

About



1st Ethical Charitable Trust empowers Muslims to proactively benefit wider society through the holistic practice of their faith.

With a focus on the Islamic perspective on **financial literacy** (Mu'āmalāt), **social responsibility** (Mu'āsharāt) and **good conduct** (Akhlāq), 1st Ethical equips Muslims with the tools required to live their faith beyond worship ('Ibādāt) and belief ('Aqā'id).

Alongside publishing Guides on Halāl Money, Islamic Wills and Zakāt, we work with the Muslim community in the following ways:

- By working with **Imams, congregants and volunteers** at over 200 Mosques and community groups nationwide on financial literacy campaigns on Zakāt, Halāl Money & Islamic Wills as well as social responsibility campaigns on Feeding the Homeless, Helping Older People & Animal Welfare. For each campaign, we partner with leading charities such as **National Zakat Foundation, Islamic Relief, The Salvation Army, RSPCA & Age UK.**
- By working with **teachers, parents and pupils** at approximately 25 Muslim Faith Secondary Schools and Dār'ul-'Ulūms, as well as 100 Muslim Makātib on our groundbreaking **'Ilm 2 'Amal curricula**, which spans Key Stages 2, 3 and 4.
- By facilitating dozens of interpersonal skills / financial literacy **Scholar Workshops**, as well as 'Ilm 2 'Amal curricula KS1&2 **Ustādh Workshops** and KS3&4 **Teacher Workshops**, all in partnership with Al Qalam Shari'ah Scholar Panel.

For further information, please visit www.1stethical.com



National Zakat Foundation is a groundbreaking initiative that utilises Zakāt funds and voluntary donations collected in the United Kingdom for the benefit of local, deserving recipients. This group includes some of the most vulnerable members of society, including the homeless, refugees, orphans, single parents and the elderly.

NZF was launched in the summer of 2011 and by providing a complete Zakāt service within the UK, it aims to achieve its vision of a **pious, confident, selfless and self-sufficient UK Muslim community, where no individual in need is left abandoned.**

As of June 2013, NZF has achieved the following milestones:

- processed over 550 Zakāt applications from vulnerable and destitute people across the UK
- distributed over £560,000 of Zakāt funds to local, deserving recipients
- launched two shelters for homeless Muslim women in London and Birmingham in partnership with St Mungo's and Trident Reach

The National Zakat Foundation operates a 100% Zakāt distribution policy. To give your Zakāt to National Zakat Foundation or if you know someone in the UK who may be eligible to receive Zakāt, please visit www.nzf.org.uk.

1st Ethical and National Zakat Foundation are pleased to be working in partnership to revive the pillar of Zakāt in the UK Muslim community, both in theory and practice.

THIS GUIDE: The shāri'ah accuracy of this guide, as well as NZF's Zakāt disbursement policy, has been approved by the Al Qalam Shari'ah Panel. For further information about the fiqh principles underpinning the content of this guide please visit www.alqalam.org.uk



Al Qalam Shari'ah Panel: Mufti Zubair Butt, Mufti Barkatulla, Mufti Muhammad Ibn Adam Al-Kawthari, Mufti Yusuf Sacha, Imam Abu Eesa Niamatullah, Shaykh Abdul Qayyum and Shaykh Haytham Tamim.

Your Guide to Understanding & Calculating

ZAKĀT

What, Why, Who, When, Where & How?



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The Shāri'ah accuracy of this guide has been authenticated by the Al-Qalam Shāri'ah Scholar Panel

All praise is to Allah, Creator of the Heavens and the Earth, Owner of the Day of Judgement. We bear witness that there is nothing worthy of worship other than Allah, and that the Prophet Muhammad (peace be upon him) is His final messenger.



If you know someone struggling to make ends meet and who may be eligible to receive Zakāt please visit www.nzf.org.uk/apply or email apply@nzf.org.uk

What is Zakāt?

Zakāt is a compulsory act of worship that requires Muslims who own wealth at or over a certain threshold (called the Nisāb) to donate a portion of their qualifying wealth, typically 2.5%, to eligible recipients. It is a right the poor have over the rich.

The Nisāb was set by the Prophet Muhammad (peace be upon him) at a rate equivalent to 87.48 grams of gold and 612.36 grams of silver, equating to approximately £2,500 and £275 respectively (June 2013).

See "How do I calculate my Zakāt?" to know which Nisāb to use for your Zakāt calculation.

Linguistically, Zakāt carries meanings of purification and growth.

The significance of this pillar is such that in the Qur'ān it is mentioned 28 times in conjunction with the observation of Salāt, the obligatory prayer.

What is Zakāt al Fitr?

Zakāt al Fitr (or Sadaqat al Fitr) is a duty payable on the occasion of Eid al Fitr and is required of every Muslim, whether male or female, minor or adult, as long as he/she has the means to pay. The head of the household may pay the required amount for the other members. Consult your local mosque for the recommended amount to pay per head.

Why Zakāt?

