

# **The Calculation of *Zakah***

## **For Muslims in North America**

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## I INTRODUCTION

The purpose of this booklet is to serve as an operational guide for Muslims in North America to the calculation of **zakah**. It is presented in the form of lists and schedules, similar to those used for taxes. This form of presentation has its benefits as well as its limitations. To be precise, one has to make a difficult choice among the scholarly opinions scattered in Islamic juridical literature. The difficulty increases in the case of **zakah** because of the lack of continuity in the application of the **shari'ah** by Muslim governments. The rules and regulations of **zakah** calculation, thus, were neither updated nor developed through time to suite the contemporary structure of items wealth and income. Besides, many of the Fiqhi rulings on **zakah** were the opinions of Muslim scholars and jurists, which, though based on the **Qur'an** and the **Sunnah**, nevertheless, have a temporal and an historic nature. This makes it extremely difficult to solely depend on those opinions in formulating guidelines for today's **zakah** application. There have been tremendous changes in the nature of items of wealth and income. Moreover, the very idea of **zakah** as a financial duty must relate to many ever evolving and changing circumstances that call for continuous **ijtihad**.

Issues like **nisab** for kinds of wealth that were not identified by the Prophet (**pbuh**), relative changes in the prices of different kinds of commodities, changes in the modes of production, monetarization of business, i.e. its evaluation in monetary units due to the sophisticated and very liquid stock and commodity exchange markets , the rise of other classes of rich people, such as high-rank employees and professionals, who do not own much of wealth, though they live ostentatiously, and the rise of financial and securities type of wealth are some of the issues that need a new **ijtihad**.

The new economic realities call for a general theory of **zakah** derived from the texts of the **Qur'an** and the **Sunnah** and based on the objectives and basic principles of Shari'ah such as caring about the poor, justice and circulation of wealth among all

segments of the society rather than letting it in the hands of few. Such a new general theory of **zakah** must, at the same time, be sufficiently flexible to facilitate its application and to enable Muslim scholars to cope with the changes in times to come. It also must be guided by the huge heritage of classical Fiqh that provides several precedents of dealing with new situations.

Since the time of the Prophet (**pbuh**), many changes in the items used as store of value (= wealth) or as business assets have taken place. Some changes even took place in the past and Scholars responded to them with then new ideas. This is clear in regard to **zakah** from the following few examples:

Example One: The Prophet (**pbuh**) said, “I have exempted you from **zakah** on your horses and slaves.<sup>1</sup>” Whereas, Omar, the second **khalifah**, when told how expensive horses had become in Yemen, said, “I did not know that horses could be that expensive. Shall we take [**zakah**] on forty sheep and not take [it] on [these] horses? Take one “**dinar**” on each horse.<sup>2</sup>” The decision of Omar apparently implies that he understood the Saying of the Prophet (**pbuh**) to have relevance to circumstances similar to those prevailing in Madinah during the time of the Prophet (**pbuh**), but not to a situation where horses are expensive and represent an important item of wealth.

Example Two: The Prophet (**pbuh**) made the **nisab** of the silver 200 “**dirham**” and gold 20 “**dinar**”. It is known that 200 **dirham** were equal to 20 **dinar** at his time.<sup>3</sup> None of these is, however, used as money in today’s world. Is paper money exempted from **zakah** as suggested by a few nineteenth-century Muslim scholars? If it is not exempted on the ground that money, in any form, is a major item of wealth for individuals, what is the **nisab** in terms of our currencies today? Is it going to be based on the value of silver or gold? Knowing that the weight of 200 silver **dirham** is 595 grams (= 19.13 troy ounces), which is priced at US \$ 101.20; and the weight of 20 golden **dinar** is 85 grams

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1Reported by Ahmad, Tirmidhi and Abu Daud.

2Reported by al Baihaqi and Abd al Razzaq.

3See Yusuf al Qaradawi, **Fiqh al Zakah**, pages 252-9.

(=2,733 troy ounces), which is priced at US\$ 772.62 on January 4, 2000<sup>4</sup> This paradox compels us to look into the whole issue of **nisab** and make certain generalizations based upon the Sayings of the Prophet (**pbuh**).<sup>5</sup> Professor al Qaradawi's opinion, which seems to be generally accepted by most contemporary Muslim scholars, is that we must take the price of gold since it makes more consistency with the general principle that **zakah** is a duty on the rich and the poor is always either a recipient or at least exempt.

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<sup>4</sup>On January 4, 2000, the closing prices of silver and gold were US\$ 5.29 and 282.70 an ounce, respectively. See wall Street Journal of January 5th, 2000..

<sup>5</sup>For items whose **nisab** are mentioned in the text of the Sayings of the Prophet (**pbuh**), we have to abide by the text and we cannot make any change in their **nisab**. However, the determination of **nisab** in terms of new items of assets, products and incomes of contemporary economies becomes an extremely important question that we face in the application of **zakah**. The final answer to this question rests in studying the relative prices of the items mentioned in the Sayings of the Prophet (**pbuh**) in Madinah at the time of the Prophet and his early **khulafa (pbuh)**, then deriving a formula that is applicable at our times. But until such a study is conducted thoroughly, we have to count on mere approximations.

