (Quran 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 crops are 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. To calculate 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. Individuals pay this on their behalf and behalf of their dependents. This amount is specified as the cost of one typical meal, and therefore, it varies based upon the time and place.

## INTRODUCTION

Charity is a universal tradition of providing relief to the poor. Throughout human history, all religions and civilizations have recommended some form of charity to their respective followers, yet different creeds and nationalities differ in specifications of giving. In Islam, the Quran affirms the continuation of charity as a divine ordinance. Allah decrees in the Quran:

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

Charity has a comprehensive meaning in Islam. Any benefit to any creature: financially, morally, spiritually, or consolatory, is considered charity. Every good deed, therefore, is a charity. Islam institutionalizes charity as a routine exercise of benevolence, goodwill, and affection.

In Arabic, Sadaqah is a term widely used to cover all kinds of charity. Literally, Sadaqah means truth. It signifies a charitable deed. However, Muslims are required to give a particular charity with determined purpose and established rules. This obligatory charity is Zakat.

The terms Zakat and Sadaqah are often used interchangeably in the Quran and the Sunnah, however, Zakat denotes obligatory charity while Sadaqah implies voluntary charity. For easy understanding, Sadaqah is classified into two categories:

- Wajibah (Obligatory)
- Nafilah (Voluntary)

There are two kinds of obligatory charity (Sadaqah Wajibah):

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

On the other hand, voluntary charity (Sadaqah Nafilah) is highly recommended but not obligatory upon every Muslim. And yet, the socio-economic benefits from this avenue are directly proportional to the generosity of Muslims. Sadaqah contribution can be utilized in various good causes locally as well as the world over.

## DEFINITION OF ZAKAT

The literal meaning of the word Zakat is cleansing and growth. In keeping with these qualities, Allah prescribes Zakat as an obligatory charity. Thus, wealthy Muslims give Zakat as a duty to Allah. A wealthy individual is one who owns a minimum amount of wealth called Nisab for an entire lunar year. This charity cleanses the individual's wealth, heart, and by extension, the society in general, of miserliness, selfishness, greed, and materialism. These baser characteristics are replaced with higher qualities of generosity, love, care, and mutual help.

Zakat is a meaningful institution with a definite religious-socio-economic purpose. It has 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 humanity.

*“Allah deprives usurious gain of all blessings, whereas He blesses charitable deeds (Sadaqah) with manifold increase”* (Quran 2:276).

## **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. Different categories of wealth are defined to calculate Zakat.

In terms of Islamic jurisprudence (Fiqh), Zakat is an obligatory duty (Fard) on every Muslim man and woman possessing wealth equal to or exceeding the prescribed amount of Nisab. It is a prescribed welfare-contribution from one's stored wealth as 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 the 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 a community. Zakat is considered the right of the poor on the wealth of the rich, thereby establishing mutual rights and responsibilities. Zakat 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) when the following four conditions are met:

- Ownership of Nisab
- Basic family needs
- Financial obligations of debt
- One lunar year has passed since you:
  - gained possession of wealth/livestock
  - raised and harvested crops
  - acquired a fortuitous fortune

If any of the above four conditions are not met, the payment of Zakat is not obligatory. However, once the above four conditions are met, Zakat is required on all the Zakatable items owned.

The guardian of a child, orphan, or developmentally challenged 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 the deceased if they die before paying Zakat that was due.

The validity of Zakat Payment:

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



- Intention (Niyyah) to pay Zakat
- Correctly assessing your due Zakat
- Pay Zakat only to eligible recipients to the best of your knowledge
- The recipient of Zakat becomes the rightful owner of the Zakat

When these four conditions are fulfilled, obligatory duty (Fard) of Zakat is considered carried out.

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#### RULES OF CALCULATING ZAKAT

##### Zakatability of Possessions:

The items of one's possessions are 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:
    - Not for personal or household use and/or consumption
    - You have complete ownership (it is within your lawful possession, and you may dispose of it)
    - It is within your possession for a stipulated time
    - You have exceeded the prescribed limit (Nisab) while in possession of the item

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

**Table I – Zakatable Items**

<b>1. Un-invested Wealth:</b>	
a)	Gold
b)	Silver
c)	Savings in the bank
d)	Valuables (antiques, paintings, ornaments, collector's items, etc.)
<b>2. Invested Wealth / Tradable Commodities:</b>	
a)	Yield (net profit) from business and/or industry (after deducting direct expenses from total revenue)
b)	Net profits from shares or partnerships
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)
d)	Net value of stocks and bonds
e)	Net value of all tradable commodities (after deducting debt and any other direct expenses) Net income from rental property (after deducting debt and other direct expenses)
<b>3. Agricultural Produce:</b> (After deducting direct expenses)	
a)	Harvest from cultivated (irrigated) land
b)	Harvest from non-cultivated (un-irrigated) land
<b>Fortuitous Fortune:</b> Treasures, mines, minerals, oil, natural gas, etc., found on a property	
<b>5. Livestock:</b>	
a)	Sheep, lamb, and goats
b)	Cows and buffalo (domestic, not wild)
c)	Camels

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 elements of value, (movables and immovable) that are designated for personal and household use 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>
Food	The stored food for the consumption of the individual and his/her family (for less than one year's consumption).
Clothing	All personal and family wearing apparel.
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).
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.
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.

