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# ZAKAT SIMPLIFIED



SIRRI SAQTI ACADEMY  
*Learning for life*

**CA Abdul Rahim**

Ramadan 1444 (March 2023)  
Kolkata, India

# Today's agenda

- Basics of Zakat
- Zakatable Assets
- Valuation of Zakatable Assets
- Case Study of Zakat Valuation
- Zakat Payable by Whom?
- How to pay Zakat
- Who is Eligible to Receive Zakat?
- The Spirit of Giving
- Making Zakat More Effective



A close-up photograph of a person's hand reaching towards several small stacks of gold-colored coins. The hand is positioned as if about to pick up or move one of the stacks. The background is blurred.

# Basics of Zakat

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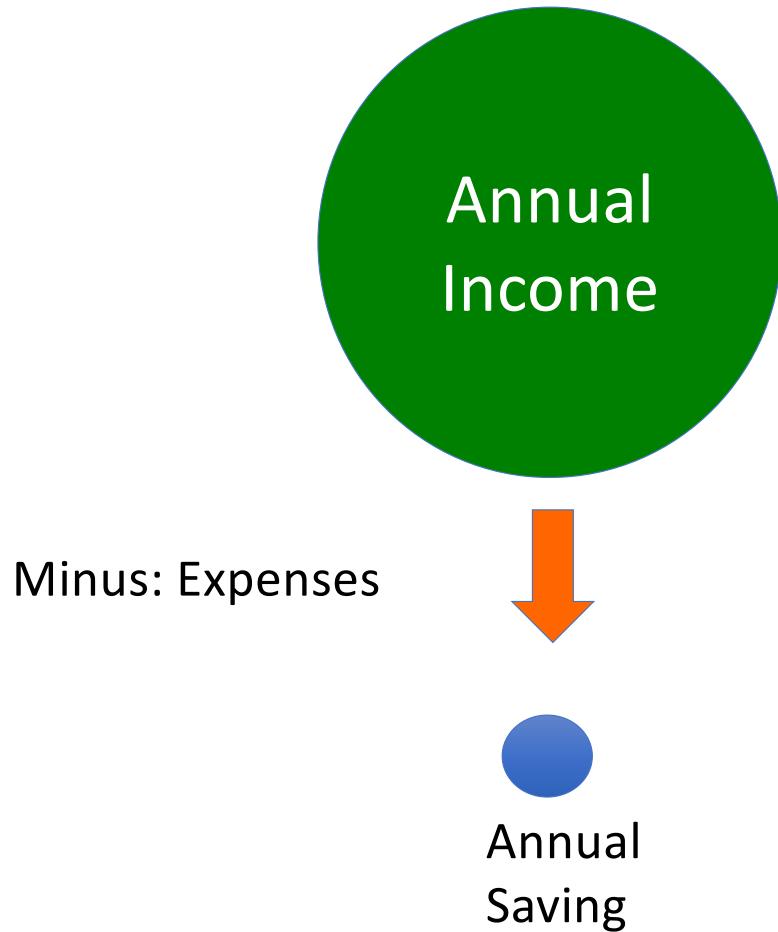




# The Wisdom of Zakat

- Purity
  - In Wealth and Heart (Detachment)
- Balances Inequity
  - In Society through Wealth Transfer
- Brotherhood
  - Feeling of being part of one Ummah
- Best investment
  - For Allah will give many times its reward

