

UNDERSTANDING £ZAKAT.00

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Outline

1. Introduction to Zakat
2. Calculation Principles
3. Zakatable Assets
4. Deductible Liabilities
5. Zakat Distribution
6. Practice Questions 

WHAT & WHY?

IN TERMS OF PAYMENTS, ZAKAT REFERS TO AN OBLIGATORY PAYMENT OF 2.5 % ON QUALIFYING WEALTH ANNUALLY TO THE DESERVING POOR.

ZAKAT IS THE THIRD OF FIVE CORE PILLARS OF ISLAM AND BY QURANIC RANKING IS NEXT AFTER PRAYER.

MERCY OF ALLAH ﷻ : WHO REALLY OWNS YOUR MONEY ANYWAY?

BENEFITS OF ZAKAT

خُذْ مِنْ أَمْوَالِهِمْ صَدَقَةً تُطَهِّرُهُمْ وَتُزَكِّيهِمْ بِهَا وَصَلِّ عَلَيْهِمْ

FOR YOU

- Getting Allah ﷻ back in the equation
- Benefits in both worlds

FOR THE RECIPIENT

- A human capital fund allowing the poor out of poverty

FOR THE ECONOMY

- Liquidity injections financing growth of the faith & faithful



WARNING OF NEGLECTING ZAKAT – QUR`AN

وَلَا يَحْسَبَنَّ الَّذِينَ يَبْخُلُونَ بِمَا آتَاهُمُ اللَّهُ مِنْ فَضْلِهِ هُوَ خَيْرًا لَّهُمْ بَلْ هُوَ شَرٌّ
لَّهُمْ سَيُطَوَّقُونَ مَا بَخُلُوا بِهِ يَوْمَ الْقِيَامَةِ ... [آل عمران 180]

“And those who are miserly with what Allah has given them from His grace should certainly not think it is good for them; rather, it is bad for them. What they are miserly with will soon be twisted around their necks on the Day of Standing

...”

WARNING OF NEGLECTING ZAKAT – HADITH

"Whoever is made wealthy by Allah and does not pay the Zakat of his wealth, then on the Day of Resurrection his wealth will be made like a bald-headed poisonous snake with two black spots over the eyes. The snake will encircle his neck and bite his cheeks and say, 'I am your wealth, I am your treasure.'
" [al-Bukhari]

CALCULATION PRINCIPLES: WHO MUST PAY ZAKAH?

- ❑ Muslim
- ❑ Adult (*Baligh*)
- ❑ Sane (Mental Capacity)
- ❑ Wealthy (Owns *nisab*)

Note: *zakah* is not compulsory on non-baligh children

WHAT IS *NISAB*? – A THRESHOLD

DEFINITION	MINIMUM AMOUNT REQUIRED UPON WHICH IT IS COMPULSORY TO GIVE ZAKAH	
AMOUNT	612.36 GRAMS/ 52.5 TOLA OF SILVER	87.48 GRAMS/ 7.5 TOLA OF GOLD
IN CASH	£1,230.36 ON 31/01/2026	£10,062.62 31/01/2026
WHEN TO USE	WHEN ONE HAS A MIXTURE OF ASSETS [AND NOT ONLY GOLD]	ONLY USE WHEN ONE HAS ONLY GOLD [AND NO SILVER, CASH ETC.]
HOW DO I KNOW NISAB?	<ol style="list-style-type: none"> 1. FIND OUT THE MARKET RATE FOR 1 GRAM OF SILVER FROM ANY LOCAL JEWELLER OR WEBSITE 2. MULTIPLY IT BY 612.36. THIS WILL TELL YOU THE CURRENT MONETARY EQUIVALENT TO THE NISAB 3. USE WEBSITES SUCH AS: WWW.DARULFIQH.COM/NISAB OR WWW.WELLWISHERS.ORG.UK 	

ZAKAH ANNIVERSARY DATE

- Once the *nisab* has been reached, it will remain the same date forever, unless a person has nothing left. Then, a new date will be established once again when a person has *nisab* again.
- Zakah is calculated according to the lunar calendar. Thus, the date and the month should be noted and the zakah should be calculated on the same date every year.
- Zakah should be given ASAP. It is sinful if it is not paid before the arrival of the zakah anniversary date, the following year.

