

FATAWA ZAKAH 2004

General Questions on Zakah

SUBJECT: Zakah, Sadaqah and Fard Kifaya

From: Anita

Sent: Tuesday, July 06, 2004

Assalamualaikum,

Thank you for your kind response. I have read a number of your articles and have found them extremely useful for the purposes of my research. However I am somewhat confused with the categorization of charity in Islam.

In your article on "Infaq in the Islamic Economic System", you have placed both voluntary and obligatory charity under subcategories of infaq. However, my other reading has confined infaq only to voluntary charity. Could you please explain this? Another query is on fard kifayah, which I understand to mean a compulsory duty on a group and if this is so, when and what type of charity falls under this category?

I truly would appreciate your knowledge and expertise on this matter.

Jazakallah Khairan.

Wassallam,

Anita

My Answer,

Bismi Allahi al Rahmani al Rahim,

Al Hamdu li Allahi Rabbi al 'Alamin, wa al Salatu wa al Salamu 'Ala Sayyidina

Muhammad wa 'Ala 'Alihi wa Sahbihi 'Ajma'in,

Dear Sr. Anita

Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh

1) In several places in the Qur'an Zakah is called Sadaqah. Interestingly it is called so even in the verse that mentions its being obligatory (verse 9: 60).

Sadaqah is Infaq fi sabeel Allah. It covers both obligatory and voluntary because both are for the sake of God. The Prophet, pbuh, said what means that ""acts that are most beloved by God are those that He made obligatory on you."" This is the general meaning of Infaq=Sadaqah.

Yet when we talk in specificity, mentioning (or comparing) voluntary and obligatory we use the term Zakah versus Sadaqah; we sometimes also use the term ""Nafaqah Wajibah = obligatory giving"" and ""Sadaqah = Nafaqah Taw'iyyah = voluntary giving"" In this case we normally intend to sort under the obligatory Zakah, spending on poor close relatives, feeding a poor and hungry neighbor, and other obligatory Sadaqat. Did I make it any clearer? Come back if you need any more discussion, I will be glad to help you in what I CAN. BTW, this is similar to the words Islam and Iman, when they are mentioned together they have different meanings, when one of them is mentioned alone it covers the other too.

2) Fard Kifaya is not exactly an obligation on a group. ""Obligation on a group"" includes both Fard ayn and fard kifaya. Fard Kifaya is an ""obligation on one member but unspecified of a group"" This give the meaning that one of them

does what is obligated, others are relieved, but while it is not yet done every one of them is assumed the ""unspecified."" In other word, Fard Kifaya is not an obligation that I wait until some one else does it; it is rather a specific obligation on me as a member of the group, but the first to do relieves others.

The very known example is the cost of washing and wrapping-cum-burial of any human corpus. Many other contemporary examples can also be given: feeding the poor in a society, even removing them out of poverty by making them self sufficient, defending the country and any Muslim land, payment for the administrative cost of running a government (administrative does not include development projects, schools and other thing that government do today), pavement of roads necessary to access mosques, markets, etc.

Wa Allahu A'lam,
Wa al Hamdu li Allahi Rabbi al 'Alamin,
Wa Assalam,
Sincerely,
Dr. Monzer Kahf

SUBJECT: Qard Hassan & Zakah

From: AwqafSA

Sent: Friday, April 16, 2004

Assalaamualyikum Dr Kahf

Here is another question:

Can a Qard Hassan loan be granted from Zakah funds?

I understand that Tamleek is a condition of giving Zakah, so that the beneficiary becomes the unfettered owner of the Zakah. How does this condition reconcile with Qard Hasan which presumably is repayable to the Zakah fund.

Flowing from the above, when the Qard Hasan is repaid, does it still retain its identity as Zakah? Or does it go to a general lillah fund?

A person was given Zakah to assist him to buy a vehicle. He was also given non Zakah money to buy the vehicle. He was told that he was under no obligation to repay. However, the recipient felt that he wishes to repay the money when he is able to. The lender put absolutely no pressure on him and out of the recipients own accord donated the equivalent amount to awqaf.

Your clarification of the above issues will help in developing Awqaf SA and its use of Zakah for Qard Hasan Loans.

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin wa al Salatu wa al Salamu 'ala Sayyidina

Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Zeinoul

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Here is the answer in points

1. Loans (ahs Shari'ah knows loans only because the term qard Hasan is used in the Qur'an for charity, besides, every loan is interest free according to Shari'ah) may be given from the Zakah fund provided there are no immediate uses of the funds for purposes that are more pressing and the money when repaid remains Zakah money that has to be spent on the Zakah objectives as mentioned in the Qur'an (9: 60). This is the established Fatwa of Shaikh al Qaradawi, the Fatwa board of the

Zakah house in Kuwait and the Fatwa Board of the Zakah Diwan in Sudan. Please notice that the Tamlik principle is not violated because the loan comes out of the cash flow and the money is ultimately given away as stipulated in the Qur'an, giving a loan is only a transitory use that does not contradict the ultimate use.

2. * If a person deserves Zakah and is given Zakah from a community Zakah fond or a government Zakah house, then she/he later became financially able and decided to pay back what was given, it is certainly permissible and it is considered as a Sadaqah from that person to the fund. We must notice that Sadaqah is normally given by the rich as the prophet, pbuh, mentioned *إنما الصدقة عن ظهر غنى* . The Prophet was visibly upset when a person who was almost naked and has just be given two pieces of cloth to wear and then a call for Sadaqah was made and this person gave one of them; in fact, the Prophet, pbuh, ordered him to take it back.
3. If the Zakah was given by a person, the giver of Zakah is not permitted to take it back as Zakah. But if the recipient decides to give a gift to the Zakah payer, it is permitted.
4. Obviously, a loan may be forsaken, whether given by the Zakah fund, if the borrower becomes a Zakah deserving, as a Gharim, or by a person/lender. A person lender is not permitted to consider the amount of loan forsaken as part of her due Zakah because that will means like paying Zakah to herself as the Zakah payer recovers the loan from her own Zakah due for distribution. This is not permitted.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Zakah on IRA, 401K, RRSP, RESP, Retirement and Educational Retirement Funds, Provident Funds, etc.

Subject: Zakah on RRSP and Stocks

From: Javed

Sent: Saturday, November 22, 2004

Question from Canada:

Dear Mr. Khaf, Assalam Aalaikum,

1. How do we pay Zakaat on the RRSPs (Registered Retirement Savings Plans)?

A certain amount is deducted from my salary at source and contributed to my RRSP funds (mutual funds) . My company contributes a certain percentage to this fund as well. Based on my contributions I get a certain break in my Tax contributions and at times also get a refund.

If I want to take some money out of the RRSPs before the maturity or before the retirement I can only withdraw money from my portion only (I will have access to company's portion only if I leave the company) and I will have to pay as much as 20% tax on the money that I want to withdraw.

The questions are:

- a) Do I pay zakaat on the total RRSP (my contributions + company's contribution) fund current market value?

- b) Do I pay zakaat on my contributions only? Will it be on Invested value or current market value?
- c) Do I pay zakaat on my contributions only and also deduct 20% (Tax payment) from my contributions because that will be the money I will have in hand after paying off the tax. This looks like a more logical option to me since I am paying zakaat on the money I have access to and also after deducting the tax, e.g. If I withdraw \$10,000 and pay 20% tax. Than I will receive \$8,000. So I pay Zakaat on \$8,000.

2. ZAKAAT ON STOCKS

My company offered stocks to it's employees at certain rate below the market value. An amount was deducted for two years from my salary and then the stocks were transferred in my name. My question is do I pay the zakaat on the value of the stocks that I bought them for or the current market value when I calculate the zakaat to pay. If I bought stocks at \$10.00 at that time I was in a position to pay zakaat on \$10.00 value stocks but as the value increased and touches the \$50.00 value I am not in a position to pay zakaat. The main intention was to buy the stocks and keep them and cash them in case I need them, nothing to do with the company ownership or profile. To me the more logical approach is to pay the zakaat on the invested value and the annual dividend.

Now the only option I have is to sell the stocks If I have to pay zakaat at the current market value because I cannot save from other sources to pay my zakaat on these stocks. Regards,

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Javed,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

1. RRSP and RREP are subject to Zakah because they are yours. The amount that is Zakatable is the market value of your deposits plus the market value of the vested part of the company's share (the part that is considered yours, as most companies set a period, like two years or 5 years for their contributions to become yours, i.e., if you leave the company you cannot carry that part with you to another company; the restriction on withdrawal before retirement does not disqualify it from being yours). penalty and tax in case of early withdrawal does not harm your ownership; these are permissible government procedures because you are exempted from taxes on deposits. What matters is that you really own this amount, you can invest it, through approved brokers, and very often you can borrow from it for certain purposes.
2. Zakah on this amount is due every lunar year at the rate of 2.5% along with other Zakatable items; the first lunar year begins on the day the total of your Zakatable items reach Nisab (# USD 1000). You simply add the RRSP and RREP to other items in calculation of Zakah. Zakah can be paid out of other resources you may have.
3. You can delay, after calculation, the actual payment of Zakah of the balance of RRSP and RREP until withdrawal, in this case you have to pay out of each withdrawal the amount of accumulated due Zakah on that amount only, which may become a large percentage at the time of retirement. this delay is not sinful

because it is permissible to pay the due Zakah of each item out of the same item, you are not required, though permitted, to pay it out of other resources.

4. If you withdraw and pay tax and penalty on the amount, the net balance in your RRSP (in your example - 10000) is included in the calculation at the end of that year; while the net amount you withdraw (in your example 8000) is added to your cash and depending on the use of it it may or may not be subject to Zakah at the end of that Zakah year.

For stocks, it is the market value that you own not the amount you paid, whether it is more or less; and Zakah is calculated on what you own at the due date. It is not on any past or future value. Apply this simple rule and you'll notice its logics! Here again you are not required to pay from other sources, you can pay the accumulated Zakah over years when you liquidate, and you can also pay it in kind by transferring 2.5% of the stocks you own to the recipient (poor or needy or charitable organization to be given to poor, needy, etc.)

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: 401k and Zakah

From: Mohamad

Sent: Tuesday, October 19, 2004

Question

I hope you are in the best of iman and health. I ask the Almighty to bless you and reward you for all your deeds. I have searched for a good answer on how to pay Zakah on 401k money and its complications. I know how busy you are, thus I would really appreciate your assistance with this.

Do I pay on the contributions my company makes? Do I only pay on the investment returns? As you know, I cannot access the money now (at least not without a significant tax hit). From what I know, however, I understand that that doesn't affect my ability to access the money or its liquidity?

In my case, I contribute X% of my income (pre-tax) to the fund. My company matches 50% of X. If I were to liquidate the fund today, I would be taxed 30-40%.

I appreciate your time and effort

Jazak ALLAH khair

Respectfully,

Mohamad

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Mohamad,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Yes, 401 K is subject to Zakah as follows:

1. Amount subjected to Zakah: total accumulated savings +/- earnings/losses + the vested amount of employer matching funds (= the amount that become ours even if you leave the company at that point of time).
2. Rate: 2.5% every lunar year; the first such lunar year begins when this fund plus other Zakatable items [such as bank accounts, etc.] reached Nisab.. It is repeated every year.
3. Disregard the issue of tax and penalty regardless of its rate (30-40%!) because you are not withdrawing it and you cannot make assumption of withdrawal. You have almost full authority on selecting investment, you can borrow from the account to buy a house, or pay important bills, etc. The penalty and tax on withdrawal does not affect you ownership, it is a side issue.
4. It is due on you every year but its payment does not have to be paid every year because the principle is that Zakah of an asset is payable of that asset itself. Accordingly, you need to calculate it as above, but you are not required to pay out of other funds unless you volunteer. This means that once you know the due amount of Zakah, when you make any withdrawal in the future you need to consider to beef up the amount you withdraw to cover the accumulated due Zakah that become then due for distribution (and its delay becomes sinful).

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

From: S

Sent: Saturday, October 30, 2004

I hesitated to give my view as I think scholar residing in US must have a considered view on Zakah on 401K. Now that brother Kotob has that view I venture to present to him and to scholars, Dr. A and Dr. Kahf my views. I attach a note on the subject and will be grateful for feedback. Regards

S

Zakah on Provident Fund/401K

[October/Ramadan 2004/1425]

I am not aware of the details about 401 K, but I think there are similarities with the system of employee Provident Funds we have in India. Sometime back I had reason to consider the issue of Zakah on PF and came to the opinion that it is permissible to pay nothing by way of Zakah till the beneficiary actually receives the Fund. The Fund is given back in full on retirement from service or death of the employee, whichever is earlier.

The way the fund is constituted is a compulsory deduction from employee salary matched by a similar contribution from employer. It is not possible for the employee to withdraw from the Fund, but he can borrow against it(or, one can say, part of it). This is the feature that convinced me, along with the compulsory nature of deduction, that the opinion which asks the beneficiary to pay each year Zakah on the accumulated sum in his PF may not be correct.

As to how much and when should Zakah be paid once the funds are in possession of the employee, there are two opinions. One: pay 2.5% immediately on possession, without waiting for the year to complete. Second, wait till the usual Zakah payment

date you have fixed arrives and then pay 2.5% on this along with other amounts. I prefer the first. For reasons it is not necessary to give now. There is a third opinion too: Pay Zakah for all the years the PF has been with the employer, calculating for each year on the basis of the balance in your PF account on that date. The arguments can be imagined. Seemingly the opinion is based on Zakah on loans given to others or on other kind of amwal zimar. I do not buy the argument. For me it is not in harmony with the objective of the scheme which in itself serves an important objective of Shariah."

S

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi

Ajma'in

Dear Br. S,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

While I agree with your opinion on the Providence Fund with only one note that I prefer the payment of Zakah to be on the amount received, when received in any future with the condition of Nisab, on the basis of being Mal Mustafad.

Where we differ is in your analogy of 401K with the PF. PF. Is obligatory, it works as a tax, even with the permission of borrowing from it. To my knowledge, funds are not kept with employers but with an Administration of PF and further payments, when due upon retirement or death do not necessarily equal the amount deducted (and contributed by employer) and their accumulated interest. Funds are paid on the basis of actuarial studies like insurance and social security in Europe and most of Asia and Africa (the American socio security is different because although it maintains accounts of one's contributions, it does not hold your funds and invest them for you). On the other hand 401K is individual, optional maintained by the company, a special committee of employees, and you can determine the investment, you have a choice. You can withdraw, even with penalty and arrear tax, you can borrow, etc. in other word, it is not an obligatory tax like the PF, and one's control on it is almost complete with limitation that does injure the ownership and disposition. That is why I argue that 401k is subject to Zakah every year from the first moment as part of other Zakatable items but its Zakah actual payment may be deferred until it is cashed.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

From: Dr. A

Sent: Sunday, October 31, 2004

I apologize for giving some tentative opinions before having studied carefully what you sent me, because it may take too much time.

The amount that May be Zakatable from a PF is for each year that amount which is actually withdrawable under the rules of the fund for that year, i.e. after all penalties etc are deducted. I apply here the same rule that I apply on takaful(life insurance) benefits that are built gradually by periodic contributions.

A.

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi
Ajma'in

Dear Br. Dr. A

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Your analogy that equates 401K with PF and with the present value of a life insurance is incorrect on two grounds:

- 1 - PF is a tax that you have no choice to avoid, similar to it is the contribution in retirement fund in IDB and many similar program. If you are to work in this company, this is its system and we have to deduct from your salary. 401K and life insurance are voluntary. in both it is your choice that decide. The benefits of PF and IDB and similar retirement programs are paid upon death, termination of contract, etc. according to a system based on actuarial research, some of its elements are one's contributions, length of employment, size of salary, etc. but there are other elements too such as the multiplying function, the special cases of sudden, accidental death, sickness that causes incompatibility to work, etc. these affect the amount of benefit too. This makes the deduction from the salary like a tax, although it feeds your account with the PF and the benefit received as income when received. and the rules of Zakah apply accordingly.
- 2 - 401k, IRA and similar retirement schemes (there are at least four more kind in the USA) are a voluntary saving, exactly similar to the saving you do through a saving account or under the mattress. The differences are irrelevant to the Rulings of Zakah: you get a tax benefit if you deposit it with a depository, but it is still under your full control. Because you get a tax benefit, you are subject to tax and penalty when you withdraw. To encourage people to save the employer give you a matching amount, usually one half the amount you deposit periodically up to a certain limit. this matching amount becomes yours after a certain period, very often staying six month after it is paid to our account so that if you quit within six month they take back this amount. While the total balance is there, you move it, invest it, borrow from it to buy a house or to pay important bills, etc. it is under your control.
- 3 - The present value of life insurance is not like this. The present value is a contractual debt on the insurance company, as a remainder after deducting the risk premium and other charges of insurance, taxes, commissions, etc. withdrawable present value is less than present value by a contractual penalty on withdrawing. Here the matter is contractual and inter-personal. The amount of your debt on the company is the net amount after penalty, you are right in considering this amount as a debt on an entity that is confessant to it and able to pay on demand. In contrast, penalty and tax in 401k are assumed not real, they become real upon actual withdrawal only, while not withdrawn, you invest the total amount, borrow from it, more important count it as your asset that can be inherited, etc. The total balance here is what is subject to Zakah while the indebtedness in insurance is the net after penalty.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,
Dr. Monzer Kahf

Zakah on RRSP and RESP

From: Yolla

Sent: Tuesday, November 02, 2004

Question from Canada

Assalam Alaykum Dr. Kahf:

First I would like to thank you for the time you have taken to educate Muslims on the issue of Zakah and other financial issues.