From several Sayings of the Prophet (**pbuh**) it may be suggested that prices of sheep and camels at his time were such that the **nisab** of livestock is double the **nisab** of gold and silver, i.e. equivalent of 400 **dirham**. Thus a reasonable approximation of **nisab** in U.S. dollars must take this and similar observations into account. This consistency is difficult to find in today's prices. For instance at the beginning of the year 2000, five average camels in Saudi Arabia were about US\$ 4,000, 30 average cows were US\$ 12,000, 40 sheep were US\$ 3,000, while 635 kilos of wheat were about US\$ 600 and the price of the same quantity of barley is about one half that of wheat. This booklet takes gold as a basis for the estimation of **nisab** on other items, as suggested by professor al Qaradawi, since the price of silver tumbled dramatically. On January 4, 2000 the price of a **nisab** of gold was 772.62 and we take the **nisab** to be approximately US\$ 1000.

I further argue that it is in contradiction with the spirit and objectives of Shari'ah to have the **nisab** be dependent on the volatile price of gold or silver in the New York or other exchange markets. I therefore argue that we should be satisfied with an approximation and consequently I believe that the US\$ 1000 as a **nisab** is still essentially valid until today in 2007 although I wouldn't discard a suggestion that may say it probably should be made US\$ 1400 or 1500 especially when applied outside the USA as prices of Dollar are declining in terms of other major currencies.

Furthermore, we also have to bear in mind the changes in the circumstances of the implementation of ***zakah***. When it was imposed, at the time of the Prophet (***pbuh***), there was an Islamic government to take charge of the collection and distribution. Nowadays, hundreds of millions of Muslims live in non-Muslim majority countries and they do not have a formal institution that takes full charge of ***zakah*** implementation with an authority similar to that of a government. Here again there is a need for a new ***ijtihad*** to define the scope of authority of the voluntary type of organizations that takes charge of the collection and distribution of ***zakah***.

## II METHODOLOGY

Notwithstanding the above mentioned difficulties, the **zakah** has to be implemented since it is the third pillar of Islam. Thus, a choice has to be made based, partly on one's understanding, analysis and approximation, i.e., on **Ijtihad** that takes into consideration the tremendous amount of work that is available in our historical classical Fiqh tradition and the contemporary research by many respected scholars especially those related to dealing with empirical applications in several Muslim countries and communities.

In the calculation that follows, we draw heavily on al Qaradawi's two-volume encyclopedic treatise: ***Fiqh al Zakah***. There are three areas where I felt that his reasoning, though very often marvelous, was not suitable to the business environment, the form of assets and incomes, and the mode of production and the high mobility and transformability of investments prevailing in today's industrial part of the world, especially the United States. These areas are:

1. He considers rented real estate Properties exempted from **zakah** while only the net-earned rent is **zakatable**<sup>6</sup>, whereas, we think that this is a business activity like any other business especially in the United States and the total value of net equity in rental properties is **zakatable**.
2. He drew an analogy between industrial products and agriculture crops, and therefore, exempted from **zakah** all fixed assets of the industries and businesses. Thus According to al Qaradawi, the output alone is subject to **Zakah**. Consequently, he argues that **zakah** on investment fixed assets is to be calculated at 10% on gross output or 5% net output, whereby net output equals gross output minus all expenses and allowances for depreciation of fixed assets. He did not specify the conditions or

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<sup>6</sup>Al Qaradawi, op. cit., pages 466-468.

circumstances under which a payer must select either of these two methods of calculation, although one can easily realize that there may be a huge difference in the due amount of **zakah** between the two methods.<sup>7</sup> We think that all fixed assets used in business and industries carry more similarity to the principal of '**urud al tijarah** (=business inventory) and to the stock of cattle, sheep and camels because all these assets are intended for investment to make growth and profits whether through production, exchange or grazing and the **shari'ah** does not intend to favor one form of business use of wealth over another. Consequently **zakah** must be calculated and paid on the net worth including fixed and variable assets.

3. On the **Zakah** on stocks, al Qaradawi seems to agree with Abu Zahra, Khallaf and Hasan as to consider stocks as tradable objects that are subject to **zakah** in analogy with '**urud al tijarah** (see **Fiqh al Zakah**), yet in a recent **fatwa**, he seems to treat stocks like farming land and exempt their principal investment from **zakah**, leaving it to be imposed only on the dividends at a rate of 10%. We believe that this recent **fatwa** was given on the basis of incomplete information given in the question that he answered and we treat stocks as '**urud al tijarah**.

This booklet otherwise, fairly reflects al Qaradawi's magnificent work. The scope and the purpose of this booklet doesn't allow for full presentation and substantiation of the views and arguments that serve as bases for our calculation because of the limitation of space and the form of presentation. However, on my website there are several studies and **Fatawa** explaining most of the points that appear in this booklet. For further details the

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<sup>7</sup>ibid. pages 476-480.



reader is requested to consult [www.kahf.net](http://www.kahf.net).

Moreover, this calculation takes into consideration the American reality in structure as well as composition of wealth. Accordingly, certain kinds of wealth might have been omitted from our listing because they do not exist in North America, and certain kinds of property appear in the ***zakah*** schedule, because of their relevance to the American economic scene, although the same may not be found in other areas of the world. For instance, we included futures, retirement accounts and life insurance policies because they are common holdings in this country. Likewise, certain forms of wealth such as bonds, securities and savings accounts are included in the schedules in spite of the prohibition of interest in Islam because some Muslims own such assets. In all cases, where an asset of a Muslim is put to such unlawful uses, only the principal amount will be considered for ***zakah***, the accrued interest, because interest is forbidden, does not become a property of Muslims and must all be given away in charity. Accrued interest is therefore not subject to ***zakah***.

Lastly, I must point out that an earlier paper on the calculation of ***zakah*** by a late dear brother, Marghoob Ahmad Quraishi is, undoubtedly, a valuable and courageous endeavor; and our calculation, though adopts a different approach, yet takes consideration of Quraishi's paper.