CALCULATING ZAKAH

- Zakat is **NOT** only paid on wealth that you have saved or kept for a full Islamic year (NOTE: Lunar year).
- It is a **snapshot** calculation, regardless of money going out and coming in throughout the year.
- Zakat is an **individual obligation**.
- If, for example, the father or mother wishes' to give *zakah* for the son from their own money or the son's money, they can do so but only with the **permission** of the son.

IMPORTANT: Zakah must be given on the wealth that a person receives even though it may be 1 day before the zakah anniversary date. It will be added with the rest of the wealth and zakah will be given on the whole amount the next day. **10**

ZAKAH ANNIVERSARY DATE



What if I don't know
what my date is?



The Zakat year (part 1)

When to pay Zakat?



Zakat

calculation formula

Current Nisab Value

£350.00 (---)

Amount of Zakat Owed

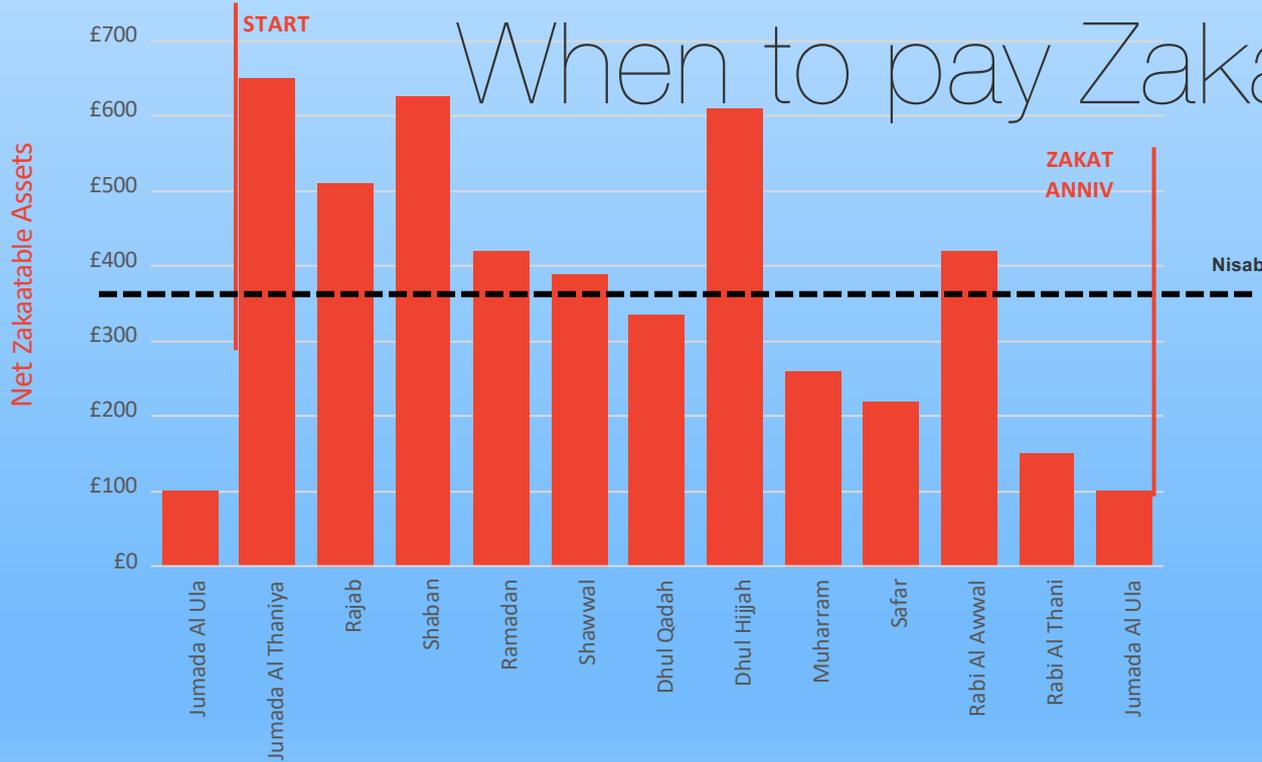
= (2.5%) of **£400**

=

£10.00

The Zakat year (part 2)

When to pay Zakat?