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

Books	The books, stationary, educational material, and equipment used for personal study.
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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.
Tools of the Trade	The tools, instruments, and equipment used in one's personal trade or profession.
Articles of Adornment	Jewelry adorned in day to day use.
Agriculture / Land	The land, animals, and equipment used in agricultural cultivation by the owner.
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.

Shari'ah prescribes a specified 'Nisab' for each category of wealth or possession. Zakat becomes due when the wealth and/or belongings 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 specified threshold of Nisab, it is exempt from Zakat.

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

Type of wealth/possession	Exemption limit – 'Nisab'
<b>1. Un-invested Wealth:</b>	
a) Gold	20 Dinars (Equivalent to 3 ounces of gold) 200 Dirhams (Equivalent to 21 ounces of silver)
b) Silver	
c) Savings in the bank	Equivalent to the current market value of 3 ounces of gold
d) Valuables	Equivalent to the current market value of 3 ounces of gold

	<b>Invested Wealth:</b>	Equivalent to the current market value of 3 ounces of gold
3.	<b>Agricultural Produce:</b>	5 Awsuq (equivalent to 653 Kilograms or 1439 pounds of wheat)
4.	<b>Fortuitous Fortune:</b>	Equivalent to the current market value of 3 ounces of gold
	<b>5. Livestock:</b>	
a)	Sheep and Goats	40 sheep, lambs and/ or goats
b)	Cows and Buffalo	30 Cows and Buffalo (domestic, not wild) 5 Camels
c)	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 individuals possess a total aggregate wealth at or above the prescribed limit of Nisab (excluding the non-Zakatable items and after paying debts), they are considered owners of Nisab.

When individuals are in debt that is not serviceable from their regular income, and the only way they can repay their loans is by disposing of some or all of assets, the amount owed should be subtracted from the total value personal wealth.

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

Similar treatment will apply to loans that incur for agriculture, which are generally 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. For example, in the case of a business, investments made, or equipment used in the case of agricultural produce are not included in calculating Zakat.

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

- 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.
- In case the repayment is not expected, there are three possible opinions:
  - Once returned, pay Zakat for all years the loan was outstanding.
  - Once returned, pay Zakat that year.

- 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.
3. The Zakatable item(s) have remained in your possession for one complete lunar year (*hawl*). 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**

<b>Zakatable Item(s)</b>	<b>% of Zakat due only when in possession for one lunar year</b>	<b>% of Zakat due immediately after possession</b>
<b>Un-invested Wealth:</b>	2.5%	
<b>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>Fortuitous Fortune (Rikaz):</b>		20% (Khums)
<b>Livestock:</b>	For more information on this subject, please see the Frequently Asked Questions (page 21).	

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

## DUE DATE OF ZAKAT

In the case of un-invested wealth, invested wealth, and livestock, Zakat becomes due precisely at the end of one lunar year (hawl) 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 permitted in installments to make it easy on the payer. Upon the end of the year, Zakat is calculated to ascertain the correct amount of due.

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

Zakat is one of the rights of poor members of a Muslim society. It is also regarded as a debt payable to Allah. Therefore, delinquency in Zakat payment is criminal in Islamic states. 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.

### ZAKAT CALCULATION FORM

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

Zakat (Net Amount x 0.025):	\$
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-Quran 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>
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.
Masakin <i>(The Needy)</i>	Needy (Miskin; pl. Masakin): T 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.



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

3.	Al-'Amileena Alaiha <i>(The Collector(s))</i>	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.
4.	Mu'allafat al-Qulub <i>(Those whose hearts are to be inclined towards Islam)</i>	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.
5.	Fir-Riqab <i>(Ransoming of slaves)</i>	Freeing of those in bondage (Fir-Riqaab): 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.
	Al-Gharimin <i>(The Debtors)</i>	Those in debt (Al-Gharimin): 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.
7.	FiFi-Sabeel Allah <i>(In the cause of Allah)</i>	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.
Ibn as-Sabeel ( <i>The Wayfarer</i> )	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.

**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) is 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 Quran (Quran 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 it to deserving recipients enough so that they become self-sufficient. Measures should, however, be taken to prevent non-disabled recipients from chronic dependency on Zakat funds.

