



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
- Zakat on gold, silver, and currencies
- Zakat on liquid and illiquid assets (stocks, 401k, crypto, property, inventory, etc.)

Addendum to the Previous Class

Calculating Zakat on stocks, there are other options besides what we mentioned in the previous class. All of the options are *Ijtihadi* [all based on analogical deduction—*qiyas*—treating stocks like crops or trade], so choose whichever you feel most strongly about. Besides the method we mentioned, there is simpler way (but which results in you paying more in Zakat):

- If you invested \$10,000 in shares, after one Hawl has elapsed, check your portfolio.
- If you see that your returns have given you \$12500 [for example], you pay 2.5% on that for your Zakat.
- Repeat this every year as the value increases.

Addendum to the Previous Class

Clarity on calculating Zakat on collectibles, etc.

- If you purchase a collectible item as a store of value, you do not pay Zakat on it yearly if it's just sitting in your garage or house. You only pay Zakat on it when you sell it.
- Contrary to what I said last week—I misspoke—because you pay Zakat on it when you sell it, you pay Zakat on the sale's price when you sell it.

Example: Khalid buys a 1965 Mustang for \$20,000. He keeps it for ten years and finally sells it for \$100,000. He only pays Zakat on the \$100,000, not the 20,000 each year.

Addendum to the Previous Class

How do you calculate Zakat for multiple sources of income that have a different Hawl each?

- This is called 'Mixed business'. If it is difficult or impossible to maintain accurate record keeping and the Ahwal are difficult to track, assign a single month in which you take inventory of everything and pay Zakat all at once.

Learning Objectives

- 1] Putting this all together—a mock up Zakat calculation sheet
- 2] Zakat al-Fitr
- 3] The Eight recipients of Zakat
- 4] Inner and outer etiquettes of paying Zakat



Zakat Calculator

- Several Zakat calculators use the Shafi'i silver nisab as their basis. Check whether the nisab is pegged to gold or silver.
- Several Zakat calculators factor in things that give a larger Zakat amount, even if you don't have them yet—such as expected tax return, or pro-rated salary that you've already earned but haven't been paid yet.



CASH

Cash on hand [house, wallet, under bed, etc]	\$5,000
Checking Account[s]	\$10,000
Savings Account[s]	\$9,000
Current price of silver possessed	\$1000
Current price of gold possessed	\$500
Refundable deposits [e.g., on a rental, or down payment for Hajj]	\$250
Good debt	\$1000

Total:\$21,750

INVESTMENTS

Net value of business inventory and accounts receivable	\$15,000
Aggregate value of rental income [excluded if already included in checking/savings account]	\$0
CRI Zakat liable amount on shares [or aggregate value of shares]	\$5500
Zakat liable dividend amount	\$50
Post-tax 401k/IRA distributions	\$100,000
Aggregate value of all cryptocurrencies	\$6000
Sale price of artwork/antiques/collectibles sold this year	\$8000

Total: \$134,550

EXPENSES AND LIABILITIES

Monthly mortgage or rental payment	\$1800
Utilities	\$700
Transportation, fuel	\$400
Home/renters insurance	\$150
Auto insurance	\$120
Medical insurance	\$1800

Total: \$4970

Note Rent, mortgage, utilities, etc. are debts; that's why we deduct them.

EXPENSES AND LIABILITIES

Property tax payment	\$2000
Miscellaneous fines	\$100

Total: \$2100

Note If someone has haram earnings from interest bearing accounts, transactions, or investments, they must deduct that from their Zakat, but they must still dispose of it.

- 1] It should be used for public welfare projects (potholes, parking lots, etc.)
- 2] It should not be given with the intention of charity, since it is impure.

Putting it All Together

Cash total:	\$21,750
Investments total:	\$134,550
Expenses and liabilities total:	\$7070

Total Zakatable
income before
subtracting
expenses and
liabilities: **\$156,300**

Total Zakatable
income after
expenses and
liabilities: **\$149,230**

2.5% of
total: **\$3,730.75**

Recipients of Zakat

‘Charities [zakat] are for the poor, and the destitute, and those who administer them, and for reconciling hearts, and for freeing slaves, and for those in debt, and in the path of God, and for the traveler in need—an obligation from God. God is All-Knowing, Most Wise.’ –Quran 9:60

Zakat al-Fitr



Recipients of Zakat

Three Issues:

- 1] Who do I NOT give Zakat to?
- 2] Who do I give Zakat to?
- 3] Who is the best to give to?



Who does NOT get Zakat?

- 1] The rich
- 2] The able-bodied worker
- 3] Family members
- 4] The Family of the Prophet Muhammad (Allah bless him and give him peace)
- 5] Non-Muslims (unless from '*those whose hearts are to be reconciled*' among the eight categories in Sura al-Tawba).
- 6] Foster children.

Who does NOT get Zakat?

1] The rich– The Prophet (Allah bless him and give him peace) said: ‘Zakat is not permissible for the rich, the able-bodied, and capable.’ (Abu Dawud)

2] The able-bodied worker

- Employment opportunities should be present
- The employment is halal
- They are capable of doing it without undue hardship
- It provides enough for their basic needs and that of their dependents

Who does NOT get Zakat?

3] There is a consensus (*ijma'*) that it is not allowed to pay Zakat to a family member for whom you are already Islamically responsible for (wife, children).