Zakat

calculation formula

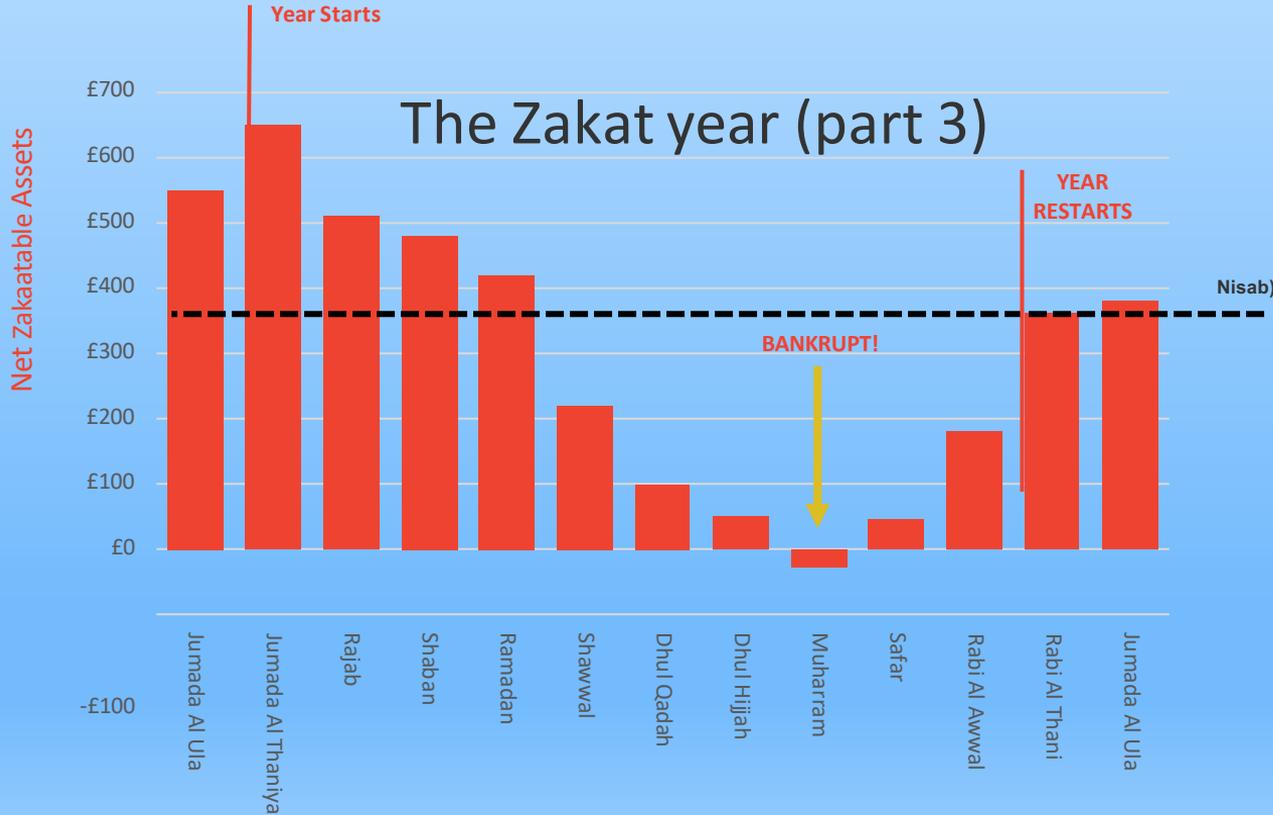
Current Nisab Value

£350.00

No Zakat is due because the Net Zakatable Asset at Zakat due date is below Nisab.

When to pay Zakat?