One should not pay Zakat to one's parents, grandparents, children, grandchildren, 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 'owners of nisab,' to non-Muslims, and to members of the family of Prophet Muhammad (ﷺ), i.e., children of Hashim (Banu Hashim). The children of Hashim are paid a certain specified share from the Khums (Quran 8:41).

**Transfer of Ownership:**

Payment of Zakat must result in the transfer of ownership from the payer to the recipient. It is not necessary to inform the recipients that they are being paid from Zakat funds.

**Mode of Zakat Payment:**

The Zakat can be paid in cash or in-kind.

**Locality of Zakat Payment:**

Zakat funds are disbursed to local, needy people, those in the location where the Zakat is collected. Based on 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 (ﷺ) 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, every Muslim possessing an amount of food in excess of themselves and their family's need for a day (24 hours) is mandated to pay Zakat-ul-Fitr on behalf of themselves their 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 2,751--3,800 grams of food such as wheat, barley, rice, or the like. In the Chicago area, the cash equivalent of Fitrah is determined by Islamic Organizations to be \$5.00 - \$7.00 for each member of the family.

The categories of eligibility to receive Zakat-ul-Fitr are the same for those who are eligible to receive 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 implies voluntary charity. Zakat-ut-Tatawwu` is another name for the voluntary or optional charity.

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

*“Every Muslim has to give Sadaqah.”* The people asked: *“O Prophet of Allah, what about the one who has nothing?”* He (ﷺ) replied: *“He should work with his hand to give Sadaqah.”* They asked: *“If he cannot find (work)?”* He (ﷺ) replied: *“He should help the needy who ask for help.”* They asked: *“If he cannot do that?”* He (ﷺ) 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 (ﷺ) is reported to have said:

*“When a person dies (the benefit) of their deeds end, except three: a continuous Sadaqah, knowledge from which benefit is derived, or a pious child invoking Allah for them” (Sahih Muslim & Ahmad).*

## **Etiquette of Giving Sadaqah**

Islam recommends giving Sadaqah. Sadaqah is given from one’s lawful (Halal) earnings because Allah does not accept Sadaqah from what is unlawful (Haram).

There is no limit on the amount donated as Sadaqah. It is up to the generosity of the individual. Sadaqah is given with utmost humility. To get the rewards of Sadaqah from Allah, donors must avoid showing off their generosity.

Sadaqah can be given to any deserving person – Muslim or non- Muslim.

Precedence is given first to one’s needy dependents, relatives, and then to other needy people. The beneficiary of good deeds is advised to thank the givers for their good deeds.

## **Zakat FAQs**

### **Q1. What is Zakat?**

Zakat or Zakat-al-Mal is the obligatory charity paid by a Muslim to the needy. It is obligatory for a Muslim who possesses wealth equal to or above a minimum amount called Nisab for an entire lunar year to pay Zakat of 2.5%. To accurately calculate Zakat, different categories of wealth are defined. Nisab of personal wealth is three ounces of gold (or its equivalent in money). However, this amount is determined for each type of wealth separately. See under ‘Nisab.’

### **Q2. What is the definition of Zakat-al-Mal (or simply Zakat)?**

The literal meaning of the word ‘Zakat’ is cleansing and growth. In keeping with these qualities, Allah prescribes Zakat as an obligatory charity upon each wealthy individual. A wealthy individual is one who owns a minimum amount of wealth called Nisab for an entire year. This charity cleanses the individual’s wealth, heart, and by extension, the society in general, of the lower characteristics of miserliness, selfishness, greed, and materialism. These basal characteristics are replaced with higher qualities of generosity, love, care, and mutual help.

Various scholars define Zakat more or less in this manner. They have also developed a further definition of the amount that constitutes Nisab, categories of wealth, the rate of Zakat that applies to each type of wealth, and the rules of eligibility for receiving assistance from Zakat.

### **Q3. What is the position of Zakat in Islam?**

Zakat is one of the pillars of Islam. It is a duty to Allah that obligates wealthy individuals to share a portion from their wealth. It is an important institution for individuals as well as the society in general. This institution aims not only to alleviate the financial hardships of the under-privileged in society through sharing a small part of one’s wealth, but also building a society on higher moral and spiritual values. It checks the baser instincts of greed, miserliness, and selfishness, which lead to materialism. It promotes mutual caring, love, and generosity leading to gratitude to Allah. For those who receive assistance from Zakat, it reduces their economic burden and they are able to pay attention to the family, social, and spiritual aspects of their lives.

Though Zakat is an act of sharing, it is discharged, as a duty to Allah, and in that respect is distinct from an act of normal charity.

