

ZAKAT MADE EASY



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Foundation™

❁ إِنَّمَا الصَّدَقَتُ لِلْفُقَرَاءِ وَالْمَسْكِينِ وَالْعَمِلِينَ عَلَيْهَا

وَالْمُؤَلَّفَةِ فُلُوبِهِمْ وَفِي الرِّقَابِ وَالْغَرَمِينَ وَفِي سَبِيلِ اللَّهِ

وَأَبْنِ السَّبِيلِ ۖ فَرِيضَةً مِّنَ اللَّهِ ۗ وَاللَّهُ عَلِيمٌ حَكِيمٌ ﴿٦٠﴾

“As Sadaqat are only for the Fuqara' (destitute), and Al-Masakeen (the poor) 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 traveller who is cut off from everything); a duty imposed by Allah. And Allah is All-Knower, All-Wise.”

[Qur'an: Surah Tawbah, 9:60]



Zakat vs Other Forms of Charity

Zakat	Charity
<ul style="list-style-type: none">• Obligatory• Prescribed rate• Given by Muslims, to Muslims• Restricted to 8 categories• Given at a specific time• Due on specific assets	<ul style="list-style-type: none">• Voluntary• No prescribed rate• Given by anyone, to anyone• No restrictions on beneficiaries• Can be given at any time



8 CATEGORIES OF ZAKAT RECIPIENTS



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وَالْغَرَمِينَ وَفِي سَبِيلِ اللَّهِ وَأَبْنِ السَّبِيلِ فَرِيضَةً مِّنَ اللَّهِ وَاللَّهُ عَلِيمٌ حَكِيمٌ ﴿٦٠﴾

8 Categories

Fuqaraa'	The Destitute
Masakeen	The Needy
Al 'Amileena 'Alayha	Zakat Workers
Al Muallafati Quloobuhum	Softening the Hearts
Fi Ar- Riqab	The Captives
Al Gharimeen	The Indebted
Fi Sabilillah	In the Path of Allah
Ibn Al- Sabeel	The Stranded Traveler



UNLAWFUL RECIPIENTS OF ZAKAT



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Unlawful Recipients of Zakat

1

The Rich:
Those who are wealthy cannot receive Zakat

2

Those Capable of Earning an Income:

- One who is able to earn an income but does not do so out of laziness
- It is not honourable for a person to depend on Zakat unnecessarily

3

The Disbelievers:

- As a general rule, non-Muslims are not eligible to receive Zakat





Tamleek – Transfer of Ownership in Zakat

Tamleek is a **prerequisite** for giving Zakat: Transfer of ownership from payer to recipient.

Complete transfer of ownership means the recipient must become the full owner of the Zakat **without conditions or partial control**.

Exclusion of Public Services: Zakat should not be used for **public benefits**, like roads, hospitals, schools, etc.

Exception: With a clear agreement and consent from the Zakat recipient, the Zakat payer can pay for services on behalf of the recipient. E.g., Counselling, Quran education.



FUNDAMENTALS OF NIS AB



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GOLD:

“Verily, the Prophet (ﷺ) used to take (Zakat from people) – in every 20 dinars, half a dinar”

SILVER:

“..For silver the Zakat is one-fortieth of the lot* and if its value is less than two-hundred Dirhams, Zakat is not required, but if the owner wants to pay, he/she can.”

Mathematically: $0.5/20 = 1/40 = 2.5\%$

Nisab is the threshold
that one's wealth must
reach to be liable to pay
Zakat



Gold and Silver Nisab

Nisab of Gold	Nisab of Silver
20 dinars or 85g or ~ \$12,170 CAD (Feb 2025)	200 dirhams or 595g or ~ \$950 CAD (Feb 2025)

Why the difference?

20 dinars used to equal 200 dirhams (exchange rate of 1:10)

Gold Nisab is recommended by many scholars in Canada,
Silver Nisab is the safer approach



WHAT IS ZAKAT

PAID ON?



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What is Zakat paid on?



Cash and cash-like assets



Gold and Silver: coins, ingots, jewellery*, etc.



Debts owed to you: money lent to others that will be repaid



Shares and Investments: TFSA/ RRSP / RESP / Pensions



Business inventory and other business assets*



Properties for sale





Pay Zakat
if you meet
the following
criteria:

1

Have complete ownership of the wealth

Wealth is free of haram income

2

- Zakat is not due on earnings from haram sources.
- Haram wealth must be disposed of by giving it in charity, and seeking forgiveness from Allah

3

Wealth meets the Nisab

- The threshold of wealth one must own to be liable to pay Zakat

4

One lunar year passes over the wealth after attaining the Nisab amount



Zakat Calculation

Zakatable Assets – Deductibles = Net Zakatable Assets

*If your Net Zakatable Assets are ABOVE the Nisab...

.. Your Zakat Payable = $0.025 * \text{Net Zakatable Assets}$





Zakat And Deductible Debts

Short-Term Debts

Short-term debts due within the 12 lunar months can be deducted in full.

Long-Term Debts

Long-term debts can be deducted also, with some considerations:

Not Making Payments: If not making any payments toward your long-term debt right now, then nothing is deducted, and you simply pay Zakat on your Zakatable assets.

Making Payments: If you are committed to a monthly repayment program for your long-term debt, then you may deduct 12 lunar months of upcoming principal payments (not including interest)



Example: Long-term Debt Deductible

Your Zakatable assets are \$20,000. You pay \$550/month toward a long-term loan, of which \$500 is toward the principal and \$50 is interest.

Excluding interest, $\$500 \times 12 \text{ months} = \$6,000$. This \$6,000 is your deductible.