### III DEFINITIONS

1. **Zakah**: the third pillar of Islam: a religious financial obligation; an amount due on the wealth and income of a Muslim, as defined in **shari'ah**, to be given to the poor and needy and other purposes as specified in **shari'ah**.
2. **Zakah** Payer: The owner of a net worth or income that is higher than a **nisab**.
3. **Zakah** Administrator: The fund, organization or agency that carries out the calculation and distribution of **zakah**.
4. **Nisab**: The minimum amount that determines the **zakatability** of a person. A Muslim, female or male, who owns **nisab** is a **zakah** payer. He/she must pay **zakah** on all that he owns. Thus, **nisab** is not a minimum exempted from **zakah**. **Nisab** differs from one **zakatable** item to another.
  - a. If all the wealth is in the form of sheep and cattle, the **nisab** is equivalent to the value of 40 sheep of average weight (including small and big all together). This is equal to about \$4000.00 in the current prices in California, July 2007. However, the livestock holdings that are intended for business, either for sale or for meat and milk production, are considered as business inventories (=mobile assets) and their **nisab** becomes in terms of gold equivalent as in (c) below.
  - b. For agricultural products **zakah** is on the output. **Nisab** is the value of 635 kilos of wheat, corn, rye or similar basic farm products in North America. This is about \$600.00 in current retail prices of wheat in California, July 2007.
  - c. For all other forms of wealth: **nisab** is the equivalent of approximately 3 ounces of gold, i.e.,

approximately \$1000.00<sup>8</sup>.

- d. In the afore-stated cases a-c, if the holdings of one kind of wealth are below ***nisab***, then the different items must be added together, and ***nisab*** will be considered as a weighted average on the basis of \$1000.00 of cash equivalent.<sup>9</sup>
- Example 1: A person, who owns 20 sheep ( $\frac{1}{2}$  ***nisab***) and \$400.00 in cash (less than  $\frac{1}{2}$  ***nisab***) is not ***zakatable*** since he/she owns the equivalent of less than ***nisab*** of total assets.
  - Example 2: A person owns 21 sheep, and \$500.00 in cash; he/she is ***zakatable*** because the total is more than ***nisab***. He/she must pay ***zakah*** on \$2600.00 (= 2100 the price of 21 sheep + 500 cash).
5. ***Zakah Rate***: The rate of ***zakah*** is the percentage rate applied to the ***zakatable*** material. It is 2.5% on cattle, sheep, business net worth, cash, etc. Whereas, it is one-tenth on agricultural produce, if the land is watered by rain and rivers. If irrigation is done by men or machines, the rate is 5% only. For the treasures found underground, it is 20% of what is found.
6. ***Zakatable Items***: Any kind of wealth or income, including agricultural products, not meant for personal or household-use. ***Zakah*** is basically due on the net worth.

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<sup>8</sup>The dollar equivalence of the gold ***nisab*** is, at the time of this calculation, more reflective of the spirit of ***nisab*** than the dollar equivalence of silver ***nisab***.

<sup>9</sup>The ***nisab*** in Canada may be different from that of U.S. depending on the prices of gold, silver, and other ***zakatable*** items.

a. Examples of ***zakatable*** items:

- Cattle, sheep, buffalo, poultry businesses, etc.
- Factories, equipments, machinery, inventory, etc., in net value after deducting debts on them and fair depreciation.
- All agriculture products, honey, milk, eggs, silk, etc.
- Farms machinery after deducing debts on them and fair depreciation.
- Cash on hand, savings and checking accounts, saving certificates, etc.
- Rented estates and properties after deducing loans on them and fair depreciation when applicable.
- Men jewelry, excessive women jewelry, paintings and decoration materials if they are in excess to what is normally used by other Muslims of similar level of income and wealth.
- Net take-home salaries, profit, income of professionals, etc. after deducting state and federal taxes, F.I. C.A., other taxes and charges, and a living expenses allowance. In other words, the actually or presumed saved part of these incomes.
- Funds accumulated in an IRA account, 401K, or in any similar personal or company-set retirement account or

plan, not to include the unvested yet company's matching amount, and not the federal government-run social security.

b. Examples of non-**zakatable** items:

- Owner occupied homes if reasonable and not luxurious; also furniture, utensils, home appliances and the like.
- Women jewelry within the customary level in the neighborhood (community) or pears of the **zakah** payer.
- Personal and family clothes.
- Agricultural land farmed by the owner or on crop sharing.

7. **Zakah** Year: It is a full lunar year that begins the day the net worth reaches **Zakah** becomes due one year after owning **nisab**. It must be noted, however, that **zakah** is due on certain items at the time of acquisition, whereas, it is due on other items on yearly basis. If it is difficult to prepare a lunar-year balance sheet, one may use the solar calendar and use a **zakah** rate of 2.5776% instead of 2.5%. The rate of agricultural products is not affected because their **zakatability** does not depend on the passage of a year. However, al Qaradawi's opinion with regard to industrial output and stocks may require similar adjustment in the applicable rate from 10% in a **hijri** year to 10.3104% in a solar year although he did not make any reference to this matter in any of his writings that I am aware of.
8. Annuity of **zakah**: **zakah** is a yearly due. It must be paid every year on the total net wealth and income. There are four cases where it is not paid on the yearly basis: salary and professional incomes, agricultural output, business

profits, and treasures found. However, any portion of these items, if saved and carried over to the next year, is then considered part of net wealth and accordingly subject to **Zakah**. The annuity of **zakah** implies that **zakah** can't be collected twice on the same **zakatable** item within one year. It also mean that Zakah is due and must be paid year after year on the same item as long as it is still equal to a **nosab** or more. This is why it is always argued that unless an asset is invested so that it generates revenues that exceed the amount of Zakah, it can vanish and be consumed by the continuous payment of **zakah** year after year.

