

MUSLIM CONVERTS' ASSOCIATION OF SINGAPORE

UNDERSTANDING ZAKAT

A Beginner's Guide to
Learning and Practising Zakat



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Due care has been taken to ensure the accuracy of the contents. If you spotted any errors, please find a minute to send us a note by email.

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FOREWORD

*In the name of God,
the Most Beneficent, the Most Merciful.*

The foundation of a Muslim is embedded in the five pillars of Islam. One of these pillars, Zakat, carries benefits that go beyond the spiritual enrichment of the individual self. It ripples through the surrounding of the Muslim by directly contributing to the financial welfare of the community.

Islam has paved an easy way for us to fulfill our Zakat obligations, even for those of us who know so little about it. However, if we were to continue paying, or receiving, Zakat without learning of its history, mechanics, and significances, we could miss out on the optimal experience in fulfilling our third pillar of Islam.

This book is meant to help develop deeper understanding amongst Converts about the wisdom within Zakat. Using concise facts, as well as step-by-step demonstrations to calculate Zakat, this publication serves as a compact reference guide suitable for everyone - non-Muslims, born-Muslims, or Converts; new students or advanced learners of Islam.

With the publication of this book, it is hoped that the efforts to further knowledge on Zakat would flourish. God-willing, this encourages more readers to share the information herein and holistically embrace this blessed system through the guidance and mercy of God.

May peace be upon you.

UNDERSTANDING ZAKAT

**Introduction to the
concept and meaning
of *Zakat***

WHAT DOES ZAKAT MEAN?

In the Arabic Language, *zakat* means growth and increase; the word *zakat* also carries meanings of fertility, purification, and full of blessings.



SAVINGS



CPF



INSURANCE



ZAKAT ON ONE OF THE TWO



FAKIR*



MISKIN*



RIQAB*



GHARIMIN*

RELIGIOUS PERSPECTIVE

In the religious perspective, *zakat* is a form of worship (*ibadah*) and is described as a share of wealth, which is taken from a type of wealth based on a determined set of prerequisites, for distribution to the determined groups of people who hold the rights to receive it. (See Fig 1 below and Page 40)

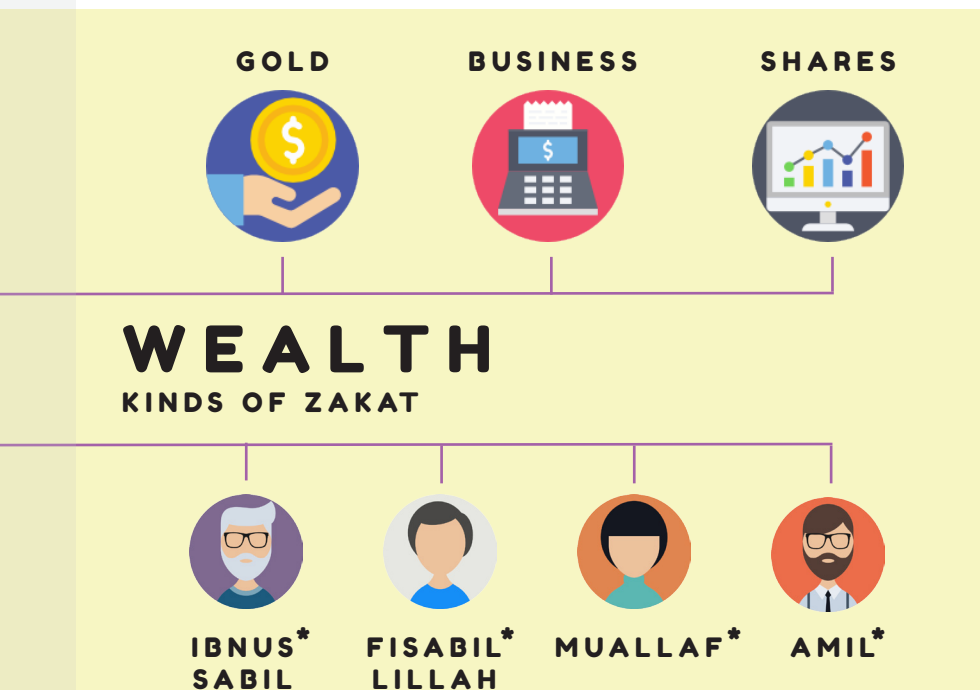


Fig 1. Sources and recipients of *zakat* on wealth

*Definitions on page 36 and 37

RULINGS

Zakat stands as the third of the five pillars of Islam, alongside the testimony of faith (shahadah), prayer (solat), fasting in the month of Ramadhan (saum), and the pilgrimage to Mekkah, specifically for those who can afford the journey (hajj).

As such, *zakat* is obligatory (wajib) upon those who satisfy the criterion for giving *zakat*. An individual who does not recognise this obligation is thus considered to have fallen out of the folds of Islam.

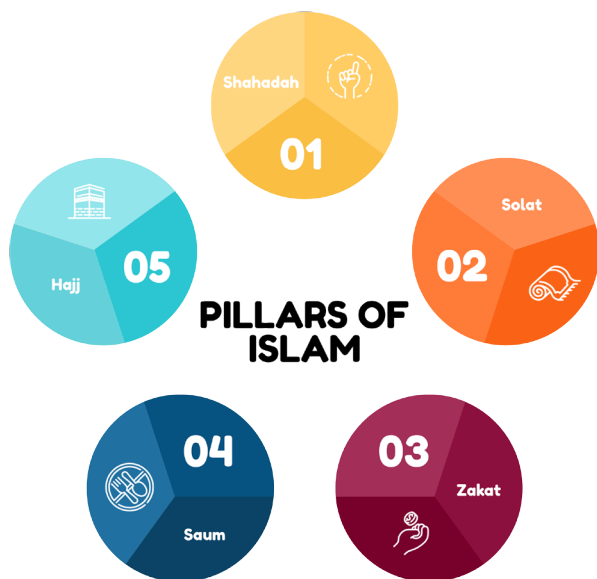


Fig 2. *Zakat* is the third pillar of Islam

SIGNIFICANCE & PURPOSE

The *zakat*, whilst on the surface seems to be a financial transaction, an obligation towards the poor, or perhaps even mistakenly seen as a form of tax, is in reality more than that.

The *zakat* is, actually, about the self and the society.

BENEFITS FOR SELF

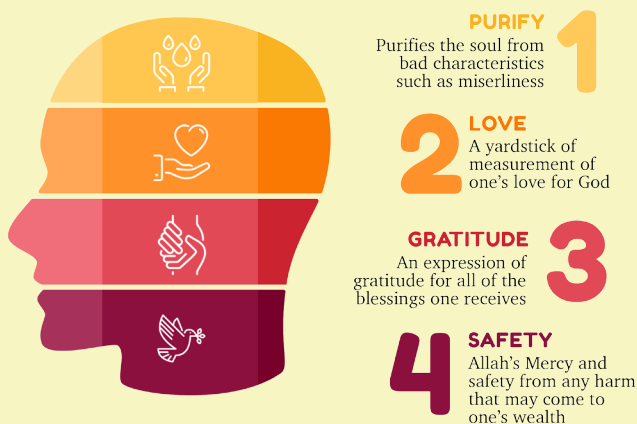


Fig 3. Benefits of the zakat for the self

In fact, the first and primary purpose of *zakat* is to purify the soul from despicable characteristics such as miserliness.

Allah (SWT) says in the chapter al-Hashr (The Gathering) (Q59:9):

“... And whoever is protected from the stinginess of his soul - it is those who will be the successful.”