Islam encourages employment, entrepreneurial activity, trade and the equitable distribution of wealth. In order for commerce to benefit society, Islam imposes several obligations on those involved in wealth creation.

Amongst these is the obligation of Zakāt, the third of five pillars of Islam.

Scholars infer that the giving of Zakāt has both an outer and an inner dimension. The inner dimension suppresses the ego, quelling tendencies such as selfishness and miserliness. The outer dimension involves the purification of a Muslim's wealth.

Who pays Zakāt?

Those required to pay Zakāt must be:

- **Adult** (have reached puberty)
- **Muslim** (Zakāt is not paid by non-Muslims)
- **Sane**
- **In possession of the Nisāb**

Please note the three schools of thought other than the Hanafi school consider Zakāt payable on qualifying wealth owned by the insane and children.

Who receives Zakāt?

The Qur'an (Chapter 9, verse 60) specifies eight categories for the distribution of Zakāt:

- **The poor**
- **The needy**
- **Those employed to administer Zakāt**
- **Those whose hearts are to be reconciled**
- **Those in slavery**
- **Those in debt**
- **In the way of Allah**
- **The destitute traveller**

Poor and needy Zakāt recipients are defined as those whose Zakāttable assets are valued below the Nisāb level and also whose surplus non-Zakāttable assets are valued below the Nisāb level. Surplus assets are defined as any non-Zakāttable asset that is never used.

Someone whose surplus assets are valued above the Nisāb level, and who also has Zakāttable assets valued below the Nisāb level neither pays nor receives Zakāt.

Example 1 – Someone who is entitled to receive Zakāt.

Zaynab is a poor widow and owns only £100 worth of Zakāttable assets and hence is not liable to pay Zakāt. She does, however own her own house, where, in addition to owning basic necessity items, she owns some surplus items, which are never used, such as a second sofa set, and also some cooking utensils. The market value of these surplus items comes to £100, and when added to her Zakāttable assets, comes to a total of £200. Given this total figure is less than the Nisāb level, Zaynab can receive Zakāt.

Example 2 – Someone who neither has to pay nor can receive Zakāt.

Zaid has valued his Zakāttable assets at £200, hence is not liable to pay Zakāt. Zaid also owns his own home within which he has many unused, surplus items whose value easily exceeds the Nisāb threshold. Zaid is therefore not liable to neither receive nor pay Zakāt.

When & Where?

WHEN IS ZAKĀT PAID?

Your Zakāt year starts on the date your wealth first equalled or exceeded the Nisāb. Zakāt is then payable after one lunar year has passed and every year thereafter on that date. If you cannot remember the date you first became owner of the Nisāb, then the date should be estimated. If this is not possible then a random date should be selected and adhered to. Paying Zakāt in Ramadhan is not necessary although giving charity in this month yields greater rewards.

WHEN SHOULD ZAKĀT BE DISTRIBUTED?

Zakāt should be disbursed as soon as possible. At the very latest Zakāt should be distributed one year after the due date.

WHERE SHOULD ZAKĀT BE DISTRIBUTED?

It is preferred to give Zakāt locally if deserving recipients exist. The number of those eligible to receive Zakāt in the UK is increasing and such individuals have a right to the support of UK Zakāt payers.

At the same time, situations of extreme poverty and disaster relief around the world also warrant the community's support. It is hoped that an appropriate balance between local and international contribution will be achieved insha'Allah.



How do I calculate my Zakāt?



The calculator below allows you to work through your Zakāt calculation step by step.

Part A deals with your Zakātable assets.

Part B deals with your liabilities that can be deducted.

Part C deals with the final calculation.

Please visit the 1st Ethical or NZF websites to make your calculation online.

1 CASH AND LIQUID INVESTMENTS

- Cash and liquid investments are fully subject to Zakāt.
- You should include cash in all your bank accounts, in your wallet and under your mattress!
- If interest has been earned on your liquid investments, then it should be given to charity and only the principal amount should be noted for Zakāt purposes.

My total cash amount is

The value of my liquid investments minus interest is

2 GOLD AND SILVER

- Gold and silver, in whichever form (jewellery, coin, ingot etc.) are subject to Zakāt. The Hanafi school treats all gold and silver jewellery as Zakātable, regardless of whether it is worn or stored.
- If you own personal use items made from a mixture of metals, these are only liable to Zakāt if half or more of the metal is gold or silver, although some scholars hold that the proportion of gold or silver in any owned asset is Zakātable.
- You can ascertain the current value of your gold by consulting your local jeweller.

The value of all the gold in my possession is

The value of all the silver in my possession is

3 SHARES, UNIT TRUSTS, EQUITY INVESTMENTS

- If shares are purchased with the express intention for resale then the entire holding is subject to Zakāt.
- If however shares are purchased as an investment to generate dividends, then as Zakāt is only due on the Zakātable assets of the firm, a realistic attempt must be made to calculate the percentage of the shareholding relating to Zakātable assets. Please visit the Al-Qalam website for more information.
- Any dividends received should be added to one's cash balance for Zakāt purposes.

