



Module 6: Zakat



What We Learned

- The virtues and wisdoms of Zakat.
- The warnings against neglecting the payment of Zakat
- Basics of how Zakat is paid
- Defining terms–Zakat, Sadaqa, Nisab, Dinar, Dirham, Fitr, Mithqal, Hawl
- Conditions for the obligation of Zakat
- Do prepubescent children pay Zakat?

Review: Conditions for the Obligation of Zakat

- 1] That one's wealth reach or surpass the Nisab.
- 2] That one is the owner of the wealth. This would exclude:
- 3] The passing of the Hawl.
- 4] The absence of short term debt. This pertains to Zakat of **money**. A short term debt is one owed in full within a year. One must pay a short-term debt before paying Zakat.

Is puberty and sanity a condition for the obligation of Zakat?

Learning Objectives

How to calculate and pay Zakat on gold, silver, and currencies, etc.



Disclaimer & Warning!

- We endeavour to cover the *Fard 'Ayn* aspects of paying Zakat, with a few digressions into the most common modern issues.
- Because of the multiple stores of value, means of saving, investment products, and modern financial instruments, it is not within the scope of this class to cover **every** conceivable scenario or means of payment.
- Once learning the foundations in this Module, consult with a specialist if you are unsure of what to include or how to include it in your Zakat calculations.
- Zakatable wealth is: **monetary wealth, crops, and livestock**. We will not cover Zakat on crops or livestock. If you have a farm with livestock and produce, you must know what the *Nisab* is for the various types of both.

Zakat on Gold

- The Nisab of gold is **20 Shariah dinars**.
- 1 dinar=4.235 grams
- $4.235 \times 20 = 87.4$ grams
- As of October 4, 2022, the USD value of 87.4 grams of gold is: 4643.8469 [\$4644]
- If you have this much gold or more, you pay 2.5 percent of the total value in Zakat.
- Example: Khalid has 150 grams of gold with him for one lunar year. He will find out the USD value of his gold at the period of the Hawl (not the purchase cost a year before).
- If he pays Zakat on Oct 4, 2022, he owes \$205.60125 [\$206]



Zakat on Silver

- The Nisab of silver is **200 Shariah dirhams**.
- 1 dirham=2.9645grams
- $2.9645 \times 200 = 592.9$ grams
- As of October 4, 2022, the USD value of 592.9 grams of silver is: 396.6501 [\$397]
- If you have this much silver or more, you pay 2.5 percent of the total value in Zakat.
- Example: Zayd has 1 kilogram of silver with him for one lunar year. He will find out the USD value of his gold at the period of the Hawl (not the purchase cost a year before).
- If he pays Zakat on Oct 4, 2022, he owes \$16.731625 [\$17]



Miscellaneous Issues

- Gold and silver coins of lower quality, or mixed with other metals, are not treated any differently in zakat, provided they are treated like gold and silver coins on the market.
- Gold and silver are treated equally. In Zakat calculations, every dinar (gold coin) equals 10 dirhams (silver). If you have half the Nisab of gold (ten dinars) and half the Nisab of silver (100 dirhams), then those amounts together have reached the full Nisab, and you own Zakat.
- For gold and silver **NOT** in the form of Shariah dinars and dirhams, the consideration is the weight, not the value (e.g., if you have a gold clock, you calculate the Zakat based on how many grams it is, not the cost of the item itself).
- The Prophet (Allah bless him and give him peace) forbade the use of gold and silver on plates, cups, and eating utensils; however, Zakat is still owed on these items if their weight reaches the Nisab.

Miscellaneous Issues

- Zakat is not owned on gold and silver jewelry that are used. Zakat is owed on them if they are not worn as jewelry but instead kept as a **store of value** or **merchandise** that is sold. (The Hanafi position is that Zakat is due on **all** gold and silver, including jewelry worn by women.)
- There is no Zakat on the weight of gold or silver teeth or any gold or silver used on the body for a health reason.
- The only precious metals on which Zakat is due are gold and silver. This means there is **NO** Zakat on the precious stones in one's jewelry. When in doubt, go to a qualified jeweller who can determine the weight of your gold and silver.

Zakat on Currencies

- Currency is treated as gold. It's nisab is the amount of money that could purchase 84 grams of gold.
- The reason why gold is chosen and not silver is because the nisab separates the wealthy from the needy, and having the nisab of gold is a better indicator of that than possessing silver.
- The Shafi'i school took the opposite view, and said that the nisab of currency is the nisab of silver.
- Their reasoning is that when there is a considerable difference between the gold nisab and the silver nisab, the minimum for currency should correspond to silver, since it is better for the poor.
- Accordingly: in the Shafi'i school, the nisab for USD [as of today] would be \$397. For the others it would be \$4644.



Debts, Loans, & *Fa'ida*

- You're not obligated to pay Zakat on a debt owed to you that the debtor cannot immediately repay if asked. When it is finally received, only one year of Zakat is immediately paid on it, even if it was outstanding for many years. (Example: You sold someone a used car and they owed you \$8000 since 2015. You finally got it back. You only pay the Zakat of one year (\$200).
- If the person paid before a year passed, the Hawl begins at the moment of possession [qabd].
- If you loaned someone money that exceeds the Nisab, the Hawl begins on the date on which you originally possessed the money, not when it was returned to you. (Example: You loaned someone \$8000 that you had on Oct 2020. The person paid it back on Oct 2022. You owe two years of Zakat on it.



Debts, Loans & *Fa'ida*

- *Fa'ida* is wealth earned without investment, such as

1] Inheritance

2] Gifts

3] Dowry

4] Sadaqa

5] Compensation

- For *Fa'ida*, Zakat is not owed until one comes into possession of it, and a full Hawl has passed.



Zakat on Assets—Liquid & Illiquid

1. Cash on hand (under the mattress, in a safe, wallet, piggy bank, etc.)
2. Checking account
3. Savings account
4. Other cash (good debt)
5. Gold
6. Silver
7. Cryptocurrencies
8. Shares/stock (Individual, Mutual, ETFs, Index funds)
9. Retirement accounts (401k, IRA, pension funds, etc.)
10. Business inventory (current and obsolete/dead)
11. Real estate, rental property, etc.
12. Collectibles and Antiques
13. Investments in privately held companies



Our Next Class:

- Zakat on other forms of liquid and illiquid assets
- Modern financial instruments and Zakat
- Putting it all together and making the necessary deductions at the time of the Hawl

