



Hidaya Foundation

P.O. BOX 5481, Santa Clara, CA 95056
(866) 2-HIDAYA | www.hidaya.org

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An Educational Guide to **Zakat** (Obligatory Charity for Muslims)



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What is Zakat?

Zakat is an obligatory act ordained by Allah, Subhanahu wa Ta'ala (The Glorified and Exalted), to be performed by every sane adult Muslim who possesses a certain minimal amount of wealth (called Nisab) for a complete lunar year. Zakat is:

1. One of the five pillars of Islam, which are: Believing in Allah, Salat (prayers), Zakat (obligatory charity), Sawm (fasting), and Hajj (pilgrimage to Mecca).
2. A form of Sadaqah (charity) which is obligatory on Muslims; it is an act of Ibadah (worship) and not a tax.
3. Levied on specific assets only, identified by Shariah (Islamic Law) as assets having the potential for growth, i.e. "Zakatable assets".
4. The compulsory transfer of ownership of a portion of the property of the giver, calculated at the rate of 2.5%, to poor and needy Muslims who qualify to receive Zakat according to the Shariah.
5. Calculated after a lunar year on the market value of the Zakatable assets after deducting specified liabilities.

With regards to calculations (and specific information throughout this document), we have followed the Hanafi school of thought. Information on other schools of thought may be found by researching Fiqh (Islamic Jurisprudence) books, or consulting scholars.

What is the meaning of Zakat?

The literal meaning of Zakat is "to be clean, to grow, to increase." It comes from the root letters za, kaf, ya, which has several meanings: to be clean [Al-Quran Chapter 24: Verse 21], to pay the obligatory charity [Al-Quran 2:43], to be pure, innocent [Al-Quran 19:19, 18:74] to be better in purity [Al-Quran 18:81, 19:13], and to justify [Al-Quran 53:32]. The word "Zakat" has been used in Al-Quran to mean all of these things.

Why should I pay Zakat?

Allah (SWT) commands in Al-Quran, "Take alms out of their property, you would cleanse them and purify them thereby, and pray for them; surely your prayer is a relief to them; and Allah is Hearing, Knowing." [Al-Quran 9:103]

Narrated Ibn 'Umar: Allah's Apostle (Peace

Be Upon Him) said: Islam is based on (the following) five (principles): To testify that none has the right to be worshipped but Allah and Muhammad is Allah's Apostle; to offer the (compulsory congregational) prayers dutifully and perfectly; **to pay Zakat (i.e. obligatory charity)**; to perform Hajj. (i.e. Pilgrimage to Makkah), and to observe fast during the month of Ramadan. (Sahih Al-Bukhari, Vol.1, Book 2, No.7)

What if I don't pay Zakat?

Allah (SWT) has strongly warned those who are negligent in paying their Zakat. Thus He said in Al-Quran, "... Those who hoard up treasures of gold and silver and spend them not in the way of Allah; give them the news of a painful punishment, on the Day when that (wealth) will be heated in the Fire of Hell and with it will be branded their forehead, their sides, and their backs, (and it will be said to them:) 'This is the treasure which you hoarded for yourselves. Now taste of what you used to hoard.'" [Al-Quran 9:34-35]

Further, on the authority of 'Ali, that the Prophet (PBUH) said: "Allah has enjoined upon rich Muslims a due to be taken from their properties corresponding to the needs of the poor among them. **The poor will never suffer from starvation or lack of clothes unless the rich neglect their due.** If they do, Allah will surely hold them accountable and punish them severely." (Related by At-Tabarani in Al-'Aswat and as-Saghir)

Who must pay Zakat?

For people to pay Zakat they must meet the following criteria:

1. The person should be Muslim, adult, sane, free (not a slave).
2. They must possess a certain minimum amount of extra wealth (called Nisab), fully owned by them, in excess of items of personal use (such as clothing, food, shelter, furniture, utensils, cars, etc.)
3. They should have had this minimum amount in possession for a complete lunar year (hawl).
4. The wealth should be of a productive nature, from which they can derive profit or benefit such as merchandise for business, gold, silver, livestock, etc.
5. The person's zakatable assets should be free from debt.

When is Zakat due?

A complete year in the Islamic calendar should pass, starting from the very day of the Nisab's possession, without any decrease below Nisab during the year. In case zakatable assets decreases below the value of Nisab, the year cycle (hawl) starts from the day wealth again reaches value

of Nisab. Zakat should be given as soon as possible after it becomes due. If it so happens that death occurs and thus leads to the failure of fulfilling one's obligations, zakat should be taken from the estate of the deceased. *Please see Figures 1 - 3 on back page for further explanation.*

What things require paying Zakat on them?