I have to admit that I have been somewhat ignorant on the issue of Zakah, or I should say that I didn't realize that Zakah is payable on voluntary retirement funds until I read your fatwas on Islam on Line and on your site as well. After reading your answers I realized that Zakah is payable on RRSP or what they call in the USA 401K fund on a yearly basis based on the total amount at the end of each lunar year etc.. My question is not to ask you for a fatwa on the issue, but as a Muslim scholar living in North America (I believe you live in the US), what are other options for a Muslim to arrange not to retire poor and needy?

I have no problem paying Zakah on the money my husband and I saved for our retirement, and continue to save to ensure that we do not beg for our food when we reach retirement age, but I realize now that it is against Islamic law to save in RRSP (mutual funds/non-interest based) as it appears that Allah Subhanahu Wa Taala would not order us to pay Zakah yearly on something that he approves of, he ordered us to invest our money not to save it. Or at least that's my understanding. Having said that, I have 25 years for retirement and with what I'm saving I can't guarantee to live decently at retirement age, having to pay Zakah on the money saved over the next 25 years will reduce the amount to less than half, that's being generous, as so far we have been losing money on the invested amounts since we're doing our best to stay away from any interest based funds. Having said that, we also have a mortgage, which we're managing to pay comfortably. So, my current dilemma is: if I can't invest in RRSP and get a government tax break? and if I can't save for my daughters in RESP for their university education that will start in less than 2 years, what types of investments are allowed in Islam?

My question is not to find ways to avoid paying Zakah, my intention is to do what Allah ordered us to do, but my question is based on a current situation most middle aged Muslims like me in the west face when they have limited income and they are trying to secure a retirement without begging for help or living on welfare.

Jazakum Allah Khairan.

If my question is not clear, I would love to discuss it with you over the telephone if you are agreeable to this. I can contact you at any time that is convenient to you, and thank you again for your assistance in answering this very important question for me as I've lost sleep over this issue since I've read your enlightening fatwas on the issue.

Yolla

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Sr. Yolla,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

I am presently overseas on a business trip and it is better to keep the contact via emails for the time.

Ramadan and Eid Mubarak to you and your family. I understand your question and value your concern. But I think the issue is little simpler than you guessed it.

RRSP and RESP can be deposited with the Islamic Housing Cooperative in Canada, it is government-approved for them and it is generally a decent investment that helps Muslim acquire houses. I am sure there may be other approved options that you may look for in Canada. Check with the Royal bank for the newly issues Islamic investment scheme.

Saving is certainly permissible and the Zakah payment should encourage you to seek better dividends on these savings.

One other thing I am not quite sure about it is RRSP similar to 401k Or social security, I think it is more of a voluntary tax deductible saving scheme like the IRA in the US, isn't it?

Additionally, you can pay the Zakah on your RRSP every year from your present income and keep it Zakah free when you withdraw it in the future besides, you have an excellent investment in your children who will be their to help when you are old, this is a decent help, not degrading like other sources you mentioned because one's children is part of one's fruits as described by the Prophet, pbuh.

Lastly, I like to remind you of the Idea of tawkkul, of course after doing all that you humanly can, God will not let you down! And why we, in the rich countries worry too much about our retirement? Don't you notice certain exaggerated fervor in this matter aren't we overdoing it? Too much rush to save for the future and too much worry, yet Mr. Bush is sending our children to be killed at young age every where in the world!

Please write again if I missed on any point,

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

From: Jaafer

Sent: Oct. 15, 04

Question

Are the retirement/educational funds known in Canada as RRSP and RESP subject to Zakah?

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Jaafer,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Here I'm answering the two questions in the footnote.

1. I do not agree with both the Fatwa given by the person in Riyadh and I do not also agree with the rationale of your comment. The reason is: a. It is unfortunate that there are many people who rush to giving Fatwa without having complete knowledge of what is the issue and very often without knowing the Shari'ah rules. These two funds have more than being "locked in" You can choose investment, depository, you can borrow from them, you can also withdraw subject to penalty and tax and more important they are VOLUNTARY, you choose to put the money. Social security in the US and to my knowledge in most countries, is compulsory; what you contribute is a tax and what you are given as pension is a new income. Second, Zakah on cash is not on the income but on the wealth. This means that when you put money in the fund (say from one's monthly income) you are not subject to Zakah, Zakah is due on savings (left over) at the end of a lunar year that began on the day your savings reached Nisab for the first time. Hence there is no Zakah on what you deposit in the fund and no Zakah on what you withdraw (assuming you withdraw it as a pension to live on or for the child to pay educational expenses)

I am including below a discussion that sheds more light on this issue.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Zakah on 401k

Question:

salam alaikum Dr. Monzer

I forward to you a query, knowing your answer may be different from mine which tends to be: you do not have to pay any zakat till you get the money (in your bank account) But I value your opinion in American environment.

I will appreciate a response.

N

Intervention from M

Dear Dr. N

I hope you are in the best of iman and health. I ask the Almighty to bless you and reward you for all your deeds. I have searched for a good answer on how to pay zakat on 401k money and its complications. I know how busy you are, thus I would really appreciate your assistance with this.

Do I pay on the contributions my company makes? Do I only pay on the investment returns? As you know, I cannot access the money now (at least not without a significant tax hit). From what I know, however, I understand that that doesn't affect my ability to access the money or its liquidity?

In my case, I contribute X% of my income (pre-tax) to the fund. My company matches 50% of X. If I were to liquidate the fund today, I would be taxed 30-40%.

I appreciate your time and effort

Jazak ALLAH khair

Respectfully,

M

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi
Ajma'in

Dear Br. M

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Yes, 401 K is subject to Zakah as follows:

1. Amount subjected to Zakah: total accumulated savings +/- earnings/losses + the vested amount of employer matching funds (= the amount that become ours even if you leave the company at that point of time).
2. Rate: 2.5% every lunar year; the first such lunar year begins when this fund plus other Zakatable items [such as bank accounts, etc.] reached Nisab.. It is repeated every year.
3. Disregard the issue of tax and penalty regardless of its rate (30-40%!) because you are not withdrawing it and you cannot make assumption of withdrawal. You have almost full authority on selecting investment, you can borrow from the account to buy a house, or pay important bills, etc. The penalty and tax on withdrawal does not affect you ownership, it is a side issue.
4. It is due on you every year but its payment does not have to be paid every year because the principle is that Zakah of an asset is payable of that asset itself. Accordingly, you need to calculate it as above, but you are not required to pay out of other funds unless you volunteer. This means that once you know the due amount of Zakah, when you make any withdrawal in the future you need to consider to beef up the amount you withdraw to cover the accumulated due Zakah that become then due for distribution (and its delay becomes sinful).

ps.

Dr. N, you didn't inform me what was your opinion? your feed back is appreciated.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Fram Dr. N

Salam alaikum, friends

I hesitated to give my view as I think scholar residing in US must have a considered view on zakat on 401K. Now that brother M has that view I venture to present to him and to scholars, Dr. A and Dr. Kahf my views. I attach a note on the subject and will be grateful for feedback.

Regards

N.

Zakat on Provident Fund/401K

[October/Ramadan 2004/1425]

I am not aware of the details about 401 K, but I think there are similarities with the system of employee Provident Funds we have in India.

Sometime back I had reason to consider the issue of zakat on PF and came to the opinion that it is permissible to pay nothing by way of zakat till the beneficiary actually receives the Fund. The Fund is given back in full on retirement from service or death of the employee, whichever is earlier.

The way the fund is constituted is a compulsory deduction from employee salary matched by a similar contribution from employer. It is not possible for the employee to withdraw from the Fund, but he can borrow against it (or, one can say, part of it). This is the feature that convinced me, along with the compulsory nature of deduction, that the opinion which asks the beneficiary to pay each year zakat on the accumulated sum in his PF may not be correct.

As to how much and when should zakat be paid once the funds are in possession of the employee, there are two opinions. One: pay 2.5% immediately on possession, without waiting for the year to complete. Second, wait till the usual zakat payment date you have fixed arrives and then pay 2.5% on this along with other amounts. I prefer the first. For reasons it is not necessary to give now.

There is a third opinion too: Pay zakat for all the years the PF has been with the employer, calculating for each year on the basis of the balance in your PF account on that date. The arguments can be imagined. Seemingly the opinion is based on zakat on loans given to others or on other kind of amwal zimar. I do not buy the argument. For me it is not in harmony with the objective of the scheme which in itself serves an important objective of Shariah.

N

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Prof. N

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

While I agree with your opinion on the Providence Fund with only one note that I prefer the payment of Zakah on the amount received, when received in any future with the conditions of Nisab, on the basis of being Mal Mustafad.

Where we differ is in your analogy of 401K with the PF. PF. Is obligatory, it works as a tax, even with the permission of borrowing from it. To my knowledge, funds are not kept with employers but with an Administration of PF and further payments, when due upon retirement or death do not necessarily equal the amount deducted (and contributed by employer) and their accumulated interest. Funds are paid on the basis of actuarial studies like insurance and social security in Europe and most of Asia and Africa (the American socio security is different because although it maintains accounts of one's contributions, it does not hold your funds and invest them for you). On the other hand 401K is individual, optional maintained by the company, a special committee of employees, and you can determine the investment, you have a choice. You can withdraw, even with penalty and arrear tax, you can borrow, etc. in other word, it is not an obligatory tax like the PF, and one's control on it is almost complete with limitation that does injure the ownership and disposition. That is why I argue that 401k is subject to Zakah every year from the first moment as part of other Zakatable items but its Zakah actual payment may be deferred until it is cashed.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

I apologize for giving some tentative opinions before having studied carefully what you sent me, because it may take too much time.

The amount that **May** be zakatable from a PF is for each year that amount which is actually withdrawable under the rules of the fund for that year, i.e. after all penalties etc are deducted. I apply here the same rule that I apply on takaful(life insurance) benefits that are built gradually by periodic contributions.

A.

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Dr. A

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Your analogy that equates 401K with PF and with the present value of a life insurance is incorrect on two grounds:

- 1 - Pf is a tax that you have no choice to avoid, similar to it is the contribution in retirement fund in IDB and many similar program. If you are to work in this company, this is its system and we have to deduct from your salary. 401K and ;life insurance are voluntary. in both it is your choice that decide. The benefits of PF and IDB and similar retirement programs are paid upon death, termination of contract, etc. according to a system based on actuarial research, some of its elements are one's contributions, length of employment, size of salary, etc. but there are other elements too such as the multiplying function, the special cases of sudden, accidental death, sickness that causes incompatibility to work, etc. these affect the amount of benefit too. This makes the deduction from the salary like a tax, although it feeds your account with the PF and the benefit received as income when received. and the rules of Zakah apply accordingly.
- 2 - 401k, IRA and similar retirement schemes (there are at least four more kind in the USA) are a voluntary saving, exactly similar to the saving you do through a saving account or under the mattress. the differences are: you get a tax benefit if you deposit it with a depository, but still under your full control. Because you get a tax benefit, you are subject to tax and penalty when you withdraw. To encourage people to save the employer give you a matching amount, usually one half the amount you deposit periodically up to a certain limit. this matching amount becomes yours after a certain period, very often staying six month after it is paid to our account so that if you quit within six month they take back this amount. While the total balance is there, you move it, invest it, borrow from it to buy a house or to pay important bills, etc. it is under your control. The present value of life insurance is not like this. The present value is a contractual debt on the insurance company, as a remainder after deducting the risk premium and other charges of insurance, taxes, commissions, etc. withdrawable present value is less than present value by a contractual penalty on withdrawing. Here the matter is contractual and inter-personal. the amount of your debt on the company is the net amount after penalty, you are right in considering this amount as a debt on an entity that is confessant to it and able to pay on demand. In contrast, penalty and tax in 401k are assumed not real, they

become real upon actual withdrawal only, while not withdrawn, you invest the total amount, borrow from it, more important count it as your asset that can be inherited, etc. The total balance here is what is subject to Zakah while the indebtedness in insurance is the net after penalty.

Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

To: monzer@kahf.com
assalam o alaikum wa Rahmatullah
Some one is putting aside funds for her /his child's college education in a scheme similar to 502.Is zakat owed on it? The child is minor. Ownership of funds belongs to the child, even though child will receive out of it after reaching college. It cannot be withdrawn by the one putting money into it, even though it is under her/his supervision.
I will appreciate your attenrion.
Sincerely
N.

My Answer
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi
Ajma'in
Dear Br. Dr. N
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh Just apply the rule, as simple as that. If the ownership is in the name of the child, and suppose she has no other Zakatable items, it is subject to Zakah with the conditions of Hawl and Nisab. It is not committed to any expenses. It is only planned for the future and God knows what the future will be. In fact, every personal savings are for the future, as simple as it looks. Any amount that is actually committed to be paid out of present Zakatable items can be deducted; this does not qualify! Until you start withdraw or the child goes to college and the Haw came while she has tuition or other expenses to pay from the available balance. Didn't [people save at all times for future expenses. Do we exempt these savings?!

Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: Zakah on education saving scheme

From: Muhammad
Sent: Sunday, November 07, 2004
Question
assalam o alaikum wa Rahmatullah

Some one is putting aside funds for her /his child's college education in a scheme similar to 502.Is Zakah owed on it? The child is minor. Ownership of funds belongs to the child, even though child will receive out of it after reaching college. It cannot be withdrawn by the one putting money into it, even though it is under her/his supervision.

I will appreciate your attention.

Sincerely

M

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Muhammad,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Just apply the rule, as simple as that. If the ownership is in the name of the child, and suppose she has no other Zakatable items, it is subject to Zakah with the conditions of Hawl and Nisab. It is not committed to any expenses. It is only planned for the future and God knows what the future will be. In fact, every personal savings are for the future, as simple as it looks. Any amount that is actually committed to be paid out of present Zakatable items can be deducted; this does not qualify! Until you start withdraw or the child goes to college and the Haw came while she has tuition or other expenses to pay from the available balance. Didn't [people save at all times for future expenses. Do we exempt these savings?!

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Zakah on savings in Defense Officers' Benevolent Fund

From: Zafar through Islam in line

Sent: Sunday, November 07, 2004

Question from Pakistan

I am an Army Officer and serving in Pkistan Army. I want clarification/Fatwa regarding "Riba". At our Army level a fund is functioning known as "" Defence Officers Benovelant Fund"". Every officer contribute some amount out of his pay on monthly basis, to this fund and at the end of the service he is returned the whole amount, while each year a certain percentage of interest, normally 15% to 17% is also added to the actual amount in balance at the end of that particular year. Please let me know whether this amount of interest is ""Riba "" or not? To clarify the status of this fund I am adding fol information: 1. The Fund is for the welfare of officers, so that each officer should have some saving at the end of his service. 2. The amount is the sole contribution by oficer himself. 3. Rupees,500 is compulsory for each officer to contribute each month, but there is no upper limit, whereby one can contribute the whole pay. 4 There is a choice for each officer if he wishes to get the yearly interest on his fund or not.He has to give clear instructions. 5 The amount of this fund is

invested at Army level in different projects in order to earn profit. 6. At any stage. an officer can get 50% loan out of his Fund, which is paid back by the officer to his fund in shape of fixed monthly instalments. Please guide me as many other officers are also interested to find the truth. I shall remain grateful. This issue remains unresolved for many years and there are different views on this. Some say it is clearly ""Riba"" but some say it is not, as the Army is investing this money in different projects and then giving a share of the earned profit to officers. Please answer me in detail. Sincerely Zafar

Jazakum Allahu Khairan for your constant help, and may Allah reward you abundantly for your cooperation especially in these blessed days.

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Zafar,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

1. Let me first make it clear that every kind of interest is Riba and it is prohibited in the Qur'an and the Sunnah regardless of any Fatwa that may have been given by anyone.
2. If you are paid interest, then it is Haram and you should take it and give it to Muslim charity instead of leaving it to the management. the point that funds are invested in Halal project does not affect the prohibition of paid interest because it is possible that the management of the fund gives interest to depositors but invest in Halal. Giving interest is prohibited, it is also prohibited to add it to your own money, you should give it to charity and it is not considered Sadaqah nor Zakah, but you will be rewarded, God willing, for preserving your own money pure and clean.
3. It seems to me that you do not have the complete info. since you mentioned that what is paid to officers (added to balances) is variable 15-17%. Are you sure that what is added is interest not share of the profit that the management makes on investment. If it is a share of the profit it is certainly Halal and pure, provided the management invests in permissible industries which is most likely. PLEASE BE SURE BOUT THE NATURE OF WHAT IS ADDED EVERY YEAR IS IT INTEREST OR SHARE OF PROFIT?
4. You need to remember that the balance in this fund is subject to Zakah every year at the rate of 2.5% (if what you are paid is interest do not include the interest in calculating Zakah because Zakah is only on the Halal money and interest has to be given away, all of it, but if you are paid profit, calculate Zakah on the balance).

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Distribution of Zakah

General Questions on Distribution of Zakah

SUBJECT: Use of Zakah Money

From: Islam in line

Sent: Wednesday, December 29, 2004

Question

Dear IOL scholars, Assalmu Alaikum, Our community has decided to collect Zakah from its members and send it back home where those in need of it are better identified and easily targeted. We are also thinking of using the funds collected to help members in dire need. Are there any restrictions or conditions we need to be aware of? we are very concerned about the use of Zakah in its lawful context. Thank you for advising and may Allah reward you for all your efforts. J.A. for the AMDT. Toronto, Canada.

Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin wa al Salatu wa al Salamu 'ala Sayyidina

Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. J A,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Collected Zakah money should only be used for the categories of recipients that are mentioned in the Qur'an (9: 60) because the verse itself counts thee eight categories in an exclusive way and the Prophet, pbuh, added that God himself decided on its distribution that He did not even leave its distribution to a Prophet or any body else. Persons who are poor and needy are more worthy that other categories especially when there is life saving. You may distribute locally or back home or in any other country but you have to give it either directly to persons whom you study their financial situation or to through trust worthy Muslim charities. For instance, today it is not permissible to use Zakah money in the USA and Canada for building mosques, schools and Islamic centers or to pay for poor children private (Islamic) school's tuition. The reason is that the Muslim community in US and Canada is rich enough to pay for these responsibilities and the poor and needy must not be made to carry the final incidence of this responsibility, and teaching children is the responsibility of their parents and there are many available means of teaching without such tuitions, even Islamic teaching with a little more efforts by the parents.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Including Service Charge in Zakah distribution

From: Islam in line

Sent: Wednesday, December 29, 2004

Question from Canada

Hello I have a question about Zakah. Every year I send some of my Zakah money to my native country. I have to pay a service charge for that. Like if I send \$100, they may charge me \$6. (If I send \$500, they charge \$10.) So for \$100 I need to send \$106. I like to know can I include the service charge in my Zakah? So if I send \$100 + \$6, can I measure that I paid \$106 from the Zakah? thanks.
Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin wa al Salatu wa al Salamu 'ala Sayyidina

Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Rifat,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

The answer is NO. When you make your own payment of Zakah you cannot add any charge for its transportation. You are required to deliver you own Zakah to the poor and needy as the Qur'an indicates by using the word "???? that literally means ""go and give it"" . It is the payer's obligation to take it to the poor and needy and the cost of its transfer when done by the payer cannot be charged to the poor.

On the other hand, when Zakah is paid through an organization, non-profit or governmental, the cost of transfer and even salaries of employees (within certain limits and conditions) can be paid from the proceeds of Zakah and the rich should not be charged any extra amount for this service. The difference is that the item of expenditure of Zakah that relates to persons working on its collection and distribution is included in verse 9:69 and it can only be invoked by government or organizations.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Zakah distribution for charities' administrative expenses

From: Ibrahim

Sent: Monday, March 01, 2004

Can you please assist me in the following matters:

- Q1. Will my Zakah be valid if I give it to a muslim charitable organization(IDRF); They use about 5-15% of the Zakah for administration cost. From what I have heard is that 100% of the Zakah has to be given to the needy. If not, can I then just add the extra % of the administration to my total Zakah payable, and then pay them. Can I pay them Zakah by credit card?
- Q2. Is it permissible to get overdraft protection on one's bank account? I feel banks charge a hefty fee for NSF.
- Q3. If a person from the hanafi school of thought, on whom Qurbani(slaughter) was wajib failed to carry it out for 7 years, how can he make up for it.
- Q4. In Canada we have RESP (Registered Education Saving Plan) is it permissible to invest in such a plan. I have attached more info about it or you can visit http://www.hrdc-drhc.gc.ca/hrib/learnlit/cesg/012/001_e.shtml <http://www.hrdc-drhc.gc.ca/hrib/learnlit/cesg/012/001_e.shtml> if you need more info in order for you to give me an answer.

Jazakullah

My Answer:

hi al Rahmani al Rahim,

Al Hamdu li Allahi Rabbi al 'Alamin, wa al Salatu wa al Salamu 'Ala Sayyidina

Muhammad wa 'Ala 'Alihi wa Sahbihi 'Ajma'in,

Dear Br. Ibrahim

Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh

I think I answered you questions in the past, may be partially, any way:

- 1- It is permissible for a Muslim charity to take part of the received Zakah for its administrative expenses as long as it does not take a large chunk. The idea is that such organizations need these expenses without which they cannot continue undertaking their job. their job is in fact necessary for the distribution of Zakah and very useful for all the Muslim community. This is the share of ""al 'Amilina 'alaiha"", i.e., the workers on its collection and distribution, that is mentioned in the Qur'an as one of the recipients categories of Zakah
If you decide to give a donation for administrative expenses in addition to the due Zakah and inform the charity of so that it does not make any deduction from the amount of Zakah, it is certainly better and more rewarded although it is not necessary from A Shari'ah point of view
- 2- Overdraft protection is permissible provided it does not involve you in paying interest on any overdraft amount. Otherwise it is then an interest-based transaction that is forbidden. Now with the internet accessibility to accounts you can manage your account without any need to this very often interest-based service.
- 3- All charities, whether a Fard (obligation) or not can be made later, and better be. If the delay is excusable there is no sin and if it is not the delay may be sinful. With true repentance, sincere Istighfar, and making up for what you missed Allah, May He be Glorified, is a lot more forgiving than people think. The Prophet, pbuh, said that: even if you don't sin and ask forgiveness, Allah would take you away and bring people in your place who will sin and ask forgiveness then He forgives them. The Qur'an also mentions that good deeds remove the 'stain' of bad deeds. There is no additional penalty for such an oversight even if it has been done intentionally. Just give a Qurbani donation for what you missed. There are several Islamic charities in North America that make actual slaughtering and distribution overseas in he needy Muslim countries such as Palestine, Somalia, Kashmir and others.
- 4- It is permissible to participate in the RESP. In Canada, the Muslim Housing cooperative is an authorized depository for it and it makes good investment in the Muslim community, housing and otherwise. What is a must is that you have to select permissible investment for this kind of savings.

Wa Allahu A'lam,

Wa al Hamdu li Allahi Rabbi al 'Alamin,

Wa Assalam,

Sincerely,

Dr. Monzer Kahf

SUBJECT: Giving the Qur'an for Free as Zakah?

From: Islam on Line

Sent: Sunday, May 16, 2004

Question Australia

Asalamualkum brother Is spending money on books and Quran to be given to Muslims for free (as a form of dawah, gifts ect) deemed charity/Zakah? Also if one is a teenager who works do they still pay Zakah? Also if this teenager is in a household which is involved in usury (ribba) interest and so on is the sin on that teenager (who is 18 years old) even though its the parents who made the decision to invest in property and loans ect? The teenager is obviously living under the affects of the loan (ie is in the house and using it and being in a lifestyle that is supported by the family). This teenager (18years old) is also a sister (unmarried) and is living in Australia with her family. Jazakallah hu khair sister in Islam
Jazakum Allahu Khairan for your constant help

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi

Ajma'in

Dear Sr.

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

I remember I have recently answered this question but I just could not find it, could it be answered on life Fatwa?

You are not responsible for what your parents do and you may (and probably should being a female) keep living with them as long as you are a single woman. Besides you may not fully know their circumstances under which they bought the house on mortgage. You are not responsible for what they do and you father remains responsible for your expenses, including education, if you do not have resources of yourself. His source of income is his business not yours.

Zakah is due only on the amount that is left to accumulate until the end of the year if it reaches Nisab (# US\$ 1000). This means that money spent is not subject to Zakah.

Zakah money may be used by organizations not by individuals, for distributing Islamic literature and Copies of the Qur'an for Dawah purposes. this is part of the item "for the cause of God." Individual payers should not distribute their own Zakah on such item because assessing what is Dawah and what is not is a community matter not a personal matter.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Should I Continue Giving this Guy More Zakah?

From: Islam on Line

Sent: Thursday, August 26, 2004

Question

AlSalaam Alikum: A muslim brother teaches at a university. He's married with children. He recently bought a house. I and another muslim already loaned him some money to finish buying his house. I also gave him a small amount of money one time to fill his car with gas. Now he's asking me for one thousand dollars to help

his daughter enter college. I felt bad but told him I couldn't help him. This brother is working full time, owns a home and a car. Should I feel guilty not helping him again? I read somewhere that if someone is employed with an income than giving him/her money is not charity or Zakah. I'm not sure how this brother is managing his finances nor is he complete with his immigration status? Please help me as to what Shariah says on this and if I should feel guilty about not helping him?
Jazakum Allahu Khairan for your constant help

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin wa al Salatu wa al Salamu 'ala Sayyidina

Muhammad wa 'Ala 'Alihi wa

Ashabihi Ajma'in

Dear Br. Muhammed

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Persons may deserve Zakah even if they were working with income, if under normal circumstances their income is not sufficient to meet all their expenses. If he teaches at a university in the USA as an hourly teacher, the amount of pay is very meager and certainly is not adequate for any family to live on in any state all over the country and if that is his only income, he may really deserve Zakah.

On the other hand, giving a loan or a charity is an act of benevolence that you, as a giver, are the only person who decides on it. You should not feel guilty for abstaining, but certainly you will be rewarded highly, by God, if you help any other person, especially if she/he is in real need. At the same time, you may need to assess carefully his real needs and how he uses his money, especially if he has good income, he may need some counseling on family budgeting!

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Distributing Zakah to Sayeds and for Heart Reconciliation

SUBJECT: Zakah distribution to heart reconciling and to Muslim schools

From: Yaman

Sent: Thursday, March 04, 2004

Asalamu alaykum baba...inshallah all is well with your trip and may Allah return you home safely and comfortably. I have a question that is not urgent...you can answer when you return or anytime...I don't know if you have email access overseas.

Regarding the category of those eligible for Zakah ""mu'allafati qulubihim"" - (1) is there a financial qualification for those new Muslims to receive the Zakah, and (2) what can that money be spent on?

For example, must the money be spent only on necessities such as food, clothes, etc...or can it be spent on other things? The question arose because Duaa has been teaching mashallah a class of about 12 converts to Islam (some very recent, and some over 10 years)...and I was wondering if we could use some of our Zakah

money to buy them some books or subscriptions to Islamic magazines. The financial situation of the 12 are very different.

Another question: Can Zakah money be given to a Muslim school like Orange Crescent?

Overall, my heart is more comfortable to send the money overseas, but I remember your saying that technically it is preferred to spend the money locally. Pls correct me if I am wrong. Jazakumullahu khayran.

Warmest salams and see you soon inshallah,
Yaman

My Answer,

Bismi Allahi al Rahmani al Rahim,

Al Hamdu li Allahi Rabbi al 'Alamin, wa al Salatu wa al Salamu 'Ala Sayyidina

Muhammad wa 'Ala 'Alihi wa Sahbihi 'Ajma'in,

Dear Son Yaman

Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh

I'm fine and will be back InShaAllah on Wednesday the 10th. We live now in a residence apartment and we have a DSL service.

For Mu'allafa Qulubuhum, only organizations and governments may pay not individuals. If the new convert is poor, Zakah may be given as books, otherwise such gifts should be donations not Zakah. But it is permissible for CAIR may spend under the title Mu'allafa Qulubuhum for books to new converts or to American libraries from Zakah.

For the second question, teaching children is the responsibility of their fathers and the community in America is generally rich and able to support its schools, therefore I don't believe it is permissible to give Zakah to Muslim schools in America. On the other hand, it may be given to a poor Muslim family and they can use it to pay school tuition of their children.

Wa Allahu A'lam,

Wa al Hamdu li Allahi Rabbi al 'Alamin,

Wa Assalam,

Sincerely,

Dr. Monzer Kahf

SUBJECT: Can Zakah Be Given to 'Sayeds'?

From: Islam in line

Sent: Sunday, November 07, 2004

Question

Asalam Aleikum. On a Pakistani TV program I heard them talk about the following things, which left me confused and I would really appreciate your help in clarifying them for me. 1. The man said that one must NEVER give Zakah to a 'sayed'. I am not 100% sure what a sayed is, but I am assuming they mean someone who is a direct descendant of our Prophet, SAW. I have never heard of this before so was quite surprised. Is this Islamically true? 2. He also said that there is no Zakah on diamonds. My assumption is that diamonds qualify as jewelery/wealth and therefore would be Zakah-able. 3. He said that a parent CAN give Zakah to his children provided the children are of age AND in need. Again I have always thought that Zakah cannot be given to one's parents or children. I would appreciate your help in clearing the confusion with this. Thank you.

Jazakum Allahu Khairan for your constant help, and may Allah reward you abundantly for your cooperation especially in these blessed days.

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. ,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Zakah Cannot be given to a sayed and is not due on jewelry made out of diamond, it is on gold and silver jewelry only. This is correct. A sayed is a descendent of the Prophet, pbuh, and he said that it is not Halal to Muhammad and the family of Muhammad. If a Sayed is poor, he should be supported by the government or the community but if such support is not activated, he may be given from Zakah as a last resort because the prohibition is not meant to let a Sayed starve.

Diamond and other gems for personal use of any woman are considered part of her personal things that she uses and are not subject to Zakah. golden and silver jewelry could be treated the same except for the text of the Hadith that mentions that gold and silver must be subject to Zakah and the general text of the Hadith includes obviously golden and silver jewelry.

Parents can't give their adult children, male or female, any part of the due Zakah on the parents because if a child is in need parents are responsible, from their own resources not from the poor due, to provide for their child.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Payment of Due Zakah from the Estate of a Deceased

Subject: Payment of due Zakah from the estate of a deceased

From: lubna

Sent: Tuesday, July 27, 2004 3:09 AM

Dear brother Monzer,

Assalam-u-alaikum

My name is Lubna and I work as legacy officer for a UK based charity - Islamic Relief.

We have very recently initiated an Islamic Wills project - a campaign to raise greater public awareness on the importance of Islamic Will making amongst Muslims living in the UK, as well as to increase the number of charitable bequests left to the charity.

Insha'Allah later this year we will be launching an Islamic Wills website with information on various aspects of making an Islamic Will in the UK.

Having browsed the web for information on Islamic inheritance laws- I came across details of the workshop you presented on 'Islamic Wills and Planned charitable

giving' at the ISNA convention in 2002 and 2003. I wonder if you can advise whether

you will be running a similar workshop at this years convention - for I think it will be of great benefit for me or a representative of Islamic Relief to attend if you are planning on doing so.

I hope also you can answer the three following questions:

1. There appears to be some debate as to whether religious obligations such as unpaid Zakah, unperformed hajj etc form part of the debts of the deceased or whether these 'religious' obligations form part of the 1/3 of the deceased's estate to which he can dispose as he so wishes.

I find myself in agreement with the guidelines that you have put forward - in that they form part of the debts of a deceased and do not impinge on the 1/3 of the estate, but some scholars do not appear to agree with this line of reasoning.

Can you advise me whether there are any differences between the schools on how they approach the problem of religious debts, as I have not had much success in finding details in the literature I have to hand.

2. I have had a number of queries from Muslim reverts who have mainly non-Muslim relatives. I understand that is fairly straightforward to explain that they may only bequeath to their non-Muslim relatives out of the 1/3 of their estate after the payment of debts, funeral expenses etc, but is there a difference of opinion amongst the scholars on inheriting from non-Muslims.

I have a close personal friend who is a revert to Islam. As an only daughter, her parents have recently written their wills, bequeathing much of their estate to her. I am sure that there are a growing number of reverts who will find themselves in a similar situation. Are there any circumstances under which they may be permitted to inherit from their non-Muslim parents?

3. My initial research has shown that many Muslims make their Wills shortly before going on Hajj. Are there any Hadith to support the idea of making a Will before undertaking this pilgrimage? If so I would be grateful if you provide me with details.

I would be indebted to you if you could help answer any of the above questions look forward to your response insha'Allah.

Jazakallah Khair Wassalam

Your sister in Islam

Lubna

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi

Ajma'in

Dear Sr. Lubna

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

I will not be attending the ISNA Convention this year. I have other commitments and I requested to be relieved from being there. However, the lectures there were meant only for public awareness not as seminars.

If your organization is serious about taking up the issue of disseminating info about last will, and may be living trusts that exist in America as an Anglo Saxon legal heritage, I will be glad to offer (certainly free of any fees) a series of seminars in UK during an agreed upon period within the coming few month.

To answer your questions:

- 1) I know the differences of opinion on due/unpaid

Zakah and I usually take a different approach to such differences, that is to remove the doubt or hesitation by what is agreed upon. It is agreed upon that if one considers it a debt and wills its payment as a debt, it is then a debt not from the one third. The dispute is about whether the estate administrator can or must pay it without being willed by the deceased. As for the Hajj debt, I need to make fresh research on the issue because Hajj is not a specific financial obligation, though it includes a financial sacrifice. I kind of tend to also accept it as a debt, not from the one third, if the deceased willed it with a specific amount. It needs more research and I don't make a statement about it at this moment.

- 2) Keeping in mind that there is a very small opinion that there is a one way inheritance between Muslims and non-Muslims and that al Qaradawi and Mawlawi expressed favoring such an opinion, I differ with them both on the idea and on the strategy although the final result that they want to achieved is also achieved according to my opinion, and I will show you the only one case where it is not achieved. I think it is very hard to refute the argument that there is no inheritance, both ways because this is the view of the four schools of Fiqh and it is supported by more than one Hadith. Additionally, strategically, this is a discriminatory position that no Muslim can defend it, especially we who live in the West and who promote Muslim approach to Last Wills and living trusts. I take the majority's view that inheritance is not permitted both ways. Inheritance is defined in our Shari'ah as the default that applies by law. You do not need a last will to implement the Islamic inheritance system. A last will is an exception, As Abu Bakr clearly understood it, and it only applies to a maximum of one third according to the Islamic law with the condition that no heir is given any thing a last will.