In an Islamic state, Zakat is collected by the government and distributed to the needy. In the absence of such an arrangement, this function can be discharged through any voluntary

collective effort, for example, through any private organization. Ultimately every individual is personally responsible for discharging this obligation and must take care of it every year.

#### **Q4. What are the categories of wealth on which Zakat is due?**

The following categories are based upon the commonality of Nisab or the Zakat for different types of wealth.

- Personal wealth:
  - Money beyond the average level needed for everyday expenses
  - Gold and silver
  - Jewelry (only the gold and silver content)
  - Stocks
  - Business wealth (trade inventory, cash, income, profit)
  - Money held in restricted funds such as retirement funds when they are free for use.
- Agricultural produce:
  - Produce from cultivated land
  - Produce from non-cultivated land
- Items mined or extracted from the earth, including buried treasure. If this is done for business purposes, like in mining and oil, it may be classified along the lines of a “business.”
- Livestock
  - Sheep, lamb, and goats
  - Cows and buffaloes (domestic, not wild)
  - Camels
- All other animals

There is no Zakat on animals raised as a hobby. For business purposes, the profit derived from this business is handled as profit gained under the personal wealth category. There is no tax on inventory since its exact count cannot be established with certainty — for example, fish in a fish farm.

#### **Q5. Is personal jewelry included in calculating Zakat?**

There are different opinions on this. However, the general view is that jewelry, whether it is worn daily, or stored for occasional use, must be included in calculating Zakat. The value of the gold or silver content in the jewelry should be included in the personal wealth category. Precious stones (diamonds, rubies, pearls, etc.) are not included, nor is the labor cost of making the jewelry.

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#### **Q6. How do we treat money invested in shares of stock for the evaluation of Zakat?**

Though owning stock of any company is like sharing in the ownership of the company, we have categorized it as personal wealth. Therefore, the lower value of the stock at the beginning and end of the year should be added in the category of personal wealth.

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Personal wealth contains two clauses:

- Considering stock as a readily redeemable asset, we have treated it as another form of saving. Therefore, we suggest using its fair market value to calculate Zakat.
- There are millions of shares owned by general public, therefore calculating Zakat on stock and viewing it as a share in ownership is inconvenient. Stockholders need to know their share of cash on hand, profit, and inventory to use those values in the calculation of Zakat. This information is ordinarily complicated unless it is a partnership of only a few people. Therefore, we generally do not treat stocks as a business partnership. If one has stock in a

company with the intention of long-term investment, they can calculate their share of Zakat as a partner in the company owning a fraction depending on the number of shares owned. In this case, the owner of stock needs to figure out the percentage of ownership their stock represents and calculate Zakat on the Zakatable assets of the business (see Q7).

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### **Q7. What is the ruling on business wealth (net profit, investments)?**

- Conditions for Zakat on investments in business/trade goods:
  - Trade is defined broadly as an exchange to make a profit. Therefore, whenever two terms (1. goods acquired with the intention of selling, and 2. goods acquired with the intention of making a profit) are present, Zakat is due. This will apply to all goods if they are acquired for trade and to make a profit (including livestock, precious stones, real estate, minerals, and other materials from the earth). If they are not acquired for trade, but they fall under the categories of livestock, agricultural produce, and Rizak (treasure unearthed), Zakat may become due on them following their Nisab and Zakat calculations. However, generally speaking, assets acquired for personal use are not subject to Zakat. The above two conditions for trade goods are in addition to the general terms that apply to Zakat for non-business personal wealth (see Q12).

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Definition of investments in trade goods:

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When one is engaged in business, whatever its nature, one usually invests some money in the purchase of a building, furniture, and equipment, which take the form of fixed investments that are used and are not "goods for trade." There is no Zakat on such investments that are intended for use and not for sale.

Next, there is the investment in inventory (raw material, work-in-progress, or finished goods in the case of any business that involves manufacturing or processing) and in some operating cash. These assets are subject to Zakat. During the Zakat year (one lunar year called the hawl), these trade goods are sold with resulting cash or receivables (which eventually get converted to cash after payments are received from customers). Receivables that are expected to be converted to cash during the Zakat year are also to be included as Zakatable assets in calculating Zakat. This also applies to any debts that are expected during the Zakat year. For general considerations regarding the amount loaned to others, see the answer to Q13. However, any short-term payables (amount owed to creditors and suppliers) that are to be paid during the Zakat year shall be subtracted from the assets before calculating Zakat. The profit generated on the sale is either put back (reinvested) into the business and/or distributed to the owners. The part that is distributed to the owners becomes a part of their individual personal wealth subject to its conditions of

Zakatability (see Q12).