The Zakat year (part 3)



Zakat

calculation formula
Current Nisab Value

£350.00

The year restarts in Rabi'ul
Thani after stopping in
Muharram.

CALCULATING ZAKAH

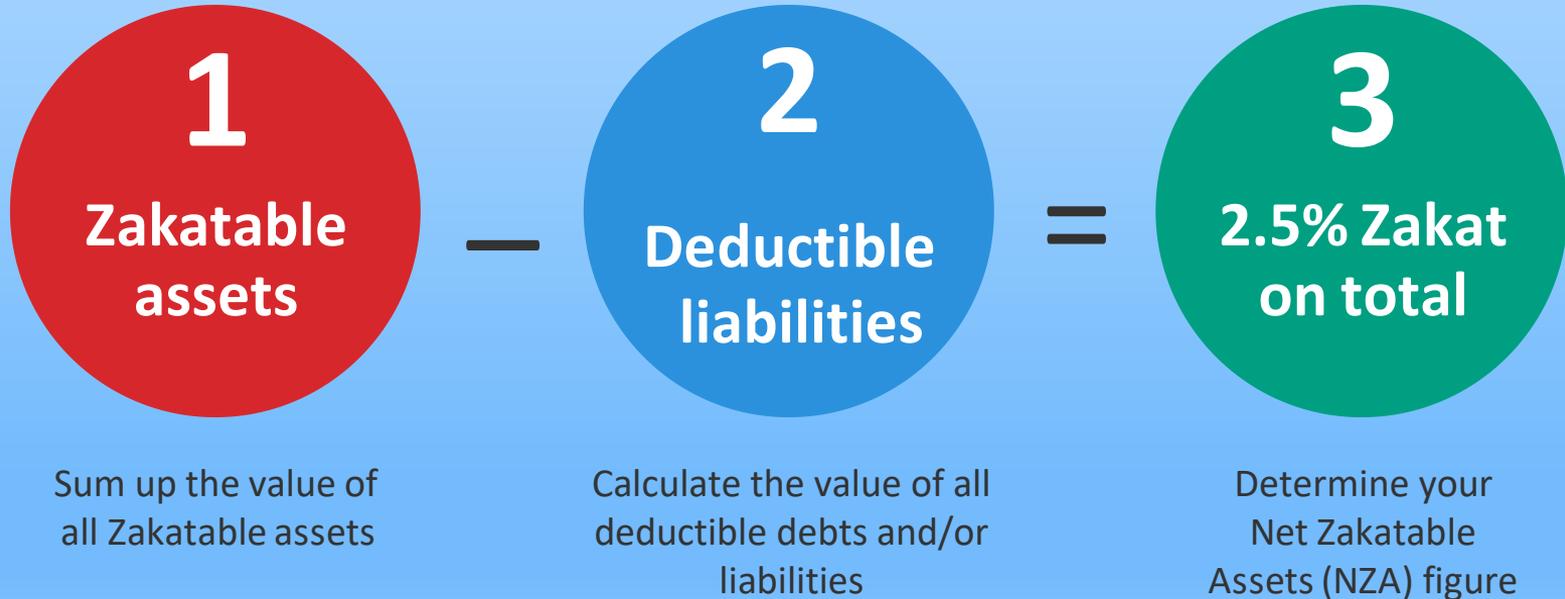
DATE	BALANCE
30 TH SHA'BAN 1438	£0
13 TH RAMADHAN 1438	£200
15 TH RAMADHAN 1438	£300
5 TH SHAWWAL 1438	£450
20 TH MUHARRAM 1439	£120
12 TH RAJAB 1439	£220
14 TH SHA'BAN 1438	£350
1 ST RAMADHAN 1439	£500
13 TH RAMADHAN 1439	£50
15 TH RAMADHAN 1439	£600
5 TH SHAWWAL 1439	£500
WHEN WILL I GIVE MY ZAKAH?	
HOW MUCH ZAKAH WILL I GIVE?	

