

ZAKAAT PRESENTATION

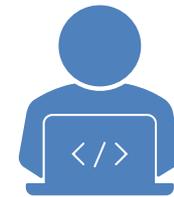
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PRESENTED BY DR NAJMUL
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BRIEF PROFILE OF PRESENTER

- Dr Najmul Hussein Rassool is a freelance Business Management/Islamic Finance Consultant, Lecturer and Trainer
- He holds the following qualifications and certifications:
- PhD in Islamic Banking & Finance with Al-Madinah International University, Malaysia
- Certified Shariah Adviser & Auditor (CSAA) from AAOIFI, Bahrain
- Chartered Islamic Finance Professional (CIFP) from INCEIF, Bank Negara, Malaysia
- Certified Islamic Professional Accountant (CIPA) from AAOIFI, Bahrain
- MBA in Finance from the University of Witwatersrand, South Africa
- Post-Graduate Diploma in Economic Principles from the University of London
- He lectured on Islamic Banking & Finance at the University of Technology Mauritius among others
- He has authored a few articles and book chapters that were published internationally



WHAT IS ZAKAAT ?

- Linguistically:
 - purification, growth, blessing, betterment
- Islamic Law:
 - Zakat is an obligatory action of giving a specific portion of one's wealth to eligible recipients every lunar year

ZAKAAT FROM THE QURAN

- *And establish prayer and give Zakaat (Qur'an 2:110)*

- The word **Zakaat** occurs **30 times** and in **27 occasions** it is linked with the word Salah in the same verse

- After the hijrah to Madinah, Allah revealed, "Take, (O, Muhammad), from their wealth a charity by which you purify them and cause them increase (**Sura Tauba, 103**)"

- The distribution of Zakaat to the deserving beneficiaries are mentioned in **Surah Tauba, 60**



ZAKAAT FROM THE SUNNAH

- The **Sunnah of the Prophet (SAW)** gives us the **detailed specification of assets subject to Zakaat**, the exempt portion, and the applicable rates
- Narrated by Ibn Abbas: *“Allah has made it obligatory for them to pay Zakāt upon their assets and it is to be taken from the wealthy among them and given to the poor among them.” - Sahih Bukhari*
- After the migration to Madinah, the Prophet sent out **messengers** to collect Zakaat from the wealthy and sent **evaluators** to the plantations to approximate the value of the potential wealth



Legislation & Importance of Zakaat

- Zakaat was legislated in 2 AH, approximately 18 months after the arrival of the Prophet صلى الله عليه وسلم to Madinah.
- Zakaat is the third pillar of Islam
- Zakaat is an obligatory form of worship (ibadah)
- Zakaat is an obligation
- Zakaat is as imperative as Prayer



Who is qualified to pay Zakaat?

Muslims of sound mind

Free (not enslaved)