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The part that is reinvested in the form of operating cash and inventory becomes part of those assets and is automatically included in Zakat calculation. Therefore, Zakat on trade goods is calculated as follows:

- Add the value of inventory (raw material, work-in-process, finished goods), receivables, and cash
- Subtract from the above any short-term payables (liabilities)
- If the net exceeds Nisab, calculate Zakat at the rate of 2.5%.

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 seller's or buyer's assets.

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Valuation of assets:

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The general opinion is that since prices fluctuate during the year, the valuation shall be based on the current market rates at the time of paying Zakat. In addition, the valuation shall apply wholesale rates and not the retail prices, because if any liquidation of assets is done, it will be at the wholesale rates. ||

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Zakat year for business: ||

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The Zakat year for a business is also one lunar year (called hawl). The Zakatable assets, as defined above, shall be at or above Nisab at the end of the Zakat year. ||

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There is another opinion that the value of Zakatable assets shall satisfy Nisab throughout the Zakat year. If the value goes below the rate of Nisab, a new Zakat year needs to be started after the value meets the Nisab. However, the practice at the time of the Prophet (ﷺ) was to calculate Zakat if, at the end of the Zakat year, the value of Zakatable assets was equal to or higher than Nisab. ||

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Multiple owners: ||

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If there is more than one owner, the net value of assets of the company that is subject to Zakat, as explained above, should be apportioned to each owner based on their share. Then each owner is responsible for calculating and paying Zakat on their share. This approach is preferred because it may exempt a partner with a small percentage from paying Zakat. The company may pay Zakat on behalf of all owners if they are all obliged to pay Zakat. ||

||  
No duplicate payment of Zakat on the same assets: ||

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As a general principle, an item is subject to Zakat only once (upon satisfying the conditions of Zakatability). For example, if a company is paying Zakat on behalf of all owners (assuming that everyone meets Nisab), then no Zakat is required upon the individual owners as part of their wealth. ||

||  
Income-generating assets (income from rental property/assets): ||

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If one is engaged in the business of selling the use of their property/assets for income, there are differences of opinion regarding whether the value of the property/assets themselves are Zakatable or not, since they provide growth by producing revenue or profit. The stronger view is that the value of these assets is not subject to Zakat. Still, any income derived from the exploitation of these assets is subject to Zakat, provided the income received in the Zakat year meets Nisab. There are differences regarding the rate at which Zakat is calculated. A modern view is that the rate of Zakat shall be either 10% or 5% on the net income in a Zakat year. This opinion is based on an analogy to the Zakat paid on the agricultural produce. However, the conservative opinion is to use 2.5% as the general rate of Zakat on the net income from rented properties during the Zakat year. We have selected this view for the Zakat calculator. ||

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This view will also apply to rental income from any exploited assets, such as cars, jewelry, animals, etc. If the rental income for a given Zakat year is the only source of sustenance for the owner, a reasonable cost for his/her living expenses, including the living expenses of his/her

dependents for the year, must be deducted. Then on the remainder amount, Zakat shall be calculated if that amount meets the value of Nisab.

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**Q8. What is the definition of Nisab?**

Nisab is 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.

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**Q9. What is the specified Nisab (minimum wealth) and the rate of Zakat for each category of wealth?**

Nisab and the rate of Zakat for each category are given below. For further details, refer to the answer to question 12.

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Category of wealth	Nisab	Rate of Zakat
Personal wealth	Three (3) ounces of gold or its current value	2.5%
Agricultural produce <ul style="list-style-type: none"> <li>• From cultivated land</li> <li>• From non-cultivated land</li> </ul>	653 Kg of wheat or its equivalent value.	1.5% 2.10%
Minerals and Rikaz		20%
Livestock Goat and sheep Cows Camels	40 goats and/or sheep 30 cows 5 Camels	See tables below

Following tables give the Zakat for the three subcategories of livestock.

<b>Subcategory 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>Subcategory 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
Greater than 100	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

Subcategory 3: Camels										
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
90 to 120	0	+	0	+	0	+	2	+	0	2
Greater than 120	(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

#### Q10. Who should pay Zakat?

Zakat is obligatory on every adult man and woman, of a sane mind, who satisfies the specified Nisab. This responsibility is discharged by each individual based on their situation and value of wealth they possess.

#### Q11. Are minors, insane persons, and prisoners obligated to pay Zakat?

Under the condition that they satisfy the Nisab threshold, their guardian should pay Zakat on their behalf. It is incumbent upon that guardian to ensure 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:

- There is no Zakat on the wealth belonging to an orphan (or an insane person).
- Guardians shall keep track of the Zakat owed by the orphan under their care and provide this information to the orphan upon reaching adulthood, at which time the orphan takes over.
- If the wealth belonging to the orphan is invested in a company and attains growth, 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.
- 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 the orphan's money so it can grow).