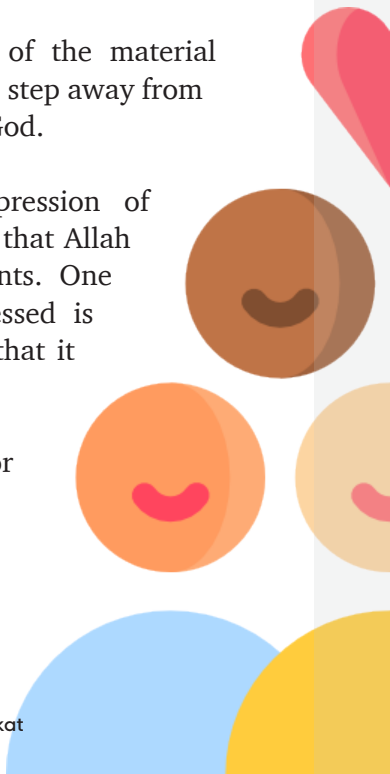
Secondly, *zakat* is one of the yardsticks to measure one's degree of love for God. Imam al-Ghazali* commented that “the degree of love is tested only by separating the lover from other things he loves.”

In today's context where love of the material reigns king, giving *zakat* is thus a step away from that, and a step towards loving God.

Thirdly, *zakat* is also an expression of gratitude for all of the blessings that Allah (SWT) has given to His servants. One of the ways gratitude is expressed is by using a blessing in the way that it should be used.

The gratitude one expresses for sight, for instance, is by using the eyes to look at things that bring His contentment,

*More on Imam al-Ghazali on page 73



such as looking at the Qur'an or gazing upon one's parents.

Similarly, being thankful for speech is by using it in goodness or to command others to goodness, such as reading the Qur'an or to say good words.

Thus, one of the ways a person is able to show gratitude towards the blessings of wealth is to channel the wealth to others who have less in society by giving them *zakat*.

Lastly, another great significance of *zakat* for the self is that Allah (SWT) has promised His Mercy to those who give in *zakat*, as well as safety from any harm that may come to their wealth.

As Prophet Muhammad* (SAW) said,

“Whenever any amount of wealth is destroyed in the land or in the sea it could be because its *zakah* was not paid. ” (Hadith, at-Tabarani*)

*More on Prophet Muhammad (SAW) on page 71

**More on at-Tabarani on page 74

BENEFITS FOR SOCIETY

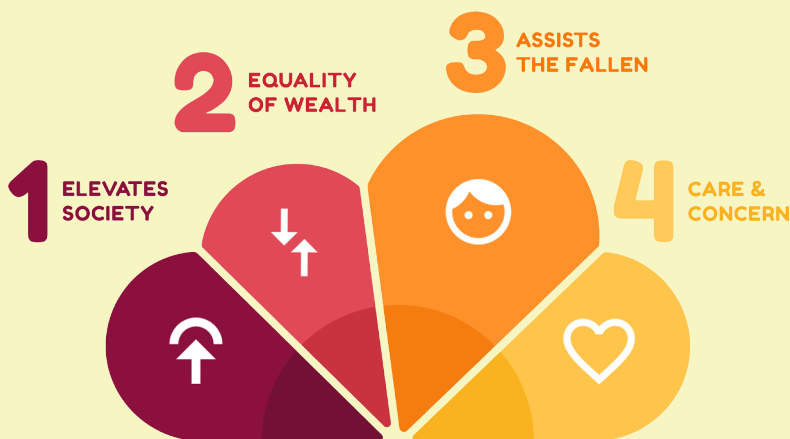


Fig 4. Benefits of zakat for the society

Besides the benefits for the self, *zakat* too elevates society to a noble level, free from excessive love and obsession over the accumulation of wealth.

The widening income inequality in the world today is testimony of that worldly love as more and more people strive to gain wealth by any means possible, often leaving behind the rest of the world eating dust (quite literally).

However, the institution of *zakat* is a means to

address income disparity and poverty. The Qur'an says in the chapter al-Ma'arij (The Ways of Ascent) (70:24-25):

“And those within whose wealth (there) is a known right, for the beggar who asks, and for the unlucky who have lost their property and wealth...””

It is narrated by Ibn Hazm that Ali bin Abi Talib* (RA) said,

“Verily Allah made it compulsory for the rich to fulfill the needs of the poor. If the poor becomes hungry, or suffer from economic inadequacy, it is because the rich have deprived them. Indeed it is a right on Allah to hold them (the rich) accountable on the Day of Resurrection and then punish them.”

Thus, *zakat* brings society a step closer towards the equality of wealth, and assists those who may have fallen through the cracks.

Lastly, a society that consists of people who give of what is “theirs” to others, is a society that inculcates an environment of care and concern for one another.

*More on Ali bin Abi Talib (RA) on page 73

Prophet Muhammad (SAW) said,

“Give each other gifts and you will love each other.” (Hadith, al-Bukhari*)

Who would not want to live in a world where everyone acts on the basis of love and giving, instead of hating and taking?

Make the first step to changing the world by giving *zakat*. Make the first change, ***you***.

*More on al-Bukhari on page 74



ZAKAT IN CONTEXT

**The history of zakat, and
some references in the
Qur'an and Hadith**

IN HISTORY

Zakat in reality is an obligation that is not new to the world before it was made obligatory to Muslims by Prophet Muhammad (SAW).

The Qur'an mentions in various chapters how previous Prophets (AS) too enjoined their tribes to perform the prayer and to give *zakat* (though how they gave *zakat* might differ from how we practise today).

Prophets (AS) mentioned in the Qur'an who enjoined giving *zakat* include Prophet Ibrahim, Prophet Ishaq and Prophet Yaqub (Qur'an 21:73), Prophet Ishmael (Qur'an 19:54-55), and Prophet 'Eesa (Qur'an 19:30-31).

“And they (the People of the Scripture) were not commanded except to worship Allah, (being) sincere to Him in religion, inclining to truth, and to establish prayer and to give zakat. And that is the correct religion.” - al-Bayyinah (Clear Evidence) (Q98:5)

IN THE QUR'AN

As it has been mentioned by Abu Bakr as-Siddique* (RA), prayer and *zakat* are two pillars of Islam that are not to be differentiated.

The word *zakat* (in reference to the obligatory *zakat*) appears in the Qur'an thirty times. Only in three of those verses did the word *zakat* stand without being linked to prayer.



*More on Abu Bakr as-Siddique (RA) on page 72

THREE VERSES WHERE ZAKAT IS NOT LINKED TO PRAYER

“... So, I shall write it (good) for those who guard themselves against evil, and pay zakat, and those who do believe in Our verses.”

*- al-A'raf (The Heights)
(Q7:156)*

“... and whatever zakat you give, seeking Allah's pleasure with it, (it is multiplied by Allah, and) it is such people who multiply (their wealth in real terms.)

*- ar-Room (The Byzantines)
(Q30:39)*

“Those who do not pay zakat; and of the life of the Hereafter, they are deniers.”

*- Fussilat (Made Clear)
(Q41:7)*

THREE EXAMPLES OF VERSES WHERE ZAKAT IS LINKED TO PRAYER

*“And establish prayer and give zakat,
and whatever good you put forward
for yourselves - you will find it with
Allah. Indeed, Allah of what you do, is
Seeing.”*

*- al-Baqarah (The Cow)
(Q2:110)*

*“And establish prayer and give zakat
and obey the Messenger - that you
may receive mercy.”*

*- an-Nur (Light)
(Q24:56)*

*“Who establishes prayer and give
zakat, and they, of the Hereafter, are
certain (in faith).”*

*- Luqman (Luqman)
(Q31:4)*

IN THE HADITH

There are also countless narrations in the books of *hadith* (reports describing the words, actions, or habits of Prophet Muhammad [SAW]) with regards to the matter of *zakat*, explaining its specificities.