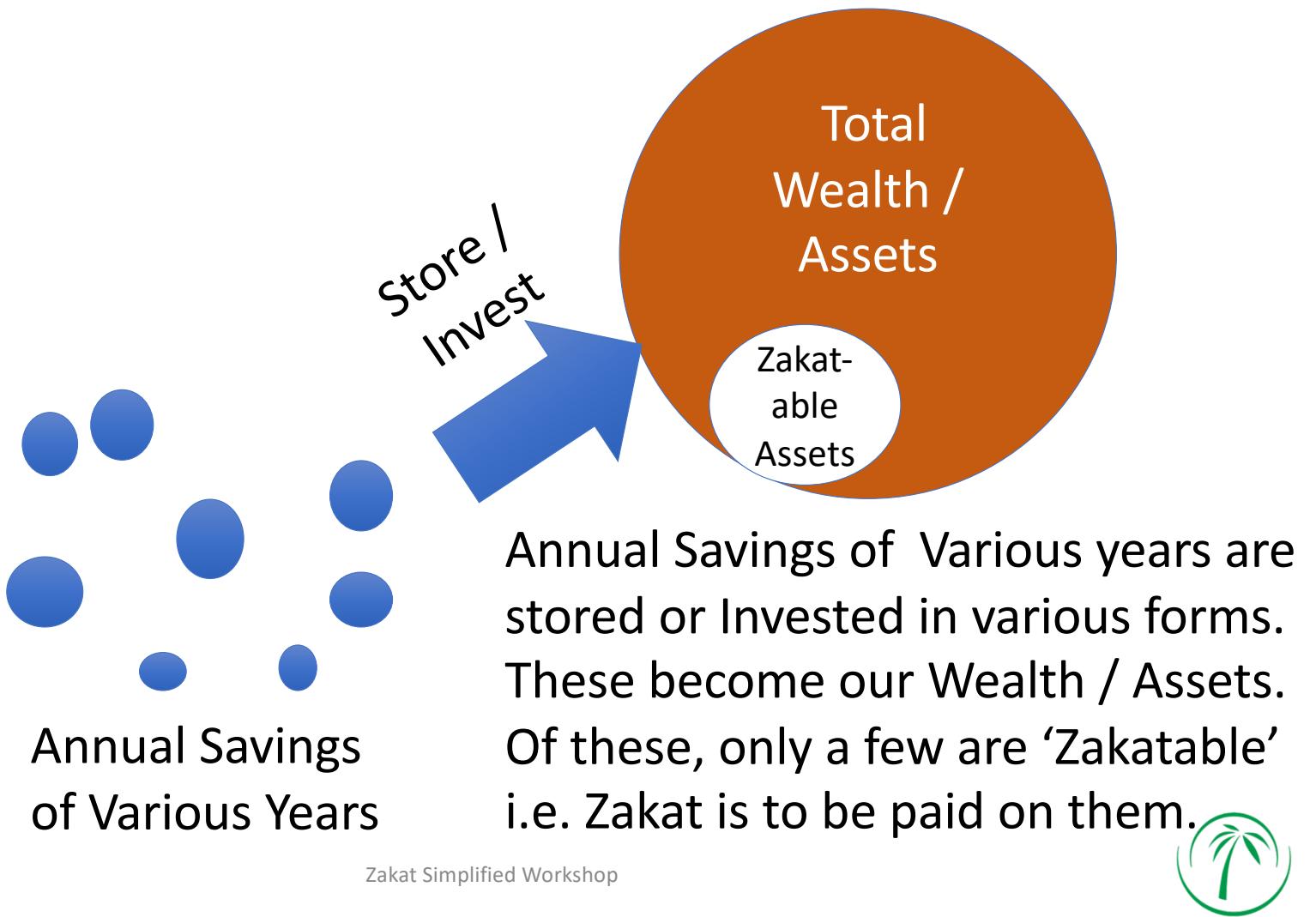
## CONCEPTUAL CLARITY OF ZAKAT



Every year we earn some income and incur some expense. What remains after that is our Annual Saving.



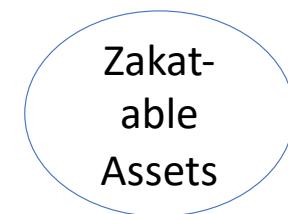
# CONCEPTUAL CLARITY OF ZAKAT



# CONCEPTUAL CLARITY OF ZAKAT

CHECK IF...

NISAAB



Calculate the value of your Zakatable Assets. If they Exceed the threshold (Nisaab), then only you are required to pay Zakat.



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# CONCEPTUAL CLARITY OF ZAKAT

CHECK IF...

**NISAAB**



If your Zakatable Assets are more than the threshold (Nisaab), pay 2.5% of the Zakatable Assets as Zakat.

Zakat-  
able  
Assets

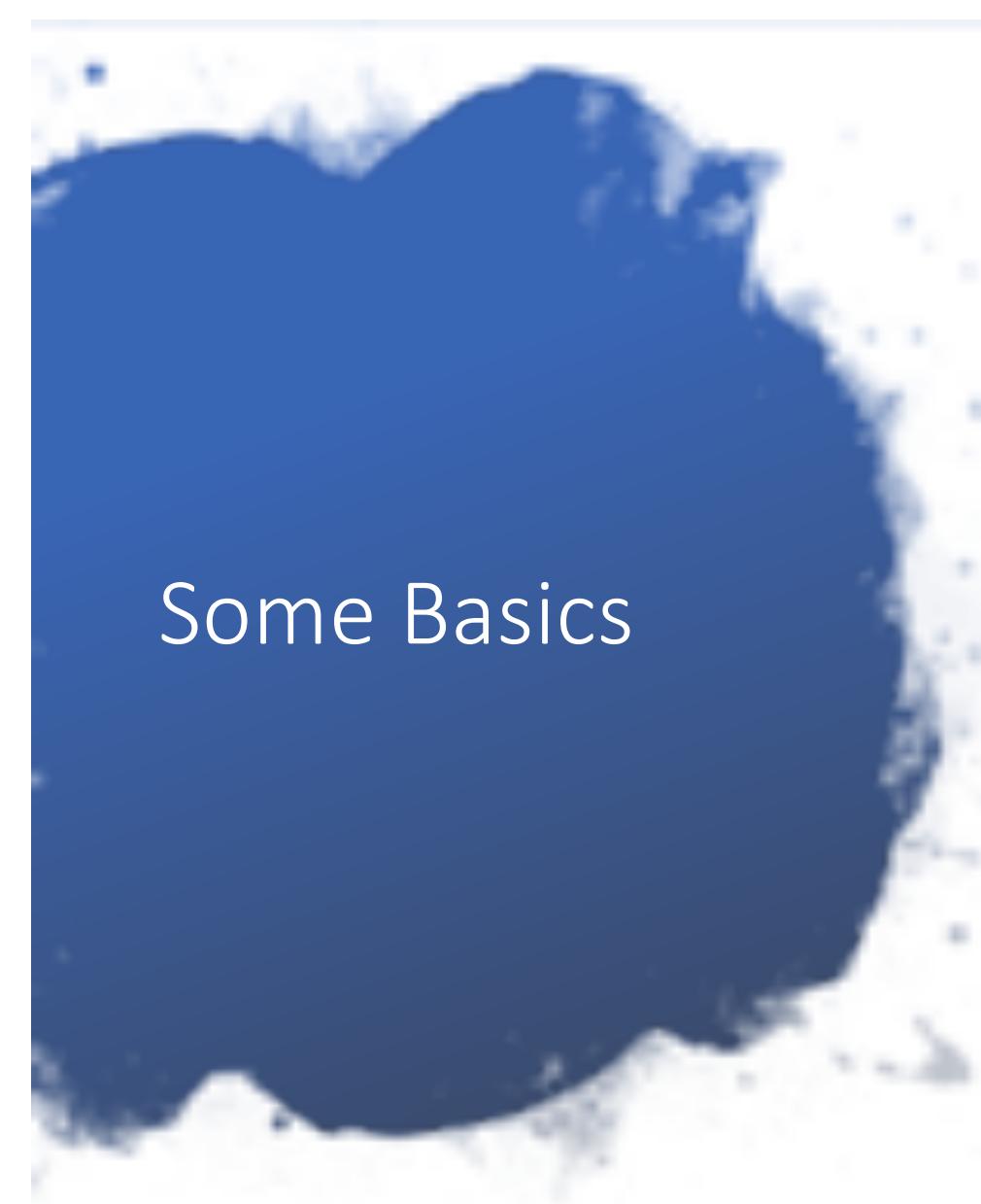
If Yes

↓  
**Zakat@  
2.5% of  
Zakatable  
Assets**



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## Some Basics

- Zakat = (Minimum) Obligatory Charity
- Paid Annually (every lunar year, not solar year)
- On few owned asset items (Zakatable Assets)
- Valued as per market price (revalued every year)
- Can be given to specified people only
- Err on the side of safety



# Zakatable Assets

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# Zakatable Assets – Only 6 Categories!



