



National Zakat  
Foundation

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UNDERSTANDING  
AND CALCULATING  
YOUR ZAKAT

[www.nzf.org.uk](http://www.nzf.org.uk)

ZAKAT

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زكاة

# MEANING OF ZAKAT

## LITERAL MEANING:



Purification



Growth



Blessing

*Also used to denote piety and innocence in character (zaki)*



## MEANING IN ISLAM:

‘Transferring ownership (tamlik) of a part of one’s wealth as specified by the Lawgiver to be given to a poor Muslim except one who is from the Banu Hashim... cutting off totally any material benefit returning to the giver, for the sake of Allah, Most High.’

# WHY PAY ZAKAT?



Purifies soul  
from greed &  
wealth from  
impurity.

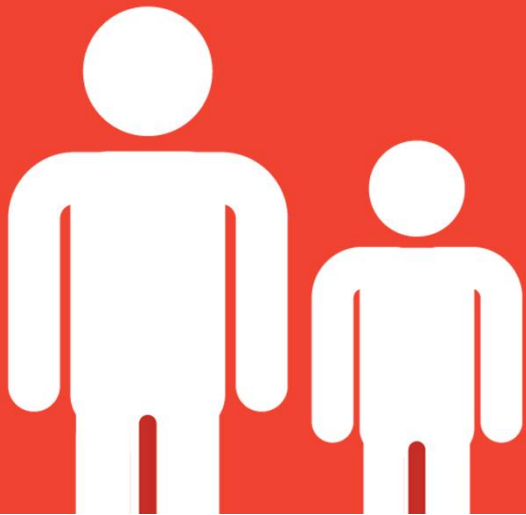
Promotes  
circulation  
of wealth.

How many  
times do salat  
and Zakat  
appear  
together in the  
Qur'an?

28



# WHO MUST PAY ZAKAT?



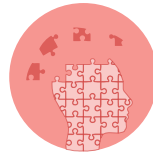
## THOSE REQUIRED TO PAY ZAKAT MUST BE:



A Muslim



An Adult (have reached  
puberty)



A person of sound mind (sane)



In complete ownership of Nisab

*The Shafi'i, Maliki & Hanbali schools state that qualifying wealth owned by the insane and children is subject to Zakat.*

# WHEN IS YOUR WEDDING ANNIVERSARY?

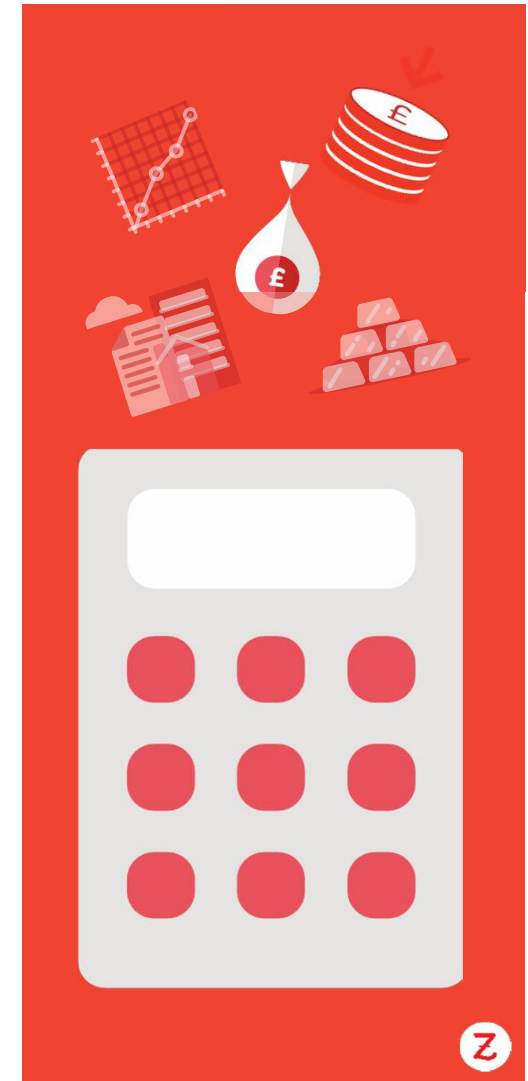
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*Who has a Zakat anniversary?*



# CALCULATION ESSENTIALS

- A** Zakat is **NOT** only paid on wealth that you have saved or kept for a full Islamic year.
- B** It is a snapshot or balance sheet calculation, not income or cash flow related.
- C** Zakat is an individual obligation and should be calculated individually, not collectively.
- D** It's important to go through the calculation process formally and not just 'guesstimate' from the outset



# WHAT IS NISAB?

Nisab is the threshold (minimum) for Zakatable net assets at which Zakat becomes due.