#### IV TEST OF ZAKATABILITY

The purpose of this test is to determine the **zakatability** of a person. However, we should notice that **zakah** is personal, i.e., every **zakah** payer must calculate independently. A family owning **zakatable** items may calculate jointly, if the total of **zakatable** items of all members is equal to **nisab** even if each one alone does not have an amount of **nisab**. This is based on the concept of **khiltah** (mixing) that is mentioned by the **Prophet (pbuh)**. But if the items of each member are separated from the items of others, only members who own **nisab** are subject to **zakah** and what is below **nisab** of a family member is not added to what is owned by other family members. However, this is in regard to calculation of the due amount of **zakah** but when it comes to payment it is permissible that one person volunteers to pay the due **zakah** on another although it is required that the obligated person should be aware of this voluntary action because **zakah** is a personal worship.

Before you fill in the schedule, take the following test:

	<u>Yes</u>	<u>No</u>
1. Do you own a business?	-----	-----
2. Do you have cash, checking, savings and money market accounts, stocks, bonds, options, certificates, commercial papers, investment in futures, accounts with brokerage firms, IRA, 401K, etc., of a total balance of a <b>nisab</b> or more?	-----	-----
3. Do you own any rented property?	-----	-----
4. Do you own more than <b>nisab</b> of milk or meat producing livestock or poultry farms?	-----	-----
5. Do you own valuable jewelries, decorative and antique articles?	-----	-----

6. Do you own more cars than the number of drivers in the family? -----

If the answer to any of the questions 1 through 6 is yes, then answer the following:

7. Are you under debt of more than you own, excluding any mortgage on owned real estates and any long-term loans? -----

If your answer is no, then fill out the schedule.

8. Did you find any thing that is worth a **nisab** or more not knowing about its owner? -----

If your answer to question 8 is yes, you must fill out the **zakah** schedule.

9. Is your annual net income more than \$7,500.00 multiplied by the number of persons in your household? -----

If your answer to question 9 is yes, then answer the following:

10. Do you owe any amount to others payable within a year (including the mortgage on the home you occupy but not on rented property) that absorbs all the difference between your net income and \$7,500.00 multiplied by the number of the members of your household? -----

If your answer is no, you should fill in the schedule.



## V SHORT ZAKAT SCHEDULE<sup>10</sup>

<u>3</u>	<u>1</u>	<u>4</u>	<u>2</u>
<u>Line No</u> <sup>11</sup>	<u>Zakatable Items</u>		<u>Amount</u>
<u>Due Zakah</u>			<u>Due Zakah</u>
<b><u>Part One: Yearly Items: all subject to 2.5%</u></b> <sup>12</sup>			
2-7	Cash on hand and in banks		-----
8-11	Shares, stocks, futures, retirement accounts, etc. including their dividends and returns		-----
12-14	Gold, silver, and their certificates		-----
15-16	Business net worth		-----
17-19	Net real estate (except house occupied by owner)		-----
20-28	Other industrial and farming assets		-----
29-31	<b>Zakatable</b> amount of women's jewelry		-----
32-38	Livestock		-----
39-46	Net value of extra transportation and extra other recreational motors, boats, etc		-----
47	Total of <b>zakatable</b> amount and due <b>Zakah</b>		-----

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<sup>10</sup>For details of this schedule, see the **Zakah** schedule later in this paper. This short form does not cover all items but only the most common ones; thus, referring to the detailed form becomes unavoidable if you own forms of property not included above.

<sup>11</sup>Line numbers refer to the corresponding numbers in the detailed schedule of the Calculation of **Zakah**; *this is done* to simplify reading the instructions.

<sup>12</sup>The value of all items is considered at the end of your own **zakah** lunar year.

**Zakah** ( = total amount in col. 3 X 0.025) \_\_\_\_\_ -----

**Part Two: Non-Yearly Items**<sup>13</sup>

48-55	Rental income net of expenses and taxes, salaries and professional income (take-home income minus actual family and similar expenses or \$7500 multiplied by the number of persons in the household)	-----
56	<b>Zakah</b> ( = amount in col. 3 X 0.025)	-----
57-62	Harvest crops and other farming products not watered by man (net income after expenses – household expenses) <sup>14</sup>	-----
63	<b>Zakah</b> ( = amount in col. 3 X 0.10)	-----
64-68	Harvest crops and other farming products watered by man (net income after expenses – household expenses) <sup>15</sup>	-----
69	<b>Zakah</b> ( = amount in col. 3 X 0.05)	-----
70-74	Mineral products (gross output minus business and household expenses) <sup>16</sup>	-----
75	<b>Zakah</b> ( = amount in col. 3 X 0.20)	-----
76-78	<b>Total Zakah Due</b> (add column 4) <sup>17</sup>	-----

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<sup>13</sup>These items are not subject to the condition of *hawalan al hawl* [passage of one year]. Add them up over the whole lunar year.

<sup>14</sup>If not already deducted above.

<sup>15</sup>If not already deducted above.

<sup>16</sup>If not already deducted above.

<sup>17</sup>If your income and / or assets are not mentioned in this schedule,

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read section VI.

