



Nigerian Canadian Muslims Congregation, Calgary

Bismillah ir-Rahman ir-Raheem - بسم الله الرحمن الرحيم

# Zakah – The Forgotten Pillar

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# Meaning of Zakah

- ❖ Zakah is the 3<sup>rd</sup> Pillar of Islam.
- ❖ Zakah appears in conjunction with Salah 32 times in the Qur'an.
- ❖ Zakah lexically means purification, increase, blessing.
- ❖ In Islamic law: Zakah is a proprietary transfer of a portion of wealth specified by Allah (swt) – the Lawgiver – to a poor Muslim for the pleasure of Allah (swt) in a manner that excludes all benefit to the payer.
- ❖ The Prophet (SAW) said:

“Blessed is the wealth of a Muslim from which he gives to the poor, to orphans and to needy travellers”.

(Sahih Bukhari, Vol. 2, Hadith 544)

# Zakah in the Qur'an

وَأَقِيمُوا الصَّلَاةَ وَآتُوا الزَّكَاةَ وَارْكَعُوا مَعَ الرَّاكِعِينَ ﴿٤٣﴾

And establish prayer and give zakah and bow with those who bow (in worship and obedience).  
(2:43)

قَدْ أَفْلَحَ مَنْ زَكَّاهَا ﴿٩﴾

He has succeeded who purifies it.  
(91:9)

وَمَا أُمِرُوا إِلَّا لِيَعْبُدُوا اللَّهَ مُخْلِصِينَ لَهُ الدِّينَ حُنَفَاءَ وَيُقِيمُوا الصَّلَاةَ وَيُؤْتُوا الزَّكَاةَ وَذَلِكَ دِينُ الْقَيِّمَةِ ﴿٥﴾

And they were commanded not but that they should worship Allah, keeping religion pure for him, as upright men, and that they should establish prayer and give the poor-rate, and that is the right religion.  
(98:5)

# Zakah in the Qur'an

اللَّهُ فَاقْرَءُوا مَا تَيَسَّرَ مِنْهُ وَأَقِيمُوا الصَّلَاةَ وَآتُوا الزَّكَاةَ وَأَقْرِضُوا اللَّهَ  
قَرْضًا حَسَنًا وَمَا تُقَدِّمُوا لِأَنْفُسِكُمْ مِنْ خَيْرٍ تَجِدُوهُ عِنْدَ اللَّهِ هُوَ خَيْرًا وَأَعْظَمَ أَجْرًا  
وَأَسْتَغْفِرُوا اللَّهَ إِنَّ اللَّهَ غَفُورٌ رَحِيمٌ ﴿٢٠﴾

- .....So recite what is easy from it and establish prayer and give zakah and loan Allah a goodly loan. And whatever good you put forward for yourselves - you will find it with Allah . It is better and greater in reward. And seek forgiveness of Allah. Indeed, Allah is Forgiving and Merciful.

(73:20)

# Zakah in the Qur'an

خُذْ مِنْ أَمْوَالِهِمْ صَدَقَةً تُطَهِّرُهُمْ وَتُزَكِّيهِمْ بِهَا وَصَلِّ عَلَيْهِمْ إِنَّ

صَلَوَاتِكَ سَكَنٌ لَهُمْ وَاللَّهُ سَمِيعٌ عَلِيمٌ ﴿١٠٣﴾

- Take, (O, Muhammad), from their wealth a charity by which you purify them and cause them increase, and invoke upon them. Indeed, your invocations are reassurance for them. And Allah is Hearing and Knowing.

(9:103)

# Hadith Regarding Zakah

Narrated by Ibn Abbas:

- When Allah's Apostle (saw) sent Muadh to Yemen, he said (to him), "YOU are going to people of a (Divine) Book. First of all invite them to worship Allah (alone) and when they come to know Allah, inform them that Allah has enjoined on them, five prayers every day and night; and if they start offering these prayers, inform them that Allah has enjoined on them, the Zakat. And it is to be taken from the rich amongst them and given to the poor amongst them; and if they obey you in that, take Zakat from them and avoid (don't take) the best property of the people as Zakat."