Muslims in the West implement the Islamic inheritance system through a last will because the law does not do that (contrast this with Muslim-majority countries and with countries like India where there is a Muslim inheritance law). A Muslim is required to implement the Islamic inheritance system because it is obligatory, like prayers. Hence, when we make our last Will we must be specific that no non-Muslim relative may inherit, by virtue of implementing the inheritance system. But we are permitted to give by a last will (the last will, as defined in the Islamic law, part of our last wills) to any person or cause including non-Muslims, relatives or not. What does this mean? Not inheritance between Muslims and non-Muslims but giving through a last will is ok.

Come to the Non-Muslims, as in your question. If they give to Muslims as a result of a last will, it is permissible to a bequeathed Muslim to take whatever is given to her/him perfectly Halal even if it is the whole estate because our limitation of one third or of not giving to heirs does not apply to them. Also if the giving is done by the law of the land (no last will), it is then an assignment of a property by law regardless of whoever happened to be its previous owner and regardless of the names this giving may be called. It is Halal for a Muslim, citizen resident or neither, to take whatever the law of the land gives her/him and enjoy it! Any one can dispute that it is permissible to take what the law of the land gives, rights, properties, etc.?

Where a Muslim may not inherit from non-Muslim except by a last will (defined as in our religion)? In a country that applies the Islamic law of inheritance. For instance in Egypt, a Muslim revert may not inherit from her parents because this is the law (which is actually derived from Shari'ah. 3) I did not come across a any Saying about making a last will before going to Hajj. But I understand it! Going for Hajj in the past used to be very hazardous to the extent that the common sayings are such that

""consider a goer as dead and consider a returner as a new born."" Many people still carry in their sub-conscience this kind of feeling which is recently reinforced by the mass victims accidents in Hajj almost every year.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Distributing Zakah to Relatives

Subject: Can Zakah be given to family members?

From: Islam on line

Sent: Thursday, September 09, 2004

Question from Egypt

Dear Islamonline Team Assalamu Alaikum. I would like to thank you very much for this great site which I always browse for long hours. I have some questions concerning Zakah. As the eldest sister (37 years old) of 3 (34, 32, 28) brothers, I have committed myself to help them all to get on their feet. I helped two of them to study abroad and lent each of them at least 15000\$ while I was working and before getting married - 2 years ago -. For the marriage cost of my 3rd brother, who still lives in our poor home country, my fiancé gave him 3000\$ - this was the money for my Shabkah (golden marriage gift) ... which I gave up for my brother. My father, who got a bunch of money when getting retired, was not wise enough to save the money for the marriage of his children. He just spent it in doing x-times Omrah + Hajj, began to build a house for us which he could not finish for lack of money. In order to avoid financing my 3rd brother's marriage expenses, he used his very last savings to buy a piece of land which I should have bought. He moreover asked me to return the little money he spent for my marriage procedure so that he could complete this purchase!! Anyway, I feel I have a big burden on my shoulder financing my brothers and moreover also partly my parents. My father is just too ambitious ... he is saving every penny - not to get my other two brothers married - but to do some other projects – building another incomplete home and doing another Omrah -?! So, I see myself sending money to them to ensure that they get healthy food and buy their medicine. The thing is all my brothers are somehow not wise enough or they just do not have enough "Rizq". I /we still give money without seeing an end. They just can not organize their lives. 1. Can we deduct the money I / we borrowed them from our current and future Zakah? 2. Can I save some of the amount of the due Zakah for my 3rd brother so that I can give it to him later? (We gave him the whole Zakah amount for the last year to complete his marriage. - We did not tell him it is Zakah -. The thing is: he (32 years old) is not mature enough?! When once telling him how hard it is to live abroad, he said: no body enforces me to live abroad?! I got shocked. Did not he ask himself how he then could have lived with his 100\$ / month and how he could have been able to cover his marriage expenses?!) . I decided to give a lesson by ignoring him for a while. 3. I have an uncle who is almost 50 years old married with two young children (6,8 years). He prefers staying at home and smoking cigarettes to earning his kids' daily bread?!!! I think I have to helpBut will I not encourage him to continue his life style? 4. I feel angry to focus on helping only

my brothers and my family. I see so many other people around me who also need help (in my own country, in Palestine, In Darfour, and elsewhere). I wish I could help and I really get bad conscious. At the same time, I got bothered when I get emails from people asking for any kind of help or donations. I tell myself I have to focus on my own family. Is it wrong to think in a kind of egoistic manner like this?) 4. A question from my converted husband: As we intend to buy a home, is it possible to pay the due mortgage interest (ca 6% / month) with our earned interest (0.9% / year) which we get from our savings? I'm always doing doua3 for my brothers to get wiser in their lives and to get more Rizq. At the same time, I get angry with them and my father for depending too much on me. I get angry with my father for letting me alone without support. Life has become strange. I know lots of other women who are in the same situation like me. What is wrong with this life? I thought they should be my / our support. Thank you very much for your patience and your help. Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Sr.

Assalamu Alaikum wa Rahmatullahi wa Barakatuh

I am sorry for not being qualified to answer all your questions and worries as some of them seem to need a family counseling specialist. I will do my best to answer only the Zakah questions.

I certainly agree with you that when we pay our Zakah we should look for the priority of the whole Ummah not only our close circle. I sometimes argue that the marriage of your younger brother may not be qualified as deserving Zakah at a time we have all the needs of mal-nutritioned suffering Muslims all around us. Helping people get married, even your own brother, is certainly not higher in priority than helping people who are not finding basic food to eat!

- 1) You cannot count the money you gave in the past to your brothers or father as part of current or future Zakah. What you gave is gone and you will be InShaAllah rewarded for it from God.
- 2) You should be careful and calculating to whom you give your current and future Zakah, not any help to a family member can be considered under the banner of Zakah. Certainly whatever you give to your father, whether he needs ot or not and regardless of what use he pts it to, cannot be part of your Zakah. For your brothers, it depends on their actual need for food, clothing and shelter.
- 3) Interest is not permissible in Shari'ah and whatever interest you gain on your savings must be given away to Muslim charities so that it does not mingle with your own money. For buying homes interest is also prohibited. There may be certain cases of necessity or quasi-necessity that make exception from the prohibition.
- 4) The way you described your brother, I doubt that he qualifies s a Zakah recipient; you certainly can give him from your own money but not at the expense of the real poor and needy who deserve you Zakah and your husband's. Your bother, as described does not seem to be a good candidate for your current and future Zakah.

5) If your uncle is in need you may pay him from your Zakah, but the way you described him he may use the money for his smoking. I suggest that you give your Zakah in kind, as food and cloth to his children and to his wife if she qualifies.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Can the Money Given to My Niece Be Counted as Zakah?

From: Islam in line

Sent: Wednesday, November 03, 2004

Question

Salaam and Ramadan Kareem, I have a niece who goes to Islamic School. Her parents could not afford to put her in school this year, so I secretly put the remainder of the tuition from me to keep the child in school to help her in her Islamic upbringing. Does my paying for my niece's tuition count toward Zakah? wasalaam, Muslimah
Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi

Ajma'in

Dear Sr.

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

As a form of worship like prayers, Zakah requires intention when you make the payment. This is one. Two, giving Zakah to a deserving person requires that the recipient actually takes it, become owner of it, and she will be the one who decide what to use it for. Your niece is qualified as a Zakah recipient from you if she is adult to receive money, her parents may also qualify if they are in need, and you have to give it to them. Paying it on their behalf to the school does not fulfill the requirement of ""making them the owner of what they receive, even if you had the correct intention when you paid it to school. It is a great Sadaqah and will InShaAllah be rewarded by God as a charity but it does not seem to me fulfilling all the necessary conditions of Zakah.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Giving Zakah to wife's parents

From: Islam in line

Sent: Thursday, December 09, 2004

Question

Dear Scholars, Can a married woman who is working and earning money help her needy parents financially with her own money? Taking into consideration that she is helping the husband with couple household bills and paying for her own transportation and work expenses. My relationship with my husband has turned into constant arguments because of that. Having my own bank account has also been a sign of mistrust to my husband. I have two younger brother who are full time students who are making only enough money to support themselves and their school expenses. I also have an uncle who lives close to my parents and never offers any help to them. My husband tells me that my parents should go to my uncle for money before taking money from me as he is more responsible for them in Islam than me?! I believe that I am free to do with my money what ever I please within the legitimate islamic limits. I don't think I should combine my money with my husband, nor should I add him on my account as he constantly requested, as this's my money and I have the right over that. Please advice me with the right answer as our marriage is being threatened by this matter. Jazakom Allahu Kheiran
Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin wa al Salatu wa al Salamu 'ala Sayyidina

Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Sister,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

The first thing I suggest is that your husband should seek a Shari'ah-based marriage advice from some expert not from an Imam in a mosque who may be equipped with very little knowledge about prayers only. have him contact Islam on line or a well known Shari'ah scholar.

Second, you really have to make your own judgment about what is best for you. In live we always make compromises. Very often such compromise may not be exactly based what rights and duties. We may give up some of our rights to reach better relations. And I trust that as a mature woman you are able to take the decision that is best for you and your marriage and children, if you have any.

Now your questions, You have the full right to have an independent bank account, your husband has no right to ask for his name to be on it, you are not required, from a Shari'ah legality point of view, to pay for any bills of the house; it is natural that expenses of your job including transportation to and from it are yours only. If they need your financial help or even your personal services to them, your parents are your own responsibility since you are the only child of them who can give such a help or service; your uncle is not responsible at all as long as you are able. In fact if he is parental uncle his turn in responsibility comes after the three of you and your two brothers and if he is maternal he is not responsible at all. You cannot consider what you give your parents as part of the Zakah that may be due on you because your financial responsibility to your parents is considered like spending on yourself.

Additionally, your husband is financially responsible for all household expenses and the children if you have children together and you are not financially responsible for your own children. Finally, your husband has no say at all regarding your income or wealth or properties as in Shari'ah there is no mixing between properties and income of husband and wife unless by the owner's own will and whatever one gives to the other is considered a gift.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: Distributing Zakah to needy members of the Family

From: Islam on Line

Sent: Saturday, April 03, 2004

Question

salam, Regarding the assumptions you made on point 5, they are correct except for few things: My uncle supervised the businesses which were ran by our partners and my mother only spent the profits on us. My problem(question) is that my mother spent on me more than my brother and sisters for reasons mentioned in the previous question. So I am afraid that since our inheritance was mixed, I took from my siblings share. What I am supposed to do? I can estimate some of the expenses paid to me but not most. Another question regarding Zakah. My mother is responsible for distributing it on our behalf, and she uses the money to help the needy in our family and to build masjid. Not including any helping the poor etc.. I told her that you are not allowed to give Zakah to our family but she refuses to listen. Do I have to take my share of the Zakah from her and pay it myself? even though my mother does not want me to interfere in her charitable work. As in, she wants to control the Zakah money and if I took my share she would be unhappy. Thank you wa jazakum allah khairan.

My Answer,

Bismi Allahi al Rahmani al Rahim,

Al Hamdu li Allahi Rabbi al 'Alamin, wa al Salatu wa al Salamu 'Ala Sayyidina

Muhammad wa 'Ala 'Alihi wa Sahbihi 'Ajma'in,

Dear Br.

Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh

I don't have the previous Fatwa so I will answer the second question only. Please send me a copy of it along with the question.

Zakah may be paid to needy family members except parents, wife and children. In your case it seems that your mother is distributing to other family members. Only her parents must not be given Zakah because if they are in need she is required, along with the financially capable of her siblings, to spend on them.

Spending Zakah on mosques is not permissible except in the case where the Mosque is essential in protecting the religion of Muslims in the area. Hence, In most Muslim countries mosques must be spent on from either the government or from the Muslim community, not from the right of the poor (Zakah). If your mother is doing something that is not the best in your opinion, you are still required to make her happy, do not upset her. There are many ways to advise her politely. and if you feel that paying another amount for your own Zakah in Addition to what she pays, do it.

Wa Allahu A'lam,

Wa al Hamdu li Allahi Rabbi al 'Alamin,

Wa Assalam,

Sincerely,

Dr. Monzer Kahf

Distributing Zakah to Poor, Orphans, etc.

SUBJECT: Can the Sponsor Money Given Be Counted as Zakah?

From: Islam in line

Sent: Wednesday, November 03, 2004

Question from the USA

Hey Buddies and Peace, I just have a question about Zakah. You see, I sponser this orphan from Jordan and it costs me over my 2.5% of what I'm suppose to give for Zakah after all my expenses etc. So, does this deed count towards fulfilling my Zakah yearly as I am giving direct money to this cause? Thanks for the help.

Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi

Ajma'in

Dear Br. Franco,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

You know, Zakah is a worship like prayers. It requires specific intention to make it different from any other charity (Sadaqah). If you sponsoring a Muslim orphan through a trustworthy Islamic charitable organization, within the US or outside it, regardless of the nationality and location of the orphan and you intend when you make pledge or payment that it is Zakah, it can be counted toward the required worship of Zakah and at the end of the year you calculate the amount due on you, deduct the amount you sent for sponsorship and pay the balance as Zakah. If the amount you actually paid turns out to be more that is due on you the difference is considered a normal charity and will be rewarded by god InShaAllah.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Forsaking a Debt as Zakah Distribution

SUBJECT: can a bad debt be deducted from my due Zakah

From: Islam on Line

Sent: Thursday, April 22, 2004

Question from India

SALAM ALIKUM, DEAR SCHOOLOR I HAVE A QUESTION, I GAVE CREDIT TO SOME OF MY FREIND 5 YEAR BACK, INTENSION IS THAT HE WILL RETURN THE MONEY NOW I CAME TO KNOW THAT HE IS UNABLE TO RETURN THAT BECAUSE HIS ECONOMIC CONDITON IS VERY BAD NOW MY QUESTION IS WHETHER I CAN NETOFF THIS MONEY FROM MY ZAKAHH, EVEN IF I TRY TO

NETOFF THIS FROM MY ZAKAHH IT WILL TAKE 5 TO 6 YEARS, IF NOT HOW I CAN RETAIN THIS MONEY I HOPE YOU WILL ANS ME

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin wa al Salatu wa al Salamu 'ala Sayyidina

Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br.

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

This debt that has become uncollectible is InShaAllah a Sadaqah for you that will be rewarded from God. God said in the Qur'an (2: 280): "If the debtor is in difficulty, grant him time till it is easy for him to repay. But if you remit it (give it up) by way of charity, that is best for you if you only knew."

But the amount of such debt CANNOT be deducted from the Zakah that is due on you in the year you foresake the debt or in any other year because doing so amounts to paying the Zakah to yourself, i.e., benefiting yourself from the Zakah you are required to give to the poor and needy. It is not permitted to derive any material benefit from the payment of one's own Zakah.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Distributing Zakah to Muslim Schools, Youth Camps, etc.

SUBJECT: Zakah distribution to heart reconciling and to Muslim schools

From: Yaman

Sent: Thursday, March 04, 2004

Asalamu alaykum baba...inshallah all is well with your trip and may Allah return you home safely and comfortably. I have a question that is not urgent...you can answer when you return or anytime...I don't know if you have email access overseas.

Regarding the category of those eligible for Zakah ""mu'allafati qulubihim"" - (1) is there a financial qualification for those new Muslims to receive the Zakah, and (2) what can that money be spent on?

For example, must the money be spent only on necessities such as food, clothes, etc...or can it be spent on other things? The question arose because Duaa has been teaching mashallah a class of about 12 converts to Islam (some very recent, and some over 10 years)...and I was wondering if we could use some of our Zakah money to buy them some books or subscriptions to Islamic magazines. The financial situation of the 12 are very different.

Another question: Can Zakah money be given to a Muslim school like Orange Crescent?

Overall, my heart is more comfortable to send the money overseas, but I remember your saying that technically it is preferred to spend the money locally. Pls correct me if I am wrong. Jazakumullahu khayran.

Warmest salams and see you soon inshallah,

Yaman

My Answer,

Bismi Allahi al Rahmani al Rahim,

Al Hamdu li Allahi Rabbi al 'Alamin, wa al Salatu wa al Salamu 'Ala Sayyidina

Muhammad wa 'Ala 'Alihi wa Sahbihi 'Ajma'in,

Dear Son Yaman

Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh

I'm fine and will be back InShaAllah on Wednesday the 10th. We live now in a residence apartment and we have a DSL service.

For Mu'allafa Qulubuhum, only organizations and governments may pay not individuals. If the new convert is poor, Zakah may be given as books, otherwise such gifts should be donations not Zakah. But it is permissible for CAIR may spend under the title Mu'allafa Qulubuhum for books to new converts or to American libraries from Zakah.

For the second question, teaching children is the responsibility of their fathers and the community in America is generally rich and able to support its schools, therefore I don't believe it is permissible to give Zakah to Muslim schools in America. On the other hand, it may be given to a poor Muslim family and they can use it to pay school tuition of their children.

Wa Allahu A'lam,

Wa al Hamdu li Allahi Rabbi al 'Alamin,

Wa Assalam,

Sincerely,

Dr. Monzer Kahf

SUBJECT: Using Zakah for Devolvement Camps for Muslim students

From: Islam on Line

Sent: Tuesday, April 06, 2004

Question from South Africa

Is it permissible to use zakaah monies for development camps for muslim students?

Can zakaah be used to pay for underprivileged students' university fees?

Notes

I am a member of a non-governmental organisation that frequently receives zakaah from our local muslim community. We would like to use this money in the most constructive manner. Your advice will be greatly appreciated.