Gold & Silver



Cash & Equivalent



Trade Stock



Livestock



Agriculture Produce



Buried Treasure /  
Mines

Since Livestock, Agriculture and Treasure / Mines are generally not found in cities, we limit this presentation to the first 3 items.



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A photograph of a dark wood treasure chest with brass hardware. The chest is open, revealing a large pile of gold coins of various sizes and some silver coins mixed in. The lighting is dramatic, coming from the side, which highlights the metallic surfaces of the coins and the wood grain of the chest.

# Zakat on Gold & Silver

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## Zakat on Gold & Silver

- Payable on ALL Gold & Silver owned (in use, not in use, decorative etc.)
- Rate will be as on date of Valuation, in city where asset is
- In case trader in Gold & Silver, Zakatable but as 'Trading Stock' – no double zakat



## Calculating Zakat on Jewellery

- Calculation based on weight
- Exclude weight of diamonds, pearls, precious stones, platinum, Rubies etc.



## Valuation of Gold & Silver

- Take Value of 24 carat Gold (per gram)
  - Value of 22 carat gold is  $22/24$  of 24 carat value
  - Value of 18 carat gold is  $18/24$  of 24 carat value
  - Ignore workmanship, design costs etc.
- Silver take rate per Kg (as available in market)
  - Apply to all silver assets
  - Ignore other costs such as design etc.

# Gold and Silver Rates on 1 Ramadan 1443 AH in India (3 April 2022)

Gold (24 Carat)  
per gram:  
**Rs.5,265**

Gold (22 Carat)  
per gram:  
**Rs.4,830**

Gold (18 Carat)  
per gram:  
**Rs.3,950**

Silver per Kg:  
**Rs. 70,000**





3/25/23

# Zakat on Cash & Equivalents

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## Include all Cash and Bank Balances

- Cash (even if separated for Haj etc)
- Bank Balance – Current Account
- Bank Balance – Savings Account
  - Exclude Interest
- Bank Balance – Overdraft (Loan) Account
  - If balance positive, include
  - If negative (i.e. loan taken), minus as payable
- Fixed Deposit / Recurring Deposit
  - Include principal (not interest)
- Wallets (Paytm / JioMoney)



## Treatment of Debtors (Receivable)

- All Debtors (Amounts due and Loans Given) are to be included as Zakatable Assets
  - Advance for Flat also (until flat transferred)
- If amount is not recoverable
  - If sure of non recovery (written off), need not include
  - If recovered later, pay Zakat in the year of recovery.
- If amount is doubtful of recovery
  - Zakat is payable every year, but can be deferred until amount is received.



## Treatment of Insurance / LIC / PF

- Your amount kept with them is Zakatable
- Employer's contribution in PF is also your right, so to be included
- Any INTEREST included / accumulated is NOT to be included
- If any (halal) DIVIDEND is there, it should be added



## Treatment of Creditors (Payable)

- Creditors to be deducted
  - Reduce all business creditors that remain, at end of year
- Loans to be deducted
  - Loans for business / stock in trade to be deducted
  - Loan for Fixed Assets (such as home / factory / shop)
    - Better not to deduct - as such assets are not Zakatable



# Zakat on Trade Stock





## What is Trade Stock

- Covers ANY item kept for resale
  - Even a Flat if bought intending to sell it
  - Even a car if you are a car dealer
  - Covers shares, Mutual Funds etc.
- Depends on initial *Niyah* when purchased



## Zakat on Trade Stock

- Covers Raw material, Work in Progress Stock, Finished Goods, Trading stock
- Tools of trade / machines not covered
- Shops / offices / factories not covered
- Damaged, Obsolete, Dead Stock
  - To be included if can be sold
- Stock in Transit – to be included if FOB, not if CNF
- My Stock in Other's Godown - Include
- Other's Stock in my godown (ex. As Agent) – Not to Include



## Valuation of Trade Stock for Zakat

- Normal Goods
  - Value as per market rate
  - For Raw material, will be cost price
  - Can use bulk / wholesale rate
- Damaged / Obsolete / Dead goods
  - At (discounted) market rate
- May need to stop inventory transactions for some time to determine balance for Zakat



## Zakat on Shares and Debentures (Trade Stock)

- Public Listed Shares
  - Value as per Market Rate (BSE / NSE)
- Unlisted / Private Shares
  - If company managed by you, treat as separate Zakatable unit and pay Zakat accordingly
  - If not your own company
    - Value from last available account
    - 2 options – take all assets or only Zakatable Assets



# Zakat on Businesses

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## Zakat on Sole Proprietorship

- Since Sole Proprietorship / One Person Company (OPC) means only one person is the owner, identify all Zakatable assets of sole proprietorship and include in your own Zakat Calculation under appropriate heads.



# Zakat on Partnership Firm

- Calculate value of Zakatable Assets (Gold, Silver, Cash equivalents and Stocks) held by partnership firm / LLP
- Identify firm's liabilities which are eligible to be deducted
- Arrive at Zakatable Value
- If all partners are Muslims
  - Pay 2.5% of this value as Zakat
- If all partners are not Muslims
  - Calculate and pay proportionate share



## Zakat on Private Company

- Calculate value of Zakatable Assets (Gold, Silver, Cash equivalents and Stocks) held by the Company
- Identify company's liabilities which are eligible to be deducted
- Arrive at Zakatable Value
- If all shareholders are Muslims
  - Pay 2.5% of this value as Zakat
- If all shareholder are not Muslims
  - Calculate and pay proportionate share