(Sahih Bukhari Book 024, Volume 2, Hadith 537)

Narrated by Abu Humaid Al-Sa'idi:

- Allah's Apostle (saw) appointed a man called Ibn Al-Lutbiya, from the tribe of Al-Asd to collect Zakat from Bani Sulaim. When he returned, (after collecting the Zakat) the Prophet (saw) checked the account with him.

(Sahih Bukhari Book 024, Volume 2, Hadith 576)

# The Nisab

- Nisab is the minimum amount of wealth owned by an individual for one lunar year that obligates the individual to pay Zakah. This minimum amount of wealth is separately defined for each category of wealth.
- Nisab was set by the Prophet (SAW) at 20 Mithqaals of Gold or 200 Dirhams of Silver (Equivalent to approximately 85 grams of Gold and 595 grams of Silver).
- On current market rate, the Nisab level is approximately \$4,420 USD for Gold and \$430 USD for Silver.
- Assuming an individual's wealth is equal to or exceeds the Nisab level on the day Zakah is due, then Zakah is payable on it at 2.5%.



# Who is Eligible to Pay Zakah?

- Sanity
- Adult (reached puberty)
- Owner of wealth equal to or above the Nisab level
- Muslim

## Recipients of Zakah

✽ إِنَّمَا الصَّدَقَتُ لِلْفُقَرَاءِ وَالْمَسْكِينِ وَالْعَمِلِينَ عَلَيْهَا  
وَالْمُؤَلَّفَةِ فُلُوبِهِمْ وَفِي الرِّقَابِ وَالْغَرَمِينَ وَفِي سَبِيلِ اللَّهِ  
وَأَبْنِ السَّبِيلِ ۗ فَرِيضَةً مِّنَ اللَّهِ وَاللَّهُ عَلِيمٌ حَكِيمٌ ﴿٦٠﴾

- Zakah expenditures are only for the poor and for the needy and for those employed to collect (zakah) and for bringing hearts together [for Islam] and for freeing captives [or slaves] and for those in debt and for the cause of Allah and for the [stranded] traveler - an obligation [imposed] by Allah. And Allah is Knowing and Wise.

(9:60)

# Recipients of Zakah

1. The Poor
    - Those who have no income
    - Those who beg for money
  2. The Needy
    - Those who may have income but not sufficient to cover their basic needs
  3. Employee of Zakah
    - Those who are employed to handle Zakah
    - Those who identify the poor & needy to receive Zakah
  4. Those whose hearts have to be reconciled
    - Non-muslims whose hearts are inclined towards Islam
    - Those who have become Muslim recently and are in need of money
  5. Emancipation of slaves from masters
  6. Debtors
  7. In the way of Allah
  8. Wayfarer
- 
- Primary recipients of Zakah are the poor and destitute.
  - A person's poor relatives should be given preference when distributing Zakah above other poor non-relatives.

# Recipients of Zakah

- One who has surplus furniture, clothes, dishes, utensils, etc. beyond basic need may not be eligible to receive Zakah.
- Many people pay Zakah to relatives who are not eligible as they own surplus assets – one must make reasonable checks to ensure the recipient is eligible before paying.
- It is not necessary to inform the recipient of the payment being Zakah.

# Important Rules

- All assets owned for PERSONAL USE are exempt from Zakah except Cash, Gold & Silver which are always subject to Zakah.
- Zakah is always paid on the balance of the assets owned on the Zakatable lunar anniversary and not any fluctuating figure during the year.
- Zakah is NOT payable on Haraam income. This must all be donated to charity.
- Zakah is also payable on livestock and agricultural produce – Please consult a scholar separately if you own these items.
- If a Gold/Silver asset is owned for personal use and is made from a mixture of metals including Gold or Silver then Zakah is only payable if Gold/Silver form the majority of the asset.