My Answer,

Bismi Allahi al Rahmani al Rahim,

Al Hamdu li Allahi Rabbi al 'Alamin, wa al Salatu wa al Salamu 'Ala Sayyidina

Muhammad wa 'Ala 'Alihi wa Sahbihi 'Ajma'in,

Dear Br. Yusuf

Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh

Establishing your camps for Muslim youth who live in non-Muslim countries is part of the effort to protect the religiosity of these young men and women on whom depends the future of the Muslim community in those countries. This is part of ""fi Sabili Allah"" and Zakah can be used for establishing and equipping your camps.

Paying Zakah to a needy person is permissible. any person spends on his own education and on the education of persons for whom she/he is financially responsible. What I mean to say is that spending on education is a part of all people

normal budget and using Zakah to support the normal budget of a poor person is the most important objective of Zakah itself. THEREFORE, GIVING ZAKAH TO A POOR PERSON, WHO HAPPENS TO BE A UNIVERSITY STUDENT, AND SHE/HE USES IT TO PAY FOR EDUCATION EXPENSES INCLUDING TUITIONS AND FEES, IS CERTAINLY PERMISSIBLE.

What is not permissible, in my opinion, is to give Zakah to Islamic schools in North America and in South Africa because the Muslim community can afford supporting these schools from their own money not from the right of the poor. Education of children is the responsibility of their fathers, not the poor and needy in the Muslim community who have the right to Zakah.

For the general distribution of Zakah, in your organization. I think you need to work on a planned basis where you use part of the money of Zakah each year to make a segment of the poor in the community self sufficient so that they do not need Zakah next year.

Wa Allahu A'lam,
Wa al Hamdu li Allahi Rabbi al 'Alamin,
Wa Assalam,
Sincerely,
Dr. Monzer Kahf

Items subject to Zakah

General Questions on who is subject to Zakah

Subject: Items subject to Zakah

From: Islam on line

Sent: Thursday, September 30, 2004

Question

assalam o alaikum Can you give me a short description on what items are liable to Zakah, how much should be paid, to whom and when? Thank you for your great help.

Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. ,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Except for to whom, please refer to the calculation of Zakah which is on my website: www.kahf.net .

Zakah is to be dispensed to any of the 8 categories mentioned in the Qur'an 9: 60.

Unless you have a relative (not including those for whose sustenance you are responsible according to Shari'ah) that you are sure is poor, it is better to expend your Zakah through respected and trustworthy Muslim charity and tell them it is Zakah so that they distribute it to the right recipients.

Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: Is the Organization Liable to Pay Zakah?

From: Islam on Line
Sent: Wednesday, June 09, 2004
Question

We are a sunni muslim Welfare organization. We collect Zakaah from members of our community and disburse the money to the needy recipients of our community. Recently a substantial amount of Zakaah money was stolen from one of our officials in an armed robbery while on his way from the bank after withdrawing the cash money for distribution. Is he or the organization liable to payback this sum to the Zakaah fund? This incident has occurred and we, the organization would like to know the way forward as soon as possible. Awaiting a response.
Jazakum Allahu Khairan for your constant help

My Answer:

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin wa al Salatu wa al Salamu 'ala Sayyidina
Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Suleman

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

As long as there was no negligence on the part of the person or the organization, both are not liable to replace the stolen Zakah money and the reward of those who pay the Zakah is complete InShaAllah and the persons who manage the organization, including the person from whom money was stolen are rewarded from God, InShaAllah, for their good job in serving their Muslim community.

Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Zakah on Jewelry, Gold, silver, etc.

Subject: Paying Zakah on Jewelry Kept for Sister Marriage

From: Islam on line
Sent: Sunday, October 10, 2004
Question

Dear Scholars, As-Salaam-O-Alaikum, I have a question regarding Zakah. I have saved some money and jewellery for my sister marriage. Some jewellery is there for more than 1 year and some money for more than 1 year. since that money and jewellery is kept for my sister am I required to pay Zakah on that if yes will it applicable to all the jewellery and money or only that which is there for more than 1

year? I am from Indian origin, I heard that we should not pay Zakah to Sayyid family is it true? I have my sayyed cousine sister marriage, can I give Zakahh money in her marriage, or should I pay Zakah saperately and money to marriage saperately? please give me suggestion in this regarding. Zakamallahu kahairan.

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Hidayath,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Yes, you have to pay Zakah on the money and gold (and silver) jewelry you own and you want to give to your sister on her marriage if their total value reaches Nisab. The point that you are preparing them for her marriage does not remove them out of Zakatability. Zakatability hinges on the fact that you own them and they are above Nisab and you have, at present, no commitment/liability to others against them. Once the total value of such savings (they are in fact part of your savings) plus other cash, bank accounts and other Zakatable item you also own reach Nisab (# USD 1000) you start counting your Hawl (lunar year). on the completion of a lunar year (354 days) from then you are required to pay Zakah at the rate of 2.5%. The first preference for Zakah payment is to give to the poor and needy for food and other basic needs; a poor relative (except parents and grandparents, children, sisters and minor brothers if you spend on them) has a preference over a poor non-relative; and a Sayed should not be paid from Zakah unless he/she has no means from own or others on the basis of gifts. But if such a Sayed has no other means she/he must not be left to suffer and should be given from Zakah. Payment of Zakah to help in marriage of a relative does not have a priority over basic food and cloth of a poor non-relative, especially in India where poverty among Muslims is very common and Marriage habits are usually ""not moderate""! I do not suggest paying Zakah to help in marriage among Muslims in India unless when the family of the bride is very poor and there is no extravagance in marriage ceremony and jewelry.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Zakah on Income and Savings

Subject: Zakah on Monthly Income and Savings

From: Islam in line

Sent: Monday, November 01, 2004

Question from India

Dear scholars, As-Salamu `alaykum. Below are my questions related to Zakah. Kindly, show me proper path as much as possible & help me understanding teachings of Islam as much as possible: 1. What should be criteria of Zakah; my monthly income or my savings? 2. I am recently married, & my wife got jewelry as

gift both from my parents & her parents. I think I don't need to pay Zakah on this jewelry this year as a full year has not completed, but how much amount should I pay next year? I was wondering that should I pay Zakah for this jewelry, as it is not actually earned by me. 3. Another issue is that we are not in a position of saving now a days as I have a new job & my salary is not very much. In fact we are under debt of my parents. Should we pay Zakah even in such condition, or should I focus first on proper food & other expenses of my family? These expenses includes outing, eating in restaurants, entertainment etc. In short we are not having any savings at this point of time. But we may save at least something if we control few of our desires like eating in restaurants, outing etc. which are not compulsory, but I spend to give comfort & happiness to my wife. 4. Also, whether Zakah is payable or not at all, as she used to wear all of this jewelry at one point or other during the year. Although she don't wear all of them at a time throughout year. 5. Does this amount of Zakah on her jewelry have to be compulsorily paid by me or is it my wife's duty? She does not earn & I will pay it anyway, but just want to know it. 6. Is there any restriction about maximum amount of Zakah to a person? Also, are there any criteria in deciding who is poor & who is not? My father's brother is a retired person & he is something like hand to mouth position. I feel too much emotional about them as he has some eyesight problem also, & her wife is really serving him nicely. I want to give most part of Zakah to him, and this help will most probably in form of either fruits & other eatables or some kind of gift like small TV so that he may listen to news (mostly), religious channels (& I doubt may be sometimes entertainment channels.) 7. Can we give Zakah to a non-muslim? 8. I have some property in my name, which is actually purchased by my father. It is actually my father's property, but in my name. He pays Zakah for it. But I want to know that if suppose he does not give Zakah for it, is it my duty?

Notes

Sorry for asking such a long question, but it was necessary as all conditions are related to each other.

Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Mehmood,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Your question is really long and multiple. I like to refer you to Fatawa on Zakah in Islam online and on my website www.kahf.net <<http://www.kahf.net>> In addition I suggest that you study the booklet on my website called Calculation of Zakah in North America. I will pick up on some of them here and please do not hesitate to write again after you make some reading.

Zakah is payable once every Lunar year (=354 days), the first such year begins on the day you accumulate an amount of Nisab (# US\$ 1000). its rate is 2.5%.

Your savings are subject to Zakah, not your income. You may not be subject to the payment if there are debts on you, even to your parents, provided you are actually intend to pay them to your parents and the debts are going to be actually paid out of present savings if any. It is advisable though that your should make some savings and reduce your outing's expenses.

The jewelry is subject to Zakah if any of two conditions is not fulfilled: they are not too much compared to her peers; and they are stored not weared. wearing them is defined as: ""or what they are for not every day"" Zakah is due on the owner (your wife) but can certainly be paid by you on her behalf. Jewelry is added to other cash, savings and other items subject to Zakah for the application of Nisab and lunar year. Investment property, intended to be sold is subject to Zakah, the owner is required to pay it, if your father is the real owner he is the payer too, if he does not pay you should remind and advse him but you do not have to pay it unless you become the owner.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Is Zakah obligatory on me at this stage as having a temporary employment?

From: Islam in line

Sent: Wednesday, December 08, 2004

Question from Pakistan

Is Zakah obligatory on me at this stage?

Notes

I have been working only for the past four months. I will be leaving my current job due to some reasons, most probably after one or two months. I have heard that Zakah is obligatory only when one completes a 1 COMPLETE YEAR of working. But I will be unemployed again. So I don't understand when exactly will Zakah be obligatory on me and at what time of the year should I pay it! Please give me your best advise in this regard.

Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin wa al Salatu wa al Salamu 'ala Sayyidina

Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Khurram,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Zakah will be due on you after a lunar year (354days) from the day your accumulated savings from your salary and other sources if any, reach a Nisab (# USD 1000) provided you have at least the equivalent of Nisab on the 354th day. It will be at the rate of 2.5% and will be repeated every year. Please keep in mind that if you have other items that are subject to Zakah they are to be included in the calculation too.

In other words, if all you have is your income what matters is that your savings out of it reach the amount of Nisab and after a lunar year from then you have also such an amount. Working for 4 month, six or a year is not a criteria.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Zakah on savings

From: Sadiq

Sent: Thursday, December 30, 2004

Question

i am a college student in Michigan in USA and i got your email from Islam on line web site. One of my friends wants to know about Zakah. She is an international student and works to pay for her school. she is saving some money in the bank and she wants to know the amount of Zakah that she need to pay.

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin wa al Salatu wa al Salamu 'ala Sayyidina

Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Sadiq,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

You better have her ask the question so she can give details needed for an answer.

In general savings are subject to Zakah one lunar year (= 354 days) after they accumulate to a total of Nisab (# USD 1,000) as long as such an amount is not bound by a necessary expense such as payment of tuitions. The rate of Zakah is only 2.5% and it has to be given to the poor and needy.

If you want any details please have her be specific and write with details.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Am I Required to Pay the Zakah?

From: Islam on Line

Sent: Wednesday, August 18, 2004

Question from Philippines

assalamu alaikum! my salary is more than the value of 80gms of gold but i unable to keep an amount of money for a year because i'm sending it to my family and parents and sometimes brother or sister if they need help, do i still need to pay a Zakah?

what i understand is that if someone has a money that was been kept for a year and the value of that amount is more than the value of the 80gms of gold, he is liable to pay a Zakah equal to 2.5% of that amount kept for a year. inshaAllah, i'm hoping for your response on this issue?

Jazakum Allahu Khairan for your constant help

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin wa al Salatu wa al Salamu 'ala Sayyidina

Muhammad wa 'Ala 'Alihi wa

Ashabihi Ajma'in

Dear Br. Muhammad

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

No matter how large your monthly salary may be, if you spend all or most of it, so that by the end of 12 lunar month you do not accumulate an amount equal to Nisab, you are not subject to Zakah on savings. The Zakah (on salaries) is actually on the saved part of it (that is after spending on self and family and any donations and charities including what you give to your parents and other family members and also to others. This is in application of the opinion of The great Shaikh Yusuf al Qaradawi. Others add that Zakah becomes required only one lunar year after you acquire the amount of Nisab; they are not satisfied by reaching a Nisab throughout the lunar year. BTW, Nisab equals approximately 1000 US Dollar.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Zakah or Investments, Shares, Businesses and Real Estates

Subject: Paying Zakah on a Residential Plot

From: Islam on line

Sent: Saturday, October 23, 2004

Question from Pakistan

My wife was gifted a residential plot (500sq yard) by her parents. She intends to sell it some time after 3-4 years. When is the Zakah due on this property?

At what value of property should we be giving Zakah? (prices of land keep on changing/increasing rapidly in Pakistan).should it be given on value when the property was first gifted to her? Or the current market price?

Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Muhammad,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Since she intends to sell, it is subject to Zakah on a yearly basis, every lunar year at the rate of 2.5% of the minimum market price on the day of the Hawl. If, when she got it, she already has other Zakatable items such as golden jewelry, she adds the market price (I said minimum to mean that on the due date if she decides to sell immediately the price she gets under such sale is the minimum market price) of the lot to the value of these other item and pay the Zakah on all together at the end of 354 days from the day she is due to pay Zakah on the other items.

If, when she got the land, she had no other Zakatable items, that day become the beginning of her Zakah year and after 254 days from that day the Zakah becomes due for payment, and then every 354 days then after.

Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

From: Dr. A
Sent: Thursday, October 28, 2004
My understanding and some earlier Zakah Fatwa is that he can deduct only that portion of t debt which is due and unpaid each year.

My Answer
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi
Ajma'in
Dear Br. A,
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
But please think of it. He had actually deducted the installments due in the past year because he actually paid them. Had he not paid them they would have appeared within his savings and be subject to Zakah. You don't want double deduction. Besides, the next year installments are not against present assets they are against future income. They can't be deducted from these assets because they are not going to be paid from them. In other word, the present assets are not ""mashghul"" by this debt. I am aware of earlier Fatwa but they were given by people who do not know accounting!
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

From: Islam in line
Sent: Sunday, November 07, 2004
Question from Pakistan
my question is to Dr Monzer Kahf regarding his answer to my question ref:EPZ7KU
My wife is already a payee of Zakah, she got this plot 4 months before last ramazan and she did not gave its Zakah then because it was not still 1 year. WAS ITS ZAKAH DUE 4 MONTHS AGO OR CAN WE GIVE IT THIS RAMAZAN WITH REST OF OUR ZAKAH. SHOULD WE GIVE IT AT ITS PRESENT VALUE OR ITS VALUE 4 MONTHS AGO.SHOULD WE BE GIVING ITS ZAKAH EVERY YEAR 4 MONTHS BEFORE RAMAZAN OR DURING IT. IS IT ESSENTIAL TO DISTRIBUTE ALL YOUR ZAKAH AT ONCE OR CAN IT BE GIVEN OVER NEXT FEW MONTHS. CAN ZAKAH GIVEN TO A HOSPITAL WHERE POOR PATIENTS ARE BEING TREATED EVEN THOUGH SOME OF IT IS BEING SPENT TO BUY BEDS OR GENERAL USE STUFF/SALARIES. THANK YOU VERY MUCH
Jazakum Allahu Khairan for your constant help, and may Allah reward you abundantly for your cooperation especially in these blessed days.

My Answer

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin wa al Salatu wa al Salamu 'ala Sayyidina
Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Muhammad,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

1. Zakah was due four month ago and may be from last Ramadan because this additional Zakatable item (the lot intended for sale) must be added to other already existing items that you said your wife is a payer. I mentioned earlier that if she has other items, this must be added to them even though only a few days or months have passed on it. The Haw of the original items applies to this addition too. This means, according to your explanation Zakah is due on her last Ramadan.
2. Delaying Zakah with no valid reason is sinful. ignorance with good intention may be a valid reason when it comes to complicated matters like this, but you should have asked the day your wife acquired this lot, you are late in asking. You need now to assess the Zakah due last Ramadan on this item and pay it as soon as you can.
3. Zakah is calculated on the market value (as defined n my previous Fatwa) on the day it is due. for last year on that value and for this yr on this year's value.
4. You can pay part of the Zakah in advance, and all of it if there is a need for it. Hence while delaying is sinful, you can distribute on installments by starting paying the Zakah due next Ramadan from tomorrow. On the other hand, if you pay your due Zakah to a Muslim Charitable Organization or the the government Zakah fund and it decides to distribute on installments you are considered as fulfilling your responsibility and if their decision is wrong the management is held accountable by God and by society too.
5. Payment of Zakah to the poor and needy needs to be given to the poor so that she/he becomes the owner of that given amount. you cannot pay it to hospital that provide services to the poor because of the reasons you mentioned and also because you must not take the decision (of how to use the money) on behalf of the poor. The government-run Zakah fund can do that with conditions that make it sure to actually reach the poor as services, food and medicine.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Zakah on shares

From: zafar

Sent: Monday, November 22, 2004 5:12 PM

Question

Dear Brother Monzer :

As-Salaamu Alaikum wa Rahmatullah !

First of all I thank you for your response. May Allah reward you for that. I know I am concerned too much but I do not worry, and Alhamdulillah my Iman is very strong. The reason for my concerns is our expenses are more than our income. This is happening because I do not have health insurance, I am not insurable, and I am not eligible for any help from the government. The reason I sent you e-mails twice is because I wanted to take care of Zakah as

soon as possible. The other reason for asking a question about the stocks was because that I read on page 3/area # 3 of the booklet on "The calculation of Zakah for Muslims in North America" published by Isna that according to Al-Qaradawi in agreement with Abu Zahra and Hasan in a recent Fatwa seems to consider stocks as tradable objects that are subject to zakah in analogy with Urud al tijatah, to treat stocks like farming land and exempt their principal investment from zakah leaving it to be imposed only on the dividends as a tare of 10%. Again in this booklet there ia something different written about stocks which is entirely different and confusing. My main question was about stocks and fatwa, and this was the main reason I was very eager to get a reply from you. Please respond to this e-mail. Jazakallahu Khaiyran.
Br.Zafar

My Answer,

Bismi Allahi al Rahmani al Rahim,

Al Hamdu li Allahi Rabbi al 'Alamin, wa al Salatu wa al Salamu 'Ala Sayyidina Muhammad wa 'Ala 'Alihi wa Sahbihi 'Ajma'in,

Dear Br. Zafar

Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh

May Allah bless and help you. Keep your hope in God and He is able to completely cure you. I pray for your health and you make continuous prayers too.