The total value of my shares, unit trusts and equity investments is

4 PROPERTY AND OTHER FIXED ASSETS

- The house in which you live is not subject to Zakāt.
- If a property or other fixed asset has been purchased with the express intent to resell, then the entire value of the property/asset is subject to Zakāt.
- If there is any other intention, then it is not subject to Zakāt.
- Any rental income from properties owned should be added to one's cash balance for Zakāt purposes.

The total value of my Zakātable property and other fixed assets is

5 PENSION

- Zakāt is payable in full on pensions received after retirement.
- For monies set aside for pensions prior to retirement, Zakāt is only payable if the pension assets are being invested on behalf of the pension holder. If no such investment is being made, then Zakāt is not payable. Please note if pension monies are able to be invested, care should be taken to invest in a shāri'ah compliant investment, and the Zakāt liability will be determined by the nature of the investment (property or shares etc as per points 3 and 4 above).

The total value of my pension is

6 DEBTS OWED TO YOU

- Zakāt is payable on strong debts, i.e. money that is owed to you that you are confident will be paid.
- This may include business debts, personal loans to friends and family.
- This does not include outstanding wages, dowry, inheritance or assets held in trust (other than assets held under a Bare Trust).

The total amount of money I have lent to others that I am confident will be repaid is



7 BUSINESS ASSETS

- Business assets are subject to Zakāt.
- These include cash, finished goods, work in progress, raw materials and strong debts, i.e. money owed to the business that is likely to be received.
- All business assets should be valued at their current market price. For finished goods, this should therefore be their retail sale price. For unfinished goods, this should be whatever price you expect the unfinished good to fetch on your Zakāt anniversary date.

The total value of cash in my business is

The total value of finished goods for sale is

The total value of work in progress and raw materials is

The total value of money owed to the business that I am confident will be repaid is

MY TOTAL ZAKĀTABLE ASSETS ARE



8 PERSONAL LIABILITIES

- Certain liabilities can be deducted from your Zakātable assets before calculating how much Zakāt you owe.
- These include outstanding or overdue living expenses such as a rent payment or utility bill, as well as debts.
- With regards to long-term debt, such as a mortgage or student loan, then the view of the Al-Qalam panel is that the forthcoming year's worth of payments can be deducted for Zakāt calculation purposes.
- However, because repayment of such debt is not required immediately and because such a deduction may even prevent someone on a high income from paying Zakāt, you may choose not to subtract any part of your long-term debts from your calculation.

My outstanding or overdue basic living expenses that have not yet been paid for add up to

My personal debts add up to

The next year's portion of my long-term debt is

Money that I owe to third parties for completed purchases add up to

The outstanding dowry that I owe and intend to pay is



9 BUSINESS LIABILITIES

The total value of rent, bills and salaries outstanding or overdue is

The total value of outstanding short-term commercial loans is

The next year's portion of the long-term debt in the business is

The total value of goods purchased on credit is

Short term is less than twelve lunar months, and long term is more than twelve lunar months



MY TOTAL DEDUCTIONS ARE

MY NET ASSETS ARE

- =

So do I have to pay Zakāt or not?

Remember you only pay Zakāt if your net assets equal or exceed the Nisāb threshold. If you only have gold as an asset, then the Nisāb measure for gold must be used. If, however, you have a mixture of assets, then the Nisāb level for silver should be used. Although some scholars still maintain that gold should be used regardless, using silver is safer for the payer and more beneficial for the recipients of Zakāt. Remember that the Nisāb is either 87.48 grams of gold or 612.36 grams of silver. To ascertain the current monetary equivalent of the Nisāb limit, it is necessary to establish the market rate for a gram of gold and silver. This can be obtained from www.bullionbypost.co.uk

I have a mixture of assets. Today's silver Nisāb is

The approximate Nisāb values as of June 2013 are £275 (silver) and £2,500 (gold).

If your net assets equal or exceed the Nisāb then Zakāt is due at 2.5% of your total net assets.

2.5%

2.5% OF MY TOTAL NET ASSETS IS

ZAKĀT DUE

ADDITIONAL NOTES

It is quite possible that your wealth may fluctuate above and below the level of Nisāb during the year. If this is the case then Zakāt is only due if wealth is in excess of the Nisāb on your Zakāt anniversary. Zakāt is always paid on the balance of assets owned on the Zakātable date, not on fluctuating amounts during the year or even an average amount.

In addition, a Zakāt calculation should still be made on the Zakāt anniversary to ensure that sufficient Zakāt has indeed been paid.

Missed Zakāt payments for previous years must be paid as a matter of urgency. A realistic attempt must be made to calculate the Zakāt due for each of the years missed.

It is permissible to prepay Zakāt for future years. However at the time of payment the intention must clearly be for future years.

Last but not least, don't forget to intend specifically the giving of Zakāt when you make your payment!