Your Net Zakatable assets are $\$20,000 - \$6,000 = \$14,000$ (Higher than Nisab)

Zakat rate of 2.5% applied to \$14,000 = **\$350 Zakat Payable**





Zakat and Mortgages

Short-term portion of the mortgage is deductible

For monthly mortgage payments, you may deduct 12 months of upcoming principal payments (not including interest)

Difference of opinion here:

Some scholars recommend you do not deduct mortgage liability, unless you are fearful that you will be unable to pay your mortgage



Zakat Anniversary Date

Your Zakat anniversary date is the day you first reached Nisab.

- If the exact date is unknown, one should estimate a date on the Hijri calendar.
- Zakat is calculated on that Hijri day every year.
- Zakat is not necessarily due in Ramadan.
 - People often choose to pay in Ramadan due to increased rewards.
 - Zakat payment should not be delayed unnecessarily.

Example: You first reached Nisab on 20th of Muharram 1435. Your Zakat is due on 20th of Muharram every year, if you continue to attain the Nisab.



USE CASES



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Zakat on Shares and Investments

Short Term Investment

Intention is not to hold for more than a lunar year.

Example: Day trading or swing trading

Zakatable amount: Include the entire value of your portfolio and pay Zakat on it

Long Term Investment

Intention is to hold for more than a lunar year. Example: These investments could be held in TFSA's or other investment vehicles.

Zakatable amount: The Zakatable portion of the companies you hold shares in

How?? Use the Asset Ratio Formula





Zakatable Asset Ratio Formula

Zakatable Portion of Shares =

Zakatable Asset Ratio X Current Value of Your Holdings in Dollars

Where...

Zakatable Asset Ratio = Total Current Assets / Market Cap



Example



You are a long-term investor. You own 10 stocks in Company Z,



\$154B
Company Z's
Total Current
Assets



\$2.0T
Market
Cap



\$120
Current
Price Per
Stock

Total Current Assets	\$154 Billion	=	0.077	Zakatable Asset Ratio
Market Cap	\$2.0 Trillion			

Current value of your Holdings in Dollars	10 Shares	×	\$120	=	\$1,200
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Zakatable Portion of your Share	0.077	×	\$1,200	=	\$92.40
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Zakat Due On Shares	92.40	×	0.025	=	\$2.31
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Zakat on RESP

RESP's can be liquidated prior to children's education; thus, the fund is Zakatable.

However, you only pay Zakat on the amount you contributed plus/minus any growth/losses

Example:

- RESP contains \$14,000
- of which you contributed \$10,000
- and the government contributed \$2,000
- the remaining \$2,000 is from capital gains
- Deduct gov't contribution (as this would be the penalty for early withdrawal prior to maturity).
- Zakat due = $2.5\% * \$12,000 = \300





Zakat on RRSP

RRSP's can be liquidated, thus the fund is Zakatable.

The withholding tax can be deducted accordingly.

Zakat on RRSP =

$$(\text{Total RRSP value} - \text{Withholding tax}) * 0.025$$

Note: Withholding tax amount is dependent on the amount in the fund and the province you reside in.

Group RRSP:

- Zakat is due only on the portion you own and can access.
- If you cannot withdraw funds due to restrictions (e.g., employer controls access until retirement), no Zakat is due until withdrawal.
- If withdrawal is possible: Calculate Zakat (2.5%) on the total zakatable assets, after deducting any penalties/taxes.



Gold and Silver Jewellery: worn or not worn

1

Opinion 1: Zakat is not paid on jewellery that is worn regularly*

2

Opinion 2: Zakat should be paid on all gold or silver jewellery.

NZF Stance



Note: If gold/silver is mixed with other metals, Zakat is paid on the proportion that is gold/silver.

Example: if a gold bracelet is 75% gold and 25% other metals, and the total weight is 200 grams.

Then Zakat is paid on the 150g (75%) of gold in it.





Properties

Zakat on properties depends on the intention and how the property is being utilized

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Non-Zakatable Properties:

Properties being utilized as households or businesses, including those rented out

Zakatable Properties:

Properties that are marked for sale or purchased with the intention of reselling

Side note: debts on the property are deductible





Retirement Funds

RRIF (Registered Retirement Income Fund):

Consider someone who has \$500,000 RRIF, withdrawing \$35,000 per year for living expenses.

- $\$500,000 * 0.7$ (withholding tax) = \$350,000
- Zakat on \$350,000 = \$8750

That's 25% of what they are withdrawing for living expenses!!

Alternative:

Consider the RRIF as an investment property, pay Zakat on the withdrawal amount.

- $\$35,000 * 0.025 = \875





Zakat on Pensions

For pensions to be Zakatable, they must meet one or both conditions:

- Accessible: You can withdraw funds.
- Controllable: You can manage investments

Non-Zakatable Pensions:

- Funds are locked (cannot be accessed until maturity).
- You have no control over the investments.

Start paying Zakat after maturity or when funds become accessible.

Zakatable Pensions:

If accessible or controllable, pay 2.5% Zakat annually on:

- The current value of Zakatable assets (cash, stocks, etc.).
- Deduct withdrawal penalties/taxes if applicable.





Specific Types of Pensions

DCPP (Defined Contribution Pension Plan):

DCPP is inaccessible but controllable. Zakat liability depends on how it is invested...

- a) If in an equity fund, then purify the gains and pay Zakat on whole amount
- b) If in the money market or low-interest vehicle, then pay Zakat on your own contributions

LIRA (Locked-in Retirement Account):

LIRA's are Zakatable, if the investment is controlled. Otherwise they are not Zakatable.

CPP (Canada Pension Plan) & DBP (Defined Benefit Plan):

These are neither controlled nor accessible. Thus, they are not Zakatable.





HAVE MORE QUESTIONS?



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1:1 Zakat Consults

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