

# Calculating your Zakat

Our mission is to connect every Muslim through Zakat



## What Counts as a Business Asset?

Business assets that require Zakat:

- Cash: Any cash owned by the business, including money in bank accounts or on hand.
- Cash receivables: Money owed to the business for a cash loan, which is likely to be received.
- Trade receivables: Outstanding invoices for goods and stock that have been sold but not yet paid for.

- **Stock & inventory:** Any stock or inventory bought to resell, including raw materials, work-in-progress, and finished goods.

Business assets that don't require Zakat:

- **Service receivables:** Money owed to the business for services provided, as services are not considered Zakatable.
- **Prepaid expenses:** Money already paid out, such as advance payments for rent or services, which no longer belong to the business.
- **Fixtures & fittings:** Personal assets and belongings of the business, which are not intended for sale and may grow in value over time.
- **Property, plants, and equipment:** Items such as machinery, buildings, and vehicles used in the business, which are not considered productive wealth in Islamic law.
- **Intangible fixed assets:** Non-physical assets like copyrights, trademarks, patents, and goodwill, which are not Zakatable.

## Understanding Intentions and Zakat

Intentions affecting Zakat on assets:

1. **Clear intention to resell:** If you have a clear intention to sell an item, Zakat is due on it, regardless of how long you keep it before selling.
2. **Clear intention for personal use:** If an item is intended for personal use, it is not liable for Zakat unless it is gold, silver, or cash.
3. **No clear intention:** If you have no clear intention for an asset, it is not liable for Zakat.
4. **Conditional intention:** If you intend to keep an asset for personal use but might sell it if its value increases significantly, it is not liable for Zakat.
5. **Clear intention to sell in the future but leased in the meantime:** If you intend to sell an asset eventually but are leasing it out in the meantime, it is still liable for Zakat if the intention to sell remains.

## Working Out the Value of Your Stock

Stock valuation methods:

- **Jewellers:** Valuate gold, silver, and jewelry at the retail price on the Zakat anniversary.
- **Restaurants:** Valuate ingredients and food products at their current worth, or cost price if the current worth is unknown.
- **Property development:** Valuate properties at their current market price.

- Groceries: Valuate fruits, vegetables, and other food products at their current worth.

### **Steps to Calculate Your Business Zakat**

1. Calculate Stock Value: On your Zakat anniversary, determine the retail price of your stock. This ensures you get an accurate valuation.
2. Add Cash and Receivables: Include all cash owned by the business, cash receivables, and trade receivables. Make sure to account for any money owed to you that is likely to be received.
3. Subtract Debts: Deduct the amounts you owe as described in the debt section below. This includes any liabilities and overdue payments.
4. Calculate Zakat Amount: Pay Zakat 2.5% on the final amount after subtracting your debts from your total Zakatable assets.

#### **Gross Margin Percentage Calculation:**

1. Look up net sales and cost of goods sold: Refer to the income statement for these figures.
2. Calculate gross profit: Subtract the cost of goods sold from net sales to find the gross profit.
3. Determine the percentage: Calculate the gross profit as a percentage of net sales.
4. Apply to stock value: Add this percentage to the stock value on your balance sheet.

### **Handling Business Debts**

#### **Debts that can be deducted:**

1. Short-term debts: Debts that need to be paid in full within 12 months.
2. Installments of long-term debts: Up to 12 months' worth of installments for long-term debts.
3. Arrears: Any overdue payments that are due on your Zakat anniversary.

#### **Debts that cannot be deducted:**

1. Future expenses: Bills and expenses not yet due, such as next month's rent.
2. Long-term debt not due: Debts not payable within the next 12 months, like a student loan that is not yet due.
3. Unlawful income: Interest or other forms of unlawful income cannot be deducted from your Zakat amount.

## Zakat Payment and Responsibility

Who is responsible for paying Zakat for a business?

- Sole owner: The sole owner of a business is responsible for calculating and paying Zakat on all business assets.
- Partnerships: Each partner is responsible for paying Zakat on their share of the business assets. Partners must calculate their individual share of the total Zakatable assets and pay Zakat accordingly.

Can Zakat be paid in kind?

- According to the Hanafi school of thought, Zakat can be paid in kind (with items instead of money). Other schools of thought may allow it only in specific situations, so it's best to consult with a knowledgeable scholar if you are unsure.

## Why Give Zakat through Al Zakati?

Benefits of giving Zakat through Al Zakati:

- Local Impact: Your Zakat directly helps local Muslims by providing essentials, mental health support, educational funding, and basic living costs.
- Community Strengthening: By supporting those in need within your community, Zakat strengthens and unites the Muslim ummah.
- Transparency and Trust: Al Zakati ensures that your Zakat is distributed in a religiously sound and transparent way, reaching those who are truly eligible and in need.

## Contact Us

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