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muslimhands.org

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Brief Guide to

Zakah

The Little Book of Two and a Half Percent

A beautiful act of worship

The word 'zakah' 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.

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

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

Zakah 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.

Zakah 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 zakah we acknowledge that our wealth is not our own, but a blessing to be shared.

Zakah 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 zakah 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 zakah to become payable — is defined as 87.5g of pure gold or its equivalent value in money.

If you have zakah 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/zakah or call +44 (0)115 911 7222.

Every lunar year

Your zakah year begins on the date that your wealth first equals the *nisab*. Each year on that date your zakah 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 zakah will be overdue.

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

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

Zakah 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 zakah, it is also obligatory for you to perform the qurbani at the time of Eid al-Adha.

Shares and pensions

Paying zakah on stock and merchandise is obligatory. If you have shares in a particular company, paying zakah 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 zakah on items that are exempt from zakah (such as machinery, furniture and building). If you're unable to obtain these details, then you should pay zakah on the current market value of the whole share.

Pensions received by an individual after retirement are liable for zakah provided they are *sahib-un-nisaab*. Before retirement, an individual's pension is not subject to zakah 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 and car

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

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

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

Valuing jewellery

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

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.

Zakah for businesses

Zakah is also payable on business interests as well as personal wealth. The amount of zakah 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 zakah due. Contact us and speak to our Zakah Team who will be able to help you with your business zakah calculations.

Zakah 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 zakah donations directly from your business. Speak to our Accounts Department for further information.

Zakah 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

A case study of calculating zakah

Miss Khan

Assets	Totals
Gold	
• jewellery with pure gold @ 75g	
• current market rate = £18.34/g*	
75 x 18.34 =	£1375.50
Cash at bank	£1300
Shares	£210
TOTAL WEALTH	£2885.50
Nisab	
87.5g of gold x £18.34* =	£1604.75
Miss Khan has more wealth than the <i>nisab</i> (she is <i>sahib-un-nisab</i>)	
Zakah liability (2.5%)	
£2885.50 × 0.025 =	£72.14

To help you work out how much zakah you owe, we've created an online calculator at: muslimhands.org/zakah

Enter details such as how much cash, gold, silver, shares you own and find out how much zakah is payable.

The zakah calculator is designed to cover relatively simple cases faced by individuals. If you own a business or have questions about how to calculate your zakah then please contact us.

* Please check the current market rate when calculating your own zakah.

Who can receive zakah?

In the Qur'an, surah 9, verse 60, the categories of people entitled to receive zakah 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 zakah** - those who identify the destitute and handle zakah
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 zakah extremely seriously as we understand this is more than just charity: it is worship.

Zakah 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.