In one *hadith*, for example, we see how Prophet Muhammad (SAW) ensured that *zakat* was something which was to be taught to a community once they have been taught the prayer:

Prophet Muhammad (SAW) said to Muadh ibn Jabal (RA) when he sent the latter to Yemen,*

“You will go to the people of the Scripture.

When you reach there, invite them to testify that none has the right to be worshipped but Allah, and that Muhammad is His Apostle. And if they obey you in that, tell them that Allah has enjoined on them five prayers in each day and night.


*More on Muadh ibn Jabal (RA) on page 74



And if they obey you in that, tell them that Allah has made it obligatory on them to pay the zakat which will be taken from the rich among them and given to the poor among them.

If they obey you in that, then avoid taking the best of their possessions, and be afraid of the curse of an oppressed person because there is no screen between his invocation and Allah.” (Hadith, al-Bukhari)

In another hadith, Prophet Muhammad (SAW) gave an example of how giving *zakat* is not something that every single Muslim has to do, but that it applies only to those who satisfy the prerequisites:



*Prophet Muhammad (SAW) ordered (a person) to collect *zakat*, and that person returned and told him that Ibn Jamil, Khalid bin Al-Walid, and Abbas bin ‘Abdul Muttalib had refused to give *zakat*.*

*The Prophet (SAW) said, “What made Ibn Jamil refuse to give *zakat* though he was a poor man, and was made wealthy by Allah and His Messenger?”*

*But you are unfair in asking *zakat* from Khalid as he is keeping his armour for Allah’s Cause.*

*As for Abbas bin ‘Abdul Muttalib, he is the uncle of Allah’s Messenger and *zakat* is compulsory on him and he should pay it double.”
(Hadith, al-Bukhari)*

And in the following *hadith*, Prophet Muhammad (SAW) cites specific quantities and measurements vis-a-vis the calculation of *zakat*:

Prophet Muhammad (SAW) said, “There is no zakat due on grains or dates unless they reach five wasqs*.” (Hadith, Muslim**)

*A wasq is sixty saa‘, and a saa‘ is four mudds, and the mudd is what may be held in the cupped hands of man of average build

** More on Muslim on page 74

CLEARING A MISCONCEPTION

While both *zakat* and charity (*sadaqah*) involve giving away of one's wealth, the two should not be confused as one entity.

Differences between the two include:

1. *Zakat* is an obligatory act upon Muslims who are able, while *sadaqah* is a non-obligatory (encouraged) charity that can be done by anyone.
2. *Zakat* is the right of the poor from the wealth of the rich, while *sadaqah* is a form of generosity from the rich to the poor.
3. *Zakat* is distributed to determined groups of people who hold the rights to receive it (rulings) with its set of conditions, ratios, and exemptions of this due. *Sadaqah*, on the other hand, has no defined criterions.

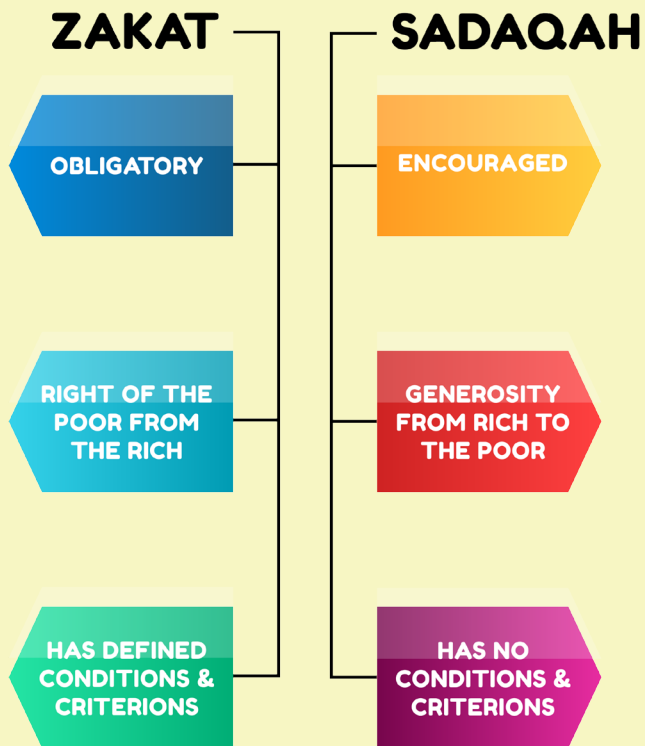


Fig 5. Differences between zakat and sadaqah

PEOPLE OF ZAKAT

**From those who give,
to those who receive**

WHO IS ZAKAT OBLIGATORY UPON?

The following are the conditions for fulfilling *zakat*:



1. The person is a Muslim

Zakat is a pillar of Islam, which makes it obligatory only upon Muslims. It is not obligatory for the non-believer to pay *zakat*, nor will it be accepted from him if he chooses to pay it.

2. The person's wealth has reached the *nisab*

The *nisab* is the minimum amount of one's wealth that is liable for *zakat* at any point of time in the Islamic year. How much the *nisab* is depends on the kind of wealth that is in question.



Zakat should be applied only on the wealth remaining after expenditure on daily necessities such as food, shelter, and craft machinery.

3. A *haul* should pass

A *haul* (full Islamic year, approximately 355 days) begins from the first day that *nisab* is reached.

Should at any point of time the person's wealth dip below the *nisab*, then the year count of the *haul* will cease, only to start anew when the *nisab* is reached again.

4. The wealth is fully owned by the Muslim

All publicly-owned property does not incur any *zakat*. Full possession implies that the owner should be fully capable of disposing the wealth/property without being an object of contest by others. As *zakat* is considered a kind of ownership as regards the receiver, the giver must purely own it.



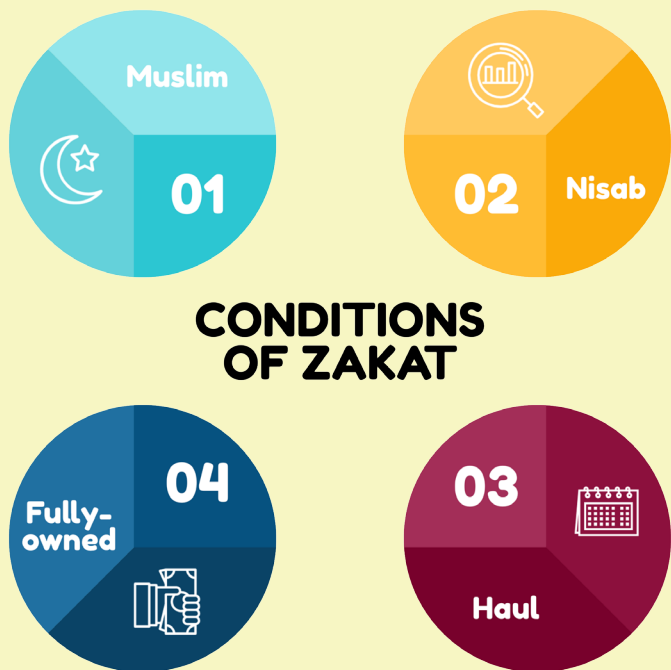
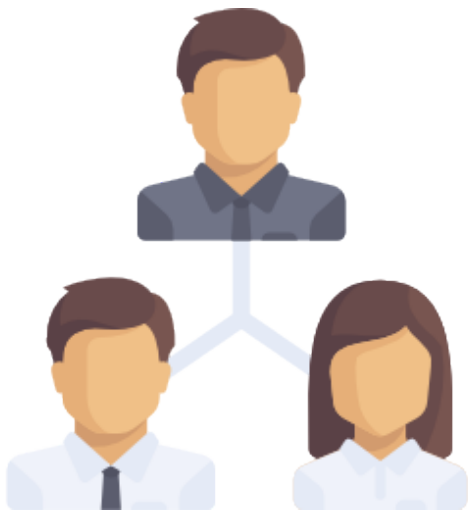


Fig 6. Conditions for zakat to be accepted by Allah (SWT)

THREE GROUPS OF GIVERS

Imam al-Ghazali mentioned that three groups of people exist when it comes to the spending of wealth and material sacrifice with regards to the commandment of Allah (SWT): *Zakat*.