The above views also apply to an insane person or a prisoner.

#### Q12. What conditions make Zakat obligatory on any individual?

The following six conditions obligate the payment of Zakat on an individual:

- Complete ownership
  - If one has given their property in public trust, Zakat is not payable by that individual. But, if the trust is named to specific individuals, those individuals are required to include their share in the calculation of Zakat. In the case of a living trust (in the United States) where the person establishing the trust keeps complete ownership and control of the trust until their death, they are

responsible for any Zakat that is due. Upon their death, the beneficiaries who inherit are accountable for any Zakat that becomes due if they own it for one full year.

- Borrowed wealth is exempt because the borrower is not the owner. See the answer to general question 13 relating to loans.
- For the same reason, there is no Zakat on wealth acquired illegally (in a haram – forbidden way). For example, stolen wealth does not belong to the thief.
  - Wealth of the potentially growing kind
- If wealth is increasing naturally (ex: livestock), Zakat is required.
- If it is not increasing because of its nature, or due to reasons beyond one's control, no Zakat is required.
- If it is not growing due to negligence or mismanagement, Zakat is required.
  - Wealth above the minimum level specified under the category of Nisab
- Under the category of personal wealth and livestock, if an individual accumulates Nisab for an entire lunar year, they are considered minimally wealthy and required to pay Zakat.
- Under the category of agricultural produce, there is no holding period of one lunar year required. As soon as the crop is harvested, Zakat should be calculated and paid. If there are multiple crops in a year, Zakat shall be paid each time, provided, of course, that the quantity of Nisab is satisfied. Keep in mind that Zakat is paid on agricultural produce that can be stored over time. There is no Zakat on perishable agrarian food. Imam Abu Hanifa has the opinion that there is no Nisab for agricultural produce. However, other scholars have defined it based upon the prescribed Nisab at the time of Prophet Muhammad (ﷺ). This Nisab was five (5) wasaq. A wasaq is equal to 60 measures of a sa'. Currently, measuring grain has changed to the use of weights, such as kilograms. Scholars have tried to define it in terms of the weight of wheat of average size. Yusuf Al-Qaradawi calculates it to be six hundred and fifty-three kg of wheat. However, what is used in India and Pakistan amounts to double the quantity around 1000 kg. We have taken the approach of 653 kg of wheat or its value as the Nisab for agricultural produce. Therefore, one should estimate the value of the grain and compare it with the value of 653 kg of wheat. If the value of production exceeds the value of 653 kg of wheat, the Nisab is satisfied, and Zakat should be calculated on the total value of the product less any loans and expense incurred in the process of producing and are payable after a harvest. An important consideration is that if this is the only source of income for farmers and their dependents, a deduction is allowed. Scholars determined that a third or fourth of the produce is the amount that should be left for the farmer. The rate of Zakat for agricultural produce (after loans and expenses are subtracted) is 10% or 5% depending on if the produce is from non-cultivated land or cultivated land, respectively. The preferred way of paying Zakat on agricultural produce is to pay in terms of the produce itself; however, to pay in monetary terms is also acceptable. Nisab, as defined in terms of the value of 653 kg of wheat, is helpful in the case of an expensive crop (ex: saffron) for which the value of 653 kg (of saffron) is excessive and unfair as Nisab. Another point to remember is that dried grain or fruit in a storable condition is used for estimating Nisab and Zakat. Grapes will be measured, for example, through the value of raisins rather than the weight or volume of the raw produce.
- For the category of rikaz (all items mined out of the earth, including oil or other valuable fluid items, and discovered treasures), there are various opinions. One opinion suggests that there is no Nisab. According to this opinion, anything extracted from the earth is subject to Zakat. The other view is that its value should equal the Nisab on gold or silver, namely three ounces of gold before Zakat becomes obligatory. It must be noted that in the case of minerals, there may be other regulations enforced by the government. The question of Zakat applies only to the portion that is clearly under the ownership and possession of the individual calculating Zakat. The question of the hold period of one lunar year is also not applicable to this category.

- We have taken the position that there is no Nisab on the category of rikaz and that the Zakat on it is 20%, calculated on the amount that is clearly and personally owned by the individual. No expenses need to be deducted from rikaz.
- If it is an on-going business, we leave the choice to the individual treating the minerals, including valuable fluids extracted from the earth, as personal wealth or proceeds from business, and including it in the personal wealth.

**Q13. How do loans affect the obligation of Zakat?**

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

- If the borrower is expected to return the loan in the year in question, the lender (the owner) should include the amount in their calculations. There are two opinions within this.
  - One is that this Zakat shall be paid every year.
  - The other opinion is that it should be paid for all the years the loan was outstanding upon its return.