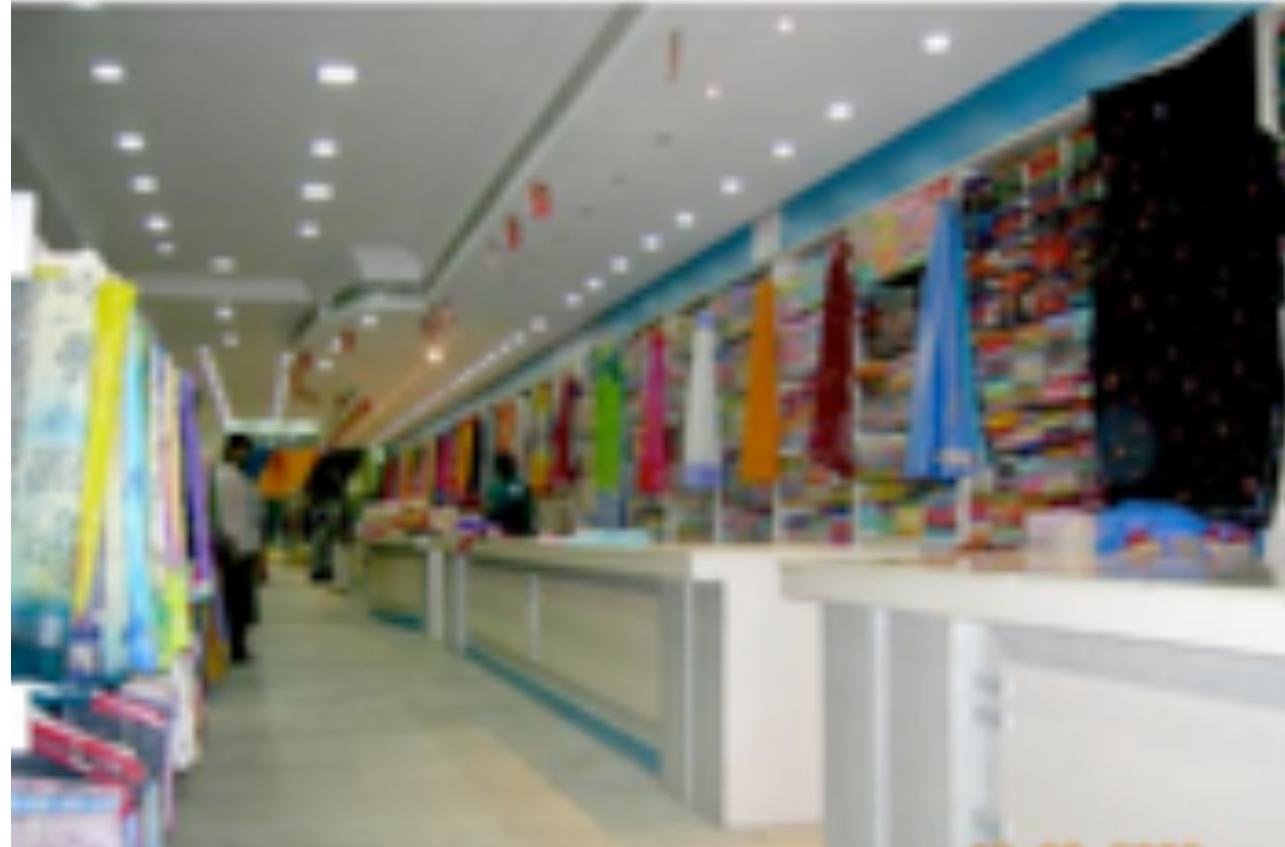
# Some Examples...

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My factory  
- NOT  
ZAKATABLE



My  
showroom  
- NOT  
ZAKATABLE

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My Home  
- NOT  
ZAKATABLE



My Farms  
- NOT  
ZAKATABLE



Additional  
house  
- NOT  
ZAKATABLE



My home items above -  
NOT ZAKATABLE





# Zakat Payable by Whom?

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# Conditions for Zakat Applicability

- Muslim
- Baligh (i.e. Adult)
- Aaqil (i.e. of sound mind)
- Owner & Possessor of the Property
- Completion of one lunar year (called *Haul*)
- Value is beyond threshold (*Sahib-e- Nisaab*)



## Sahib-e-Nisaab

- Gold – 87.48 grams (7.5 Tola)
- Silver – 612.32 grams (52.5 Tola)
- Cash or Trade Stock equivalent
- Any combination of these

**Nisaab (24 March 2023, India)**

**Based on Silver : Indian INR 44,500 approx**

**Based on Gold (24 ct): INR 5,24,000 approx**

*It is recommended to pay Zakat if you are eligible by the lower of these 2 thresholds (Nisaab)*

# Sahib e Nisaab

If



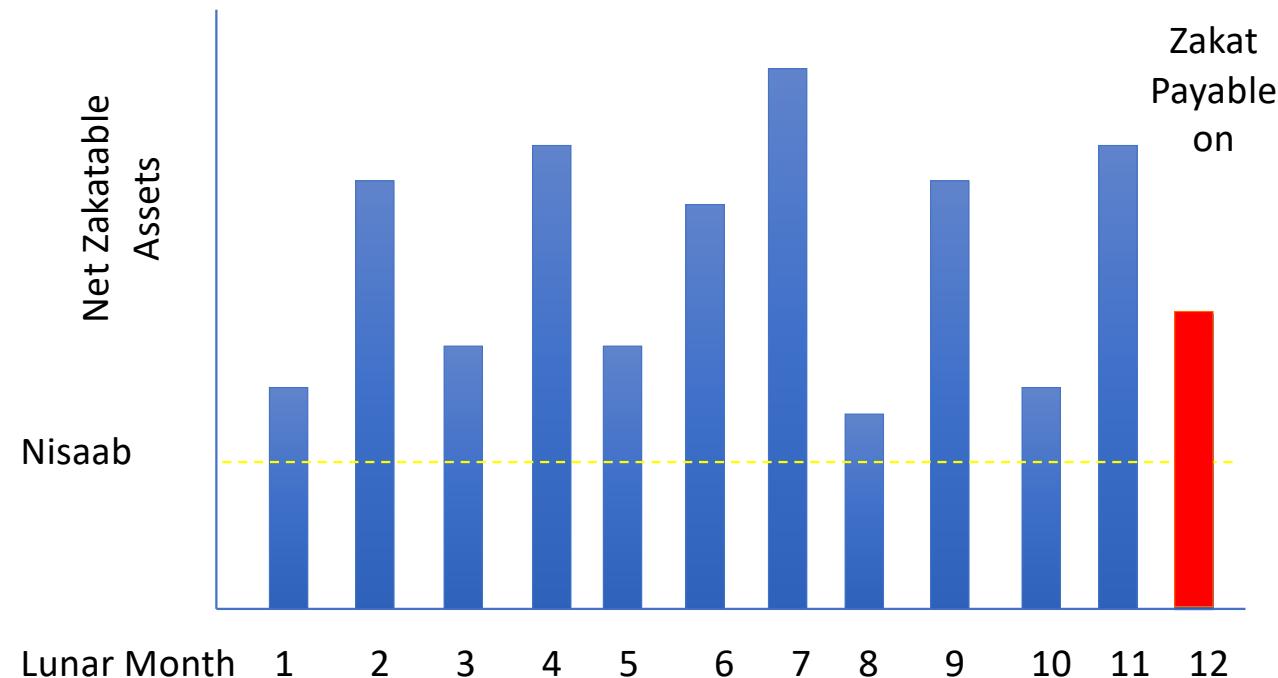
**Is More Than Rs. 44,500  
Then Pay Zakaat @ 2.5% of TOTAL VALUE**