The first group of people are those who affirm the Divine Unity and give up all their worldly goods willingly, not keeping anything for themselves. An example would be Abu Bakr as-Siddique (RA), who gave up all of his wealth for Allah and His Messenger, leaving behind nothing for himself and his family.

However, not everyone can reach the station of Abu Bakr as-Siddique (RA) because it has also been narrated that another companion tried to give up all of his wealth, only to have Prophet Muhammad (SAW) request that he (the companion) kept some of it.

The second group of people are those who hold on to their wealth, giving when occasions of need arise and seasons of charity arrive. They save up to pay for the minimum of their own needs, and give all other balance to those in need.

The third group of people - and the least recommended to be in - are those who give only because they are obliged to. If a certain amount is what was expected of them for their *zakat*, this is exactly the amount they are willing to fork out. Not a cent more, not a cent less.

WHO RECEIVES

FAKIR

A person who has no means to sustain his daily needs as he has no material possessions nor means of livelihood.

1

MISKIN

A person who has insufficient means of livelihood to meet his basic needs. In Singapore, single-income households or breadwinners with high medical bills are eligible to apply for assistance.

2

RIQAB

In Singapore, this category refers to those who need assistance to pursue their education. Disbursement is usually in the form of bursaries and education grants.

3

GHARIMIN

A person who is in debt and needs assistance to meet his basic needs. Assistance in Singapore is usually through settlement of his outstanding utilities bills.

4

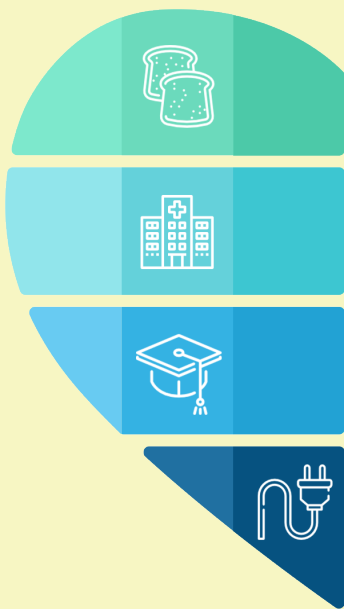
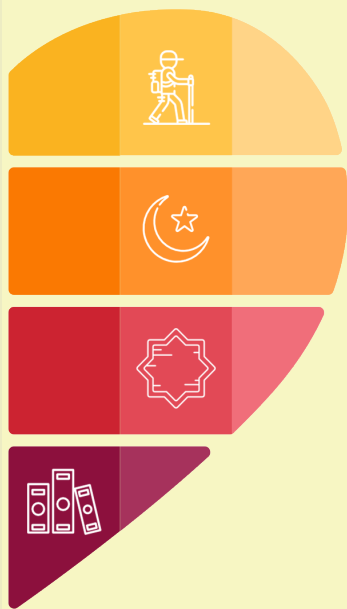


Fig 7. The 8 recipients of zakat

YOUR ZAKAT?



5

IBNUSSABIL

A person who is a stranded traveller on a permissible journey, such as foreigners in Singapore who need to return home but are unable to finance their journey back.

6

FISABILILLAH

In Singapore, this category refers to those who strive in the cause of Allah (SWT) for the community. This may be done through financing Islamic education, religious programmes or even public

7

MUALLAF

A person who recently embraced Islam.

8

AMIL

A person who helps to collect the zakat as an appointed officer. Administration and training expenses are also included in this category.

ZAKAT TYPES & CALCULATIONS

**Learn how to distinguish
the different kinds of
zakat and how to
calculate them**

TYPES OF ZAKAT

Zakat is divided into two categories: *Zakat fitrah* and *Zakat* on Wealth.

Zakat fitrah is paid in the month of Ramadhan, before the prayer of Eid ul-Fitr commences.

The *Zakat* on Wealth on the other hand, is given anytime during the year when the haul and nisab are reached.



01. ZAKAT FITRAH



Zakat fitrah has to be paid by every Muslim who has more food than what is needed by him and his dependents on the day of Eid ul-Fitr and the evening that precedes it.

The wisdom within *Zakat fitrah* is that it purifies a person from any shortcomings of his fasting throughout the month of Ramadhan, and lightens the burden of the poor during Eid.

If a person is unable to pay *Zakat fitrah* for himself and/or his dependants due to certain reasons, his dependants must take over that responsibility and pay it for themselves and/or for him as well.

(The dependents of a person include his wife, his children who have not reached the age of maturity, his elderly parents, and his domestic helpers.)

CONDITIONS

Zakat fitrah is made obligatory to each and every Muslim, male or female, young and old, as long as they fulfill the following three conditions:

1. Islam

Zakat fitrah is not obligatory for the non-Muslim (by birth). If a person leaves the folds of Islam and subsequently returns to it, paying the *Zakat fitrah* is made obligatory for him once again.

2. They live, even if for a moment, in these two times: the month of Ramadhan and in the month of Shawal (See Fig 8 on Page 46 and 47)

Hence, an infant born after the setting of the sun on the last day of Ramadhan would not need to have his *zakat fitrah* paid for, as he was not “alive” yet during the month of Ramadhan. (See Case 1 in Fig 8)

However, if the infant is born before the setting of the sun on the last day of Ramadhan, and continues to live after the setting of the sun, it is obligatory for his parents to pay *Zakat fitrah* on his behalf. (See Case 2 in Fig 8)

Similarly, if the infant was to live only for a second after the sun sets on the last day of Ramadhan, *Zakat fitrah* would still be obligatory upon him as he was alive in the two months mentioned, even if for a moment. (See Case 3 in Fig 8)

If the infant was to pass away before the setting of the sun however, *Zakat fitrah* was not made obligatory upon him as he did not live, even for a second, in the month of Shawal. (See Case 4 in Fig 8)

In the case of an adult, if he were to pass away before the setting of the sun on the last day of Ramadhan, then *Zakat fitrah* would not be made obligatory upon him. (See Case 5 in Fig 8)

On the other hand, if he were to pass away even for a second after the sun set — and thus was alive, for a moment, in the month of Shawal — the *Zakat fitrah* would thus be obligatory for him. (See Case 6 in Fig 8)