# VI ZAKAH SCHEDULE

## Part I: yearly items

(1) Line No	(2) Items	(3A) (3) Working Columns		(4) <i>Zakata</i> <i>ble</i> Amount	(5) Rate	(6) Z aka h	(7) Dat e Due
1	Date you acquired <i>nisab</i> for the first time						<input style="width: 40px; height: 15px;" type="text"/>
2	Cash on hand			..... ...			
3	Cash in bank deposit box			..... ...			
4	Cash in saving accounts, time deposits and money market			..... ....			
5	Cash in checking accounts			..... ....			
6	Cash in pass book accounts			..... ....			
7	Saving certificates			..... ....			
8	Bonds, certificates of deposits and other securities			..... ....			
9	Stocks, shares in companies and in Mutual funds			..... ....			
10	Options			..... ....			
11	Commercial papers			.....			

				.....			
12	Investments in commodity and currency and any other brokerage accounts			.....			
13	Investments in retirement accounts: IRA KEO 401K Other Retirement Accounts Education saving schemes	.... . .... . .... . .... . <u>....</u> :		..... ....			
14	Surrender amount of life insurance			.....			
15	Gold & gold accounts & gold Certificates			..... ....			
16	Silver & silver certificates			..... ....			
17	Men's golden jewelry			..... ....			
18	Private business net worth			..... ....			
19	Share in a partnership's net worth			..... ....			
20	Real estate (not including houses occupied by owner and family members free of rent and farm land Farmed by owner)		.... .				
21	Mortgage and loans against		<u>....</u>				

	line 20		±				
22	Deduct 21 from 20 and write in Column 4			..... ....			
23	Net worth of industrial business			..... ...			
24	Farming machines, equipments, shades, barns, and buildings		.... .				
25	Mortgage and loans against line 24		....				
26	Deduct 25 from 24 and put it in column 4			..... ....			
27	Extravagant excess in personal residence		.... .				
28	Share of the amount of line 27 in total home mortgage		----				
29	Deduct 28 from 27 and put it in column 4			..... ....			
30	Gold and silver utensils			..... ....			
31	Other valuable objects of extravagant nature.			..... ....			
32	Women's jewelry		.... .				
33	10% of the household's yearly income multiplied by the number of women wearing jewelry in the family		.... ±				

34	Deduct line 33 from line 32			..... ....			
35	Milk & meat cattle			..... ....			
36	Milk & meat sheep and goats			..... ....			
37	Milk & meat camels			..... ....			
38	Poultry (egg & meat, etc.)						
39	Other marketable animals and birds (horses, ducks, etc.)		.... .				
40	Riding animals of the household members		.... .				
41	Deduct 40 from 39 and put in column 4			..... ....			
42	Cars, trucks (excluding household transportation cars)		.... .				
43	Loans against line 42		.... .				
44	Deduct 43 from 42 and put in Column 4			..... ...			
45	Trailers, boats, ships, etc. that are not for personal and family use		.... .				
46	Loans against 45		.... .				
47	Deduct 46 from 45 and put in Column 4			.....			

48	Total of Part One			..... ...			
49	Loans on you not included above (excluding mortgage on home)			.....			•
50	Deduct 49 from 48: <b>NET ZAKATABLE AMOUNT</b> , multiply by rate to get: <b>AMOUNT OF ZAKAH DUE</b> and write in column (6)			..... ....	0.02 5	..... ..	On the 354 <sup>th</sup> day

## Part II: None-Yearly Items

(1) L ine No	(2) Items	(3A) (3) Workin g Colum ns	(4) <i>Zakata</i> <i>ble</i> Amoun t	(5) R ate	(6) <i>Z</i> <i>aka</i> <i>h</i>	(7) D ate Du e
	<b>Section A: Salaries &amp; professional Income<sup>18</sup></b>					
51	Yearly Net Income (in column 3)	.... .				
52	Family deductions (in column 3A)	.... .				
53	Help to parents, grandparents, etc.	.... .				
54	Help & donations to others	.... .				

<sup>18</sup> This section is made in accordance with the interpretation of the Sudanese Zakah Department of the Qaradawi views. According to another consideration, whatever savings accumulated during the year are already included in one of the items 1 through 50 and any additional inclusion of salaries and professional incomes would amount to a duplication that must be avoided in Zakah.



55	Other necessary expenses	.... .					
56	Add 52 to 55 and write in column 3		.... .				
57	Deduct 56 from 51 and put in Column 4, multiply by rate to get <b>Zakah</b>			..... ....	0.02 5	..... ..	<b>By end of year</b>
58	<b>Zakah</b> paid during the year (write in column 6)					.....	
59	Deduct 58 from 57: Balance due at the end year (Deduct 58 from 57)					..... ...	<b>End of year</b>
	<b>Section B: Agricultural products (not watered by man), honey, Sea products, etc. (Value of cumulative crops on harvest day)</b>						
60	<b>Agricultural crops:</b> (in Column 3)						
60a	Wheat, barley and other cereal		.... .				
60b	Rice, soybean and other beans		.... .				
60c	Vegetables		.... .				
60d	Fruits		.... .				
60e	Cotton		....				
60f	Rubber		.... .				
60g	Tobacco		.... .				

60h	Hays and other cattle feed		.... .				
60i	Lumber		.... .				
60j	Honey		.... .				
60k	Other agricultural crops		.... .				
61	<b>Sea products:</b>						
61a	Fish		.... .				
61b	Pearl, shells, etc.		....				
61c	Other sea products		<u>....</u> .				
62	Add 60 and 61 and put in Col. 3		.... .				
63	<b>Cost of products of 60 and 61</b> (Write in column3A)						
63a	Wages	.... .					
63b	Rent (for rented land, equipment, etc.)	.... .					
63c	Maintenance	.... .					
63d	Gas and electricity	.... .					
63e	Feed	.... .					
63f	Insurance	...., .					