Nisab = £300

2.5%

GOLDEN FORMULA:

Zakat calculation in 3 easy steps



If your NZA is above the Silver Nisab, your Zakat is 2.5% of your NZA

ZAKATABLE ASSETS: WHAT MUST I GIVE ZAKAH ON?

- Cash and money owed to you
- Gold and silver
- Business assets [NOTE: anything purchased with sole intention to sell]
- Shares & [some] pensions
- Livestock

2.5% or
1/40; It's the
same thing!

WHAT MUST I GIVE ZAKAH ON: GOLD & SILVER?

- It is necessary to give zakah on **any gold and silver**, whichever form the gold and silver may be in (jewellery, coin etc.) and whether it is for personal use or otherwise.
- If any personal item is made from a **mixture of metals**, then zakah will be necessary on **only** the **gold or silver**.
- The zakah will be calculated on the **resale value**. This can be obtained either from the local jewellers or scrap gold price.
- There is **no zakah** on gold and silver which is stuck onto the body and **cannot be removed** e.g. gold tooth. However, zakah has to be given if they can be removed e.g. a removable golden nose ring.

There is no *zakah* on metals other than gold and silver, e.g. aluminium, platinum, precious stones, pearls, diamonds [unless acquired for trade].

WHAT IS THERE NO ZAKAH ON?

General Rule: There is **no zakah** on **any assets** owned **except** for those mentioned 

So, there is **no zakah** on:

- a house purchased to live in
- a land purchased to build a house on
- furniture and fittings
- motor vehicle/s
- personal clothing & items including computer, phones etc.
- any goods purchased for personal use or for renting purposes.

ZAKAH IS ONLY ON:

- Gold and silver
- Cash (including money owed to you)
- Business assets
- Shares & [some] pensions
- Livestock

Zakah is only compulsory on the house, lands, vehicles, clothing or any goods if these are **purchased for the purpose of resell.**

ZAKAH CALCULATION

Khadijah has 20 grams of 24 carat of gold jewellery. She also has 100 grams of silver jewellery.

How much zakat will she give?

NOTE:

1 gram of 24 carat gold = £10

1 gram of silver = £2

WHAT MUST I GIVE ZAKAH ON: LOANS: MONEY OWED TO YOU?

- It is necessary to give **zakah only** on strong debts – **personal loans you gave when** there is **hope** that the money owed will be paid back [and for **business items**].
- Nevertheless, the obligation to pay zakah on it only arises **upon retrieving the debts** [in which event the zakah of preceding years must also be paid on such debts].
- There is **no zakah** on **any other loan or debt** owed to you.

There is **no zakah** on:

- Dowry owed to wife
- Inheritance shares
- Outstanding wages, fees, remuneration of services
- Loans advanced without any hope of repayment.
- Outstanding invoices for the sale of **personal** items (business credit sales on products are

zakatable)

WHAT MUST I GIVE ZAKAH ON: BUSINESS ZAKAT ON ASSETS?

- A business asset is **anything purchased with a sole intention to resell and that intention remains.**
- It is necessary to give zakah on:
 - **Cash** (in-hand and in bank)
 - **Receivables/Credit Sales**
 - **Stock** (finished or not)/ **inventory/ raw materials**
- The **raw materials** should be calculated on their **current market price**, the **finished goods** on their retail **sale price** and the **unfinished goods** on their **expected price at the zakah date.**

There is **no zakah** on [unless purchased with sole intention of resale]:

- Land
- Building
- Machinery
- Equipment
- Fixtures and fittings
- Transport vehicles.
- Goodwill and other intangible assets
- Outstanding service receivables

ZAKAH CALCULATION

Aqib has a total amount of **savings** adding up to **£10,000**. He also owns a **mobile phone shop** and a **grocery store**. He has learnt that the **mobile phones to sell** cost him **£8,000.00** but are put for sale at **£10,000** and the **stock** in his grocery store was for **£4,000** but now worth **£5,000**.

How much zakat will he give?

WHAT MUST I GIVE ZAKAH ON: PROPERTY & OTHER FIXED ASSETS?