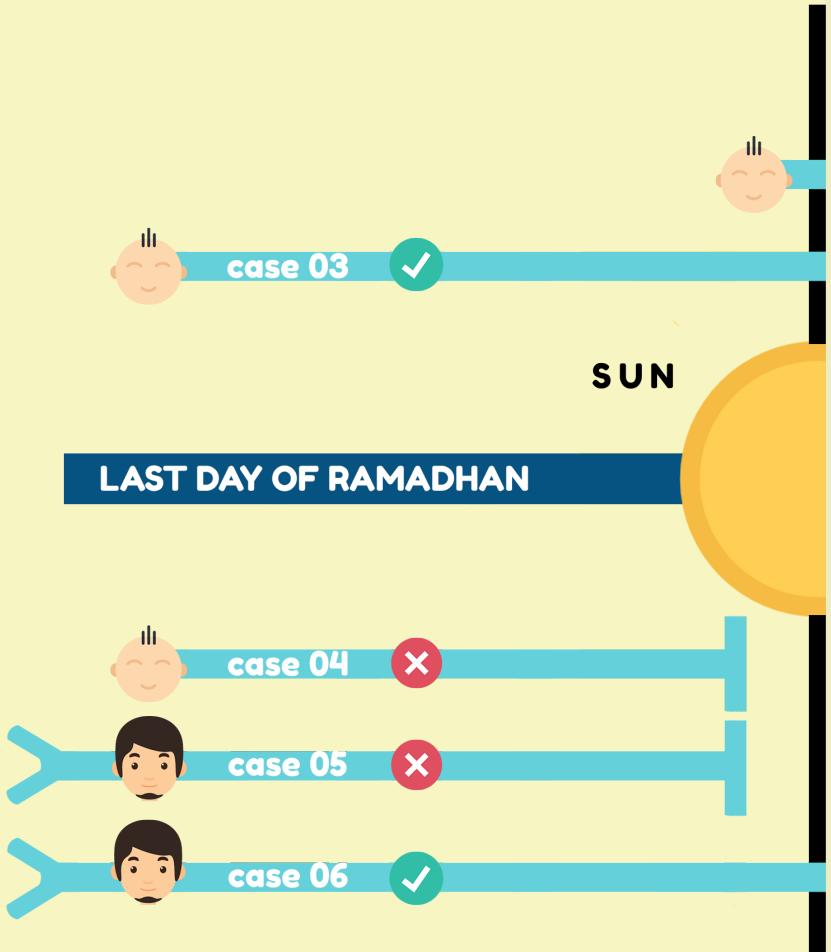
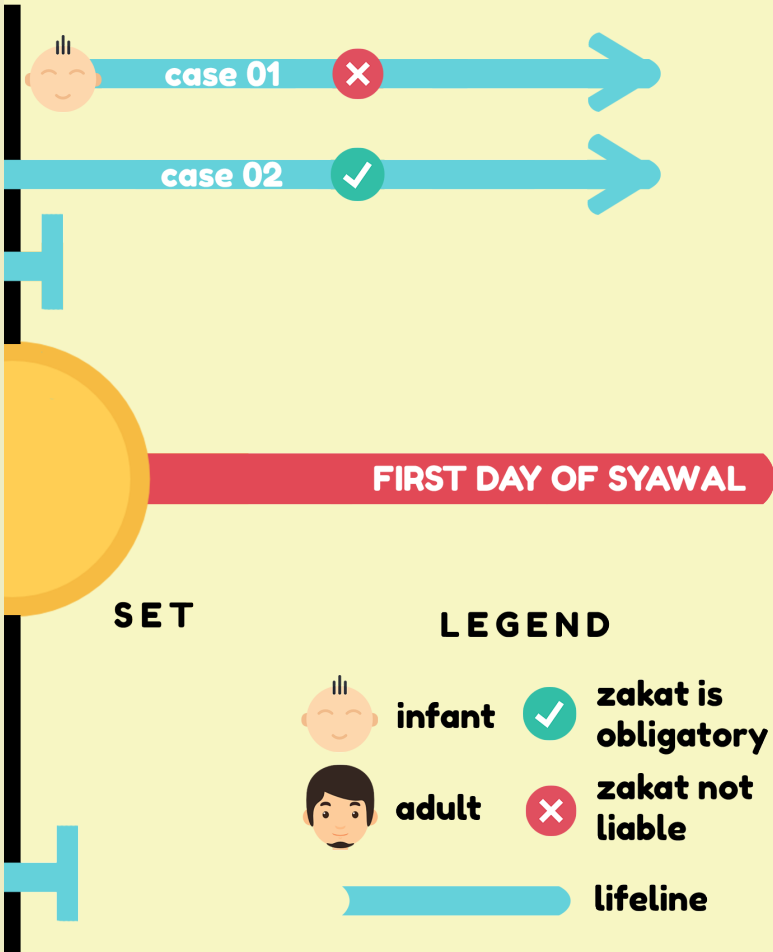


Fig 8. Case Studies on Zakat Fitrah



3. Possesses something, be it food, wealth or money, in a quantity that is more than of what is needed by him and his dependents on the day of Eid ul-Fitr and the evening that precedes it

If a person were to be poor (i.e. did not possess enough for him and his dependents) on the evening that preceded Eid ul-Fitr, but was given more than what he needed on the morning of Eid ul-Fitr, *Zakat fitrah* would not be obligatory upon him as he did not possess more than what was needed in both time periods.



HOW MUCH IS IT?

In Singapore, the *Zakat fitrah* that needs to be paid by every person is one sa' (which is 2.3kg) of the staple food of our country: rice.

Payment of the rice's equivalent in costs can be made over the counters at Muslim Converts' Association of Singapore (MCAS).

WHEN IS IT DUE?

It can be paid throughout the whole month of Ramadhan, before the person who delivers the Eid sermon stands on the podium for the Eid ul-Fitr prayers.

It is highly recommended however, that the *Zakat fitrah* is paid after the sun sets on the evening that precedes Eid ul-Fitr, and before its prayers. Payment made after the Eid ul-Fitr prayers renders the payment as ordinary charity.

02. ZAKAT ON WEALTH



Unlike *Zakat fitrah*, *Zakat* on Wealth differs from person to person, depending on the kind of wealth one possesses, and the quantity of each type of wealth.

In general, *Zakat* applies to six categories of wealth:

1. Livestock
2. Gold and silver
3. Trade goods
4. Buried Treasure
5. Gold and silver mines
6. Seed crops and fruits

In the context of Singapore however, *Zakat* applies to the following categories of wealth:

SAVINGS



CPF



INSURANCE



GOLD



BUSINESS



SHARES



ZAKAT ON SAVINGS

Steps for Calculation

(Refer to Fig 9 on Page 54 and 55)

1. Determine the date in which the last *Zakat* was paid from your savings account
2. If the current date has crossed the *haul* (1 Islamic year, approximately 355 days), check the *nisab* for the month with MCAS's Finance Division at Tel: 6348 8344 (press 4).
3. Look at your savings account. If during the past *haul*, none of your balance falls below the *nisab* amount, then it is an obligation for you to pay *Zakat* on your savings. However, if at any point your balance drops below the *nisab*, you are not obliged to pay *Zakat*.
4. If all of your balance stated is equal to or above the *nisab*, identify the lowest balance in your savings account in the past *haul*.
5. Your *Zakat* on savings would be the amount of your lowest balance multiplied by 2.5% (or 0.025).

Tip: If you have multiple savings accounts, add the balance from each savings account to derive monthly balance and follow steps 1-5 above.

TRY IT FOR YOURSELF!