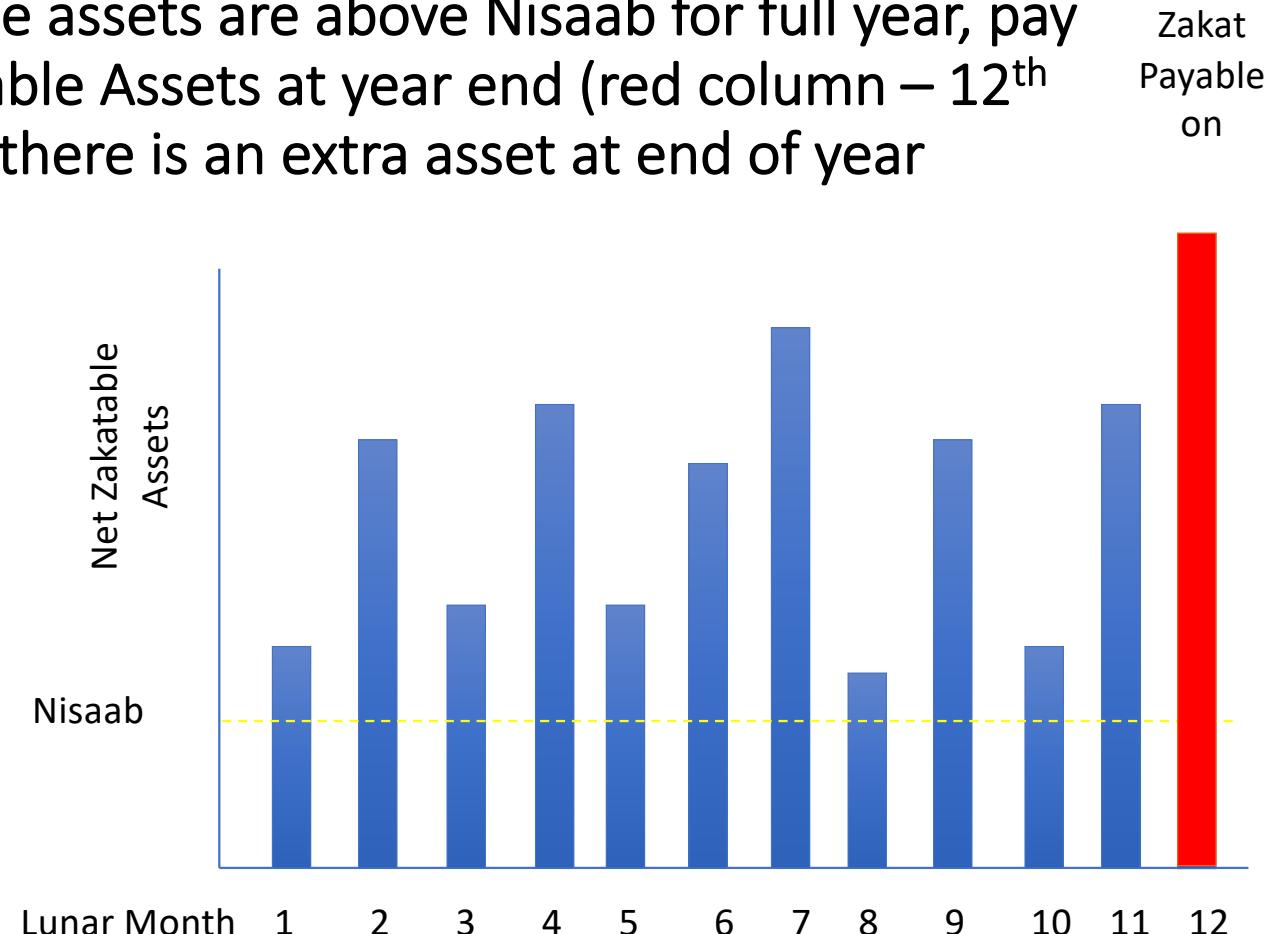
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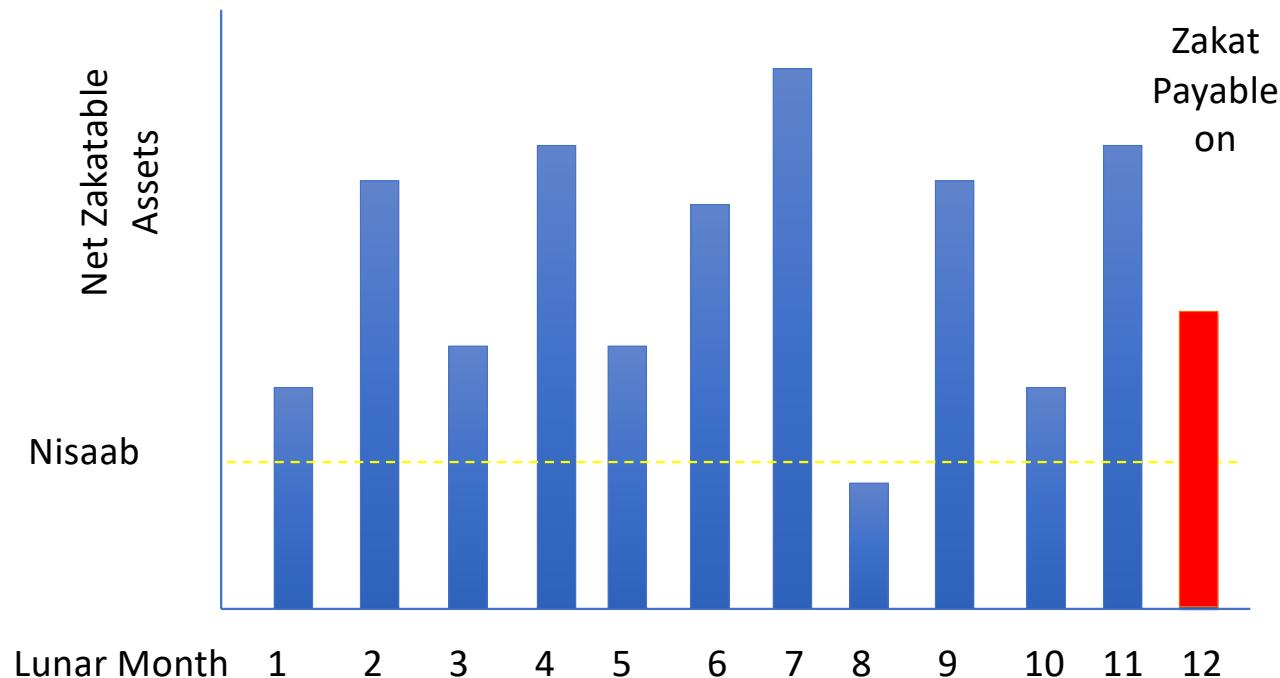
If your Zakatable assets are above Nisaab for full year,  
pay Zakat on Zakatable Assets at year end (red column  
– 12<sup>th</sup> month).