Gold, Silver, Cash, and many other items are subject to Zakat.

Gold and Silver: Asma bint Yazid reported: "My aunt and I, while wearing gold bracelets, went to the Prophet (PBUH). He asked: 'Did you pay their Zakat?' She related that they had not. The Prophet (PBUH) said: 'Do you not fear that Allah will make you wear a bracelet of fire? Pay its Zakat.'" [Narrated by Ahmad (6:461) with a good chain, as Haythami declared in Majma' Al-Zawa'id (3:67)]

Furthermore, Aisha narrated: "The Messenger of Allah (PBUH) came to me and saw me wearing silver rings, whereupon, he asked: 'What is this, Aisha?' I replied: 'I made them to adorn myself for you, O Messenger of Allah.' He said: 'Did you pay their Zakat?' I said: 'No, or what Allah wishes.' Then he said: 'Their punishment in Hell is enough for you.'" (Narrated by Abu Dawud in his Sunan with a strong chain, Daraqutni in his Sunan, and Baihaqi in his Sunan (4:140)).

Gold and silver, whether in the form of jewelry or otherwise, will always be subject to Zakat provided their respective weights exceed the Nisab amount. According to scholars, Nisab for gold is 20 mithqal (~ 87.49 gram), and the Nisab for silver is 200 dirhams (~613.35 gram).

	Nisab	Grams	Ounce	Troy oz.
Gold	20 mithqal	87.49	3.086	2.8125
Silver	200 dirhams	613.35	21.635	19.6875

The prices of gold and silver vary daily in international markets. On June 30, 2010, the price of gold was approximately \$40.00/gram and silver was \$0.60/gram, hence the Nisab for gold is approximately \$3,499.60 (\$40.00 x 87.49 grams) and the

Nisab for silver is approximately \$368.01 (\$0.60 x 613.35 grams).

Zakat on gold and silver will be according to the value in the international market. Hence when calculating the value of your gold and silver, you may consult a jeweler for the correct weight and value. Any stones in the gold are not Zakatable.

Cash: The amount of cash held, whether in a bank or personally on hand, at the end of the relevant Zakat year will always be subject to Zakat. Money lent and advanced should be treated as cash and Zakat must be paid on such loans each year.

The Nisab for cash is equivalent to the value of gold or silver (whichever is less). At present Nisab of silver is less, so Zakat on cash is calculated according to Nisab of silver. All the values of Zakatable assets, for calculation, are converted into cash, and based on the fact that Nisab is calculated according to **the Nisab of silver, which on June 30, 2010, was \$368.01.**

Other items which require paying Zakat include:

Stocks, Mutual Funds, Stock Options, Employee Stock Purchase Plan, Business Merchandise Inventory, Private Companies, Corporations and Partnerships, Retirement Plans (401K, IRA, etc.), Real Estate Investments in Property Owning Companies, Accounts Receivable, Profits from Investments, Trusts, Long-Term Insurance (Life Insurance), Lump Sum Payments in Terms of Compulsory Pension and Provident Funds, Severance Packages, Income Tax, Liabilities which may be deducted, Buried Precious Metals or Minerals (Rikaz), Livestock (like Cows, Sheep, Camels), and Agricultural Produce.

What things do not require paying Zakat on them?

Money that does not reach the amount of Nisab, servants, horses, any property that is not used for business purposes, any possessions that are not of productive

nature, even if they exceed one's needs (cars, utensils, furniture, etc.), provided they are not intended for trade and deposits.

Why making intention for paying Zakat is necessary:

It is obligatory to make a niyyah (intention) for the fulfilment of Zakat. If the intention is not made, the Zakat will not be valid. While giving, the intention should be that, "I am giving this as Zakat."

It is not necessary to reveal to the needy person to whom the Zakat is given that the cash or kind that is being given to him is Zakat.

What about Zakat that I have not paid in the past?

Ibn 'Abbas reported: A woman came to the Messenger of Allah (PBUH) and said: My mother has died, and fasts of a month are due from her. Thereupon he (PBUH) said: Don't you see that if debt was due from her, would you not pay it? She said: Yes (I would pay on her behalf.) Thereupon he said: The debt of Allah deserves its payment more than (the payment of anyone else) (Sahih Muslim, Book 6, No. 2554).

Thus, scholars deduce from the above hadith that any missed Zakat must be paid immediately to the deserving.

Who should not receive Zakat?

Zakat can't be given to parents, grandparents, children, grandchildren, wife or husband; family descendants of the Prophet Muhammad (PBUH). Zakat is only given by Muslims to Muslims.

