Islamic Studies

Pillars of Islam: The almsgiving (zakat)

MLO 3.2.3

Understanding of who must pay Zakat. Understanding of Nisaab and its thresholds. Understanding of how to calculate Zakat. Understanding of zakatable wealth versus personal needs.

Who Is Obligated to Pay Zakat?

Zakat is obligatory upon a person who:

- Is adult, sane, free, and Muslim
- Possesses wealth above the specified Nisaab
- Has possessed the wealth for a complete lunar year
- Owns wealth that is productive, such as:
    - Gold and silver
    - Business merchandise
    - Livestock
    - Cash and other assets
- Personal necessities such as clothing, household furniture, utensils, and personal cars are generally excluded from Zakatable wealth.

Nisaab — Minimum Wealth Threshold

- Nisaab is the minimum amount of wealth that makes a person liable for Zakat.
- AssetNisaab
- Gold 87.48 grams / 7.50 Tolas / 1,350 Grains
- Silver 612.36 grams / 52.50 Tolas / 9,450 Grains
- For cash, stocks, bonds, and other assets, Nisaab is calculated according to their equivalent value in gold or silver.
- Nisaab is determined by adding the cash value of Zakatable assets, such as gold, silver, currency, and other eligible wealth.

Zakat Rate & Calculation

- If a person's Zakatable wealth is equal to or above Nisaab, Zakat becomes due.
- The standard Zakat rate is 2.5%.
- The wealth must generally remain at or above Nisaab for one complete Islamic/lunar year.
- If wealth falls below Nisaab during the year but returns to Nisaab before the end of the year, Zakat is calculated on the full amount possessed at the end of the year.

Example:

- If Zakatable wealth at the end of the lunar year is Rs. 1,000,000:
- Zakat = Rs. 1,000,000 × 2.5% = Rs. 25,000