**20 Mithqal  
of Gold**

=

**87.48 grams  
or £2,500**

Nisab tbc day of calculation

Use gold Nisab if you only have gold.

**200 Dirhams  
of Silver**

=

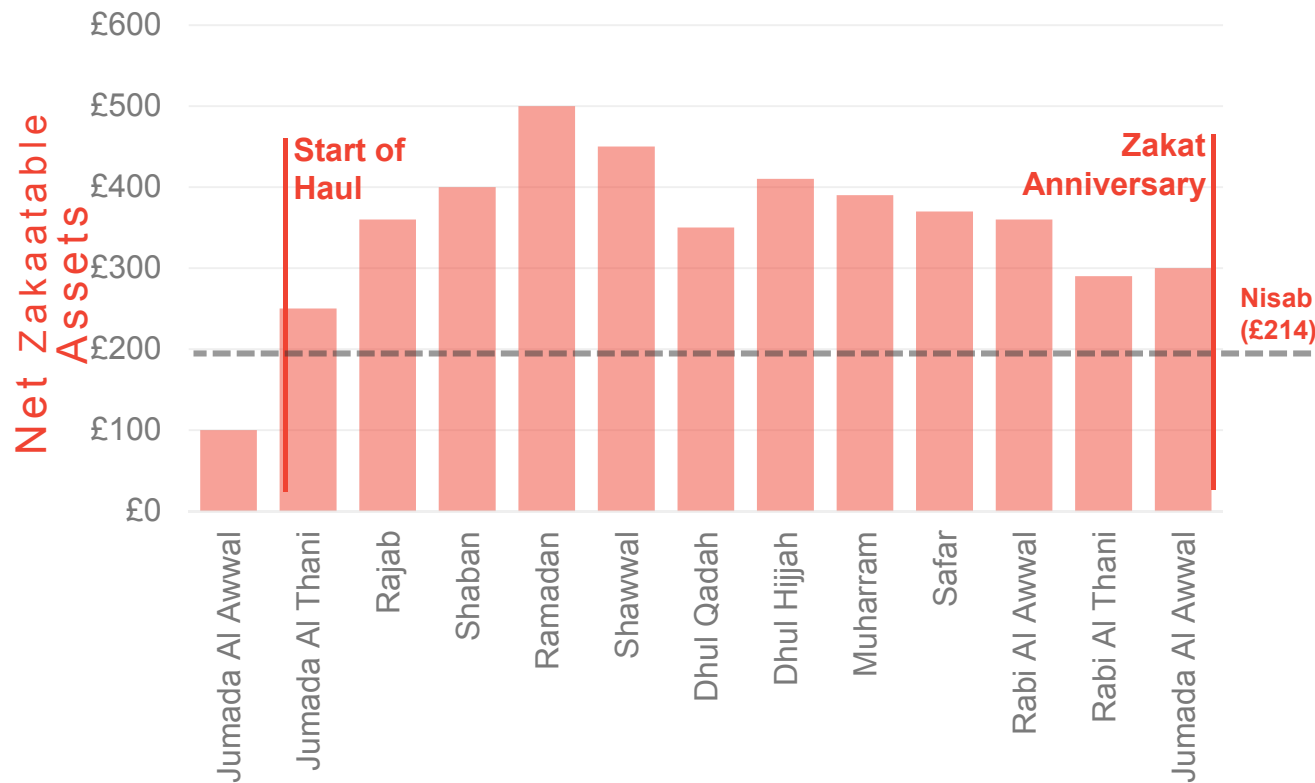
**612.36 grams  
or £210**

Nisab tbc day of calculation

Use silver Nisab if you have a mixture of assets.