63g	Veterinary services	.... .					
63h	Freight and transportation	.... .					
63i	Seed	.... .					
63j	Fertilizers	.... .					
63k	Pesticides	....					
63l	Other farming expenses	.... .					
64	<b>Household expenses, if not already claimed (write in 3A)</b>						
64a	Family deductions	.... .					
64b	Help to parents	.... .					
64c	Donations and help to others	.... .					
64d	Other necessary expenses	.... ±					
65	Add 63 and 64 (write in Column 3)		.... ±				
66	Deduct 65 from 62 and put in column 4, multiply by rate to get <b>zakah</b>			..... ....	0.10	..... ...	<b>Day of harvest</b>
	<b>Section C: Agricultural products (watered by man), Value of cumulative crops on harvest day</b>						

67a	Wheat, barley, and other cereal		.... .				
67b	Rice, soybean and other beans		.... .				
67c	Vegetables		....				
67d	Fruits		.... .				
67e	Cotton		.... .				
67f	Rubber		.... .				
67g	Tobacco		.... .				
67h	Hays and other cattle-feed		.... .				
67i	Lumber		.... .				
67j	Other agricultural products		<u>....</u> ±				
68	Add all 67a – 67j		.... .				
69	<b>Cost of products of 67,</b> write in 3A						
69a	Wages	....					
69b	Rent (for rented land, equipment, etc.)	.... .					
69c	Maintenance	.... .					
69d	Gas and electricity	.... .					

69e	Feed	.... .					
69f	Insurance	.... .					
69g	Veterinary services	.... .					
69h	Transportation and Freight	.... .					
69i	Seed	.... .					
69j	Fertilizers	.... .					
69k	Pesticides	.... .					
69l	Other farming expenses	.... .					
70	<b>Household expenses</b> if not already deducted (write in column 3A)						
70a	Family deductions	.... .					
70b	Help to parents	.... .					
70c	Donations and help to others	.... .					
70d	Other necessary expenses	.... ÷					
71	Add 69 and 70 and write in Column 3		.... ÷				
72	Subtract 71 from 68 and put in Column 4, multiply by rate to get <b>Zakah</b>			..... ....	0.05	..... ...	<b>Day of harve</b>

							st
	<b>Section D: Minerals and found treasures</b>						
73	<b>Value of gross output</b> (write in column 3)						
73a	Gravel		.... .				
73 b	Salt		.... .				
73c	Iron ore		.... .				
73 d	Coal		.... .				
73e	Oil		.... .				
73f	Other Ores		.... .				
73 g	Found and unclaimed treasure		.... .				
74	Add 73a through 73g						
75	<b>Cost of products of 73</b> (Write in column 3A)						
75a	Wages	.... .					
75 b	Rent (for rented land, equipment, etc.)	.... .					
75c	Maintenance	.... .					
75 d	Gas and electricity	.... .					

75e	Office supplies	.... .					
75f	Insurance	.... .					
75g	Freight and transportation	.... .					
75h	Depreciation of franchise, plants, and equipment	.... .					
75i	Other expenses	.... .					
76	<b>Household expenses</b> if not already claimed (Write in column 3A)						
76a	Family deductions	.... .					
76b	Help to parents	.... .					
76c	Help to others	.... .					
76d	Other necessary expenses	.... .					
77	Add 75 and 76 (write in Column 3)		.... .				
78	Deduct 77 from 74 and put in col. 4, multiply by rate to get <b>zakah</b>			..... ....	0.20	..... ...	<b>By end of year</b>
79	<b>Total zakah to be paid:</b> Add col. 6, lines 50, 59, 66, 72, and 78					..... ...	
80	<b>Zakah</b> previously paid (if not already deducted)					.....	
81	Deduct 80 from 79: NET PAYABLE <b>ZAKAH</b>					..... .	<b>End of year</b>

## VII INSTRUCTIONS

Instructions hereinafter correspond with the line-numbers in the ***zakah*** schedule. The ***zakah*** schedule is divided into two major parts:

Part I for yearly items, and

Part II for non-yearly items.

Part two is further divided into four sections:

Section A: For Salaries and professional incomes.

Section B: For agricultural products, forestry and fishing, watered by rain, rivers, canals, etc.

Section C: For agricultural products and forestry watered by applying power and energy.

Section D: For minerals and treasures found.

\*\* \*\*\* \*\*

- 1 Write in the box on line 1, the date you first acquired ***nisab***. For the meaning and method of ***nisab***'s calculation, see definition 4.

Remember, if it is difficult to use the ***hijri*** calendar, you may use the solar calendar provided you multiply the rate of ***zakah*** by the quantum  $(1 + 365-354/354)$ , this makes the rate of 2.5% a 2.578%. The rate on agricultural product is not affected by what year you use because ***zakah*** is on the cumulative harvest, so is the rate on found treasures.

- 2-7 For each of these lines, write in column (4) the balance of



each item on the same day and month of line 1, but one year later.

8-10 These items are valued at the established market prices on the day when **zakah** is due. The market price is considered established, if it is not expected to drop below its current level. Otherwise, the established market price is the highest price below which the market price is not expected to drop. This is to be written in column (4).

11 Valued at face. Since any difference is interest, a commercial paper has only one value regardless of its due date. Write in column (4).