If one can not determine whether the recipient is needy or not, then it is better to make certain before giving him Zakat. If Zakat is given without inquiry and subsequently it is known that the recipient is wealthy, the Zakat is not valid and it should be given again.

Who should receive Zakat?

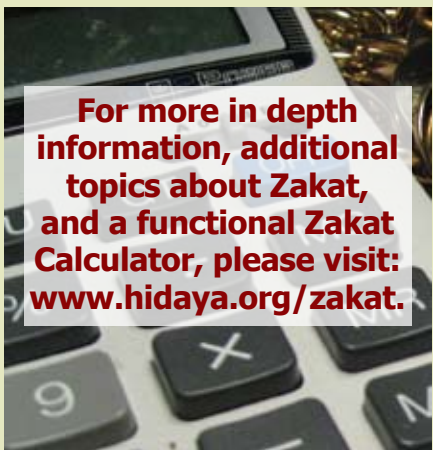
There are eight groups of people on whom Zakat should be spent, as mentioned in Al-Quran: "The alms are only for the Fuqaraa (the poor), and the Masakeen (the needy) and those employed to collect (the funds); and to attract the hearts of those who have been inclined (towards Islam); and to free the captives; and for those in debt; and for Allah's Cause, and

for the wayfarer (a traveler who is cut off from everything); a duty imposed by Allah. And Allah is All-Knower, All-Wise." [Al-Quran 9:60]

1. **Fuqaraa:** Those who own property in excess of basic necessities but below the value of Nisab
2. **Masakeen:** Persons of extreme poverty who possess no wealth whatsoever
3. **Aamileen:** (Zakat collector) According to Scholars, those persons who are appointed by an Islamic Government to collect Zakat. It is not necessary that this be a needy person
4. **Muallafatul Quloob:** Those poor and needy persons who are given Zakat with the intentions of solidifying their hearts because they maybe recently converted to Islam or to bring them closer to Islam
5. **Ar-Riqaab:** Slaves whose masters have agreed to set them free on a payment of a fixed amount, Zakat may be used to purchase their freedom
6. **Al-Ghaarimeen:** A person whose debts exceed his assets and his net assets (after deducting his liabilities) is below the Nisab limit
7. **Fi Sabeelillah:** Those who are away from home in the path of Allah
8. **Ibnus-Sabeel:** A traveler, who, whilst wealthy at his residence, is stranded and in need of financial assistance

Who can receive Zakat among relatives?

Zakat can be given to a brother, sister, nephew, niece, paternal or maternal uncle, paternal or maternal aunt, father-in-law, mother-in-law, step-grandfather, step-grandmother provided they do not have Nisab.



For more in depth information, additional topics about Zakat, and a functional Zakat Calculator, please visit: www.hidaya.org/zakat.

How to Calculate Your Zakat

Combining acquisitions of the same class:

One year must elapse over the Zakatable property in order for Zakat to be required upon it. However, this is subject to a qualification in which a person has Nisab of a particular class of Zakatable property (e.g. gold, silver, cash, etc) and during the course of the Zakat year acquires property of the same class from any source whatsoever. Then this newly acquired property is added to the previously existing Zakatable property of the same class, and Zakat is payable on the whole amount at the end of that Zakat year - without calculating a separate Zakat year for each separate acquisition. For example, a person has cash of \$5,000 and during the course of the Zakat year receives a further sum of \$10,000 by way of a gift. He must pay Zakat on the sum of \$15,000 at the end of that Zakat year.

The calculator below is based on 2.5% of total net worth available at the end of one lunar year. For a detailed Zakat Calculator visit www.hidaya.org/zakat.

Total Gold Value (without jewels)	\$
Total Silver Value (without jewels)	\$
Cash on hand	\$
Checking Account	\$
Savings Account	\$
Business Bank Account(s)	\$
Stocks	\$
Mutual Funds	\$
Business Merchandise Inventory	\$
Retirement Plans (401K/IRA/etc.)	\$
Real Estate (excluding personal residence)	\$
Accounts Receivable	\$
Other funds (profits, trust accounts, partnerships, etc)	\$
Sub Total	\$
Less deductible liabilities	\$
Total	\$
Total x 0.025 (Zakat you have to pay)	\$

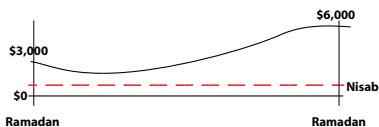


Figure 1

In this graph, \$3,000 is the amount of wealth owned in Ramadan. This amount exceeds Nisab (calculated according to the Nisab of silver.) During the year it decreases but does not go below Nisab. In this case, Ramadan will be counted as the beginning of the relevant lunar year and Zakat will be due on the amount of wealth in possession during next Ramadan, which is \$6,000.

