



CIEA

Centre for Islamic Economics Australia

Basic Guidelines On Identity of Zakatable Assets

1. **Zakah is a *fard* obligation that arises on the Zakah valuation date** e.g. 1 Ramadan.

2. **When is Zakah due?**

The amount of Zakah becomes a mandatory debt, due and payable, **on the date of valuation**. This must be discharged as soon as possible, by no later than 12 lunar (Islamic) months. It must be discharged by unconditional delivery or transfer to the ownership of an eligible recipient in cash or kind.

3. **On what asset classes is Zakah due?**

It is obligatory on only specific, prescribed categories of assets - namely, on the ownership of the total aggregate/amount of the current market value of gold, silver, cash currencies, loans, shares and outstanding debts receivables - less current liabilities.

4. **What constitutes a Zakatable Asset?**

An asset is only constituted as a Zakatable asset at the Zakah valuation date, *if* such an asset was acquired at the time of purchase with the primary intention of resale. It is therefore deemed to constitute stock in trade. For this purpose, the word '**asset**' includes all classes of legitimate property - movable and immovable - including intellectual property.

والأصل ان ما عدا الحجرين و السواء إنما يزكى بنية الزكاة: ردالمحتار

5. **Zakah on Trading Stock:**

Zakah is payable on trading stock - including raw materials - at the market value. In the case of manufacturers - retailers and wholesalers - at an estimated bulk value. It will be calculated on the following basis:

- if the whole stock were notionally sold by a willing seller to a willing buyer in a single indivisible sale transaction on the Zakah valuation date. This is equivalent to the cost price based on the established commercial practice of *arm's length* voluntary sale of a business as a going concern.

6. Zakah on Shares:

6.1: in the Hanafi School, shares in a solvent listed *and* unlisted trading public company, including equity unit trusts, acquired solely to hold as an investment (and not as trading stock for resale) will be liable for Zakah. Zakah is payable thereon on the aggregate market value of the **underlying Zakatable assets i.e. cash, stock and receivables**. If this is difficult to determine/acquire, it will be payable at the market value of the shares - on the Zakah valuation date. (with an adjustment of the rate at 2, 577 percent to take into account the lunar year - where applicable).

و يزكي ما يقابل اصل أسهمه من الموجودات الزكوية و هذا ما لم تكن الشركة في حالة عجز كبير بحيث تستغرق ديونها موجوداتها. قرار: 121: مجمع الفقه الاسلامي الدولي

6.2: In the shafi'i and other schools, the company is treated as a separate entity for purposes of calculating Zakah, with the result that Zakah may be paid by the company, as a separate legal entity, on behalf of its shareholders, *if they so resolve*. If there is no such resolution Zakaah will be due on the shareholder.

و قال الشافعي... يجعل مالهما كمال واحد و تجعل عليهما الزكاة و أخذاً بمبدأ الخلطة عند من عممه من الفقهاء في جميع الأموال

5. Zakah on Rental Property:

No Zakah is payable on the market value of rental producing immovable property (a letting enterprise), unless the same was acquired solely for purposes of resale at a profit - and therefore constitutes trading stock on the Zakah valuation date. Zakah is however payable on the net rentals received or remaining on the Zakah valuation date.

... ان الزكاة غير واجبة في أصول العقارات والأراضي المأجورة و تجب في الغلة
قرار: 2: مجمع الفقه الاسلامي الدولي

7. Zakah on Receivables:

Zakah is payable on the sound component of book debt/ receivables, arising from the sale of trading stock - every year - *if* the debtor is financially able, (i.e. is not in financial difficulty) or deliberately protracting.

تجب زكاة الدين على رب الدين عن كل سنة إذا كان المدين مليناً باذلاً: مجمع الفقه الاسلامي الدولي: قرار 1

8. Zakah on Service Debts:

Debts arising from services rendered i.e. not from the sale of trading stock is payable **in the year of actual receipt of the debt**, according to the classical well known debt categorization of Imam Abu Hanifah (r.a.).

The position of Imams Abu Yusuf and Muhammad (r.a.) is that Zakah is payable each lunar year on **all categories of debts**, which are deemed to rank equally as strong debts, i.e. such debts are deemed in the constructive possession of the creditor.

و عندهما : الدينون كلها سواء قوية تجب الزكاة فيها قبل القبض: بداءع الصنائع

9. Deposits Held in trust by Conveyancers:

Deposits held in Trust by conveyancers and estate agents pending transfer of immovable property are liable for Zakah - **payable thereon by the purchaser/owner** on the Zakah valuation date - *if* registration/transfer has not yet occurred on the date of valuation.

10. Zakah on Property Acquired for Development:

Property originally acquired for the purpose of development and for resale at a profit - either complete or in course of construction – **is liable for Zakah by the developer** on the market value thereof, on the Zakah valuation date and is treated as trading stock.

المنشآت قيد التنفيذ: تزكى بقيمتها يوم الوجوب وبحالتها الراهنة
AAOIFI Standard 35: 5/2 /6/3

11. Zakah Treatment after Death:


In the Hanafi school, a person is required to make a specific bequest - in the form of a *wasiyyah*, to pay outstanding Zakah. The Zakah will be then discharged by the executors and/ or heirs from one- third of his or her estate - calculated at the time of death.

In the Shaf'i school, Zakah is a debt against the whole estate, and accordingly is an automatic charge against the estate - analogous to other contractual debts which need to be settled.

Adopted & Adapted by Shaykh Shabir Moosa - in Consultation Shaykh Shoaib Omar – MS Omar & Associates Law Firm.

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 info@ciea.com.au
www.ciea.com.au

 0416153786

 Perth, WA