- No zakat for parents—one would be responsible for them if they were in need.
- A wife can give her zakat to her poor husband—she's not responsible for him
- Any family member for whom you are not Islamically responsible for, you may give zakat to them (that includes son once he reaches adulthood)

4] The Family of the Prophet Muhammad (Allah bless him and give him peace)--this means the Hashimite. Allah has kept them from taking Zakat for the sake of their dignity. Their poor are to be cared for from the Bayt al-Mal and the khums.

Who does get Zakat?

- 1] Fuqara–the poor
- 2] Masakin–the destitute
- 3] al-'Amlin 'alayha–those collecting it
- 4] al-Mu'allafa qulubuhum–those whose hearts are to be reconciled to Islam
- 5] fil-Riqab–manumission
- 6] al-Gharimin–those in debt
- 7] Fi Sabilillah–those in the path of Allah
- 8] Ibn al-Sabil–the wayfarer

Poor and Destitute

- The poor are those who do not possess the sustenance of a year (so a faqir can possess the nisab and pay Zakat while still receiving Zakat).
- The destitute are those who do not possess much of anything—this one is more deserving of Zakat than the poor.

(The general principle is: Any person who does not find sufficient means to live [for himself and dependents] may be given Zakat, regardless of other forms of wealth he may possess.)

Collectors

- Collectors (this removes temptation to steal from Zakat money they interact with).
- This could be given to someone employed by an organization of government to oversee the collection and distribution of Zakat—but they must be mature, trustworthy Muslims who know the basic fiqh of Zakat or have resources to get answers when needed.
- Many scholars list other conditions as preventatives from abuse:

- 1] The collector should be from the category of the poor looking for work
- 2] They cannot accept personal gifts from those from whom they collect Zakat
- 3] No more than $\frac{1}{8}$ of Zakat funds collected that year should go to paying collectors.

(Masjids who collect and disburse Zakat must be careful from conflicts of interest or using funds for Masjid projects. Transparency and accountability are key.)

Others

al-Mu'allafa Qulubuhum

- Preservation of faith is the main objective of Islamic law, and that applies to born Muslims, new Muslims, and non-Muslims who are close to—or possibly—accepting Islam.
- It is meant to preserve their Islam, ease their transition, educate and help them, etc.

Manumission

- To free slaves, child-trafficking, etc.

Those in Debt

- Debts of those living paycheck to paycheck, credit card debt, medical bills, utilities etc.
- Some conditions must be met:
 - They lack sufficient funds for paying the debt[s].
 - The debt was incurred for permissible ends (not debts due to gambling, for example).
 - It is currently due.

In the Path of Allah

- The primary meaning of ‘fi sabilillah’ in a legal context is Jihad, or martial struggle.
- Such people must be non-conscripted soldiers, fighting under a legitimate Muslim ruler, and have no salary or stipend of their own.
- It is used for both fighters and military costs (equipment, armor, etc.)
- Some modern scholars have expanded the scope of ‘in the path of Allah’ to include any means to establish Islam (da’wa, education, schools, etc.) There is a basis for this in the classical fiqh tradition, but the modern conception is ripe for abuse.
- When giving Zakat, make sure that it’s going to PEOPLE and not THINGS.
- Imam al-Sawi says in his *Hashiya*:

قَالَ اللَّحْمِيُّ وَابْنُ رُشْدٍ: إِذَا مَنَعُوا حَقَّهُمْ مِنْ بَيْتِ الْمَالِ جَازَ لَهُمْ اخْذُ الزَّكَاةِ مُطْلَقًا، سَوَاءً كَانُوا فَقَرَاءَ أَوْ أَغْنِيَاءَ بِالْأُولَى مِنْ الْأَصْنَافِ الْمَذْكُورَةِ فِي
الْآيَةِ. (اهـ)

‘If they [rulers] prevent them [scholars] from their right of the Bayt al-Mal, it is permissible for them to take Zakat no matter what, whether poor or rich; in fact, they have even more right that the aforementioned categories.’

The Wayfarer

- The wayfarer is a traveler who left his land and does not have access to enough money to get back home.
- A person who is out of cash but has a credit card is not eligible.
- The purpose of travel must not have been for something sinful.

Distribution

- The distribution of funds is at the discretion of the Sultan.
- There is no clear-cut guideline for who gets how much and dispersion across the eight categories
- The destitute and poor have more right than the rest.
- Those who have the most needs and the direst should be given precedence
- For the other categories, they should be given dictated by need and social benefit.
- It is valid—and at times advisable—to pay to their creditors or the services they need.
- Recipients can be requested to provide bills, receipts to establish need.

Local Distribution vs Abroad

- Sending your zakat elsewhere is generally disliked. A wisdom of collecting and paying locally is knowing the people and their needs.
- However, the scholars mention that it is not disliked to send your zakat elsewhere if it is to a relative, to someone in greater need, to someone more pious, to someone who is of greater benefit to the Muslims (e.g. by teaching), or a student of knowledge, or the like.
- Ibn `Abidin said, “The best of charity [and zakat] is that which fulfils the greatest need, or is a means to the greatest benefit.”

Dimensions of Zakat

Imam al-Ghazali mentions five things in connection with Zakat:

- 1] Good intention
- 2] Giving without delay and at blessed times
- 3] Giving secretly
- 4] Giving publicly if one is followed by others (as encouragement)
- 5] To not spoil the Zakat with entitled behavior or reminders of one's favor