

Zakat eligibility on Asset Classes

Muslims (guardian for minors) pay 2.5% zakat when 1) total holdings exceed value of 3 oz gold 2) a year passes since achieved value threshold.

Asset Class	Zakat Eligibility	Comments
1 Cash	Aggregate cash held in all currency denominations. Use one currency denomination for simplicity.	Cash and asset positions and value varies during the year. Recommended to value all assets at one time (most do it in Ramadan).
2 Bank Balances	Aggregate balances from all bank accounts.	No zakat on interest received. All of it should be given away as impurity (najs).
3 Personal assets	Exempted. Personal use items, houses(s), cars, domestic animals, house possessions are exempted from zakat.	Islam teaches moderation in spending. Extravagant spending to avoid zakat is sin.
4 Collectibles	Current market value of total portfolio.	Paintings, cars, estates, watches who hold value and are considered investments.
5 Gold and Jewelry	Estimated current market value.	A minority allows exemption of regular use jewelry.
6 Stock Accounts	Current market value of total portfolio. We consider stock to be a tradeable asset instrument. Some contemporary scholars consider it as growth asset like agriculture and assess 10% zakat on dividend if owned for regular income (not at value).	Some literally treat stocks as business equity, and calculate zakat based on the value of the liquid assets of the companies. This may be another argument if intended as a longterm investment to earn dividend. More discussion under item #15.
7 IRA's/ 401K accounts/ Insurance	Current cash value of total portfolio if withdrawn after deduction of fees, penalty, and federal and state taxes.	Payment can be deferred until funds are available. However, should be calculated and will be owed each year. Some scholars have exempted this class from zakat until withdrawn.
8 Retirement Accounts/ Provident Funds	Exempted due to custodian's control over it and inability to withdraw. Zakat plicable if funds can be withdrawn during the employment.	Some require zakat on accumulated employee contribution to these accounts calculated every year but payment can be deferred.
9 Lands and plots (Urban)	Current market value of total portfolio. Scholars have allowed exemption on land holdings for future construction of personal use house. This is fostering land hoardings which are nonproductive for the society.	No zakat if someone intend to build house during the year or who currently live in rental homes and have legitimate reason to hold land. Holding lands without any productive current use including for the future use of kids can be considered as hoarding.
10 House and Business Mortgage or loan on lands (recommend Islamically financed).	None (deduction as debt not allowed).	Scholars have treated mortgage as running expense like rent.
11 Car loans/ leases	None (deduction as debt not allowed).	Scholars have treated loans as running expense like rental lease. AMJA
12 Debt	Net 'good' debt due (positive or negative). Giving debt to distressed is a noble act of charity.	Zakat payment can be deferred but still will have to be paid for each year owed.
13 Assets under litigation	Current market value.	Zakat payment can be deferred but still will have to be paid for each year owed.
14 Rental Properties	Add rental income to other income and pay 2.5% on surplus cash at the end of the year (item #1).	A minority of scholars require the zakat to be paid on the market value of the properties. Another argument is to consider it as growth asset like agriculture and assess 10% (or 2.5%) zakat on rental income..
15 Businesses/ Industries and Partnerships	Current value of liquid assets (inventory, cash or working capital, receivables less payables). No zakat on fixed assets held for running the business (buildings, machinery, furniture, vehicles, etc.).	In Saudia zakat is calculated on opening balance of equity plus current year profit. Partnership businesses can pay zakat as business or individually. Double paying is not necessary. Zakat is paid regardless of profit or loss.
16 Agricultural lands	Ushr is paid when cultivated. Pay zakat on value of the land if held as an investment.	Holding lands without any productive use is discouraged (can be considered hoarding).
17 Salary or business income	None, pay 2.5% on surplus cash at the end of the year (item #1).	

For more information or queries.

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