ZAKAT ON SAVINGS

Guiding Questions

1. When was your *Zakat* on savings last paid?

Date:

2. Has one Islamic year (haul) passed? (Proceed to the next question if yes)

Yes / No

3. What is the nisab on the date the haul has passed?

Nisab:

4. Look through your monthly savings balance for the past haul. Has any amount dipped below the above nisab? If the answer is yes, you do not have to pay *Zakat*. If the answer is no, then you are obliged to pay the *Zakat*. (Proceed to the next step)

Yes / No

5. Identify the lowest balance throughout the entire haul.

Lowest Balance:

6. Multiply that balance by 2.5% (0.025). This is your *Zakat* amount payable!

Zakat Payable:

_____ x 2.5%

= _____

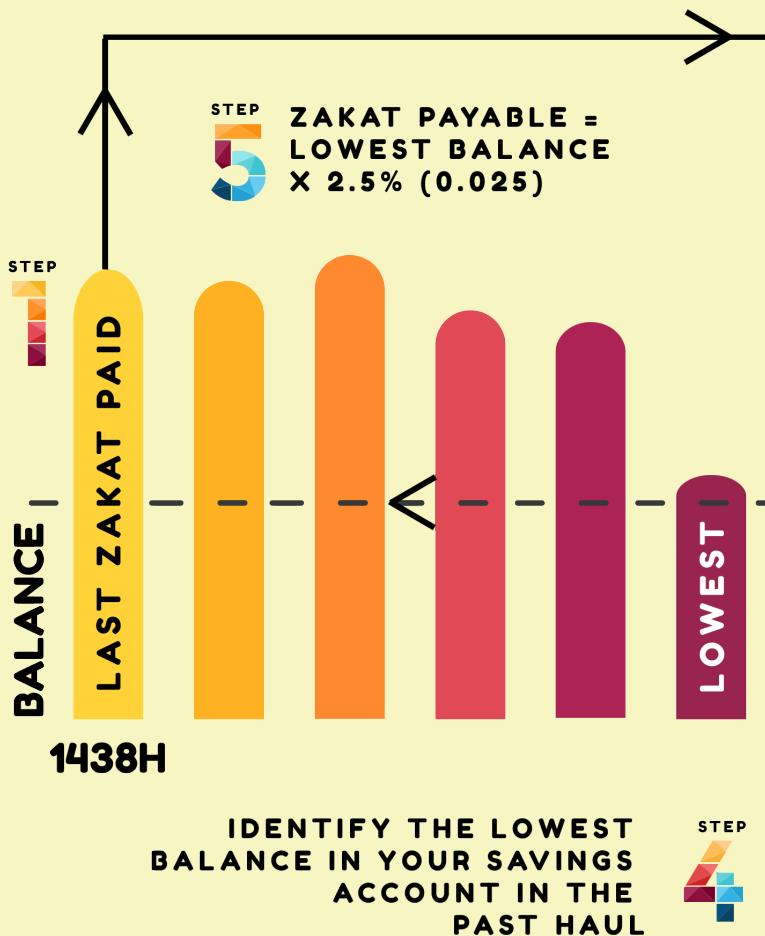
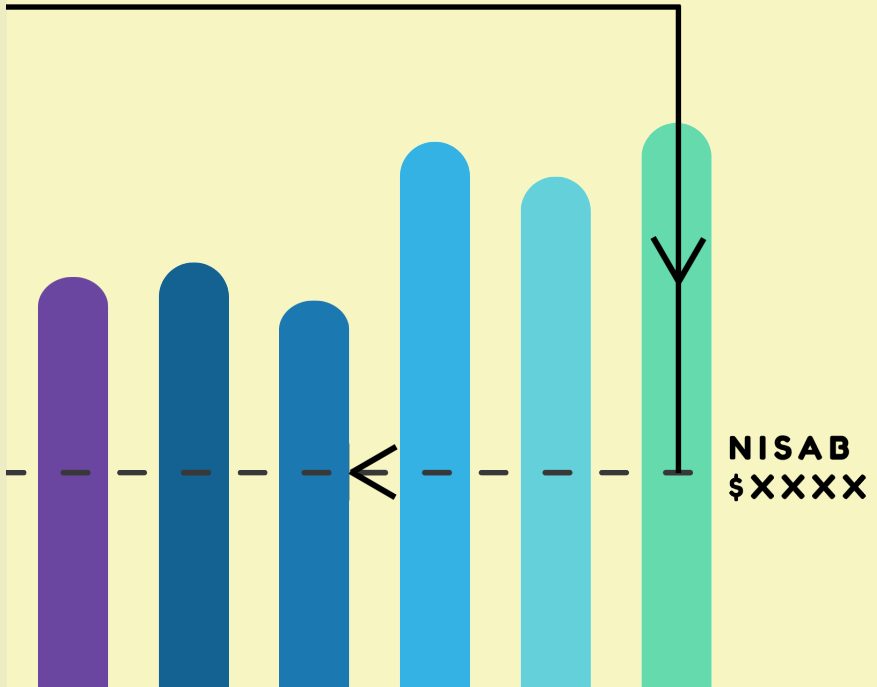


Fig 9. How to determine zakat on savings

**HAUL HAS PASSED?
CHECK THE NISAB
ON THIS DATE**

STEP



1439H

**CHECK IF ANY
BALANCE IN THE
PAST HAUL FALLS
BELOW THE NISAB
AMOUNT. IF ALL
ARE ABOVE THE NISAB,
PROCEED TO STEP 4**



STEP

ZAKAT ON CPF

There are two ways in which you can pay your CPF monies.

The first is that when you receive your CPF monies in one lump sum (after deducting the minimum sum), then you are obliged to **pay Zakat after the haul has passed**, i.e. one Islamic year, approximately 355 days, since you received the CPF monies. This is with the condition that the amount has reached the *nisab* and does not fall below it. The amount of *Zakat* to be paid is your lowest balance multiplied by 2.5% (or 0.025).

The second way is to **pay your Zakat immediately after receiving your your one-lump-sum CPF monies** should you choose to do so and is capable of doing it. The amount of *Zakat* to be paid is to multiply your CPF monies by 2.5% (or 0.025).

Tip: *Zakat* is not necessary for the monthly payouts received by the retiree in accordance to the Minimum Sum Scheme (MSS).



TRY IT FOR YOURSELF!

ZAKAT ON CPF

Guiding Questions (First Way)

1. When did you receive your CPF monies?

Date:

2. Has one Islamic year (haul) passed? (Proceed to the next question if yes)

Yes / No

3. What is the nisab on the date the haul has passed?

Nisab:

4. Look through your CPF monies balance for the past haul. Has any amount dipped below the above nisab? If the answer is yes, you do not have to pay *Zakat*. If the answer is no, then you are obliged to pay the *Zakat*. (Proceed to the next step)

Yes / No

5. Identify the lowest balance throughout the entire haul.

Lowest Balance:

6. Multiply that balance by 2.5% (0.025). This is your *Zakat* amount payable!

Zakat Payable:

 x 2.5%

=

ZAKAT ON INSURANCE

Steps for Calculation (Conventional)

1. Check the *nisab* for the month with MCAS's Finance Division at Tel: 6348 8344 (press 4). (e.g. \$5,000)
2. Retrieve your current insurance statement from your insurance agent
3. Find out from your insurance statement or insurance agent about your Surrender Value
4. Your *zakat* on insurance would be your Surrender Value for that year multiplied by 2.5% (or 0.025). (e.g. Surrender Value: \$4,000 x 2.5% = \$100)

To calculate the *Zakat* on insurance for the subsequent years after this first payment, multiply the corresponding year's Surrender Value by 2.5% (or 0.025).



TRY IT FOR YOURSELF! ZAKAT ON INSURANCE

Guiding Questions

1. What is the nisab now?
2. Has one Islamic year (haul) passed? (Proceed to the next question if yes)
3. Has your Surrender Value reached the Nisab and Haul? (Proceed to the next question if yes)
4. Multiply your SV for that year by 2.5% (0.025). This is your Zakat amount payable! (SV) for that year of policy?