# Important Rules

- ZAKAH POSITION DEPENDS ON YOUR INTENTION
- Clear intention to resell: Zakah due on entire value of Assets – always use current Selling Price/Market Value.
- Clear intention to hold as an Investment Zakah NOT payable on Market Value but payable on net income from Asset. For shares, Zakah ONLY payable on dividend. Zakah is NOT payable on goodwill or fixed equipment.
- Clear intention to reside (if Asset is property) No Zakah Payable (this then becomes a PERSONAL ASSET).
- No clear intention, No Zakah payable on asset value, but income received subject to Zakah.

# Important Rules

- Business Owners – Zakah is payable on liquid assets, receivables and cash only NOT on goodwill or on capital equipment / property
- Shares – Zakah is payable on RRSP
- Properties – Zakah is ONLY payable on net rental income
- Pensions – Zakah is ONLY payable if you can choose how to invest the pension fund – the amount of Zakah depends on the asset being invested in.

# Ruling on Debts & Liabilities

## DEBTS OTHERS OWE YOU

There are three Categories of debt:

1. **Strong debt** – loans and debts incurred in consideration of commercial goods. Creditor remains liable to pay Zakah even before possession, but obligation to pay only matures upon receipt of the value of the debt.
2. **Weak debt** – debt that accrues without consideration (inheritance or bequest) or in consideration of other than what is deemed ‘property’ (deferred dower, unpaid salary). Such debt is NOT liable to Zakah unless received, and only then for the future and not retrospectively



# Ruling on Debts & Liabilities

3. **‘Medial debt’** – debt incurred in consideration of non-commercial goods (debt arising from the sale of personal property). Two opinions:
- I. Zakah liability applies from time of sale but obligation to pay is realised upon receipt of the value.
  - II. Zakah liability applies after receipt of the value and the passage of one lunar year .

**Bad debts** – lost all hope of recovery – Zakah is NOT payable

# Ruling on Debts & Liabilities

- Debts owed to others are deductible from your Zakatable total if they are to be repaid in full within the next twelve months.
- Debts not repayable at all in the next twelve months are NOT deductible.
- If debts are payable by instalment, then twelve months debt is deductible.

# When to Pay Zakah

- Zakah only paid when you are at or above the Nisab level on your Zakah anniversary.
- If a person cannot remember the date upon which he/she first become eligible then one should make the best estimate. If an estimate cannot even be made then a date should be selected which is then stuck to each lunar year.
- The selected date does not have to be in Ramadan. It is however more virtuous to donate in Ramadan than at any other time.
- Zakah should be distributed as soon as possible, at the very latest within one (1) lunar year of the calculation date.
- Missed Zakah should be calculated to the best of one's ability and paid.

# Case Study

Aisha on her Zakah Anniversary date, 10th of Ramadan, takes account of her finances as follows :

- Personal car / clothing / furniture → \$15,000
- Personal Gold jewellery → \$2,000
- Owns 50% of home, worth → \$275k.
- Owns half of another property – rented out. Value of property → \$180k.
- Aisha has a business which has stock worth → \$20k.
- Cash in business account totals → \$15k, in personal account → \$10k
- Owns some shares in BP for resale only → \$2k
- She has lent to her friend → \$3k
- She has a Personal Pension, chosen to invest in Shariah compliant cash account, MV → \$30k
- She owes her various business suppliers → \$5k
- 3 years worth of instalments are outstanding on furniture purchased, total debt outstanding → \$6k

## Case Study Cont'd

Personal Car / Clothing / Furniture	Non Zakatable
Gold Jewellery	Zakatable
Main Residence	Non Zakatable
Investment Property	Non Zakatable
Stock in business	Zakatable
Cash	Zakatable
Shares in BP	Zakatable
Money owed to Aisha	Zakatable
Pension	Zakatable
Money owed to Supplier	Deductible for Zakah
Debt on Furniture	12 Months Deductible for Zakah