# Zakat Year



## Zakat calculation formula

Current Nisab Value

**£214**

Amount of Zakat Owed

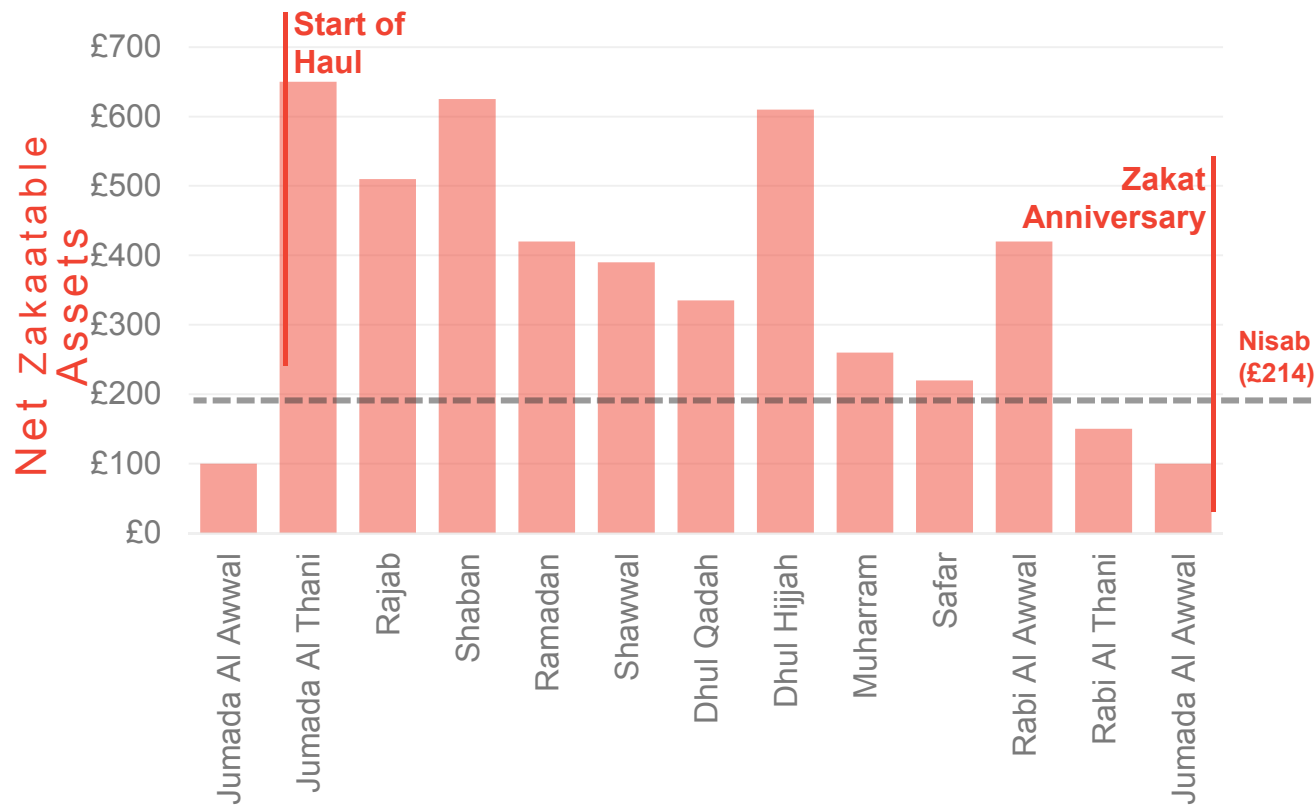
(2.5%) of £300

**£7.50**





# Zakat Year (above & below Nisab)



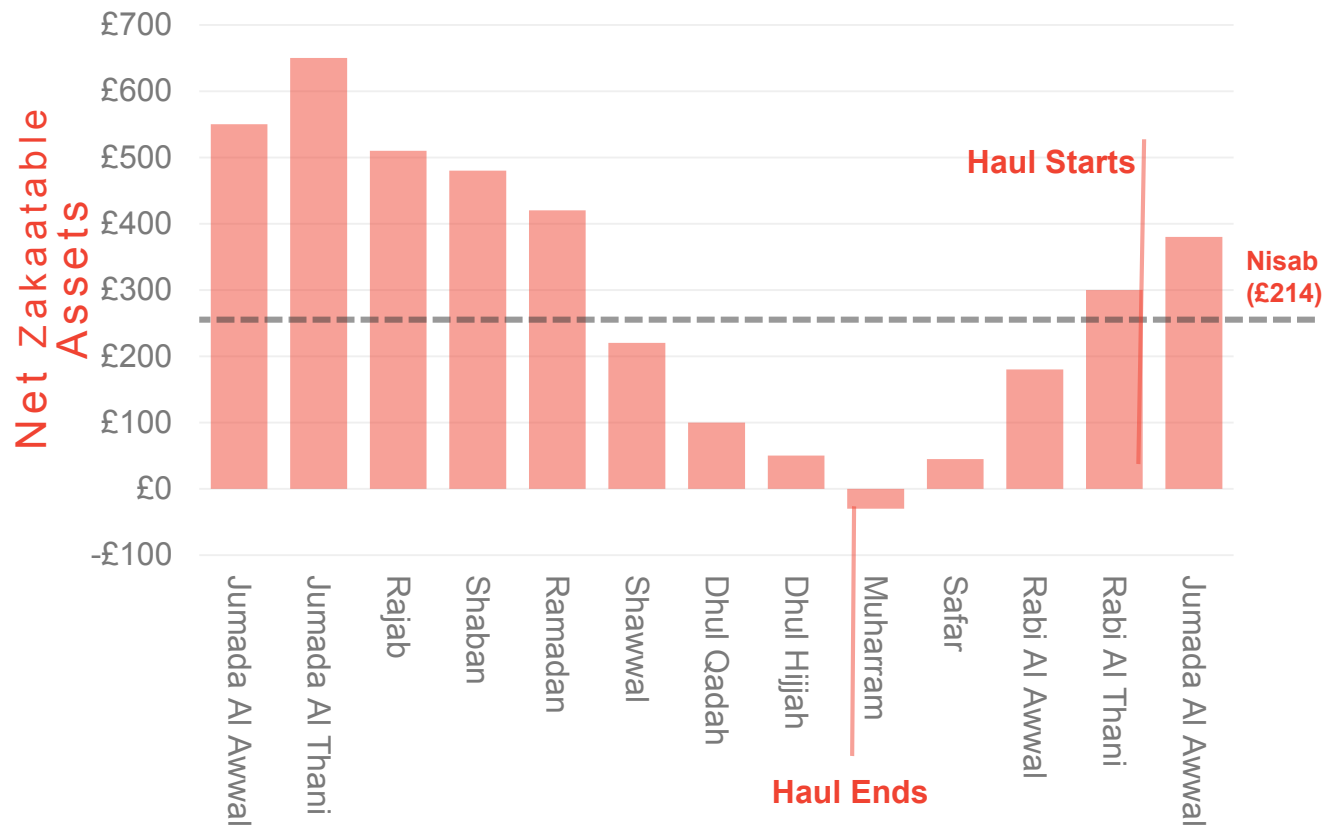
## Zakat calculation formula

Current Nisab Value

