

Your brief guide to

ZAKAT

The Little Book of Two and a Half Percent

MUSLIM HANDS

0115 9117222

A BEAUTIFUL ACT OF WORSHIP

The word 'zakat' denotes the amount of wealth (usually 2.5%) a Muslim must pay to particular categories of underprivileged people, if their annual wealth exceeds a specific amount.

Zakat is the third pillar of Islam. Linguistically, it means "to purify." By paying zakat we purify our wealth by sharing it with others.

Zakat is neither a tax nor a charity, it is an obligation to fulfil, and something for which we will be accountable to Allah directly.

Zakat benefits the person who receives it but also the person who gives it. We should be grateful for the opportunity to increase our righteous deeds through it.

Zakat purifies our heart, because it goes against our selfish instincts to hoard wealth for ourselves. Whatever material comfort we have been given is a test for us. By paying zakat we acknowledge that our wealth is not our own, but a blessing to be shared.

Zakat ensures that the very poorest of society are protected from hunger and insecurity and the need for basic essentials. The giver embodies the spirit of social responsibility.

THE NISAB

Every person who is sane, an adult (reached puberty), Muslim and sahib-un-nisab must pay zakat as a duty. To be a sahib-un-nisab means you possess more wealth than the level of nisab for a period of one lunar year or more.

The nisab — the minimum value of wealth one must possess for zakat to become payable — is defined as 87.5g of pure gold or its equivalent value in money.

If you have zakat to calculate for agricultural land, livestock or any produce from a mine, the nisab for this is different and should be worked out with an Islamic scholar.

To find out the current monetary value of the nisab, visit muslimhands.org.uk/zakat or call +44 (0)115 911 7222.

EVERY LUNAR YEAR

Your zakat year begins on the date that your wealth first equals the nisab. Each year on that date your zakat should be calculated. If you can't remember exactly when you became sahib-un-nisab then try your best to estimate it. Alternatively, many people choose to pay within the month of Ramadan every year for the extra blessings and so they don't forget to pay each lunar year. Note however this must be before a year has passed otherwise zakat will be overdue.

You can also pay zakat in monthly instalments. Simply calculate your zakat, divide this by 12 and set up a regular payment, specifying it as zakat. You can pay your zakat in monthly installments for the year ahead but not in arrears.

Zakat is always paid on the balance of assets owned on the zakatable date, not on fluctuating amounts during the year or on the average.

Zakat is due on the following types of wealth:

- Gold and silver, including ornaments or jewellery containing gold and/or silver
- Cash held at home or in bank accounts
- Stocks and shares owned directly or through investment funds
- Money lent to others
- Business stock in trade and merchandise
- Agricultural produce
- Livestock animals such as cows, buffaloes, goats, sheep and camels
- Produce of mines
- Pensions
- Property owned for investment purposes

If you qualify to pay zakat, it is also obligatory for you to perform the qurbani at the time of Eid al-Adha.

SHARES & PENSIONS

Paying zakat on stock and merchandise is obligatory. If you have shares in a particular company, paying zakat is obligatory on the current market value of the shares. If you are considered as having ownership in the company's assets to the value of your share, then you do not have to pay zakat on items that are exempt from zakat (such as machinery, furniture and building). If you're unable to obtain these details, then you should pay zakat on the current market value of the whole share.

Pensions received by an individual after retirement are liable for zakat provided they are sahib-un-nisab. Before retirement, an individual's pension is not subject to zakat if the payment made to the pension policy is deducted from the salary at source, without passing into the hands of the individual. For voluntary contributions to pensions, please consult a scholar.

YOUR HOME & CAR

All assets owned for personal use and used to meet basic living expenses are exempt from zakat except for cash and items made from gold and silver. This means your home and personal car are not liable for zakat.

If you have a second property for investment purposes with the clear intention to keep it, it is not subject to zakat, but any profit from rental income is fully subject to zakat.

If you have a second house for investment purposes with the clear intention to resell it at a profit, you must pay zakat on it as it is considered a “stock in trade”. The entire value of the property is subject to zakat.

VALUING JEWELLERY

Gold and silver in whichever form are always subject to zakat. If metal items of personal use have less than half their content as gold or silver then they are not liable for zakat.

It is important to get jewellery accurately valued at a professional jewellers to account for the pure gold or silver content. When buying jewellery, ask for the gold and silver weight in grams to be marked on the receipt for future reference.

The market value of gold fluctuates. When calculating the value of your gold, you will need to know the current price of gold. This can be found online at sites such as goldline.co.uk, from your local goldsmiths or by calling us.

ZAKAT FOR BUSINESS

Zakat is also payable on business interests as well as personal wealth. The amount of zakat payable on a business will depend on the type of business, the nature of the goods sold, profitability, stock levels and other factors.

It is strongly recommended to get specialist advice on calculating the amount of zakat due. Contact us and speak to our Zakat Team who will be able to help you with your business zakat calculations.

Zakat can be due on a business even if the business is not profitable or has debt obligations. Note that there can be tax advantages to making zakat donations directly from your business. Speak to our Accounts Department for further information.

Zakat is not payable on haram income (earned from forbidden means) The entire value of haram income must be given in charity.

“Who is he that will loan to Allah a beautiful loan, which Allah will double unto his credit and multiply many times? It is Allah who giveth (you) want or plenty. And to him you shall return”.

Al-Baqarah 2:245

WHO CAN RECEIVE ZAKAT?

In the Qur'an, surah 9, verse 60, the categories of people entitled to receive zakat are described:

1. The poor - those who have no income
2. The needy - those who may have an income but it is below a minimum requirement
3. Employees of zakat - those who identify the destitute and handle zakat
4. Sympathisers - those who might enter or who have already entered Islam
5. To free slaves
6. To relieve those in hardship under debt
7. For the cause of Allah

At Muslim Hands we take the responsibility of handling zakat extremely seriously as we understand this is more than just charity: it is worship.

Zakat donations are handled with the greatest care to ensure they reach eligible recipients quickly and securely.

Our latest projects are detailed online at muslimhands.org and in our annual Feedback Reports which you can order or view online.

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