Stocks are not similar to agricultural land by all means. Nothing is similar between them and with all due respect to Qaradawi, who is no doubt one of the greatest Shari'ah scholars of our time, he was wrong in taking this direction. However, his statements are about stocks that are purchased to keep and derive their dividends, not stock bought for investment and when you find a good price you sell them. Such stocks are considered by all scholars, with no exception, as Urud al Tijarah, and are Zakatable at the rate of 2.5% of market value on the day Zakah is due (the Hawl).

Please, dear Brother, do write to me at any time and I will always answer you, though, I may sometimes be late due to travel or being under work pressure.

Wa Allahu A'lam,

Wa al Hamdu li Allahi Rabbi al 'Alamin,

Wa Assalam,

Sincerely,

Dr. Monzer Kahf

SUBJECT: Zakah on homes

From: Shaikh

Sent: Thursday, November 04, 2004

i have a quick question on Zakah, i hope u can help me..

i own my family home (worth \$100,000) mortgage loan against this home is about \$70,000 so do i pay Zakah on the net amount of \$30,000 plus any other assets i have?

waslam and jazakallah khair

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Shaikh,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Your home whether you own all of it or only part, is not subject to Zakah. you neither the 100,000 nor deduct the 70,000 from other Zakatable items. In a simpler word pay Zakah only on other asset and disregard the house you live in along with any long term loan on it. Just pay it on other items.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Zakah on Houses and Cars

From: Islam in line

Sent: Tuesday, December 07, 2004

Question from Nigeria

Assalam alaikum, Scholars, please let me know if a person that owned houses and cars can give out Zakkat on them; if yes, what are the rules?

Notes

Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin wa al Salatu wa al Salamu 'ala Sayyidina

Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Abubakar,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Houses and cars used by owners and their families that normally do not generate income are exempt from Zakah.

houses and cars rented or uses as fixed assets of a productive business are included within the Zakatable assets of the business and are subject to Zakah on the basis of net worth (without deducting long term debts on the business) at the rate of 2.5% every lunar year regardless of whether the business makes a profit or loss in any specific year as long as the amount of the net worth is equal to Nisab (# US\$ 1000) or more

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Zakah on Stocks

From: Islam in line

Sent: Tuesday, December 07, 2004

Question from Bangladesh

Few days ago I sent a question how to measure Zakah . I got the answer . But one thing I am not clear yet , probably I was not that clear in my question . It's about my stock option . as an example , I am measuring my Zakah now . Company gave me like 100 stock for \$20 few months before . When they gave me the stock I did not

pay them anything . Now today those stock are \$25 . Now if this moment if I want to sell them , company will give me 25-20= \$5 (they will cut the value of the stock because I did not pay them anything when they gave it to me) . And they will not give me whole \$5 . They will cut 15% from that . This is not commission this is as tax . Even if I gave this stock to some charity ,then also company will give the charity (\$5-15%) of \$5. So will I give Zakah on\$5 or \$25 . And one last thing . If I got some stock option for \$30 . And if it is now like \$25 . Then if I want to sell them company will not give me anything.

Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi

Ajma'in

Dear Br. Zakir,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

1. If the system of your company is such that this 15% is deducted at all time regardless of whether you paid the original price of the stock (the 20 in your example) or not and regardless of whether you stay in service, or keep the stock, for certain number of years, the Zakatable amount will always be the net of the 15%, i.e., 5 - 15% in your example. But if any of the deduction applies only in certain cases, you should consider the total, i.e., the 5 in your example. in both cases you deduct from the stock price the amount you owe the company, i.e., 25 - 20 in your example.
2. For the stock that you lost on, there is no Zakatable asset to pay Zakah on.
3. You certainly can take the total of your net on all such transactions together and if you owe money on stocks you lost on this loss can be adjusted from the money you make on stocks you gained from. The final balance will be added or deducted to your other Zakatable assets on the day that completes your Hawl (lunar year)

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Zakah While under Loan and Zakah on rented property

From: Islam on Line

Sent: Tuesday, May 18, 2004

Question from India

I have purchased a house in India by taking some personal loan. Q1: I heard if one has a loan, then he is not liable for Zakah? Is this true? Q2: I have residential house which has 3 floors. At the moment I am not staying in it. So I am planning to rent it out. So do, I need to pay any Zakah on the property value or its rents? If yes, is it calculated on the net income from the house, after making deduction for taxes and maintenance?

Jazakum Allahu Khairan for your constant help

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin wa al Salatu wa al Salamu 'ala Sayyidina

Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Adil

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

- 1) - The issue of debts in regard to Zakah liability and calculation is very often confused because most traditional scholars who Fatwa are not familiar with accounting and the word debt [dayn] has a different nuance in Fiqh that does not coincide with the common jargon or with the accounting meaning. the part of Debts (on the Zakah payer) that is going to be paid, literally, out of the present Zakatable items at the time Zakah is due (and obviously being calculated) is deductible from the Zakatable items. This is in contrast with debts that are going to be paid from future salaries (or revenues) which are not deductible. Example: a loan on a house is usually paid on installments. When Zakah is due and being calculated, only the installment that is either already (or will become) due in a short while may be deductible provided it is going to be paid from the existing balance in the bank; but if it is a monthly installment and my monthly salary will be paid to me by the time it is due, I may not deduct it from the Zakatable items.
- 2) a - If this house is your residence and you rent it because you are now living abroad, there is due Zakah on it at all and you treat the net income from it like any other part of your income inflow; at the time your Zakah is due (the end of your own Zakah lunar year) you will include the balance of money you have as cash, bank accounts, etc. in the items that are subject to Zakah and if the total is above Nisab [# US\$ 1,000] you pay the due Zakah.
- 2) b - If it is not your residence (meant as a rental property), there are three views. I tend to argue that the third view is the most rational and consistent with the definition of richness and the objectives of Zakah.
 - 1- Exactly as in 2a, this is the classical view; it is adopted by the OIC Fiqh Academy.
 - 2- Zakah is due on the net revenue from the property [= rent - (taxes + maintenance + depreciation) provided it is above Nisab during a one Lunar year.
 - 3- Zakah is due on the market value of the property on the day when your Zakah year is due and its revenue is treated as in 2a.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Calculation of Zakah

Subject: How to Calculate Zakah

From: Islam on line

Sent: Tuesday, October 12, 2004

Question from Sri Lanka

Assalaamu Alaikum. (1). Please let me know on what Zakah is payable, is it on net profit or capital? (2). If I am an importer and getting down 5 containers of goods and sold only 4 within the lunar year, then can I pay Zakah for the unsold container as well within the same lunar year, thereby avoiding paying for it on the next lunar year? Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Mohamed,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Zakah is on the total business net worth at the end of a lunar year that begins the day you acquired Nisab (# USD 1000); it is on the unsold mechanize and cash and receivables at the end of the lunar year, it is also repeated every lunar year. You need to pay Zakah on all these things this year and all future years too. For details, please refer to the calculation of Zakah in North America, it applies to anywhere too, on my website: www.kahf.net

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: The Correct way to calculate Zakah

From: Islam on line

Sent: Sunday, October 17, 2004

Question

assalamu alaikum, please can you inform what is the correct way to calculate Zakah i want to know do i take 2.5% of my total savings or is it 2.5% of earned money in one year? wassalam

Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. ,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

It is surely 2.5% of the total Zakatable assets including savings, gold and silver jewelry, business inventory, etc. at the end of each lunar year whereby the first lunar year for you is one that begins on the day you had a Nisab which is a criteria for Zakatability and it approximately equals USD 1000. (increments during the year are included a;though not a full year had passed on them). This is repeated every lunar year as long as one owns at least a Nisab. It is certainly not on the yearly increments alone.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: In Case of Selling the Plot: How Can I Calculate Zakah?

From: Islam in line
Sent: Tuesday, November 09, 2004
Question

assalamoallaikum i own a residential plot which was allotted to me in the draw after paying down payment. over the time i have been paying installments to complete the total payment which have been paid completely. if i sell it how much i have to pay as Zakah or otherwise. wasalam
Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi
Ajma'in

Dear Br. Saeed,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

If you bought it at the beginning with the intention to sell it later, you owe Zakah on it every lunar year by adding the percentage you own of it at market price (= percentage paid up X market price at the end of Hawl/ purchase price) to your other Zakatable assets and at the end of your normal Hawl (lunar year that began on the day you had Nisab for the first time; Nisab is approximately equal to USD 1000). If you did not have other Zakatable items, you begin your first Hawl on the day you accumulate in this lot a Nisab. Reason: it is treated as trading merchandize because you bought it for sale.

If your intention was to build a residence for your self, there is no Zakah on it; but if changed your mind and decide to sell it, you add the proceeds that you get from its sale to other items for Hawl and Nisab, and if you have no other items, you begin a new Hawl upon sale and Zakah is due then on what you will have a lunar year from then.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Is Zakah on the minimum monthly balance?

From: Muhammad Nejatullah Siddiqi
Sent: Monday, November 08, 2004

salam alaikym and thank you. There is another point the same enquirer raised. She said she looks at her 12 monthly bank statements for the year and pays Zakah on

the lowest of the 12 monthly balances, as that is the amount which stayed throughout the year. Is that interpretation of hawl hawl correct?

Regards
m.n.siddiqi

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Dr. Siddiqi,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh Not at all, It is well known since day one of Zakah that increments are included in Zakatability although no Hawl has passed on them. The calculation is imply: start with a Nisab, whatever you have at the end of Hawl is Zakatable as long as it is more than Nisab.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: How to Calculate My Zakah

From: Zakir through Islam on Line

Date: Wed, 24 Nov 2004 16:05:14 +0200

Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,

I was trying to figure how much zakat I should give this year but in some points I became confused . So my question is a little discriptive I bought a car with no interest . I paid half as down payment . From now ,next 48 months I have to pay every month \$320 . So how will I deduct this from zakat ? One of my friend borrowed some money from me . Some he took 2 years , some 1 year before . He did not repay me . I don't think he will able to do it next few years . So do I have to pay zakayt on that money ? About my stoke I have few thousand . I measure the amount which I can get if I sell them now . But . if I sell then broker will deduct 15% of that money and will give the 85% of that . So will measure on whole or on85% ? And I have some stock option . Like co pany some of them when stock was \$13 , now is \$16 . So if I sell Broker will give me (16 - 13) . And then will deduct 15% of 3. So he will give me 85% of \$3 . So how will I measure zakat on this . When I measure zakat then I knew that within few days I will get some money . I got Some after few days . Rest I will get may be within 1 month . Do I have to pay zakat on this ? And the last thing I have some nice show piece , I got them as my wedding gift . they have some gold decoration on it . Do I need to pay zakat on them ? How ? And I have some other show piece that not that expensive , I did not use them yet / but will use them .Do I need to pay zakat on them ? Thanks
Jazakum Allahu Khairan for your constant help

My Answer,

Bismi Allahi al Rahmani al Rahim,

Al Hamdu li Allahi Rabbi al 'Alamin, wa al Salatu wa al Salamu 'Ala Sayyidina Muhammad wa 'Ala 'Alihi wa Sahbihi 'Ajma'in,

Dear Br. Zakir

Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh

Let us sort your questions and come to them one by one.

1. First I like you to keep in mind that Zakah is due every lunar year, the first such year begins on the day you acquire Nisab which is approximately USD 1000. You add all your cash and gold and silver and other Zakatable items and pay on all together. Delaying the payment after the due date is sinful unless it is done for a valid reason such as waiting to give it to a deserving poor who is also a relative.
2. You do not deduct any of the installments of the car, the same for house payments. these are normally against your future income and not present asset. The latter is what is Zakatable
3. Suppose you get your income on the 30th of every month and you don't get any income between these monthly intervals. And suppose it happened that your due date happens this year on Dec. 5 and your car payment is on the 7th. You calculate all your Zakatable items on the 5th and then deduct from them the car payment of the 7th, your estimated family and personal expenses until Dec. 30 and any other payments, house and others, that are due before Dec. 30 (date of next income). Otherwise, if it happens that your due date is after the dates of your payments, you deduct none of them; of course, you keep deducting living expenses until you receive the next income.
4. Stocks and options are to be valued on the Zakah due day, you do not deduct any commission that may be paid (by the way, it seems that 15% is awfully high for broker's commissions! (if you sell simply because you did not sell and you own the whole amount) proof is that you can substitute, roll over, give as a gift without such commission.
5. Debt that you do not expect to be paid back to you is not added to the Zakatable balances. Once you get this debt back, after a few years, you then add it to your calculation.
6. I understand from your words ""show pieces"" that these are decorative things (if I am wrong write me again and define them clearly) for home or office, the gold and silver items are subject to Zakah and must be added regardless of whether they are stored for the time being or used because gold and silver (by the way are the non expensive items silver since silver is cheap?) decorative items are prohibited for men and women; personal women jewelry of gold and silver and other materials are permissible but yet gold and silver women jewelry is subject to Zakah.
7. Money you get after the Zakah due day is not included (notice if it is in payment of a debt it is then calculated as a debt on the due day and if it is for sale of an item that is subject to Zakah it has entered as such too, while if it is a new salary, what you save out of it will come in the calculation of next year's Zakah).

If I left out any of your queries, it means because we like to hear from you again; please write again.

Wa Allahu A'lam,

Wa al Hamdu li Allahi Rabbi al 'Alamin,

Wa Assalam,

Sincerely,

Dr. Monzer Kahf

SUBJECT: How to Measure Zakah

From: Islam in line

Sent: Wednesday, December 08, 2004

Question from Canada

Salam . I have a question about Zakah . Last time I measured Zakah of my parents . But I m afraid that I might did some mistakes . So I like to send you a details question . My parents has a house, they rented it . They live in a apartment . They still have the loan for the apart . everymonth they give \$450 to bank for that . my dad is now 63 ,he has himself , mom and a son who is fully dependant. on my dad. my dad's salary is \$500/month and from the rent they get almost \$1000/month .they use the whole %50and \$1000 together to pay loan and other expenses . For last few months they were trying to save some money and they saved almost \$3000 . My brother is willing to admit in a private university or foreignn university (he wants that) next year, they r saving the noney for that . still they need to save couple of thousand more for that , because in our country private university is very expensive .now I like to know will they measure Zakah On savings \$3000? will they deduct the loan money from that (or monthly payment ?) .And do they need to pay any Zakah on the house ? I heard that if one has a house where he is not living then he needs to pay Zakah on the current value of the house (as 2.5%). but the thing is that the house maybe currently \$100000 value . So their Zakah will be \$2500 for that .and I measured that they have to pay almost \$250 for saved money and jewelry . So in this case their Zakah will be (\$2500 plus \$250) \$2750 . So they will have only \$250 left . so how will they pay my brother's tution next year ? and ane other thing I heard that one has to pay 10% of rent money ? is it ? but they use salary and rent money combindly , not separately . and they definitely spend part of the rent money for their expenses . Please give me an answer as soon as possible . One last thing , my dad has some property in village , those were my granfather's . he died 25 years ago , but my dad and two uncles never divided the property .And I also not totally interested about that property nor my two brothers. I m not sure how much property they have their, my dad also not sure. We never get anything from that, no money no anything or may be one or twice some coconut in last 20 years. My grand pa's were not rich so he must not had that much property. Now one of my uncles takes care of the whole thing. His economical condition is not well. I heard that he already sold some of my grandfather's property. As he is poor my dad doesn't want to say anything about that. So does may dad has to pay any Zakah on that?
 Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin wa al Salatu wa al Salamu 'ala Sayyidina

Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Sr. Rokhsana,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

1. The property in the village that is left to the uncles is not subject to Zakah. If your dad gets any substantial amount from it in the future he should pay Zakah on that amount at 2.5% for one year on the ground that it is accruing to him out of a, practically, lost property.
2. While I believe that Zakah is on the market value or a rented property, there are other views, which I respect, that such a property is not Zakatable or only the rent is subject to Zakah if it is not used for personal and family expenses. Under the circumstance of your parents, as you explained, they cannot pay Zakah any way because they need the rent for their personal expenses. Furthermore, it is not obligatory that we must pay the amount of Zakah due on an item from other resources; in principle the Zakah on an item must be paid from the item itself

unless one has other resources and likes to volunteer paying it from such resources. Accordingly, I suggest that you calculate the Zakah due on the house, do not ask them to pay it but after they expire it should be paid when this rented house is sold, on the ground that it is the due of Allah that must be paid like any other debts, to make it clear you may ask your parents to make a last will and mention this point clearly in it so that the Zakah distribution will become binding on all their heirs.