**£214**

No Zakat is due because the Net Zakaatable Asset at Zakat due date is below Nisab.

# Zakat Year (Minus & starting again)



Zakat  
calculation  
formula

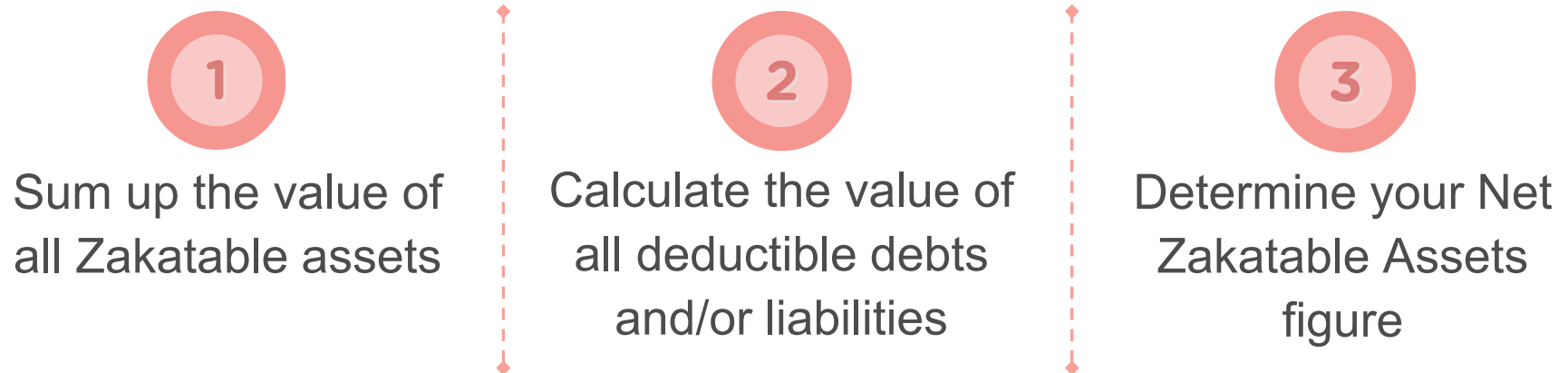
Current Nisab  
Value

**£214**

The haul restarts  
in Rabi'ul Awwal  
after stopping in  
Muhaharram.