Intention when buying

Solely to
sell

zakah

To reside

No
zakah

Buy-to-let

No
zakah

uncertain

No
zakah

WHAT MUST I GIVE ZAKAH ON: SHARES, UNIT TRUSTS & EQUITY INVESTMENTS?

IF THE SHARES WERE PURCHASED:	ZAKAH IS DUE:
ACTIVE TRADING STRATEGY (INTENTION TO RESELL)	ON THE ENTIRE HOLDING AT THE CURRENT MARKET VALUE.
BUY-AND-HOLD TRADING STRATEGY/ SAVINGS AND STORE OF WEALTH	ONLY ON THE ZAKATABLE ASSETS OF THE COMPANY* [BASED ON THE PERCENTAGE OF THE SHAREHOLDING]

Note: It is impermissible to buy shares in companies that deal in unlawful e.g. brewery.

If you do not know, assume the *zakatable* assets via proxy to be

25% of the total amount you own then pay 2.5% on this 25%

* Zakatable Assets = Cash/Cash Equivalents, Trade & other receivables, Inventories, Derivative financial instruments, Investments

WHAT MUST I GIVE ZAKAH ON: PENSIONS?

- **Defined Benefit:** it is not necessary to give zakah on pension contributions made before retirement if the individual has no say over how the money is invested, such as in many **final salary schemes or career avg.**
- **Defined Contribution (SIPPs, AVCs, Personal/StakeH):** zakah must be paid in **money purchase** and **personal pension schemes** where the pension assets are invested on behalf of the pension holder (who has a choice over how to invest the money) and a specific amount of wealth is attributed to the pension holder. **However, zakah is only on the zakatable assets.**

- Defined benefit = no zakah
 - Pension investor does not own accumulated assets in the fund
- Defined contribution = zakah
 - Member has ownership of accumulated assets in fund
 - Possession is affected through fund manager

The pension monies should only be invested in sharia compliant investment.



STEP BY STEP GUIDE TO PENSION ZAKAT CALCULATION

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1. Make sure your pension is Halal in the first place. Request the fact-sheet / portfolio.
2. Determine the total percentage of Zakatable assets in the pension fund.*
3. Step 3: Apply the percentage on your total value of your pension pot.
4. Step 4: Add the Zakatable assets value to the rest of your Zakatable assets.

Assets	Percentage of Assets in the Fund	Zakatable Assets' Percentage
Equities	70%	17.5% (25% of 70%)
Cash	5%	5%
Property	15%	0%
Other	10%	10%
Total Zakatable Assets' Percentage		32.5%
Current Pension Fund Value	£10,000	
Zakatable Assets Value	£3,250 (32.5% of £10,000)	
Zakat Payment at 2.5%	£81.25 (2.5% of £3,250)	

* If the above is difficult, use the following proxies: Shariah Fund (26%), Direct Property Fund (15%), Equity Fund (27%), Mixed Asset Fund (50%), Bonds/Fixed Interest or Fixed income Fund (100%).

ACTIVE-TRADING STRATEGY: Zakat is due on full value of the investment at market value. Active trading means an investment with sole intention to sell and capture short-term positive price fluctuations.

BUY-AND-HOLD TRADING STRATEGY: Any crypto-asset purchased with another intention; Zakat will depend on the type of crypto-asset.

Types of Crypto-assets and their Zakat Treatment

COINS/EXCHANGE TOKENS/PAYMENT TOKENS: Zakat is always due on these types of crypto-assets at 100% of your current holding value regardless of the intention.

SECURITY TOKENS: If purchased to resell, Zakatable at 100% of your current holding value. If purchased for dividend income & long-term investment, Zakat will depend on the underlying assets of the company.

UTILITY AND PLATFORM TOKENS: If purchased to resell, it is Zakatable at 100% of your current holding value. If purchased to use, Zakat will not be due on these tokens.

ASSET-BACKED TOKENS: If purchased to resell, it is Zakatable at 100% of your current holding value. If purchased as investment, Zakat depends on underlying asset. If it's a Zakatable asset = Zakat.