3. Apparently the rent they receive and their own pension are making ends meet for them and also allow them to make some savings (for your brother's education as you said). These savings (the 3000 USD) are subject to Zakah as long as they are not committed to a specific expenses. This means: from the day these savings reached Nisab (# USD1000) the Hawl began and after 354 days on that day Zakah becomes due at the rate of 2.5%, this will be repeated every year as long as savings are 1000 or more. You deduct from this amount any amount for which there is an actual commitment to pay such as if your brother gets admission in a university and there is a tuition of 1300 that needs to be paid after 2 month.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: How to Measure Zakah

From: Islam in line

Sent: Wednesday, December 08, 2004

Question from Canada

Salam . I have a question about Zakah . Last time I measured Zakah of my parents . But I m afraid that I might did some mistakes . So I like to send you a details question . My parents has a house, they rented it . They live in a apartment . They still have the loan for the apart . everymonth they give \$450 to bank for that . my dad is now 63 ,he has himself , mom and a son who is fully dependant. on my dad. my dad's salary is \$500/month and from the rent they get almost \$1000/month .they use the whole %50and \$1000 together to pay loan and other expenses . For last few months they were trying to save some money and they saved almost \$3000 . My brother is willing to admit in a private university or foreign university (he wants that) next year, they r saving the noney for that . still they need to save couple of thousand more for that , because in our country private university is very expensive .now I like to know will they measure Zakah On savings \$3000? will they deduct the loan money from that (or monthly payment ?) .And do they need to pay any Zakah on the house ? I heard that if one has a house where he is not living then he needs to pay Zakah on the current value of the house (as 2.5%) . but the thing is that the house maybe currently \$100000 value . So their Zakah will be \$2500 for that .and I measured that they have to pay almost \$250 for saved money and jewelry . So in this case their Zakah will be (\$2500 plus \$250) \$2750 . So they will have only \$250 left . so how will they pay my brother's tution next year ? and ane other thing I heard that one has to pay 10% of rent money ? is it ? but they use salary and rent money combindly , not separately . and they definitely spend part of the rent money for their expenses . Please give me an answer as soon as possible . One last thing , my dad has some property in village , those were my granfather's . he died 25 years ago , but my dad

and two uncles never divided the property .And I also not totally interested about that property nor my two brothers. I m not sure how much property they have their, my dad also not sure. We never get anything from that, no money no anything or may be one or twice some coconut in last 20 years. My grand pa's were not rich so he must not had that much property. Now one of my uncles takes care of the whole thing. His economical condition is not well. I heard that he already sold some of my grandfather's property. As he is poor my dad doesn't want to say anything about that. So does may dad has to pay any Zakah on that?
Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin wa al Salatu wa al Salamu 'ala Sayyidina

Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Sr. Rokhsana,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

1. The property in the village that is left to the uncles is not subject to Zakah. If your dad gets any substantial amount from it in the future he should pay Zakah on that amount at 2.5% for one year on the ground that it is accruing to him out of a, practically, lost property.
2. While I believe that Zakah is on the market value or a rented property, there are other views, which I respect, that such a property is not Zakatable or only the rent is subject to Zakah if it is not used for personal and family expenses. Under the circumstance of your parents, as you explained, they cannot pay Zakah any way because they need the rent for their personal expenses. Furthermore, it is not obligatory that we must pay the amount of Zakah due on an item from other resources; in principle the Zakah on an item must be paid from the item itself unless one has other resources and likes to volunteer paying it from such resources. Accordingly, I suggest that you calculate the Zakah due on the house, do not ask them to pay it but after they expire it should be paid when this rented house is sold, on the ground that it is the due of Allah that must be paid like any other debts, to make it clear you may ask your parents to make a last will and mention this point clearly in it so that the Zakah distribution will become binding on all their heirs.
3. Apparently the rent they receive and their own pension are making ends meet for them and also allow them to make some savings (for your brother's education as you said). These savings (the 3000 USD) are subject to Zakah as long as they are not committed to a specific expenses. This means: from the day these savings reached Nisab (# USD1000) the Hawl began and after 354 days on that day Zakah becomes due at the rate of 2.5%, this will be repeated every year as long as savings are 1000 or more. You deduct from this amount any amount for which there is an actual commitment to pay such as if your brother gets admission in a university and there is a tuition of 1300 that needs to be paid after 2 month.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Zakah on increments

From: Dr. Siddiqi

Sent: Monday, November 08, 2004

salam alaikym and thank you. There is another point the same enquirer raised. She said she looks at her 12 bank statements for the year and pays Zakah on the lowest of the 12 monthly balances, as that is the amount which stayed throughout the year. Is that interpretation of hawl hawl correct?

Regards

siddiqi

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin wa al Salatu wa al Salamu 'ala Sayyidina

Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Dr. Siddiqi,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Not at all, It is well known since day one of Zakah that increments are included in Zakatability although no Hawl has passed on them. The calculation is simply: start with a Nisab, whatever you have at the end of Hawl is Zakatable as long as it is more than Nisab.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: How to Calculate Zakah?

From: Islam on Line

Sent: Tuesday, June 22, 2004

Question from Bahrain

assalamualaikum, my question is that i have been married 5 months back. before my marriage my parents used to take care of all the Zakahh, akika, sadaqah, fitrah etc kind of issues . but now both me and my husband doesn't know what to do in this regard. so can u please give us an early guideline telling us for each month what is obligatory on us, how to perform that, how to calculate Zakahh, are we eligible for Zakahh as we have a loan and also we also have a land which has more value than the loan. so please explain to us in detail and give us a good guide line as we don't have any body nearby to give us this advice
Jazakum Allahu Khairan for your constant help

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin wa al Salatu wa al Salamu 'ala Sayyidina

Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Sr. Sara

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Congratulations for your marriage and May God grant you and your husband a very happy life together under the banner of your obedience to Him.

The land you own (whether you or your husband) is not subject to Zakah if you bought it to build your future residence on it. If you bought it for the purpose of selling it at a later date to make a profit on it, it becomes subject to Zakah.

With regard to Zakah, and other matters too, the Islamic Law (Shari'ah) considers the property of each husband and wife separate from the other's. There is no mixing of ownership (properties) as a result of marriage. Therefore each one of you has independent properties and must calculate and pay her/his due Zakah independently. of course, it is permissible if your husband volunteers to pay the amount that is due on you.

You add together all your properties, including business inventory, savings on hand or in saving or current bank accounts, loans you own on others, jewelries (only if two conditions are fulfilled: their total value exceed what is normal for your peers such as sisters, in-laws, cousins and neighbors), properties you got for the purpose of selling it to make profit, etc. and once the total value of these properties reaches a Nisab (approximately = US\$ 1000) you mark that day as the beginning of your Zakah year. After a lunar year (= 354 days) from that day, you pay Zakah at the rate of 2.5% of the values of your properties on the last day of the lunar year.

The loans on you that are physically going to be paid out of the amount you have at the end of the 354 days are deductible from the total of Zakatable items but the loan that is going to be paid out of your future income is not deductible.

Of course there are items that are exempt from being subject to Zakah and therefore you must not include them in you calculation both at the beginning and at the end.

These items include: your cloth and personal things such as hairdryer, household furniture and appliances, personal car used for transportation, owned house that you live in or being built for the same purpose, etc.

The due Zakah must be given to Muslim poor and needy, including relatives such as aunts, uncles and cousins if they are poor. It may be given to Muslim charities for distribution at their discretion.

At the end of each lunar year from then after you repeat the same calculation and pay the due Zakah. Delaying its payment for no valid reason (such as carrying it home for poor relative) is sinful.

On the other hand there is Zakah of al Fitr (Fitrah). It is due at the end of each Ramadan before the Eid prayer; it is the amount or value of 2.6 kilogram of Wheat per person in the household. It must be paid by the person who makes the spending on the household, in your case your husband. a fetus is not included while a very newly born baby is included.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Having a Problem with the Zakah calculation

From: Islam on Line

Sent: Wednesday, June 30, 2004

Question from Malaysia

Assalam mu'alaikum Thank you for having this site. I learn alot from reading the answers to the endless questions posed by the brothers and sisters all over the world. One of the pillars of Islam is Zakaah. I have been doing a bit of researching into this matter but I am not able to figure out how to apply this ibadah in my case. I am a house wife for the last 11 years and previous to that I was working for 4 years. While working I did make some savings and occasionally during the last 11 years my husband puts some money into my account. This is not the regular banking account but rather an account based on market shares, a trust for muslims. My question is how do I compute in order that I could participate in contributing towards the zakaah? 4 years ago I have withdrawn money to purchase a car for my daughter, recently I paid up the outstanding loan for a house in my name but bought by my husband and contributed to a relative's university fee lately. The money is there accumulating through dividends paid at the end of each year. Secondly, do I have to pay zakaah for the 'employees provident fund' too, of which we are not allowed access until we reach the age of 55? Thirdly, what about savings in the Haj Bank where we save towards performing Hajj, Insha Allah? I would like to participate in giving zakaah but need to know how to compute and I do not know what my nisbah is? Thank you very much

Notes

I have been living overseas with the family for the last 11 years. My husband works overseas but we will be going back to Malaysia as he is reassigned back home. Alham dullillah. Insha Allah I will be able to settle this worry about my contributions towards zakaah. thank you
Jazakum Allahu Khairan for your constant help

My Answer,

Bismi Allahi al Rahmani al Rahim,

Al Hamdu li Allahi Rabbi al 'Alamin, wa al Salatu wa al Salamu 'Ala Sayyidina

Muhammad wa 'Ala 'Alihi wa Sahbihi 'Ajma'in,

Dear Sr. Farah

Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh

The first step is to find out the date on which the total of your balances on the three accounts plus cash on hand and any gold/silver jewelry [that is either stored (unused) or in excess of normal amount that your peers have] had reached, for the first time, the Nisab that is approximately equal to US\$ 1000.

This day is going to be the beginning/end of your Zakah lunar year. A lunar year (= 354 days) from that day you need to find out the same total and if it reached US\$ 1000 or more you multiply the amount by 2.5% and the product will be your due Zakah for that year. If you did not pay any Zakah for the past year you need to repeat the same exercise from then until today and pay the whole thing as soon as you can.

I think I answered all your other questions, but I will give you more details for explanation. Whatever your husband added to your account should be included in the Zakatable amount. Whatever you paid for your daughter's car, toward the house and your relative's tuition is to be deducted (when we took the balance we actually deducted these payments and added the gifts). Also savings for Hajj are subject to Zakah.

The employees' providence fund is a little different. if it is managed completely by the government and you have no authority on its use and you cannot borrow from it but you only have payments as pension or lump sum after certain age, the amount in it is

not subject to Zakah. But if it is similar to what we have here in America in the name of 401K plan or individual retirement account, etc, then it is subject to Zakah. The criteria is whether you have sufficient authority on it to determine that it is basically under your control, even if withdrawal is made subject to penalty and tax. If it is closer to social security then it is a tax and the income you get from it is then treated as income when you get it. Additionally, even if you have sufficient authority on it to make subject to Zakah, its due yearly Zakah may be postponed, without being sinful, until you liquidate it and it can then be paid out. Of course, you can also pay it cash every year from your other sources.

Finally the house you bought is not subject to Zakah unless it is for investment and then there are several opinions, the one I feel more reflective of the spirit of Zakah is that it is subject to Zakah on the basis of net market value. Obviously whatever rent you get from it is either used for expenses, personal or on the house or added to your accounts and in this case subject to Zakah as mentioned above.

Wa Allahu A'lam,

Wa al Hamdu li Allahi Rabbi al 'Alamin,

Wa Assalam,

Sincerely,

Dr. Monzer Kahf

SUBJECT: How to Calculate Zakah?

From: Islam on Line

Sent: Tuesday, April 27, 2004

Question

asalamualaykum. Dear brother could you please tell me how to calculate the amount of Zakah one would have to pay on gold. For e.g. based on a note of £70/TULA (i.e. £70 per TULA value for year 2004) and say for e.g. weight of gold in 53oz (i.e., fifty three ounces

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin wa al Salatu wa al Salamu 'ala Sayyidina

Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Sr. Shakeel

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

As long as the amount of gold is Nisab (= a little less than 3 oz) or more, you simply apply the following equation:

Zakah due = quantity of gold X price per oz on the day Zakah is due X 2.5%

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Subject: Zakah calculation and related tax benefits

From: Asif

Sent: Tuesday, August 03, 2004

Question

Assalaam-au-Alaikum,

Your questions earlier were very intriguing and prompted me to look at the model from different angles. Bear in mind that my objectives are to insure that a Muslim pays the correct amount of Zakah and are not denied a tax benefit that they are entitled to by US law. Hence, here are the alternatives that I see at this point:

1. If it is determined that the Masjid or the taxpayer cannot derive any benefit in any form, then Zakah should be paid with the taxpayer forgoing the benefit for either party. No use for the model.
2. If it is determined that the Zakah cannot be used to derive a tax benefit for personal gain in any form, then the original model will work if it is determined that the Masjid can benefit from it. The original model will have a use.
3. If it is determined that it is Halaal to use tax benefit on Zakah personally, then we have an increase in the personal wealth attributable to the deduction and by extension the Zakah. Modify the model to calculate Zakah on the tax benefit and incorporate it into the current year Zakah and deduction. Hence, the taxpayer pays additional Zakah on the tax benefit (and increased wealth) in the current year and would then be allowed to use the tax benefit personally. Use revised model to meet new criteria.

Jasak-Allah

Asif

My Answer,

Bismi Allahi al Rahmani al Rahim,

Al Hamdu li Allahi Rabbi al 'Alamin, wa al Salatu wa al Salamu 'Ala Sayyidina

Muhammad wa 'Ala 'Alihi wa Sahbihi 'Ajma'in,

Dear Br. Asif

Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh

How about if a fourth scenario applies that consists of your third scenario but with the tax benefit is not, as a fact, due to Zakah payment but to government regulations.

Hence you are not benefiting from Zakah but from these regulation. Additionally, Zakah is due on what you presently have, on the due date, and any tax reduction will obviously (and by definition) come after the actual payment of Zakah; therefore, this increase in wealth caused by the government regulations MUST NOT be considered in the current year of Zakah; but necessarily, in the next year!

Hence, no worry at all you do not need the model, it is a futile exercise!

Wa Allahu A'lam,

Wa al Hamdu li Allahi Rabbi al 'Alamin,

Wa Assalam,

Sincerely,

Dr. Monzer Kahf

From: Asif

Sent: Tuesday, August 03, 2004

Question

Asalaam-au-Alaikum,

Jasak-Allah for your intriguing and thought provoking questions. Please see my reponses and comment.

Your Question: For the issue of benefiting a tax relief from the payment of Zakah, did you consider that it may be very permissible! And fully Halal.

My answer: Do you know for certain that it is? This is a question which I have on my list to put to an Islamic scholar after explaining my reasoning on how the funds move among government, taxpayer and Masjid. It is my presumption, that the tax benefit, if used personally, has the net effect of reducing the amount that is due as Zakah (can be shown in my proposal).

Hence the creation of a "grey area" which causes many muslim taxpayers in reality to forgo the benefit. If it is permissible, however, then the original issue becomes a moot point with the simultaneous creation of a new issue.

New issue: Take a simplified example of a \$10,000 deduction with an assumed \$4,000 tax benefit (federal only). How much did the Taxpayer originally write the check for once the Zakah was determined? Most likely \$10,000 and they picked up the tax benefit when they filed their tax return. If under your assumption the tax benefit is allowed, then the taxpayer can write a check for \$6,000 and use the refund (or reduced tax liability) of \$4,000 to fund the remaining Zakah liability. With electronic filing, the turnaround time on a filed tax return with the IRS would be about 2 - 3 weeks. This would be similar to the practice of filing your return early and using the refund received to fund your IRA before Apr 15. Of course there are timing issues here which will require approval of Islamic scholars, however, for cash strapped muslims this would provide an alternative to facilitate the payment of Zakah using the tax benefit to improve the taxpayer's cash flow.

In addition, in this scenario the proper after-tax (federal and state) contribution still needs to be calculated with 100% accuracy (achieved by my model).

Your observation: Kindly notice that an income in the form of tax brake from paying Zakah will be subject to Zakah, of course provided certain conditions of Zakatability are satisfied, in the next year (the year the increase in wealth happens).

My response: Not necessarily. This would only be true if the funds were not spent at all, or were spent in a manner that created accumulated wealth. If the funds are spent before the calculation date for the next year's Zakah, then they will avoid Zakah treatment altogether. Thus personal wealth will be increased, but also decreased before the anniversary of the next Zakah calculation. To the extent that the tax benefit needs to be subjected to Zakah at some point (need opinion on this), there is an inherent loophole within your observation which may lead to the taxpayer inadvertently paying the incorrect amount of Zakah.

Your question: Do you think it will not be permissible if a Muslim government decided to give certain money to anyone who pays her/his Zakah, whether as a tax brake or an outright giving?

My answer: If the Zakah is dispensed according to the Shariah's guidelines, the government may disburse the funds in any manner whether it be in cash or a cash equivalent. However, if a government employs a blanket policy (without regard to targeted Zakah beneficiaries), then I find it impossible to believe that Zakah funds truly reach only those it was intended for.

Hence, if it is determined that a tax benefit on Zakah has restricted uses, to use a blanket policy (in the form of a tax law) for Zakah would be incorrect because people who may not be entitled to receive Zakah funds (or the associated tax benefit) may do so either knowingly, or unknowingly.

Again, it hinges on whether it is permissible to derive and use the tax benefit on Zakah without restrictions.

Your statement: I call on you to think about it and see if there is really a subject there!

My answer: This is why I am seeking your advice, and trying to get approval of the proposal from the relevant Islamic authorities, before I spend time re-researching an issue that may not be there.