Nisab:

Yes / No

Yes / No

Zakat Payable:

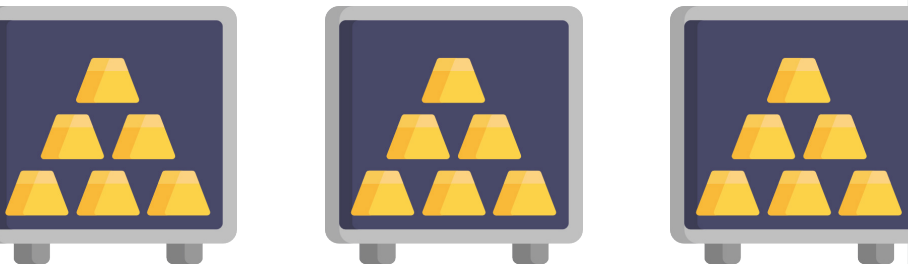
_____ x 2.5%

= _____

ZAKAT ON GOLD

There are two different categories of gold that are liable for *Zakat*, and the calculation of *Zakat* for each category differs:

1. *Zakat* on gold bars or/and gold jewellery not intended for usage*
2. *Zakat* on gold jewellery intended for usage



1. *Zakat* on gold bars or/and gold jewellery not intended for wear

Gold bars that are kept or invested in banks or safety deposit boxes, as well as gold jewellery that are kept without the intention to be worn, are all liable for *Zakat* payment when the weight of the gold has reached *haul* and *nisab* of 86 grams (standardised). The *Zakat* payable is 2.5% of the total weight of gold from the gold bars and/or jewellery.

*Usage: To be worn as adornment

Steps for Calculation

1. Check the *nisab* for the month with MCAS's Finance Division at Tel: 6348 8344 (press 4)
2. Find the current rate of gold by dividing the *nisab* (e.g. 5,000) by 86 (e.g. $5,000/86 = \$58.14$)
3. Find out the total weight of your gold not intended for usage (e.g. 100 grams). It is liable for *Zakat* if it is above the gold *nisab* of 86g or more
4. Your *Zakat* on gold not intended for wear would be the total weight of your gold multiplied by the current rate of gold multiplied by 2.5% (e.g. $100g \times \$58.14 \times 2.5\% = \145.35)

Tip: Gold used in forbidden ways, such as by men or in the production of home items such as plates and dishes, are included in this category (i.e. gold not intended for usage).



TRY IT FOR YOURSELF!

ZAKAT ON GOLD NOT INTENDED FOR WEAR

Guiding Questions

1. What is the nisab now?

Nisab:

2. Divide the nisab by 86. The answer is the current rate of gold.

Current gold rate:

_____ ÷ 86

= _____

3. What is the total weight of your gold not intended for usage?

Weight of Gold:

_____ g

4. Is it 86g or more? If the answer is no, you do not have to pay *Zakat*. If the answer is yes, then you are obliged to pay the *Zakat*. (Proceed to the next step)

Yes / No

5. Multiply your total weight of gold not intended for usage by the current weight of gold by 2.5% (0.025). This is your *Zakat* amount payable!

Zakat Payable:

_____ g x

_____ x 2.5%

= _____



2. Zakat on gold jewellery intended for wear

Gold jewellery that you possess which are intended for wear are only liable for *Zakat* if the weight of the jewellery is 860 grams or more (the standardised average amount of gold owned by a person in Singapore).

The *Zakat* payable is 2.5% (0.025) of the total weight of gold from the jewellery.

Steps for Calculation

1. Check the *nisab* for the month with MCAS's Finance Division at Tel: 6348 8344 (press 4)
2. Find the current rate of gold by dividing the *nisab* (e.g. 5,000) by 86 (e.g. $5,000/86 = \$58.14$)
3. Find out the total weight of your gold intended for usage (e.g. 1,000 grams). It is liable for *Zakat* if it is above the custom of gold ownership of 860g or more.
4. Your *Zakat* on gold intended for usage would be the total weight of your gold multiplied by the current rate of gold multiplied by 2.5% (e.g. $1,000\text{g} \times \$58.14 \times 2.5\% = \$1,453.50$)

Tip: Other precious metals and rare jewels of value in society are not subject to *Zakat*, only gold and silver are.

For silver, the total weight of your silver intended for usage has to be 854g or more in order for it to be legible for *Zakat*.

TRY IT FOR YOURSELF!

ZAKAT ON GOLD INTENDED FOR WEAR

Guiding Questions

1. What is the nisab now?
2. Divide the nisab by 86. The answer is the current rate of gold.
3. What is the total weight of your gold not intended for usage?
4. Is it 860g or more? If the answer is no, you do not have to pay *Zakat*. If the answer is yes, then you are obliged to pay the *Zakat*. (Proceed to the next step)
5. Multiply your total weight of gold not intended for usage by the current weight of gold by 2.5% (0.025). This is your *Zakat* amount payable!

Nisab:

Current gold rate:

_____ ÷ 86
= _____

Weight of Gold:

_____ g

Yes / No

Zakat Payable:

_____ g x
_____ x 2.5%
= _____

ZAKAT ON BUSINESS

The definition of business is to buy and sell with the intention of attaining profit. There are seven requirements that make one's business liable for *Zakat*:

1. The owner of the business is a Muslim

In the event that the business is shared between a Muslim and non-Muslim, only the Muslim's share is subjected to *Zakat*.

2. Full ownership

The business has assets that are fully owned by it physically, or it has full management control of the assets, for the duration of a *haul*. The date of the *haul* begins from the date the business intends to sell these assets as part of the trade.

If the assets were sold before the *haul* is up, then *Zakat* on the assets are not required, only the *zakat* on the profits of the sale are required if it reaches *nisab* and *haul*.

3. Intention to do business

The intention or purpose for business must be made when an asset becomes part of the business that is conducted in order to reap profits.

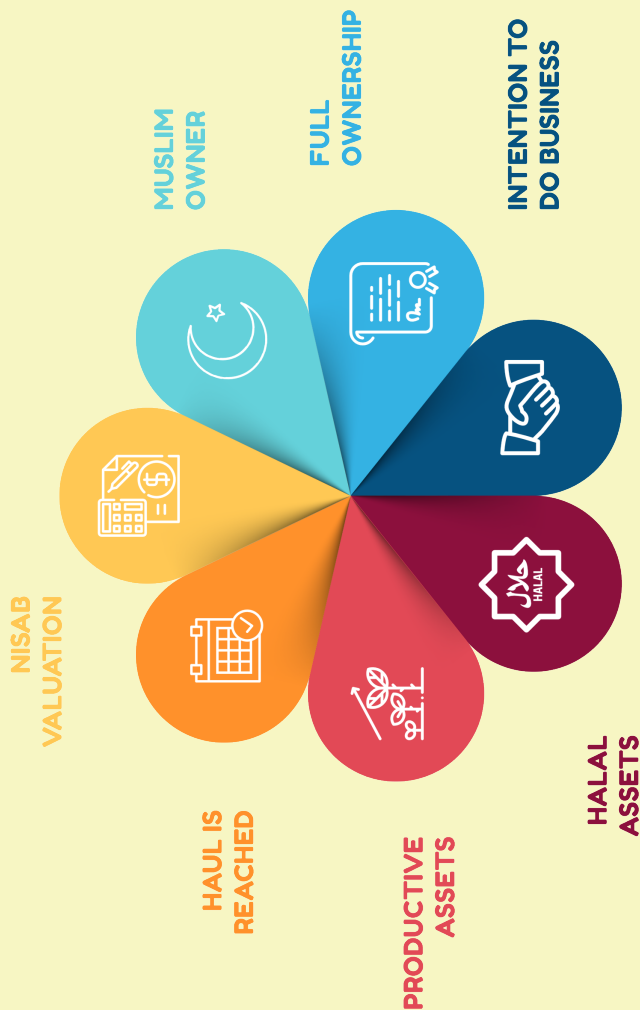


Fig 11. Requirements that make one's business liable for *Zakat*

If no such intention was made, or the intention was merely for storage or for the operations of the business (e.g. tables and chairs in the office), *Zakat* on the assets are not required.

If no intention to sell was made in the original purchase of the asset, but the intention is later made, then the *haul* begins on the date the intention is made.

In the context of Singapore, where purchases of homes and cars are the norm, a person should be vigilant on his intentions upon their purchase. If his intention was to sell the home or the car, and the *haul* has reached, he would have to pay *Zakat* for the home or the car. To avoid this, make the intentions to live in the home or utilise the car instead.

