

UNDERSTANDING ZAKAH

For those who have money to give, Islamic law requires that they give it on a yearly basis as zakah (charity, or wealth tax). Zakah is considered so important that it is the third of the five pillars of Islamic faith.

Fulfillment of this pillar requires Muslims to reach out to the community and to interact with others in a meaningful and profound way. Just imagine, how would you know if someone is in debt? Is that person going to approach us and say, “I have \$17,000 in credit card debt?” Probably not. However we may come to know this as we become actively involved in the community and exchanges of personal information occur. Then we can know who is in need of receiving zakah.

Zakah is similar to tithing in Jewish and Christian traditions. The words in Hebrew (ma’aser) and in Greek (apodekatoo) for “tithe” both simply mean “a tenth.” The Hebrew Bible says one should tithe 10 percent of what one earns:

“For every tenth part of herd or flock, whatever passes under the rod, the tenth one shall be holy to the Lord.” (Leviticus 27:33)

“and this stone that I have set up as a pillar will be God’s house, and of all that you give me I will give you a tenth.” (Genesis 28:22)

In the New Testament the actual percentage required is unclear. It simply suggests tithing “in keeping with your income” (I Corinthians). Some churches use the 10 percent figure stated in the Jewish scripture as a general guideline or “recommended minimum.”

Calculating Zakah

Zakah is due on the current year’s gross income before taxes – zakah, the right of Allah, is calculated before the rights of man (taxes).²⁷

Zakah is also due on savings and investments that their owner has held for one lunar year, all stocks in trade above the *niṣāb*, and real estate and capital goods if they are owned (not kept on credit) and stocked for trade (not production).



Table 5.1: Zakah Calculation Form

SCHEDULE 1:

Items Subject to 2.58%* on Income and Assests

1. Any cash on hand kept for one Gregorian year.	\$ _____
2. Annual earned income before any deductions of taxes, social security, etc.	\$ _____
3. Value of jewelry kept for a year that is in excess of what is customarily used.	\$ _____
ADD LINES 1, 2, and 3.	\$ _____
4. Less pro-rata <i>Nisab</i> (please see example below).	\$ _____
5. Income subject to Zakah.	\$ _____
6. Multiply line 5 by 2.58%.	\$ _____
SCHEDULE 1 ZAKAH DUE	\$ _____

SCHEDULE 2:

Items Subject to 10.3%* Zakah on Yield

1. Realized capital gain on sales of stocks and mutual funds and the like.	\$ _____
2. Dividends and rents from real estate, less expenses of debt and any other direct expenses, but not depreciation or reserves or taxes.	\$ _____
3. The profits of shares in partnership, before deducting any depreciation or reserves or taxes.	\$ _____
4. The net profit (revenue minus direct expenses such as wages, maintenance, taxes, debts, etc. and not considering reserves) of trade, business or rented property.	\$ _____
ADD LINES 1 through to 4.	\$ _____
5. Less pro-rata <i>Nisab</i> (please see example below).	\$ _____
6. Income subject to Zakah.	\$ _____
7. Multiply line 6 by 10.3%.	\$ _____
SCHEDULE 2 ZAKAH DUE	\$ _____

ZAKAH DUE (Add schedule 1 and 2). **TOTAL** \$ _____

* Gregorian year is 11 days longer than lunar year, hence the adjusted rates are 2.58% (rather than 2.5%) and 10.3% (rather than 10%) per year.

REMARK: If the income subject to zakah is composed of items subject to 2.58% (schedule 1) and others whose yield is subject to 10.3% (schedule 2), nisab has to be divided in the same proportion of the two items. The nisab proportion is subtracted from each category, and the result is to be multiplied by the related rate, 2.58% or 10.3%.

EXAMPLE:

Total income from Schedule 1, subject to 2.58%	\$50,000
Total income from Schedule 2, subject to 10.3%	\$10,000
TOTAL YEARLY INCOME	\$60,000

For a family/household size of 5

Nisab (Poverty Limit) = \$27,000 to be divided into 22,500 and 4,500. Thus	
Zakah on Schedule (1) = \$50,000 - 22,500 = 27,500 x 2.58%	\$710
Zakah on Schedule (2) = \$10,000 - 4,500 = 5,500 x 10.3%	\$567
TOTAL ZAKAH DUE	\$1,277

Combined Zakah

Total Zakah (due for the year) \$ _____
Less Zakah already paid (during the year) \$ _____

ZAKAH DUE \$ _____

Hanafis say any delay in paying Zakah which is due (now owed to others), without valid reason, even for a day or two is sinful and not permitted.

Please send your tax-deductible Zakah contribution to:

FAITH
795 Center Street, Suite 2
Herndon, VA 20170 USA
www.faithus.org
Ph: (571) 323-2198

2012 Poverty Income Guidelines

HOUSEHOLD SIZE	ANNUAL INCOME Gregorian Year (up to)
1	11,170
2	15,130
3	19,090
4	23,050
5	27,000
6	30,970
7	34,930
8	38,890
9	42,850
10	46,810