# ZAKAT CALCULATION IN 3 STEPS

It's easy to calculate your Zakat if you follow these steps.



*If your NZA is above the Silver Nisab, your Zakat is 2.5% of your NZA*



# STEP 1

## WHAT ARE ZAKATABLE ASSETS?



# CASH & LIQUID ASSETS



## **Cash:**

Fully subject to zakat.



## **Interest (Riba):**

Not Zakatable. 100% must be given away.



One may own cash within certain investments – include that!

# GOLD & SILVER



## HANAFI VIEW

**Gold & Silver**, whichever form, is subject to Zakat – even if they are worn or stored.

## OTHER SCHOOLS

If used as personal item, then gold and silver jewellery not Zakatable.



**Mixed Metal Jewellery** - only Zakatable if half or more of the metal is gold or silver. (12 Carat or above)



Go to jeweller or use the buying price from the jeweller – i.e. what is the cash equivalent of your gold?



# BUSINESS ASSETS



## WHAT ARE BUSINESS ASSETS?

- z Business assets that are either cash or intended to result directly in cash generation are subject to Zakat.
- z Anything purchased with the intention to resell is to be valued at its sale price for Zakat purposes.
- z For any business the following items should be considered:
  - Cash
  - Receivables
  - Stock/inventory/raw materials
- z The following are not included:
  - Goodwill and other intangible assets
  - Property, plant and equipment



# IT ALL COMES DOWN TO INTENTION



## BUY WITH THE INTENTION OF SALE

Zakāt due on entire asset value if intention made at time of purchase – always use selling price/market value



## BUY WITH ANY OTHER INTENTION(S)

Zakāt not payable on market value but payable on surplus income from asset PLUS any underlying Zakatable assets



# PROPERTY & FIXED ASSETS



Again, it all comes down to intention...



No Zakat due on the house in which you live...

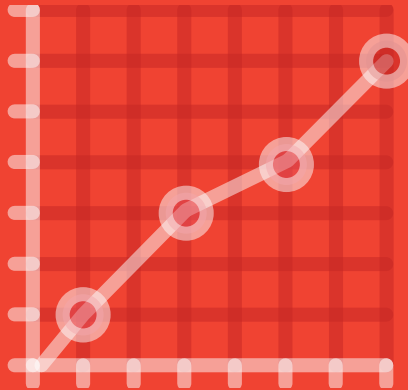


...nor on a house you own that you are renting out, except on the surplus rental income



But a house bought with the intention of resale is fully subject to Zakat at its sale value

# SHARES, UNIT TRUSTS & EQUITY INVESTMENTS



## UNDERSTANDING SHARES, UNIT TRUSTS & EQUITY INVESTMENTS IN ZAKAT :

- Z** If shares are purchased with the intention to resell, then the entire holding is subject to Zakat at the current market value.
- Z** If shares are purchased as a long term investment, then Zakat is due on the Zakatable assets of the company.

### HOW DO WE CALCULATE THIS?

- Z** Dividends in one's ownership on Zakat anniversary should be added to one's cash balance for Zakat purposes.



# PENSION SCHEMES



## DOES ZAKAT NEED TO BE PAID ON PENSIONS?



1) National Insurance Contributions. **No Zakat is due.**

2) Final Salary Scheme. **No Zakat is due.**

There is no quantifiable or specific amount of wealth attributed to the individual



3) Money Purchase Scheme. **Zakat is due.**

The fund value is determinable and where the funds are being invested on behalf of the holder.

# MONEY OWED TO YOU



## RECEIVABLES THAT ARE ZAKATABLE FOR ALL OUTSTANDING YEARS:

- z Loans advanced with hope of repayment
- z Receivables from the sale of commercial goods

One may pay Zakat before receipt of the loan. However, if one did not pay, upon receipt, they must pay Zakat for all previous years.

## RECEIVABLES THAT ARE NOT ZAKATABLE FOR OUTSTANDING YEARS:

- z Loans advanced without any hope of repayment
- z Outstanding invoices for the sale of personal items
- z Wages, fees, remuneration of services
- z Mahr (Dower) owed to wife
- z Inheritance shares



# LIVESTOCK & AGRICULTURAL PRODUCE



## ANY FARMERS?

If you own



cows,



sheep,



goats



and land in another country and you are benefiting from the harvests etc, then such assets may well be subject to Zakat.

Please contact the NZF scholars for detailed calculation guidance if you are in this category.