4. Halal assets

Non-halal assets are not subjected to *Zakat*.

5. Productive assets

The assets must have growth potentials.

6. The haul is reached

The haul begins from the initial inception or beginning of the business until the completion of 1 Islamic year (approximately 355 days) or 1

Gregorian year (365 days) is reached.

7. Nisab Valuation

Nisab valuation is calculated based on the current value of 86 grams of gold.

Due to the complexities of *Zakat* on business, please contact MCAS's Finance Division at Tel: 6348 8344 (press 4) and we will be more than happy to assist you calculate your *Zakat*.





ZAKAT ON SHARES

It is obligatory to pay *Zakat* for shares as it is considered a form of business. If you have bought shares with your own money, then it is obligatory for you to pay *Zakat* for it.

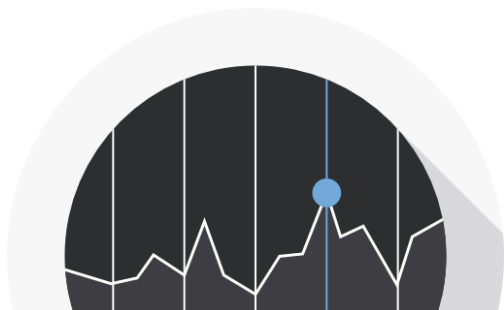
If, on the other hand, the shares were bought on loaned money, then the loaned money has to be deducted from the price of the shares before its *Zakat* is calculated.

Unlike *Zakat* on savings which is based on the lowest balance during the haul that has reached nisab, *Zakat* on shares is based on the market value of the shares at end of the haul because the value of shares fluctuate more rapidly.

Steps for Calculation

1. Check the *nisab* for the month with MCAS's Finance Division at Tel: 6348 8344 (press 4)
2. Find the current valuation of your market value of the shares after the haul is reached. The valuation is calculated by multiplying the number of shares you own by the value per unit share on that date. (e.g. 5000 units of shares owned x \$2 per unit share = \$10,000. Thus your market shares are valued at \$10,000, which is above the *nisab* (e.g. \$5,000) making them liable for *Zakat*)
3. Your *Zakat* on shares for that haul would be your market share value multiplied by 2.5% (e.g. \$10,000 x 2.5% = \$250)

Tip: If you own shares from multiple companies, the calculation and payment of the *Zakat* is done at the end of the Financial Year (i.e. 31 Dec) by multiplying the market values of all the shares at the end of the year by 2.5%.



TRY IT FOR YOURSELF!

ZAKAT ON SHARES

Guiding Questions

1. What is the nisab now?

Nisab:

2. Has one Islamic year (haul) passed? (Proceed to the next question if yes)

Yes / No

3. Multiply the number of shares you own by the value per unit share. This is the current valuation of your market value of the shares after the haul is reached

Current Valuation:

_____ x

= _____

4. Is the current valuation above more than the nisab? (Proceed to the next question if yes)

Yes / No

5. Multiply your current valuation by 2.5% (0.025). This is your *Zakat* amount payable!

Zakat Payable:

_____ x 2.5%

= _____

GLOSSARY

PROPHET MUHAMMAD

Prophet Muhammad bin Abdullah (SAW) was the final Messenger of Allah (SWT), the one upon whom the Qur'an was revealed to at the age 40, and the one whose Sunnah (sayings and teachings) forms the explanation of the Qur'an. The Muslim faith is complete through testimony of his Prophethood.

Muhammad (SAW) was born in Mecca in 570CE. During his childhood, he came under the care of his mother until she passed on and his grandfather took care of him. When he passed on, Muhammad (SAW) came under the care of his paternal uncle and worked as a shepherd under his tutelage.

As a young man, Muhammad (SAW) worked as a trader for a businesswoman called Khadijah (RA), who was 15 years older than he was. Muhammad (SAW) gained the reputation of being honest and trustworthy that Khadijah (RA) was impressed and decided to marry him. They enjoyed 25 years of blissful marriage and had four daughters and two sons.

Upon receiving the revelation, Prophet Muhammad (SAW) invited his close circle to believe in one God and His final message. After 10 years of inviting in Mecca and facing fierce persecution, Prophet Muhammad (SAW) and the early Muslims migrated to Yathrib (now Medina). Prophet Muhammad (SAW) was the leader of this city and encouraged social cohesion and harmony amongst the heterogeneous community.

In the year 630CE, after the Meccans broke the truce between them and the Muslims, Prophet Muhammad (SAW) peacefully took over Mecca and pardoned his persecutors. This act of kindness influenced Arabia to embrace Islam.

In the year 632CE, Prophet Muhammad (SAW) gave his final sermon which touched on the belief in one God, justice, morals and rights. Within the same year, Prophet Muhammad (SAW) passed away in Medina, leaving behind the merciful way for mankind.

ABU BAKR AS-SIDDIQUE

Abu Bakr (RA) was one of the first to embrace Islam, and became one of Prophet Muhammad's (SAW) closest Companions. He was also related to Prophet Muhammad (SAW) as father-in-law

through his daughter 'A'ishah (RA). The first Caliph of Islam after Prophet Muhammad's (SAW) death and one of the 10 Companions guaranteed paradise. Prophet Muhammad (SAW) described Abu Bakr's (RA) faith as weighing more than the faith of all Muslims put together.

ALI BIN ABI TALIB (RA)

Prophet Muhammad's (SAW) nephew from his uncle Abu Talib, son-in-law through his daughter Fatimah az-Zahra (RA), and fourth caliph of Islam. He was one of the 10 Companions guaranteed paradise. Prophet Muhammad (SAW) said that he (SAW) is the city of knowledge, while Ali (RA) is its gate.

IMAM AL-GHAZALI (RA)

He was also known as The Proof of Islam due to his immense knowledge which protected the Muslim world from the intellectual challenges that were facing it. Born in modern-day Iran in the city of Tus in the year 1058CE, Imam al-Ghazali is well known for his refutations of Philosophy and for his works on spirituality, though he was also a magnificent jurist.

MU'ADH IBN JABAL

One of the Companions of Prophet Muhammad (SAW) from Medina. Prophet Muhammad (SAW) once placed Mu'adh (RA) in charge of teaching Islam to the new Meccan Converts before the former left for an expedition.

HADITH

A collection of traditions containing the narrations about the sayings and deeds of Prophet Muhammad (SAW).

AL-BUKHARI

Imam al-Bukhari was a Persian scholar who authored the hadith collection known as Sahih al-Bukhari, regarded by Sunni Muslims as one of the most authentic (sahih) hadith collections.

MUSLIM

Imam Muslim, was a Persian scholar, whose hadith collection, known as Sahih Muslim, is regarded as one of the two most authentic (sahih) collections, alongside Sahih al-Bukhari.

AT-TABARANI

Born in 873 CE and died in 918CE, he was one of the most important hadith scholars of his age.

ABBREVIATIONS

- AS** *‘alayhi as-salām*
Upon him be peace
- RA** *raḍiya ‘llāhu ‘an-hu (or) ha*
Allah SWT is pleased with him or her
- SAW** *ṣallā llāhu ‘alay-hi wa-sallam*
May Allah SWT honour him and grant him
peace
- SWT** *subḥānahū wa-ta’ālā*
May He (Allah) be praised and exalted
-

This book is a compact reference guide to Zakat and a useful resource for anyone who wishes to learn how to calculate their portion of Zakat. With concise facts and step-by-step demonstrations to calculate Zakat, this publication is suitable for everyone, especially those who seek to further understand the wisdom within the third pillar of Islam.



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