If your Zakatable assets are above Nisaab for full year, pay Zakat on Zakatable Assets at year end (red column – 12<sup>th</sup> month) even if there is an extra asset at end of year



If your Zakatable assets are above Nisaab for full year, pay Zakat on Zakatable Assets at year end (red column – 12<sup>th</sup> month) even if it is lower than during the whole year.





## What to do with Interest?

- Better not to deal with interest.
- If, even then, have interest receipt:
  - Take it out from your bank account
  - Don't use it for religious activities
  - Give it away for charitable activities (without expectation of reward)
  - Use it for activities like toilets construction, public cleaning etc.



give

# How to Pay Zakat

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## Hurry to pay Zakat

- Once liability of Zakat is ascertained, it is the duty of the owner of the asset to pay Zakat immediately.
- Someone else (like husband on behalf of wife) can pay on behalf of wife.
  - Better that they pay directly
- Not having liquid assets is NOT permissible excuse.





# Paying Zakat

- Form
  - In Cash
  - By Cheque
  - Stock Items
    - Obsolete Stocks can be given but valued at their (lower) price
  - An Asset
- Means of Delivery
  - Directly to Beneficiary
  - Indirectly through Agency

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## Who to Pay

The person who is given Zakat Should be :

- **ELIGIBLE** for Zakat
- Made complete **OWNER** of amount
- given **GRATIS** (i.e. Not for work done)
- Given not only in Ramadan; round the year

*If Zakat is given in non-cash form (medicines / clothes / food), full ownership is must (ex. food packet instead of invitation to eat)*



# Neeyah of Zakat can be made

## ***If Amount Kept Separately***

- At time of segregation

## ***If Direct Payment to Beneficiary***

- At time of payment to recipient
- After payment, until it is unused by recipient

## ***If Payment Through Agent***

- At time of payment to agent
- After payment, until it is not given to beneficiary



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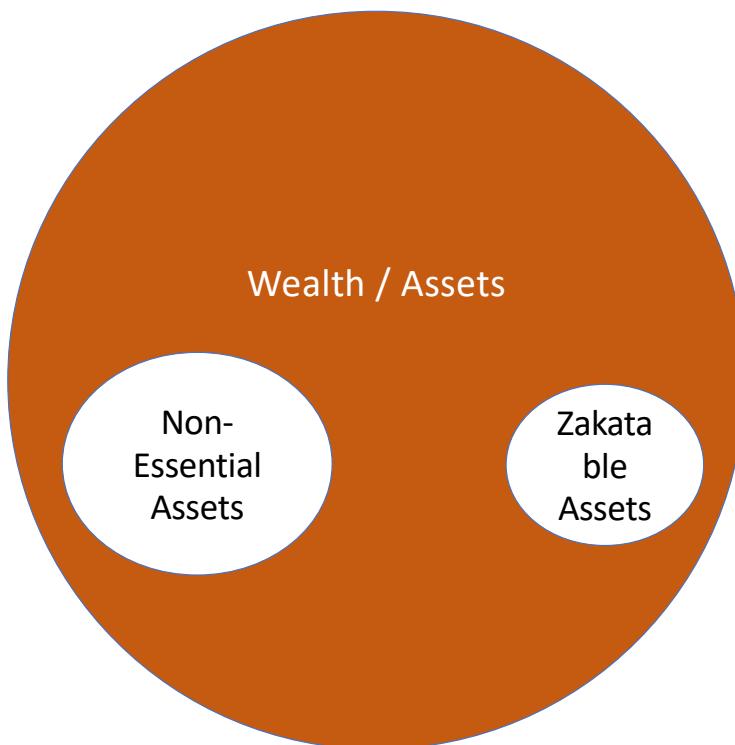


# Who is Eligible to receive Zakat?

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# WHO IS ELIGIBLE TO RECEIVE ZAKAT?



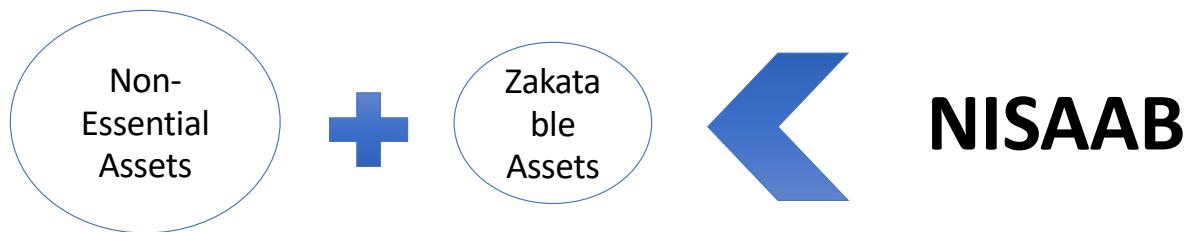
To determine eligibility for Zakat, identify the Zakatable Assets and Non-Essential Assets that the person has in his total wealth.



## WHO IS ELIGIBLE TO RECEIVE ZAKAT?

If the value of Non-Essential Items and Zakatable Assets is less than Nisaab (threshold), then he is eligible to receive Zakaat.

