

# The Basics of Zakat

## Understand and Calculate-2025

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# Importance and Significance

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- One of the five pillars of Islam.
- It is always linked with the establishment of the prayer.
- Those who accumulate wealth and do not spend it in the way of Allah (via the payment of Zakat) will face a severe punishment on the Day of the Judgment.



# Importance and Significance

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- Deniers leave the fold of Islam.
- Those who do not pay it due to negligence are still Muslims. It is still a major sin.
- Not paying it is classified as a major act of negligence.

# Wisdom and Benefits

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- Both individuals and communities benefit and flourish.
- The wealth is purified.
- The heart is purified from greed and selfishness.
- One's business will be blessed
- Zakat means purification, growth and blessing.



# Purification and Blessings

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- “Take [oh Muhammad] from their wealth a charity by which you purify them and sanctify them and invoke Allah’s blessings upon them. Indeed, your invocations are reassurance for them” (9/103)

# Poverty is Alleviated and Hearts are Purified

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- **Hadith:** “Verily, Allah has made it obligatory upon them the payment of charity from their wealth. It is to be taken from their wealthy and distributed among their poor”  
(B/M)
- **Those who receive the Zakat...**
  - their hearts will be purified from destructive jealousy, grudges and ill feelings
  - Their needs will be fulfilled
  - The Islamic brotherhood will be empowered.
  - Poverty is alleviated



# Understanding Zakat

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- **Pillars and conditions:**
  - The Intention of Zakat Payment
  - Nisaab (threshold) : Amount of wealth which makes you obligated to pay the Zakat.
  - Al- Hawl (One year/Hijri calendar)
  - Full and Complete Ownership

## Continued

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- “Zakat is due on the wealth of any Muslim, young or old, male or female, that is held in savings for one calendar year after it has reached the Nisaab threshold”.



# Misconceptions

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1. I am saving money to get married/buy a house/for Hajj
2. I don't have a job, but I have savings in the bank.
3. Do I exclude the value of the nisaab?
4. I don't have to pay zakat on the amount which I already paid on it last year
5. I cannot pay zakat to any family member.

## Gold or Silver Nisaab?

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- Gold Nisaab = 20 Dinars = 85 grams of pure gold (24 karats)
- Silver Nisaab = 200 Dirhams = 595 grs of pure silver
- 1 Dinar = 4.25 grs
- 1 Dirham = 2.975 grs



# Nisaab of Gold

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- Value of 85 grs of pure gold  
[goldprice.org]
- $\$81.38 \times 85 = \$6,917$  (March 09, 2023)
- $\$90.94 \times 85 = \$7,729$  (March 01, 2024)
- $\$131.53 \times 85 = \$11,180.00$  (Feb 08, 2025)

# Nisaab of Silver

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- As of March 01, 2024...
- One gram of silver: \$1.01018
- Nisaab:  $1.01018 \times 595 = \$601$
- As of Feb 08, 2025
- Nisaab:  $\$1.462 \times 595 = \$869 \text{ CAD}$



# The Nisaab of Gold

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- It is more stable
- The fatwa of the Islamic Research Council affiliated with al Azhar University.
- The hadith “...taken from their wealthy and distributed among their poor”.
- **85 grams or 87.48 grams ?**
- **595 grams or 612.36 grams ?**

# Loans and Debts

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- Good loans and bad loans.
- Good loans are to be included in your calculation every year.
- Short-term and Long-term Debts
- Short-term debts (to be paid within the coming year) are to be excluded from the total amount of your savings.



# Bad Loans

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- Misconception:
- “Do not turn bad loans into a zakat payment”

# Employees

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- Cash + value of your stock ( for speculators) + good loans – short-term debts = Total value of your *zakatable* money.
- 2.5% (Islamic Calendar)
- 2.577% (Gregorian Calendar)



# Zakat on Stocks

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- Long-term Investment:
- Determine the Zakatable Asset Ratio
- $\text{Total current Assets (minus interest income)} / \text{Market cap} = \text{Zakatable Asset Ratio.}$
- Example:  $15 \text{ million} / 90 \text{ million} = 0.1666 \text{ (16.66\%)}$
- Current value of your holdings: 12k
- $12\text{k} \times 0.1666 = \mathbf{1,999.20 \text{ CAD (Zakatable portion)}}$

# Other Investments

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- Zakat is due on the total value of your investment in the following cases:
  - **Mutual Funds**
  - **Cryptocurrencies**
  - **Bonds (use the original price)**



# Employees with Pension Plans

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- Add to the total of your *zakatable* assets the unlocked portion of the “RRSP” account or any pension account, then take away penalties and fees. Pay zakat on what is left in your hand.
- The account is locked: **No Zakat on the funds until they are accessible.**
- **Note: RESP** (Zakat is only due on the contribution of the parents if it reaches the Nisaab)

# Business Owners

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- Use the same formula, but you should add the value of the inventory.
- No zakat on the value of fixed assets. (buildings, equipment, furniture or vehicles used in the business operation)
- Value of raw material is included
- Use the market price to calculate the value of your business merchandise



# Zakat on Jewelry

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- **No Zakat** on any halal jewelry if it is for personal use
- **Zakat is obligatory:**
  - If the jewelry is saved as a store of value
  - If it is owned by a male
  - If it is intended for trade (Business merchandise)
  - If it is used as a decoration
  - **Note:** Zakat is mandatory on the value of utensils made of gold and silver. (scholarly consensus)

# Less Than 24 Karats

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- Price in international markets: \$80
- Depreciated price: \$70
- Fatima owns 1000 grams of 18k gold jewelry
- $1000 \times 18 / 24 = 750$  grams of pure gold
- $1000 \times \$70 = \$70000$
- $750 \times \$70 = \$52,500$  (value of her *zakatable* assets)



# Gemstones and Diamonds

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- There is **no zakat** on the following items unless they are strictly intended for trade:
- **Gemstones and diamonds.**
- **Precious metals other than gold and silver.**
- **Note: Weight of gold or silver – total of weight of non-metals and stones= Total value of your gold or silver that is subject to zakat payment.**

# Land and Properties

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- **No zakat** on any real-estate property unless it is strictly intended for trade.
- **Rental property:** Pay zakat on the rental income.
- **I don't know what to do with it:** No zakat on the value of the property.
- **I changed my mind and I want to sell it:** No zakat until you sell it.



# Who Receives the Zakat ?

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- Poor People
- Those in need
- Employed to collect/distribute the zakat
- Those inclined towards accepting Islam
- Captives and Slaves
- Those in Debt
- In the way of Allah
- The Stranded traveller