When repayment is not expected, there are three possible opinions:

- Once returned, pay Zakat for all years the loan was outstanding
- Once returned, pay Zakat that year
- Once returned, pay Zakat after one year has passed since the return

We favor the opinion that Zakat should be paid by the owner, upon repayment, in the year of repayment. Therefore, if repayment is not expected, Zakat should be included if and when the loan is returned.

The impact of the loan on the borrower is explained in the answer concerning conditions that make Zakat obligatory.

**Q14. How do we handle the amount of money in a provident or retirement fund, such as a 401K?**

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

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

- One opinion is that an individual should calculate the amount that is available after paying an early withdrawal penalty and taxes and include this remaining amount in the calculation of Zakat as part of personal wealth.
- Another opinion is that Zakat should only be paid when the amount is received or is fully 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 entirely available to the individual) should be included as personal wealth.

If the amount is not entirely available, we are of the opinion that the value of the pension plan should not be included in the calculation of Zakat. We have taken the advice that when it is fully available as in case b above, it should be included in the calculation of Zakat.

**Q15. Can Zakat be paid with an equivalent amount of money as opposed to paying in-kind?**

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

**Q16. Who is eligible to receive Zakat?**

The Quran specifies eight (8) purposes for which Zakat can be used. They are the following:

1. The poor (faqir pl. fuqara'): Those who cannot support themselves, provided (or to the extent) that the recipient of Zakat does not reach the level of Nisab.
2. The needy (miskin pl. masakin): Those who cannot adequately support themselves and are 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 they do not reach the level of Nisab.
3. Those employed to administer the collection, distribution, and administration of Zakat (al-'amilin): They need not remain below Nisab at the time of receiving compensation through Zakat.
4. 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 may have Nisab, but this is not a disqualifying element.
5. Freeing of those in bondage (fi-al-riqab): Since the custom of servitude or slavery is no longer commonly in effect, freeing of slaves may no longer apply. However, this can be interpreted to include individuals who, due to excessive debt, do not have hope of ever standing on their own feet.
6. Those in debt (al-gharimin): Zakat money may go to those who are in debt for them to pay off their debt or a part thereof. They may not own Nisab.
7. In the cause of Allah (fi-sabil-Allah): Zakat money may go to those who work 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 purpose. Owning Nisab does not disqualify them.
8. The wayfarer (ibn-al-sabil): Travelers who require help during their travels.
9. Those who belong to the family of the Prophet ﷺ are not eligible to receive Zakat.

#### **Q17. Can relatives receive Zakat?**

Yes, provided they are not dependents, such as wife, children, and parents, including grandparents and grandchildren. Beyond these relatives, it is preferred to give Zakat first to relatives. A wealthy wife can give Zakat to her poor husband but not the other way around.

#### **Q18. What is the proper etiquette of paying Zakat?**

Zakat shall be paid with the intention of it being an act of worship. If an individual declares their Zakat to encourage others, it is permissible since this an obligatory act of worship. However, it is not necessary to mention, in fact, preferable not to declare to the recipient that the payment is from Zakat if it is feared that it would cause embarrassment.

#### **Q19. When should Zakat be paid?**

Zakat can be paid any time during the year, in one lump sum, or installments. However, at the end of each year, one must calculate their Zakat and make final payments. In actual practice, many Muslims prefer to pay Zakat in the month of Ramadan. Bear in mind that for agricultural produce, it is preferred to pay Zakat after the harvest.

#### **Q20. Can Zakat be paid to institutions?**

Yes, Zakat can be paid to institutions that meet the purposes described.

#### **Q21. Is there any charity beyond Zakat?**

Yes, one may give extra charity beyond Zakat for any good cause, and in fact, charity beyond Zakat is encouraged.

**Q22. What are the inner dimensions of Zakat?**

In addition to alleviating hardships of the needy and the less fortunate, Zakat serves as cleansing for individuals, and the society as a whole, from the baser instincts of miserliness, selfishness, hostility, and exploitation which ultimately lead to materialism. On the other hand, Zakat promotes love, kindness, generosity, sharing, and cooperation. Zakat also encourages reliance on Allah and sincerity in seeking His pleasure alone. Finally, Zakat builds a more empathetic and caring society. One may refer to many publications on Zakat for further details on this subject.

**Q23. How do we know and follow various opinions of 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 views that are generally accepted by various scholars or are easier to apply. However, differing opinions are mentioned in the multiple answers given under frequently asked questions (FAQs). Individuals are free to follow other views if more appealing to them. For a more comprehensive understanding, of course, one can access many publications available on Zakat.

**Q24. What is Zakat-ul-Fitr or Sadaqat-ul-Fitr?**

Zakat-ul-Fitr is Zakat on the individual. Prophet Muhammad ﷺ 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 particular 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.