However, the way to assess this is by ‘Taharri’ i.e. based on our perception of his financial position, not by an inspection. It is better to have a soft / lenient approach toward this.



How to Verify: Taharri



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# Eligible recipients for Zakat

1. **Faqeer**: poor; one who has some money, but not sufficient for his basic needs
2. **Miskeen**: destitute; one who has nothing
3. **Amileen**: zakat collector, appointed by the Caliph
4. **Mu'allafah Qulubuhum** : to soften the hearts



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# Eligible recipients for Zakat

5. **Riqaab:** to slaves to purchase their freedom
6. **Gharim :** one in debt for a legitimate reason
7. **Fi Sabeelillah:** in the path of Allah
8. **Ibnis-Sabeel:** wayfarer; one stranded away from home, with no money available to him



Those who  
cannot be  
given Zakat

- Non-Muslims
  - But can and should give other charity
- Employee or Labourer, as wages
- Well-off people
- Relations of birth – upward and downward
  - (i.e. mother, father, son, daughter, grandfather, grandson etc). IF NEEDY, SHOULD BE GIVEN BUT FROM NON-ZAKAT CHARITY
  - Other relations ex. brother, sister, uncle, daughter-in-law, mother-in-law etc. IF NEEDY AND ELIGIBLE SHOULD BE FIRST PRIORITY



# Those who cannot be given Zakat (Cont'd)

- Relations of marriage
  - Husband and wife cannot give Zakat to each other but can give other (non-Zakat) amounts.
- Children of the family of Bani Hashim
  - Prophet Muhammad (SAWS)'s family, Hazrat Ali (RA)'s family etc.
- An organisation / institution (except as agent)
  - Even NGOs, hospitals etc. accept Zakat as agents



# Zakat Etiquette

- Seek out the deserving
- Give to (permitted) relatives first
- Give with humility
- Pay in secret, preferably
- Need not explicitly mention it is Zakat
- Don't keep reminding them of your giving





3/25/23

# The Spirit of Giving

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Don't limit your Charity only to  
Zakat

Let your hearts be detached from  
wealth

Let giving be your way of  
investing with Allah

Let us acknowledge that all we  
have is received from Allah and  
to be routed to his creation –  
through Us!



# Hadith e Qudsi

إِنَّ اللَّهَ عَزَّ وَجَلَّ يَقُولُ يَوْمَ الْقِيَامَةِ:

يَا ابْنَ آدَمَ، مَرِضْتُ فَلَمْ تَعْذِنِي قَالَ: يَا رَبِّ كَيْفَ أَعُوْدُكَ وَأَنْتَ رَبُّ الْعَالَمِينَ؟ قَالَ: أَمَا عَلِمْتَ أَنَّ عَبْدِي فُلَانًا مَرِضَ فَلَمْ تَعْذِهِ؟ أَمَا عَلِمْتَ أَنَّكَ لَوْ عُدْتَهُ لَوْ جَدْتَنِي عِنْدَهُ.

يَا ابْنَ آدَمَ: اسْتَطَعْمَتْكَ فَلَمْ تُطْعِمْنِي، قَالَ: يَا رَبِّ وَكَيْفَ أَطْعِمُكَ وَأَنْتَ رَبُّ الْعَالَمِينَ؟ قَالَ: أَمَا عَلِمْتَ أَنَّهُ اسْتَطَعْمَكَ عَبْدِي فُلَانٌ فَلَمْ تُطْعِمْهُ؟ أَمَا عَلِمْتَ أَنَّكَ لَوْ أَطْعَمْتَهُ لَوْ جَدْتَ ذَلِكَ عِنْدِي.

يَا ابْنَ آدَمَ: اسْتَسْقَيْتَكَ فَلَمْ تَسْقِنِي، قَالَ: يَا رَبِّ كَيْفَ أَسْقِيَكَ وَأَنْتَ رَبُّ الْعَالَمِينَ؟ قَالَ اسْتَسْقَاكَ عَبْدِي فُلَانٌ فَلَمْ تَسْقِهِ، أَمَا إِنَّكَ لَوْ سَقَيْتَهُ لَوْ جَدْتَ ذَلِكَ عِنْدِي"





# Hadith e Qudsi

- Prophet(S) said: On the day of judgement Allah shall ask a person
- 1- I fell ill and you visited Me not...
- 2- I asked you for food and you did not feed me....
- 3-I asked you for water to drink and you did not bring me the water...
- After each one, the person will say He will say: O Lord, and how could you be (ill / hungry / thirsty) for You are the Lord of the worlds?
- He will say: Did you not know that My servant <So-and-so> was (ill / hungry / thirsty) and you served him not?
- Did you not know that had you served him you would have found Me with him? (MUSLIM)





3/25/23

# Making Zakat More Effective

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A man in a dark suit and tie stands on a vast, sprawling field of wooden sticks or twigs. He is viewed from behind, looking upwards with his hands raised, as if reaching for something in a hazy blue sky above.

It doesn't matter  
how many  
resources WE  
have..

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ITS THEIR USE THAT  
MATTERS

# Effective Zakat



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Objective:

*'Serve Deen and  
raise poor to  
Sahib e Nisaab'*

25/03/23



# Zakat is not just Charity: Unlocking the Transformative Power of Islam's Third Pillar

FARAZ ADAM  
LUCY BUSHILL-MATTHEWS

YAQEEN<sup>®</sup>  
Institute for Islamic Research

- The framework ... of *Zakat* demonstrates that it is intended to be a systematic institution rather than simply a personal act of charity.



# 3 qualities of effective Zakat



## (1) Pooling funds

- To make the initiative worthwhile

## (2) Focusing locally

- Identifying needy people
- Linking local Zakat-givers

## (3) Balancing distribution

- To different categories of people



# The Axe Effect!

A man from the Ansar came to the Prophet, peace and blessings be upon him, and begged from him. The Prophet said, **“Have you nothing in your house?”**

The man said, “Yes, a piece of cloth, a part of which we wear and a part of which we spread on the ground, and a wooden bowl from which we drink water.”

The Prophet said, **“Bring them to me.”**

The man brought these articles to him and the Prophet took them in his hands and he said, **“Who will buy these?”**

Someone said, “I will buy them for one coin.”