Jasak-Allah

Asif

My Answer,

Bismi Allahi al Rahmani al Rahim,

Al Hamdu li Allahi Rabbi al 'Alamin, wa al Salatu wa al Salamu 'Ala Sayyidina

Muhammad wa 'Ala 'Alihi wa Sahbihi 'Ajma'in,

Dear Br. Asif,

Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh

Yes, it is perfectly Halal. The Zakah calculation must only be made on the real actual reality on the day it is due. Income (tax brake) that will be received tomorrow is dealt with in the Zakah year that begins tomorrow. I said if certain conditions are satisfied exactly to preempt your point that your raised ""not necessarily"" and my answer it is fine let the Zakah payer spend that amount and then next year Zakah will be calculated on the actual at the end of the next year. I don't certainly say that such a giving of a Muslim government is going to be from Zakah proceeds, any Muslim government must certainly have other revenues. So your point of response is not valid. Also, fine I don't see any problem if a Muslim can plan it so that she can benefit from the cash flow of the tax refund to pay Zakah (it works only if she doesn't have sufficient cash or quasi cash to pay her Zakah on the due date so that the delay may not be sinful, or by using a credit card for Zakah payment and benefiting from its grace period while the money comes from the IRS or if she is paying Zakah in advance for the next year).

Personally I don't find an issue to be raised there.

I suggest that you should make some more reading on the Fiqh of Zakah, preferably in Arabic, but there is my translation of the treatise of Shaikh Al Qaradawi's Fiqh al Zakah, it is available in the market.

I really think that you need more Fiqh knowledge before you proceed. Sincerely and frankly, I want to spare you from doing any thing empty!

If you want to call me, I am now in Florida and you can reach me at: 850 230 6993, I will be back home on Aug. 19 and my phone is 714 775 0525.

Wa Allahu A'lam,

Wa al Hamdu li Allahi Rabbi al 'Alamin,

Wa Assalam,

Sincerely,

Dr. Monzer Kahf

SUBJECT: Calculating Zakah

From: Islam on Line

Sent: Wednesday, August 11, 2004

Question from Nigeria

Assalamu Alaikum. I am trying to calculate how much zakaah I shall pay, I have put my car up for sale and made part payment for another car I intend on buying,

balance will be paid upon delivery. How does money from both transactions impact on my zakaah calculation?
Jazakum Allahu Khairan for your constant help

My Answer,
Bismi Allahi al Rahmani al Rahim,
Al Hamdu li Allahi Rabbi al 'Alamin, wa al Salatu wa al Salamu 'Ala Sayyidina Muhammad wa 'Ala 'Alihi wa Sahbihi 'Ajma'in,
Dear Br. Nurudeen
Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh
If it is your personal car that you use for transportation, selling it and buying another do not affect the calculation of you Zakah because the first car is not subject to Zakah, the money you put as a down payment on a car you intend to buy is engaged by the car contract and the new personal car is also for personal/family transportation. All are not subject to Zakah.
Wa Allahu A'lam,
Wa al Hamdu li Allahi Rabbi al 'Alamin,
Wa Assalam,
Sincerely,
Dr. Monzer Kahf

Exemptions and deductions from Zakatable Items

Subject: Zakah while under long term mortgage

From: Muhammad
Sent: Wednesday, October 27, 2004
To: monzer@kahf.com; anas@tii.com
Subject: Zakah
Salam alaikum

Some one has purchased a house on 30 year mortgage for\$ 500,000.In calculating his Zakah for this year can he treat this amount as debt on him and deduct it from his total Zakatable? Or, he can deduct only this year's installment payable(not yet paid)? I will appreciate your response .
Regards

My Answer
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Prof. Nejatullah
Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
He deducts nothing at all!
Please notice that this loan is against his future income not current assets from both legal and conceptual points of view. N body would give her a loan in such an amount against her present Zakatable assets.
The well almost unanimous rule is all the Fatawa of Zakah that I know on this is that only the amount of the long term that is going to be paid from the present Zakatable

assets can be deducted from them. The example, the person under such a loan (regardless of being for her live-in home or for business) got her periodical income one day before the Hawl and an installment is due ten days after but the new income payment is going to come only at the beginning of the next month. This installment only can be deductible (in fact, along with expected expenses and other payment until the next month).

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Deduction of debts from Zakatable assets

From: A

Sent: Monday, November 08, 2004

Dear Brother

Alsalam Alaikum.

May Allah accept your and our fast and du'a.

I need your corrections or confirmation about my proposed answers (attached) to questions/ about Zakah that I received from a merchant friend.

Many thanks in advance, and eed mubarak to you and family.

My salam and regards

A

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin wa al Salatu wa al Salamu 'ala Sayyidina

Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. A,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

let us try to understand the Zakah in this case in its proper perspective.

This Fatwa assumes a static situation in which Zakah is going to be paid out of present assets. Otherwise Zakah does not deal with the issue of net worth, if it does why not then calculate the net worth straight as it makes no difference whether it is in fixed or mobile assets, in the final analysis every thing can be liquidated!

Additionally, debts on the payer that are going to be paid out of future income can't be deducted because the present Zakatable assets are not pre-occupied by these debts. We have to look at the dynamics of it, other wise you deduct all the mortgage, there is no difference between a debt payable within one your or within a century, the point is: is it going to be paid out of these assets?

The Shafi'i school is very clear in this issue, it clearly deduct only debts (on the payer) that are literally going to be paid out of the present assets and includes all debts for the payer as long as they fulfill the criteria on payability (on an able person who recognizes the indebtedness/or you have binding evidence). There is o difference between long term and short term.

Otherwise, the point again comes if you distinguish between long term and short term, take the complete and neat concept of net worth and deduct from it personal items Qunia).

Another point that comes out: goodly loans meant only as tabarru', is the lender subject to Zakah. I argue for no because the person is already making tabarru', we have the example of al 'Araya, that are deductible from Zakatability by the text of a Hadith. On the other hand, loans that are not really meant as tabarru' (e.g., demand deposits in banks) should be subject to Zakah because there is no meaning of Tabarru' here.

Consequently, taking the statement of Maymun bin Mahran in a simplistic way without looking at the dynamics of both debts, on and for, will give wrong and inconsistent results.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Student Loans and Zakah

From: Islam in line

Sent: Wednesday, December 08, 2004

Question from U K

As I am starting to pay my student loan money back monthly with money i purposely saved for a year to pay some of it off. So am i liable to pay Zakah on this money i saved? Also since i am starting to pay my student loan money off will i be exempt from paying Zakah the next time it is due, because the total money i am likely to have (including value of gold) by then will not exceed what i owe the student loan company. I'm planning inshallah to carry on paying the student loan company until i have paid everything back. But i am worried about Zakah, because if your answer is yes that i do not have to pay, then that means i do not have to pay Zakah for a few years. pleas shed some light on this jazakallah
Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi
Ajma'in

Dear Sister M.,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

1. From what you said 'a few years', it seems that this student loan is a long term loan. If it is interest-based, you're required to pay it in full as soon as you can and use all your savings toward it in order to reduce the evil of Rib you are under. It is sinful, according to Shari'ah, to be under an interest-loan if you can rid yourself from it all or from whatever part of it you can. This means that if it is interest-based, you should have used these savings as payments and if you did not do that in the past you should do it now.
2. If the loan is not interest-based and the lender allows its payment over a few years and if you make the monthly payment out of your monthly income, you are required to pay Zakah on your savings on the 254th day after the day you acquired Nisab for the first time. In calculating the Zakatable amount and the Nisab (which is approximately equal to USD 1000) you add all savings, gold and

silver jewelry, debts on other [unless you have no hope of getting them back] and if you are in business your inventory. Zakah is due after a lunar year, called Hawl (= 354 days), passes on the day when you got Nisab for the first time and every lunar year (354 days) then after. The rate is 2.5%

3. If you need savings of several months to make each payment of the loan, you deduct from the Nisab and from the Zakatable amount each time you make calculation the amount that is needed to complete the following payment only and determine the first day you acquired Nisab and the amount after 354 days accordingly and pay the due Zakah following the same rule as above.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Can I stop Zakah until Paying My Debts

From: Islam on Line

Sent: Saturday, May 29, 2004

Question from the USA

Al-Salam Alikum. Unfortunately during the last 10-15 years I used to spend a lot, I bought everything I need with credit cards. I have a nice house with a pool, nice cars, and everything I need in it. Now, I have too too much debt in credit cards. Alhamdulillah I finally woke up from my stupidity. I was told that I don't have to pay ZAKAH since I have debt, but I had this habit of paying 2.5% ZAKAH out of my pay check every 2 weeks despite the debt I have, I also donate money monthly to mosques. The question I have is that I'm thinking of focusing on paying all my extra money to paying off the credit cards, and stopping the Zakah and the donations for a while until at least some of the credit cards are paid. But I'm afraid that GOD will not bless my life for doing that. I will withdraw my 401K money to help paying some.... Please advice me what to do..... And please PRAY Allah to help me pay off my debt and guide me to the right path. Gazakum Allah Khair
Jazakum Allahu Khairan for your constant help

My Answer,

Bismi Allahi al Rahmani al Rahim,

Al Hamdu li Allahi Rabbi al 'Alamin, wa al Salatu wa al Salamu 'Ala Sayyidina

Muhammad wa 'Ala 'Alihi wa Sahbihi 'Ajma'in,

Dear Br. Ashraf

Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh

- 1 - Let us deal with this question on two grounds: one legalistic and one moral/ethical. On the legal ground, Zakah is due on the amount left over after spending and paying whatever you pay of the debts if it accumulates to the amount of Nisab over a year. Nisab is approximately equal to US\$ 1000. Debts that are not intended to be paid out of the present funds [in home and in banks whether from pay checks or from any other sources] are not deductible when you calculate the due Zakah. Therefore, if you did not intend to pay all the credit cards debts you may not deduct them from the Zakatable assets. However, if you intend to pay these debts and the payment exhausts the amount left over after your expenses you will not be subject to any Zakah payment.

- 2 - Payment of debts has priority over other uses of funds including charity to mosques and others especially when these debts are interest-bearing. Interest on credit cards is definitely prohibited; it is the most common form of Riba that is prohibited very strongly in the Qur'an and the Sunnah.
- 3 - The funds you accumulate in the 401K and any other retirement account that is under your ownership are subject to Zakah every year, but the due Zakah on them does not have to be paid out of other resources you may have, it rather can be postponed until you withdraw the funds in this retirement account. Hence if you choose to delay payment until withdrawal, when you make any withdrawal you are required to make payment of the due Zakah for all the previous years on the amount you withdraw.
- 4 - On the moral ground, it is always better that if you have a habit of goodness that you do not change it even if you fall under some pressure. I do not recommend you to change the habit of donation and Zakah you are doing now and God will InShaAllah help you and give you more. I also suggest that you must at the same time pay any interest-bearing debts and do not at all let any debt, especially credit cards debts that carry very high rate of interest, accumulate on you. The Qur'an threatens of a war on those who keep dealing with interest transactions and the Prophet, pbuh, mentions that the prevalence of interest (Riba) may invoke a curse of poverty thrown from God on people among whom it prevails.

Wa Allahu A'lam,
 Wa al Hamdu li Allahi Rabbi al 'Alamin,
 Wa Assalam,
 Sincerely,
 Dr. Monzer Kahf

SUBJECT: Deduction of the Bank Loan from Zakah

From: Islam on Line

Sent: Monday, June 07, 2004

Question from France

Salamou alaikoum, I did a bank loan for buying my house. The question is : Could I deduce the amount of the bank remaining loan from the amount of Zakah. I hope you could understand my bad english, and you would answer me in french or a very simple english. Barakallahou fikoum.

Jazakoum Allahu Khairan for your constant help

My Answer,

Bismi Allahi al Rahmani al Rahim,

Al Hamdu li Allahi Rabbi al 'Alamin, wa al Salatu wa al Salamu 'Ala Sayyidina

Muhammad wa 'Ala 'Alihi wa Sahbihi 'Ajma'in,

Dear Br. Benammar

Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh

I am sorry for not being able to answer you in French.

The answer is no. The loan on the house is a loan against your future income. If you have items that are subject to Zakah, you can only deduct from them those debts that are going to be paid from them but not loans that are going to be paid from future income.

Wa Allahu A'lam,

Wa al Hamdu li Allahi Rabbi al 'Alamin,

Wa Assalam,
Sincerely,
Dr. Monzer Kahf

SUBJECT: Zakah on a Loan and rented property

From: Islam on Line

Sent: Tuesday, May 18, 2004

Question from India

I have purchased a house in India by taking some personal loan. Q1: I heard if one has a loan, then he is not liable for Zakah? Is this true? Q2: I have residential house which has 3 floors. At the moment I am not staying in it. So I am planning to rent it out. So do, I need to pay any Zakah on the property value or its rents? If yes, is it calculated on the net income from the house, after making deduction for taxes and maintenance?

Jazakum Allahu Khairan for your constant help

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin wa al Salatu wa al Salamu 'ala Sayyidina

Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Adil

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

- 1) - The issue of debts in regard to Zakah liability and calculation is very often confused because most traditional scholars who Fatwa are not familiar with accounting and the word debt [dayn] has a different nuance in Fiqh that does not coincide with the common jargon or with the accounting meaning. the part of Debts (on the Zakah payer) that is going to be paid, literally, out of the present Zakatable items at the time Zakah is due (and obviously being calculated) is deductible from the Zakatable items. This is in contrast with debts that are going to be paid from future salaries (or revenues) which are not deductible. Example: a loan on a house is usually paid on installments. When Zakah is due and being calculated, only the installment that is either already (or will become) due in a short while may be deductible provided it is going to be paid from the existing balance in the bank; but if it is a monthly installment and my monthly salary will be paid to me by the time it is due, I may not deduct it from the Zakatable items.
- 2) a - If this house is your residence and you rent it because you are now living abroad, there is due Zakah on it at all and you treat the net income from it like any other part of your income inflow; at the time your Zakah is due (the end of your own Zakah lunar year) you will include the balance of money you have as cash, bank accounts, etc. in the items that are subject to Zakah and if the total is above Nisab [# US\$ 1,000] you pay the due Zakah.
- 2) b - If it is not your residence (meant as a rental property), there are three views. I tend to argue that the third view is the most rational and consistent with the definition of richness and the objectives of Zakah.
 - 1- Exactly as in 2a, this is the classical view; it is adopted by the OIC Fiqh Academy.
 - 2- Zakah is due on the net revenue from the property [= rent - (taxes + maintenance + depreciation) provided it is above Nisab during a one Lunar year.

- 3- Zakah is due on the market value of the property on the day when your Zakah year is due and its revenue is treated as in 2a.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Past Due Zakah

Subject: Forgetting to Pay Zakah Last Year

From: Islam on line

Sent: Wednesday, October 20, 2004

Question from Canada

Dear scholars assalamu 'alaikom, I've forgotten to pay last years' Zakah. I usually pay it every Ramadan..and now the 2nd ramadan is approaching! 1. I don't know what to do, should I wait until this ramadan comes and pay 2 Zakahs? or should I pay last years Zakah before this ramadan comes? 2. how do I know how much to pay? 3. have I committed a sin by not paying at the right time i.e. ""last ramadan""? your response will be much appreciated! :)

Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi

Ajma'in

Dear Sr. Ryan,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

- 1 - Delaying Zakah after its due date (the last day of the Howl or lunar year that began on the day you had Nisab for the first time) without valid reason is sinful. Of course, we have the Correct Hadith that tells that humans are not responsible for forgetting, mistaking and doing thing under compelling forces. If you just forgot it, there will be no sin InShaAllah.
- 2 - In prayers we are told by the Prophet, pbuh, that if we forget a prayer its due time becomes the moment we remember it. Therefore, the moment you remember this payment of Zakah, you should go ahead and pay it without any further delay; in other words, you do not need to wait until the due date of this year Zakah. Of course, any unpaid Zakah remains a duty on the person since it is a debt owed to God (the time passage does not wipe this obligation out). It can be distributed from the estate if a person dies before paying such a due Zakah according to some of the Islamic schools of jurisprudence (others argue that it will be left to God Who will hold the person accountable for it on the Day of Judgment).
- 3 - For calculation, you should make the best educated guess you can make from your memory and records if you have; to be certain, add a few more Dollars that will be either part of Zakah or an added charity (Sadaqah).

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: Payment of last year Zakah

From: Islam on Line

Sent: Thursday, May 13, 2004

Question from Pakistan

I calculated Zakah in last Ramadan. It was about rs.4800. I decided to pay monthly 400/- other than Sadqa I do every month. But in meantime I borrowed about 1100000 for my new home. Now I have to return back the amount and I have sell the jewellery on which I calculated the Zakah. Pls let me know If I should still pay Zakah as I am under a heavy load.....?

Jazakum Allahu Khairan for your constant help

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin wa al Salatu wa al Salamu 'ala Sayyidina

Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Muhammad

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

suppose 15 th of Ramadan was your due day for Zakah payment (it is the day you acquired Nisab for the first time), delaying the payment of Zakah from that day is not permissible unless there is a good cause such as lack of cash or preference to pay as a monthly stipent to a family. Otherwise you are required to pay you due Zakah on that day.

Additionally Zakah due on items you had last Ramadan is a liability on you that has to be paid even if you lost some of the Zakatable items after Ramadan. When you calculate your due Zakah for this year, items that you actually sell before the due date will not be included if you use the money for payment of your debts.

Finally if the payments of the debt on the house you bought are long term, such as regular mortgage that one normally pays out of one's monthly income, all such debt is not qualified to be deducted from the total value of the Zakatable items because it is not going to be paid out of them.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf