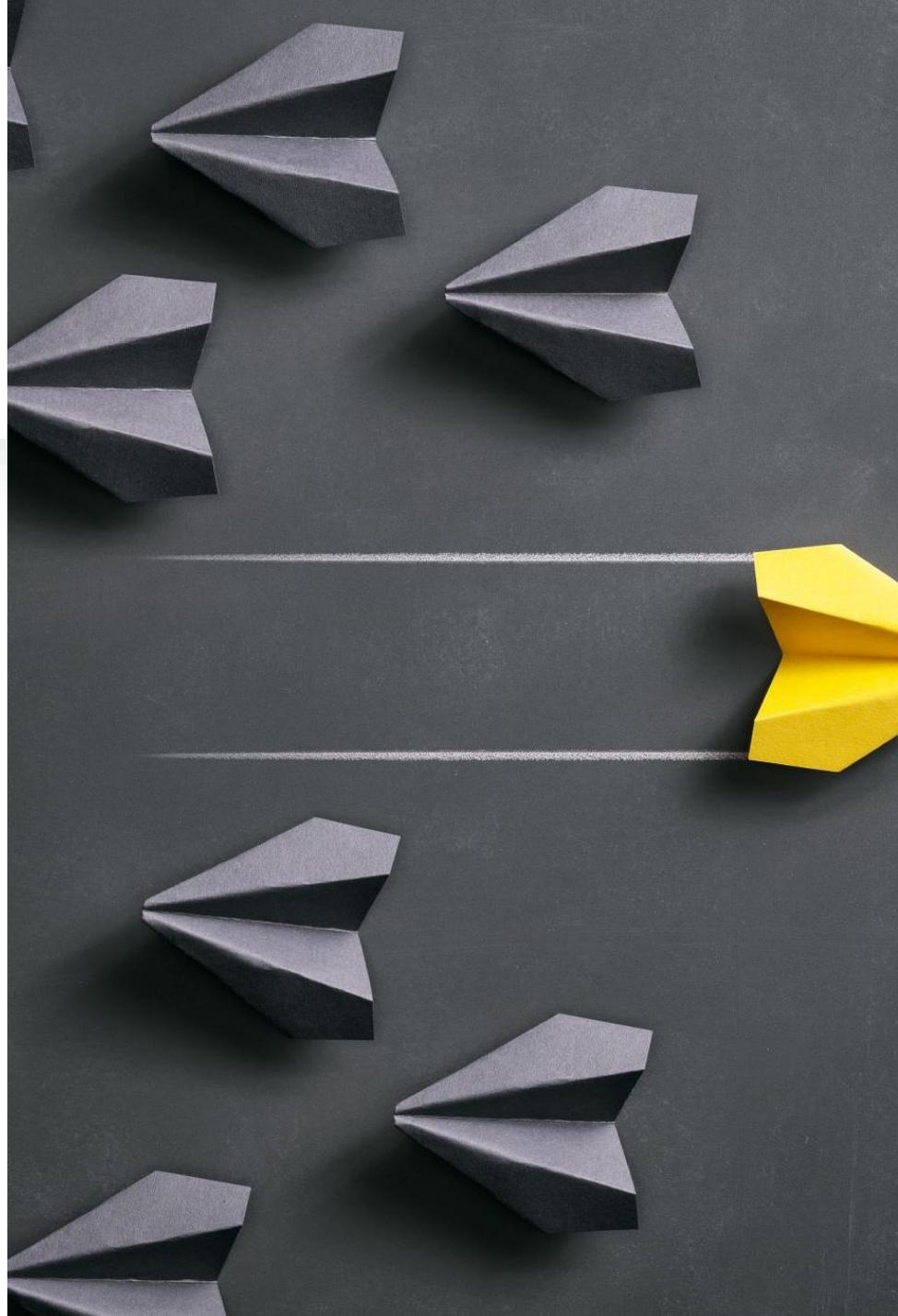
In control of their own wealth

Wealth is in excess of Nisaab

A full lunar year has passed over the Zakatable Wealth

IS A CHILD LIABLE TO PAY ZAKAAT?

- Difference of opinion among the different schools of Islamic law
- **1. Adolescence**
- Hanafi School - Obligatory only on an adolescent
- Other Schools - Obligatory upon a child even if a minor
- **2. Sanity & Mental Capacity**
- Hanafi School - prerequisite for Zakaat obligation
- Other Schools – not a prerequisite for Zakaat obligation



WHAT IS NISAAB?



Nisaab refers to the basis used to determine if a person is liable to pay Zakaat



Different bases are used for different sources of wealth

ZAKAAT ANNIVERSARY

- The Zakaat Anniversary is the date on which Zakaat is calculated every year
- It is in fact the date on which the first time a person possessed Nisaab. It can happen in 2 ways:
 - (a) a child who owns Nisaab in Zakatable Assets
 - (b) A person who attains Nisaab for the first time in his lifetime



ZAKAAT LIABILITY

If a Muslim has Zakatable Assets that exceeds Nisaab for the **first time**, he has no liability to pay Zakaat in the **same year** even if his Net Zakatable Assets (Assets minus Liabilities) is equal to or exceeds Nisaab.

The same person will have to assess his Zakatable Assets at the end of the **first year after attaining Nissaab** and if his Net Zakatable Assets (Assets minus Liabilities) is equal to or exceeds Nisaab, then he must pay Zakat.

ZAKAAT VALUATION DATE

Every Muslim will have to establish a Zakaat valuation date based on the date the Nisaab amount is first reached

Can be at any time during a year. Not necessarily in Ramadan

A period of twelve months must have passed since the date the person first attained Nisaab

The period of 1 year does not mean that the Zakatable assets must be in the person's possession for one year

NISAAB ON DIFFERENT SOURCES OF WEALTH



For liquid assets it is calculated either on the market price of Gold 87.48 grams or Silver 612.36 grams



For agricultural produce or fruits the equivalent of 653 kgs of wheat or average food



For animals used for multiplication, it is based on quantity – 40 for sheep and 30 for cows



For mineral and marine wealth, the basis of gold is used

NISAAB ON LIQUID ASSETS

Set by the Prophet at a rate equivalent to 87.48 grams of Gold or 612.36 grams of Silver

Parity of Gold & Silver at time of the Prophet

Change in parity of Gold & Silver today – Wide price fluctuations.

The conversion of Gold or Silver in today's prices produce different results

Higher Nisaab based on Gold

Lower Nisaab based on Silver

Nisaab – Gold or Silver ?

APPLICATION OF NISAAB

- Since there are two bases of calculating Nisaab, the following guidelines apply:
 1. If a person has only Gold (Jewellery/Gold Coins/Gold Bar etc) as Zakatable Assets, the Nisaab is based on Gold
 2. If a person has a mixture of Zakatable Assets such as Gold, Silver, Currency, Property, Inventories etc, the Nisaab is based on Silver – As per Imam Ahmad & Imam Abu Hanifah – Also endorsed by Shaikh Dr Yusuf Al Qaradawi



THE ZAKAAT YEAR

Usually, a lunar year

Contemporary scholars have permitted the use of a solar year

Shafi'i and Hanbali Schools – A person must maintain the value of the Net Zakatable Assets above the Nissab at all times during a year. If the value drops below the Nissab the Zakaat year is cancelled.

Hanafi & Maliki Schools - A person must have Net Zakatable Assets at the beginning and end of a Zakaat year. Fluctuations above and below the Nissab during the year does not nullify the Zakaat year

WHO MUST PAY ZAKAAT?

- Zakaat is an individual responsibility
- It should be calculated separately for each member of the family
- The person must have intention to pay Zakat
- Payable every Zakaat cycle subject to meeting or exceeding the Nisaab



NON-ZAKATABLE ASSETS

- Personal assets (House, motor vehicles, furniture, etc.)
- Business Fixed assets - Machinery, Tools etc
- Agricultural/Mineral assets
- Waqf
- Unlawful assets



ZAKATABLE ASSETS



Liquid Assets -Money, Gold, Silver, Inventories, Debtors, Loans, Investments etc.



Livestock - Sheep, Cows, etc. (per quantity)



Agricultural Products - Wheat, Barely, Dates, etc. (on harvest, per reaping)



Minerals - earth and ocean (upon extraction)

ZAKAAT ON GOLD & SILVER

Difference of opinion among the Schools of Law

- **Hanafi-** All gold & silver are Zakatable irrespective whether it is worn, stored, a form of investment or business inventory
- **Shafi'i, Maliki & Hambali** – only gold & silver as trade inventory, a form of investment or an asset class in one's investment portfolio are Zakatable. Everyday gold & silver jewellery owned and worn by a woman for personal use is not Zakatable



LIQUID ASSETS



Money (currency) – Cash & Bank



Shares and Investment in Funds & Unit Trusts



Takaful (Insurance) Policies (YSV)
Life Insurance Policies (Premiums)



Retirement Savings - Pensions & Retirement (Compulsory/Voluntary)



Gold, Silver & Jewellery



Business Assets – Cash, Inventories, Debtors



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