## Case Study Cont'd

Items	Zakah Value
Gold	\$2,000
Business Inventory	\$20,000
Cash Balance	\$25,000
Shares in BP	\$2,000
Money Owed by Friend	\$3,000
Pension	\$30,000
Money owed to Supplier	-\$5,000
Money owed for Furniture	-\$2,000
Net amount for Zakah	<b>\$75,000*</b>
Zakah @ 2.5%	<b><u>\$1,875</u></b>

\* Exceeds Nisab

# Consequences of not Paying Zakah

Narrated Abu Huraira (RA): Allah's Apostle (SAW) said, "Whoever is made wealthy by Allah and does not pay the Zakah of his wealth, then on the Day of Resurrection his wealth will be made like a bald-headed poisonous male snake with two black spots over the eyes. The snake will encircle his neck and bite his cheeks and say, 'I am your wealth, I am your treasure.' " Then the Prophet recited the holy verses:-- '*Let not those who withhold . . .*' (to the end of the verse). (Q3 vs.180).

(Bukhari: Vol. 2, Bk. 24, # 486)

## Consequences of not Paying Zakah

وَلَا يَحْسِبَنَّ الَّذِينَ يَبْخُلُونَ بِمَا آتَاهُمُ اللَّهُ مِنْ فَضْلِهِ هُوَ خَيْرًا لَّهُمْ  
بَلْ هُوَ شَرٌّ لَّهُمْ سَيُطَوَّقُونَ مَا بَخَلُوا بِهِ يَوْمَ الْقِيَامَةِ وَلِلَّهِ مِيرَاثُ  
السَّمَوَاتِ وَالْأَرْضِ وَاللَّهُ بِمَا تَعْمَلُونَ خَبِيرٌ ﴿١٨٠﴾

- And let not those who [greedily] withhold what Allah has given them of His bounty ever think that it is better for them. Rather, it is worse for them. Their necks will be encircled by what they withheld on the Day of Resurrection. And to Allah belongs the heritage of the heavens and the earth. And Allah is (fully) acquainted with what you do.

(3:180)



# Consequences of not Paying Zakah

Narrated Abu Huraira: The Prophet (SAW)said, "(On the Day of Resurrection) camels will come to their owner in the best state of health they have ever had (in the world), and if he had not paid their Zakat (in the world) then they would tread him with their feet; and similarly, sheep will come to their owner in the best state of health they have ever had in the world, and if he had not paid their Zakat, then they would tread him with their hooves and would butt him with their horns." .....

# Consequences of not Paying Zakah

.....The Prophet added, "One of their rights is that they should be milked while water is kept in front of them." The Prophet added, "I do not want anyone of you to come to me on the Day of Resurrection, carrying over his neck a sheep that will be bleating. Such a person will (then) say, 'O Muhammad! (please intercede for me,) I will say to him. 'I can't help you, for I conveyed Allah's Message to you.' Similarly, I do not want anyone of you to come to me carrying over his neck a camel that will be grunting. Such a person (then) will say "O Muhammad! (please intercede for me)." I will say to him, "I can't help you for I conveyed Allah's message to you."

(Bukhari: Vol. 2, Bk. 24, # 485)

# Summary

- Zakah is the 3rd Pillar of Islam and compulsory if you are ELIGIBLE.
- Zakah is a form of worship, it's a purification of one's wealth and a right of the poor over the rich.
- Failure to pay Zakah at all or to under pay Zakah is a major sin.
- Those whose total wealth, excluding basic necessities and debts is below Nisab level can receive Zakah.
- Zakah should be calculated promptly on the annual Zakah date and then paid as soon as possible, at the latest within one Islamic year.
- Three main assets are subject to Zakah: (1) gold & silver (2) cash and (3) business assets.
- Business assets include shares, pensions, home purchase plans, properties.
- Debts receivable from others are added to Total Assets in the Zakah calculation.
- Debts payable to others are subtracted in the calculation.
- Zakah is payable at 2.5% on Net Assets.

Questions?