The Prophet said twice or thrice, **“Who will offer more than one coin?”**

Someone said, “I will buy them for two coins.”



He sold them for two coins and the Prophet said, **“Buy food with one of them and give it to your family. Buy an axe and bring it to me.”**

The man brought it to him. The Prophet fixed a handle on it with his own hands and he said, **“Go gather firewood and sell it, and do not let me see you for a fortnight.”**

The man went away and gathered firewood and sold it. When he had earned ten coins, he came and bought a garment and food.

The Prophet said, **“This is better for you than for begging to come as a blemish on your face on the Day of Resurrection. Begging is appropriate only for three people: one in severe poverty, one in severe debt, and one who must pay a difficult compensation.”**

(Sunan Abu Dawud 1641)



# Divide Recipients into 3 Categories



## A. Educational Support (Human Investment)

- Where there is someone who can study and develop skills

## B. Entrepreneurship Support (Capital)

- Where there is a person in the family who can start a venture – train and support

## C. Basic Support (Consumption)

- Those who have no other means of income and future possibility – ex. disabled, old etc.)



# Example - Zakat models in Bangladesh

Form	Recipient	Use for
Cattle Distribution	Abject poor, Disabled, Widow, aged	Seed Money
Rickshaw Distribution	Capable Male Poor	Seed Money
Sewing Machine Distribution	Widow, Poor Female	Seed Money
Clothes, Food stuff Distribution	Abject poor, Disabled, Widow, aged	Spent Money
Provide Tailoring Training	Widow, Poor Female	Seed Money
Money for doing business	Poor	Seed Money
Distribution of agricultural material to farmers	Poor	Seed Money
Scholarship to Students	Poor students	Seed Money (indirectly)

Set up a Zakat Circle (pool at family / friends / locality / Masjid)

Connect with Zakat payers in the locality

Identify Zakat needy persons (especially those who do not ask)

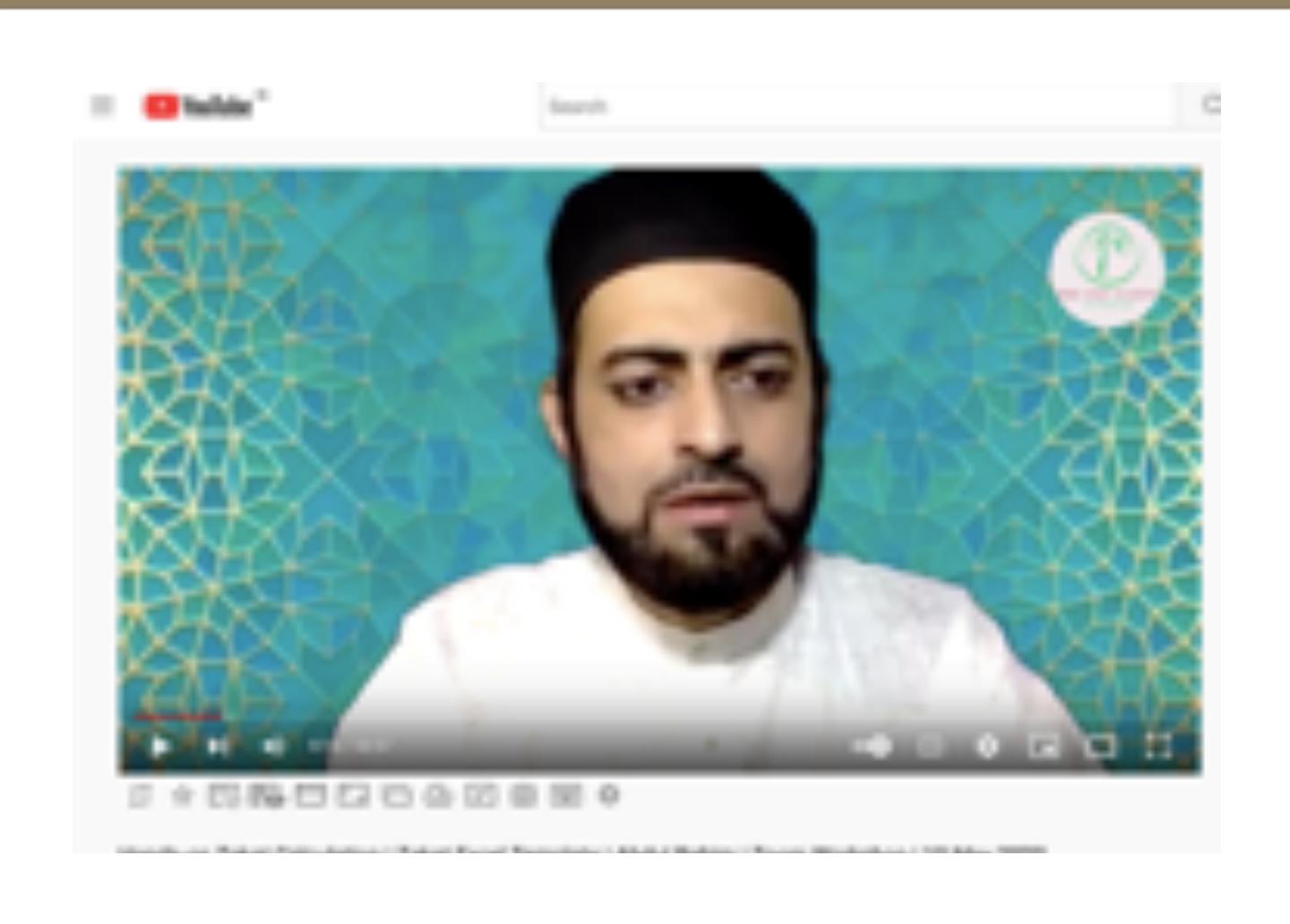
Categorise them into A, B and C categories

Support all three categories (with pre-decided percentages)

Don't limit Zakat to money – give your time, skills and knowledge

## Possible Model for Effective Zakat





**Video:**  
<https://youtu.be/zMD1dJpNCC8>

**PPT:**  
[bit.ly/zakatsimplified](http://bit.ly/zakatsimplified)

**Calculator:**  
[bit.ly/ssazakat](http://bit.ly/ssazakat)

Jazak Allah

Your comments and suggestions are welcome at

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CA ABDUL RAHIM



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