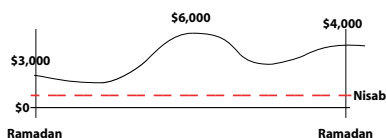


Figure 2

In this graph, \$3,000 is the amount of wealth owned in Ramadan. This amount exceeds Nisab. During the year the amount decreases, then increases to \$6,000. Then, wealth decreases again before increasing to \$4,000. Despite these fluctuations, the amounts do not go below Nisab. Hence, the relevant Zakat year will begin in Ramadan and Zakat will be due on the amount of wealth in the next Ramadan, which is \$4,000.

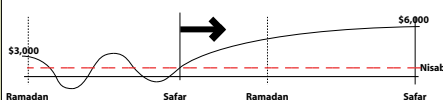


Figure 3

In this graph, \$3,000 is the amount of wealth owned in Ramadan, which exceeds Nisab. During the year it fluctuates - sometimes going below or above Nisab. The individual's relevant lunar year however only begins once the wealth goes above Nisab in the month of Safar and remains above that for one complete year until next Safar. Hence, Zakat will be due in Safar on the complete amount, which is \$6,000.

References for this information and more in depth coverage about Zakat are available on our website: www.hidaya.org/zakat

The Purpose of this Educational Guide:

The purpose of this guide is to educate Muslims of today's age about Zakat. Given the fact that worldwide poverty is rampant, combined with the realization that the majority of Muslims today don't properly know how to calculate their Zakat (especially given the new forms of income that were not prevalent in the past), Hidaya Foundation took the challenge to consult with scholars and come up with this guide to simply explain the concept of Zakat and how to calculate it to help Muslims fulfill this religious obligation and the rights of the poor.

What if Every Muslim Paid Zakat and it was Distributed Properly?

If Zakat was properly practiced and implemented by those who pay it and those who distribute it, poverty could be eliminated from the face of the earth.

An example from history which demonstrates how implementation of justice in the distribution of Zakat can benefit all of society is from the Caliphate of Umar ibn Abdul Aziz. During his Caliphate which amazingly was only for a duration of 2 years and 5 months (717 - 720 A.D.), he made great efforts to organize the government and ensure justice to the point that his society enjoyed such a golden period that at the time of the annual Zakat distribution for the poor, Zakat distributors couldn't even find a single poor person in need to accept it. Thus the money was used for helping neighboring societies, building roads, and the overall well being of the community at large. The abundant wealth of Muslims at the time and their devotion to properly give Zakat, combined with the justice in distribution, is an excellent example of how positive social change is possible even in such a short period of time.

The Prophet Muhammad (Peace Be Upon Him) said, " . . . The Poor will never suffer from starvation or lack of clothes unless the rich neglect their due."

Hidaya Foundation's Mission:

To implement educational, environmental, social welfare, and health care programs in economically depressed areas of South Asia, West Africa and North America, with focus on projects which promote self-employment.

How Hidaya Distributes Zakat:

Hidaya Foundation collects and distributes Zakat donations for various projects per Shariah (Islamic Law) guidelines and as instructed by donors.

Zakat funds are used to support orphans, widows, poor elderly, families in extreme poverty, poor girls for marriage, deserving students, poor medical patients, and people affected by disaster.

The projects where Zakat donations are utilized are: No Orphan without Education, Sponsor a Student, Female Education Drop-Out Prevention, Support a School, Information Technology Training, Vocational Training, Career Development, Water Hand Pumps for Clean Drinking Water, Marriage Support for Girls, One Million Meals, Disaster Relief, Widow/Orphan Support, Farmer Assistance, Self Employment, Medical Assistance, Hospital Assistance, and Medical Camps.

It is better for an individual to pay his/her Zakat directly to deserving people, if possible. If however, that is difficult for them, then they may assign the responsibility to a trustworthy individual or organization. It is the individual's responsibility to ask questions from whomever is distributing their Zakat regarding what kind of people their Zakat is being distributed to, how and why they are selected, etc. Remember, Zakat is obligatory on every Muslim and if it is given to the wrong person, the obligation may not be fulfilled. Zakat can only be given to people who do not have Nisab and who meet the criteria according to Chapter 9, Verse 60 in the Holy Quran.

Contact Us:

Hidaya Foundation, 1765 Scott Blvd, Suite 115, Santa Clara, California 95050; (866) 244-3292 / (866) 2-HIDAYA; www.hidaya.org