12 Valued at the established market price, if it is not available, at the market price.

13 Valued at the established market price, if it is not available, at the market price as you receive it from statement of each of these accounts. Do not include any part that is not vested of the employer's matching funds and their share of capital appreciation and of reinvested capital gains and dividends if these increments are still not vested. In other words, we include only the amount that is owned by you. Do not deduct any potential penalty or taxes because these are not due yet as at this moment you are not withdrawing, this is an assumption and the Shari'ah rulings can't be founded on assumptions, (though you would deduct the actually paid penalties and taxes on amounts withdrawn since such paid penalties and taxes are an item of your cost deducted at source at time of withdrawal).

Education saving schemes are pure wealth that you own. It is included in the Zakah because it is not yet committed to a specific obligation. When a child is registered in a school and tuitions and other expenses become an obligation that is due for payment within a year period you deduct these obligations from this amount only then.

If the balance of this education saving scheme is in fact owned by your child and the account is in her/his name and you are only a guardian, these balances are subject to **zakah** on the child and you have to make a schedule of calculation for the

child alone, if this balance is in the name of several children and you only act as a guardian/custodian of the account, you must consider one **nisab** for them all on the basis of being mixed together, you cannot consider multiple **nisabs**.

- 14 This is the amount you actually own on the day of calculating your **Zakah** if you are the owner of the insurance policy.
- 15-16 Valued at the established market prices. See instruction 8 and write in column (4).
- 17 Valued at established market price, if this is not available, then at cost.
- 18 Business net worth as shown in a balance sheet duly drawn to reflect the **Zakatability** at the end of the **zakah** year. This net-worth is the difference between business assets (cash, bank accounts, and inventory valued at market purchase prices at the end of the **zakah** year regardless of its cost, accounts receivable minus reasonable provision for doubtful debts, other current assets at the market purchase value, fixed assets at cost minus depreciation, calculated at the acceptable accounting and auditing sound standards that are not meant to minimize taxes) and business liabilities (accounts payable minus provision for expected discount, loans, bonds issued at face value, and other liabilities): write the net worth in column (4).
- 19 For calculating net worth, see instruction 18.
- 20 Real estates is valued at established market prices at the end of the **zakah** year. Write in column (3). Line 20 includes the value of land designated for construction, buildings, whether rented or not, used by owner or not. Farming land cultivated by the owner is excluded. Home occupied by the owner is also not included (see line 27). Buildings given to others (friend or family) to use free of charge is not **zakatable** by owner. Farming land leased on crop sharing is also excluded (see line, 60).
- 21 This is written at the face value, principal only, do not include any interest. Write in column (3).

- 22 Line 22 is the **zakatable** amount. Write in column (4).
- 23 See instruction 18.
- 24 Valued at the established market price. If market price is not available, then it should be valued at the initial cost minus fair and reasonable depreciation.
- 25 At face value of loans and mortgages (not including interest if any).
- 27 This is excess in the value of **zakah** payer's residence (including building, land, surrounding facilities such as garage, furniture, home equipment and utensils). Such excess is beyond reasonable living facilities. Any doubt on the payment of **zakah** must be interpreted by the **zakah** administrator to the benefit of the **zakah** payer while the **zakah** payer must be keen to consider any doubt that he might have to the benefit of the **zakah** recipients. For example, a family of four with a yearly income of \$45,000 to 60,000 may have a residence in Indianapolis of \$150,000 without being extravagant. A similar family would not be extravagant if it lives in metropolitan California in a residence of \$300,000. In these examples, what is above such amounts is to be included in line 27. Write in column (3).
- 28 Write here the total face value of mortgage and loans on the residence, multiplied by the ratio of the amount on line 27 to the established market value of the residence. Write in column (3).
- 30 Valued at the established marked prices. Write in column (4).
- 31 Valued at established market prices. Include in this line, diamonds and precious stones if omitted on line 32. Write in column (4).
- 32 Women's jewelry is valued at established market prices. If such prices are not available, then at cost. Since each **zakah** payer must calculate for his/her **zakah** independently, line 29 may not be applicable to many male **zakah** payers. Write in column (3).

- 33 The estimation of the extravagance limit is always opinionated. My own judgment is that a one time 10% of annual income is a maximum for the non-luxury jewelry in North America. The Muslim community may change it. In an Islamic state, the estimation of the government becomes obligatory on the society. In this line, you may put zero if there are no females in the family; when you deduct 10% for a female then the remainder of her jewelry is **zakatable**, even though, there might be other women in the family that do not own any jewelry.
- 34 Write in column (4).
- 35-38 Write in column (4) the established market value of these items.
- 39 Valued at established market prices. Do not include value of honeybees.
- 42 Cars and trucks are valued at established market prices and if the same is not available, then at purchases value minus fair depreciation. Do not include car or cars used for family transportation. If the family owns more than one car and the additional cars are used for luxury, not for normal transportation, then luxury cars must be included. Write in column (3).
- 45 Valued at established market prices, if the market price is not available, then at purchase price minus fair depreciation. If a trailer is used as a residence of the **zakah** payer or is lent free to others for use, it must not be included on line 42. (See instruction 17 above).
- 48 In column (4), add lines 1 through 19, 22, 23, 26, 29, 31, 34, 35, 36, 37, 38, 41, 44, and 47. Write the total in line 45 in column (4).
- 49 Write on this line, the principal of all loans and mortgages not included above. Do not write the mortgage on your residence or on a residence, or real estate that is given to others for free use i.e. any real estate that is not **zakatable**– its loan is not deductible.