Upon the completion of Ramadan, Eid-ul-Fitr, every Muslim possessing an amount of food above their family's need for a day (24 hours) is mandated to pay Zakat-ul-Fitr on behalf of themselves and all their dependent(s).

Zakat-ul-Fitr or Fitrah is to cover 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 is determined by Islamic organizations to be \$5.00 – 7.00 per family member.

Those who are eligible to receive Zakat-ul-Fitr are the same as those who are eligible to receive regular Zakat.

**Q25. What is Sadaqah or Zakat-ut-Tatawwu'?**

Sadaqah is an Arabic term widely used to cover all kinds of charity. Although Sadaqah and Zakat are interchangeable, Sadaqah is voluntary or optional charity.

All good deeds are considered Sadaqah. Every Muslim is urged to give Sadaqah. The Prophet Muhammad ﷺ said:

*"Every Muslim has to give Sadaqah."* The people asked: *"O Prophet of Allah, what about the one who has nothing?"* He replied: *"He should work with his hand to give Sadaqah."* They asked: *"If he cannot find (work)?"* He replied: *"He should help the needy who ask for help."* They

asked: "If he cannot do that?" He 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 charity is called perpetual Sadaqah (Sadaqat-ul-Jariyah).

Prophet Muhammad ﷺ is reported to have said:

*"When a person dies (the benefit) of their deeds ends, except three: a continuous Sadaqah, knowledge from which benefit is derived, or a pious child invoking Allah for him"* (Sahih Muslim & Ahmad).

## **Q26. What is the etiquette of giving Sadaqah?**

### **Etiquette of Giving Sadaqah**

- Islam advises followers to give Sadaqah. Sadaqah is provided from one's lawful (halal) earnings because Allah does not accept Sadaqah from what is unlawful (haram).
- There is no limit on the amount to be donated as Sadaqah. It is up to the generosity of the individual.
- Humility. For donors to gain the rewards of Sadaqah, they are required not to show off or flaunt their generosity.
- Sadaqah can be given to any deserving person – regardless of religion.
- Precedence is given first to one's needy dependents, relatives, and then to others in need.
- The beneficiary of Sadaqah is advised to thank the givers for their good deeds.

### **Common Misconceptions:**

- *Paying taxes replaces paying Zakat.* Taxes are paid to the government – Federal, State, County, and City per rules and regulations. Zakat is paid as an obligatory duty (Faridatun min Allah) to Allah. It has its purpose, function, and standards of payment and distribution. To fulfill the Zakat obligation, it must meet the (Shariah) requirements. Paying taxes does not meet these requirements.
- *I don't have to pay Zakat if I've never done it before.* Unpaid Zakat counts as a missed obligation (qada). You should estimate the amount of Zakat due for the years you missed and pay it as soon as possible.
- *A husband must pay Zakat on his wife's jewelry and wealth.* It is a wife's responsibility to pay Zakat on her jewelry, Zakatable possessions, and wealth. If her husband or someone else pays Zakat on her behalf with her permission, it is permissible, and they are rewarded for this voluntary action.
- *We can't pay Zakat to relatives.* It is preferred to pay Zakat to your poor relatives – siblings, cousins, nephews, nieces, uncles, aunts, etc. Prophet Muhammad ﷺ said: *"Charity given to the poor is a charity, and charity given to a relative is a charity and upholding of family ties"* (Ahmad, Al- Nisa'i). Zakat does not count to one's parents, grandparents, children, grandchildren, or wives. The care of these relatives is an obligation enjoined by Shariah on every Muslim.
- *We have to pay Zakat on a house we own.* The items of one's basic needs are exempt from Zakat. All items of value (movable and immovable) that are designated for personal and household use and/consumption are not Zakatable. For example food, clothing, residential home, petty cash, personal transportation (automobile, riding animal), books for personal study, domestic animals and poultry for household needs, tools of one's own trade/profession, articles of adornment in day to day use, arms and ammunition for personal use, agricultural land cultivated by the owner, etc.

- *It's okay to underpay Zakat once in a while.* It is the obligatory duty to Allah (Fard min Allah) to calculate Zakat meticulously and adequately. If you happen to find out that you underpaid Zakat, you should make the intention of repaying the full Zakat, Allah will accept it as "ada" of your obligation (Fard).
- *Zakat can only be paid in cash.* Zakat can be paid in cash, check, draft, credit card, and the like. It can also be paid in-kind with gold, silver, grain, livestock, etc. You must pay your credit card bill on time so as not to incur any interest payments.
- *Zakat is due on all savings.* Zakat is due on the minimum balance in the bank over one lunar year (hawl – approximately 355 days), provided the balance did not go under the amount of Nisab.