# STEP 2

## WHAT ARE DEDUCTIBLE LIABILITIES?



# DEDUCTIBLE LIABILITIES



- Z** Debts and liabilities that are due or outstanding for repayment on the day of one's Zakat anniversary are **deductible**.
- Z** Liabilities in relation to future consumption are not deductible, e.g. rent, utilities.
- Z** **For long-term debt**, such as mortgages or student loans, the **non-interest** or principal portion only of the forthcoming lunar year's payments can be deducted for Zakat calculation purposes.
- Z** However, it is recommended for this deduction to be made only if one fears the inability to repay the debt as a result of not making the deduction.



STEP 3  
THE FINAL  
CALCULATION  
So do I have to pay?

$$\text{A} - \text{B} = \text{C}$$

Assets                      Liabilities                      Net Zakatable  
Assets



# THOSE ELIGIBLE TO RECEIVE ZAKAT



Must be a qualifying Muslim individual not from the family of Banu Hashim.



Cannot be spent on mosques, schools, hospitals, burial expenses etc.



Cannot be given as wages or remuneration for any work.



Zakat cannot be given to one's lineal ascendants and descendants, or one's wife. Can be given to siblings.



# MISSED ZAKAT?

Miscalculating or missing Zakat from previous years – whether intentional or unintentional – **remains a debt** to be paid and must be done so without delay.

Visit:

[missedzakat.com](http://missedzakat.com)



# WHERE TO GIVE ZAKAT?

## LOCAL VS. ABROAD

Scholars agree that each country is more worthy of its own Zakat. It is therefore preferred to give Zakat locally if deserving recipients exist.



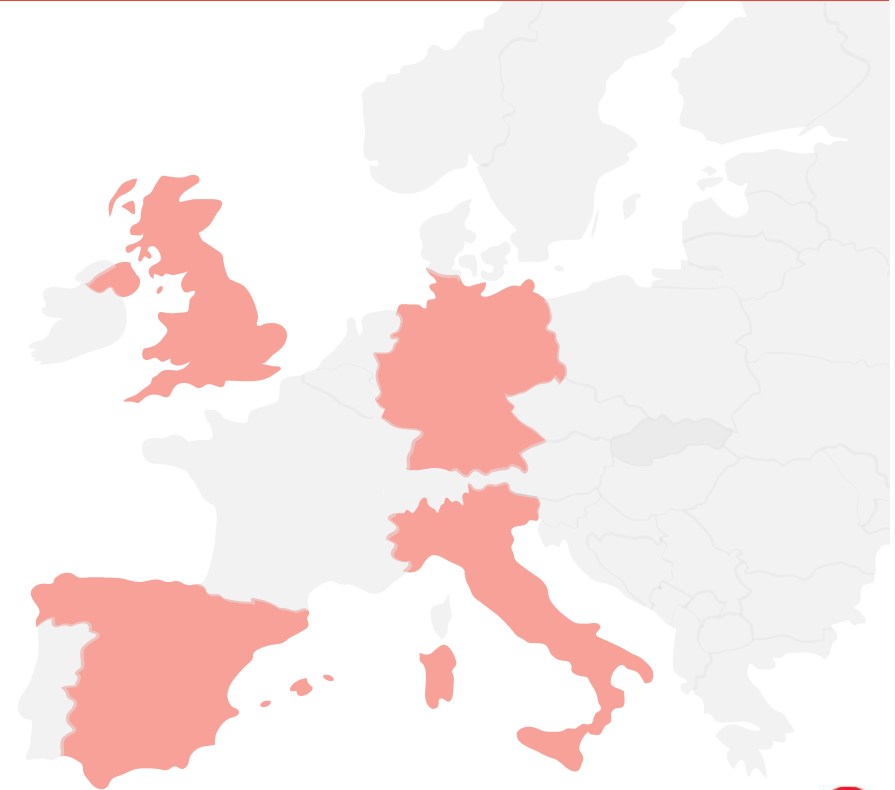
**LOCAL**



**INTERNATIONAL**



**FAMILY**



# ZAKAT RESOURCES



Learn



Calculate



Pay

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[www.nzf.org.uk](http://www.nzf.org.uk)

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[www.myzakatapp.com](http://www.myzakatapp.com) | [www.zakatguide.co.uk](http://www.zakatguide.co.uk) | [www.missedzakat.com](http://www.missedzakat.com)

[zakatquery@nzf.org.uk](mailto:zakatquery@nzf.org.uk) | 03333 125 125