- 50 Multiply line 47, column (4) by 0.025 and write in column (6). **THIS IS THE AMOUNT DUE AS ZAKAH** on part one. Write in box in column (7), the same month and day but on lunar year later as in the box on line 1, column (7). **This is the due date for this part of zakah.**
- 51 Write yearly income after paying federal and state taxes, F.I.C.A., trade union fees, credit union installment, etc. Write in column (3).
- 52(a) if your net income is below \$40,000 annually, write in column (3A), the following:
- The lesser of \$30,000.00 or actual expenses, if single.
  - The lesser of \$34,000.00 or actual expenses, if married.
  - The lesser of \$35,000.00 or actual expenses, if married with one child.
  - The lesser of \$37,000.00 or actual expenses, if married with 2 children.
  - The lesser of \$38,000.00 or actual expenses, if married with 3 children.
  - The lesser of \$38,000.00 or actual expenses, if married and with 4 ch. & up
- (b) If your net income is 40,000 – 89,999 annually, write in column (3A), the following:
- The lesser of \$35,000.00 or actual expenses, if single.
  - The lesser of \$41,000.00 or actual expenses, if married.
  - The lesser of \$42,000.00 or actual expenses, if married with 1 child.
  - The lesser of \$42,000.00 or actual expenses, if married with 2 children.
  - The lesser of \$42,000.00 or actual expenses, if married with 3 children.
  - The lesser of \$43,000.00 or actual expenses, if married with 4 ch. & up.

(c) If your annual net income is \$90,000 or above, write in column (3A) the following:

The lesser of \$65,000.00 or actual expenses if single.

The lesser of \$70,000.00 or actual expenses if married.

The lesser of \$73,000.00 or actual expenses in married with 1 child.

The lesser of \$73,000.00 or actual expenses if married with 2 children.

The lesser of \$76,000.00 or actual expenses if married with 3 children.

The lesser of \$78,000.00 or actual expenses if married with 4 ch. & up.

(Figures in 49(a), (b) and (c) are adapted and rounded from average consumer expenditure in the United States. See [ftp://ftp.bls.gov/pub/special\\_requests/ce/cross\\_tabs/y9798/siz\\_by\\_inc/xone.txt](ftp://ftp.bls.gov/pub/special_requests/ce/cross_tabs/y9798/siz_by_inc/xone.txt)).

However, if actual spending is more than the figures given above without any reason accepted in *shari'ah*, then what is above the amounts quoted is **zakatable** even though it was actually spent. (See No 53-55)

53 Write in (3A), the amount of help paid to the parents and other members of the family who must not be recipient of your own **zakah**.

54 Write in (3A), grants, gifts, and donations given to other individuals, Islamic organizations, and charitable institutions, etc.

55 Write in (3A), all other final and necessary expenses if not included in 52, such as hospitable, medical, tuition, funeral, moving expenses, installment of loans for previous expenses, etc.

57 The amount in column (4) is the **zakatable** amount. Multiply by 0.025 and write in column (6). **THIS IS THE COMPUTED**

**ZAKAH. IT IS DUE THE DAY INCOME IS RECEIVED**, which is generally dispersed through out the year. The *zakah* payer must make certain estimations and start paying during the year.

58 This line includes all the payments made during the year with the intention of *zakah*. Some of these may be included in line 54.

59 The balance is written in column (6). It is due at the end of the income year. It is recommended, however, to unify the due date with part one, line 50.

60 This line is for agricultural products watered by rain, canals and/ or other permanent fixed installations. For water carried, see 67. On lines 60a to 60j, write in column (3) all kinds of agricultural products valued at the market prices on the day of harvest provided they or their providing sources have not been included before. For example, since silkworms, honey bees, lands and trees are not included elsewhere, their product should appear on lines, 60a-60j.

61 Write in column (3), all kinds of sea products provided the fisherman, his family and friends, does not use them for immediate consumption free of cost. Only commercial fishing or pearl products, etc., are included at the market prices on the day of acquisition.

62 Write in column (3A), all costs of production of 60 and 61 whether paid actually or not, as long as they are due. Do not add anything as rent for the owned-farming land or fishing vessels nor any depreciation for barns, shades and any other farming building (see instruction 24 and 45 above). Do not add salary for yourself or any family member living with you as a part of the household if such a salary is not actually paid or credited to him / her.

63 Write in column (3A), family deductions. See instruction 52 to 55 provided that they are not on lines 52 to 55, i.e. do not make deduction twice for any deductible item.

66 Deduct 65 from 62 and write balance in column (4) if more

than zero, otherwise, write zero. The rate in column (5) is 10%. Multiply the amount in column (4) by 0.10 and write in column (6). **THIS IS THE AMOUNT OF ZAKAH. THE DUE DATE IS THE HARVEST DAY;** if it is a continuous activity through out the year, then the latest due date would be the end of the lunar year. It is recommended in such a case to unify your due date with part one, line 50.

- 67 If animals or trucks bring the water, then use line 67 to 71.
- 69-71 See instruction 63, 64 and 65 above.
- 72 The balance in column (4) must be multiplied by 0.05; put the result in column (6). **THIS IS THE AMOUNT OF ZAKAH. THE DUE DATE IS THE HARVEST DAY.** (See instruction 66).
- 73 Write in column (3), all output of self-owned mineral extraction business valued on the day of extraction.
- 75 See instruction 63.
- 76 See instruction 64.
- 78 The balance in column (4) is the *zakatable* amount. Multiply by 0.20. **THE RESULT IS THE ZAKAH.** Write it in column (6). **THE DUE DATE IS THE EXTRACTION DAY;** if it is a continuous production, the latest day is the end of the lunar year. It is recommended, in this case, to unify one's *zakah* year for all items.
- 79 Add all amounts in column (6).
- 81 **NET ZAKAH PAYABLE.**