GOVERNANCE TOKENS: If purchased to resell, it is Zakatable at 100% of your current holding value. If purchased to use, Zakat will not be due on these tokens.



WHAT CAN I DEDUCT FROM MY ZAKAH?

DEDUCTABLE LIABILITIES (IMMEDIATE VS LONG-TERM)

1. Incurred debts payable in full within 12 months:

Incurred expenses to be settled in full within 12 lunar months can be deducted from one's Zakat calculation.

2. 12 months' instalments of long-term liabilities

If the debt is scheduled to be repaid over a number of years, on the Zakat anniversary, one may deduct ONLY ONE YEAR'S worth of instalment repayments eg Mortgage Repayments*, Student Loan Repayments

3. Arrears/Outstanding/Overdue payments:

All arrears and overdue payments can be deducted from one's Zakat calculation.

The balance of interest [in mortgage, student loans etc.] cannot be treated as a debt for *zakah* calculation. It is only the principal amount that can be deducted.

WHEN SHOULD I PAY MY ZAKAH?

- It is permissible to **prepay** zakah in advance [before the anniversary date] for future years [after completion of nisab].
- However, at the time of paying zakah, the **intention** should explicitly be **for future years**, and one should ensure the **correct amount** was paid by calculating the zakah on the actual anniversary date.
- It is **incorrect** to **delay** or postpone payment of zakah after the anniversary date to a future date without a valid reason.
- Outstanding zakah from previous years should be **paid immediately** after [exercising all realistic attempts in] calculating the zakah due for the missed years.

WHO CAN I GIVE ZAKAH TO?

The poor whose **zakatable assets** and **surplus non-zakatable assets** (that are above basic needs), if all added, **do not reach** the value of ***nisab*** [after settling debts].

(Preferable to prioritise eligible close relatives, desperate people in emergencies, students of knowledge)

WHO CAN I NOT GIVE ZAKAH TO?

Non-poor

Non-Muslim

A minor of a
wealthy father

Parents and
grandparents

Children and
grandchildren

Spouse

Hospitals,
Schools, Masjids

Burial expenses

Wages,
Remuneration or
in exchange for
any service.

You can give to:

- brothers, sisters, uncles, aunts etc.,
- a poor man whose children are rich,
- or a poor woman whose husband may be rich.

WHAT MUST THEY DO?

MUHAMMAD	
ASSETS	WORTH
CASH	£50
SILVER	£50
HOUSE	£30,000
BED	£100
FRIDGE	£0
TELEVISION	£40
COMPUTER	£30
TAKE OR GIVE ZAKAH?	

FATIMA	
ASSETS	WORTH
CASH	£200
GOLD	£100
HOUSE	£30,000
BED	£100
FRIDGE	£50
TELEVISION	£40
DEBT	£400
TAKE OR GIVE ZAKAH?	

UTHMAN	
ASSETS	WORTH
CASH	£50
SILVER	£50
HOUSE	£30,000
BED	£100
FRIDGE	£50
TELEVISION	£350
COMPUTER	£150
TAKE OR GIVE ZAKAH?	

WHAT MUST I DO WHEN GIVING ZAKAH?

1. **Calculate** the amount you must pay in zakah
2. Make the **intention** of giving zakah [either when separating the money or when making the payment]
3. Ensure the **recipient is eligible** and the value of all their non-basic personal assets is less than nisab limit.
4. When giving zakah, **make the recipient** the actual and **complete owner** of the assets given in zakah. Hence, zakah cannot be given to general causes such as hospitals, road-making etc.
5. You may **pay** your Zakah **in either cash or in kind** [making sure the value of goods is equal to the cash amount]

Concluding Remarks

وَالَّذِينَ يُؤْتُونَ مَا آتَوْا وَقُلُوبُهُمْ وَجِلَةٌ أَنَّهُمْ إِلَىٰ رَبِّهِمْ رَاجِعُونَ

And those who give whatever they give, with their hearts full of fear that to their Lord they are to return

“Zakah is not the final expression of charity, rather it is a beginning ...”

فجزاكم الله خيرا



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