



# **ZAKAT MANAGEMENT SYSTEM**

**LCA 4572**

**An Overview of Zakat**

# Zakat

- Zakat was practiced since Prophet Shuaib, Prophet Ismail (al-maryam: 55) and other samawi religion such as Nasrani and Judaism.
- 2<sup>nd</sup> Year of hijrah- Only to faqir and miskin
- 9<sup>th</sup> Hijrah- Verse on 8 zakat recipients (al-taubah: 60)
- **Allah associated zakat with salat in 82 verses. Some says 30 verses on zakat, 27 associated with zakat and solat, 8 madena and 22 Mecca.**
- **“And Be steadfasts in prayer and give zakat”**  
albaqarah 110.

# Zakat in Hadith

- Sunna corroborates the Quran.
- Islam is raised on five pillars ie the oneness of Allah, the establishment of salat, payment of zakat. Fasting of ramadhan and the hajj.

# Fundamental of Islamic Economic

- Allah is the absolute ownership
- Vicegerent and Trusteeship
- Islam esteems wealth and wealthy
- Social Mutual Solidarity
- The Prohibition of usury

# Nature of the Islamic Economic System

Umar Chapra: Islamic system is dedicated to human brotherhood accompanied by social and economic justice and equitable distribution of income and to individual freedom within the context of social welfare. This dedication is it must be stressed spiritually oriented and finely interwoven into the whole fabric of its social economic norms.

# Goals of Islamic Economic

- 1. Justice and equity
- 2. Provision of the socioeconomic welfare of the community
- 3. Enhancement of the community's economic resources and economic growth
- 4. Improvement in the cultural milieu of the community.
- 5. To eradicate poverty

# Charity in Other Religion

- Hinduism- in term of gifts, donation, not obligatory
- Judaism- exist a priestly class. a1/10 revenue was given to the priest
- Christianity- No precise law of charity
- Islam-Comprehensive law of charity

# Meaning of zakat

- Purity
- To purify one's possession of wealth by distributing a prescribed amount imposed on the rich as an essential mode of ibadah.
- Sadaqa tatawu and sadaqa mafruda.
- Zakat signifies the obligatory contribution.
- There is no equivalent practice in other religions.



# The Differences btn Zakat and Tax

Zakat	Tax
Religious duty	Economic responsibility
Muslim	All citizens
Never be waived	Tax can be forgiven
Fixed Rate	Changeable

Zakat	Tax
Methods of distribution are definite	Not definite
Taken from the rich to give to the poor	Not necessary so
Out of productive wealth	Can be taken out of consumption of expenditure
Exemptions are organic and realistic	Exemptions are not flexible but accountable

Zakat	Tax
Form of worship	Evasion is real possibility
Divinely granted	Non-divine right to collect money
No transfer of burden	Can transfer the burden to consumer
Wider base than taxation. Assets which are growing	Scope is narrow
Cheaper	Higher than zakat

# Economic Characteristic of Zakah

- 1. Income Elasticity
- 2. Stability and countercyclical use of zakah
- 3. Zakah and Inflation
- 4. Impact of zakah on consumption, saving and investment
- 5. Multiplier effect of zakah
- 6. Welfare function of zakah

# The Importance of zakat

- Fourth pillar of Islam
- Zakat was made obligatory at Madena 2<sup>nd</sup> hijrah.
- Imam ak-Sarakhsi-Zakat equals one third of Islam.
- Zakat is associated with solat. 82 places in al-quran.
- Caliph Abu Bakar declared war against those who disassociated salat from zakat
- Equal distribution of economy.

# Virtues and Benefit of Zakat

- Ibadah
- Equitable system of wealth distribution
- Social security
- Self-Refinement
- Social Role
- Saves Muslims from Misfortune
- Self Generating reformative system

# Basis of Zakah

- 1. Productivity
- 2. Possesion and full ownership
- 3. The Nisab

# On Whom?

- 1. Reason and Maturity
- 2. The State of Being Muslim
- 3. Free person
- 4. Nisab
- 5. Wealth should be 1. fully owned 2. in excess of his personal needs. 3. one year 4. productive in nature which he can derive profit.
- Property which lacks of productivity and basic essentials of life are exempt from zakah



# Conditions for Taxability of Wealth

- 1. Legitimate ownership
- 2. Lasting value
- 3. Tallying with taxable wealth and limits.
- 4. Possession of a year except in agriculture.
- 5. Freedom from debt
- 6. Freedom from loan
- 7. Freedom from larceny or accidental loss.
- 8. Free accessibility and free disposability

# Kinds of wealth

- Gold and silver and cash
- Article or merchandise
- Agricultural products
- Livestock
- Mineral and treasures
- Salaries and Professional Income

# Silver, Gold and Cash

- As long as the amount constitutes a nisab.
- Gold- 20 Mithqal or 85 grams
- Silver- 200 dirhams or 595 grams
- Rate of zakat 2.5% of the value.
- Cash, Shares and Bonds equal value of gold or silver
- In Malaysia- RM6200.00

# Zakat On Debt

- If debt is acknowledged by the debtor with the willingness to pay it off, the creditor should pay it zakat and vice versa.

# Zakat on Jewellery

- Only gold and silver jewellery.
- Jumhur- if keep her jewelery as a treasure.
- Abu Hanifa- Must constitute nisab

# Zakat on Women's Dower

- IF to be paid in cash- obligatory to pay it.
- If debt- to pay when she receives it.

# Zakat Upon Articles of Merchandise

- Obligatory.
- Goods, estates, clothing, cars, buildings, fruits and etc.
- Nisab- same as cash.
- Hawl- one lunar year
- Intention of trade at the time of possession.

# Zakat on Agriculture

- Rate: if the land is irrigated by artificial methods  $1/20$ .
- If the land irrigated by rivers-  $1/10$
- Nisab: five wasaqs-651.4 KG for dates and 675 for grains.
- Types Subject to zakat:- Wheat, barley, dates and raisins-Obligatory.
- Jumhur- All types of agriculture yield which can be stored or regular food.
- It becomes due when the grains are matured and the fruits are ripened.



# Zakat on Honey and Animal

- Including products based on honey and animal.
- Nisab- Five wasaqs
- Rate-  $1/10$  after covering expenses.

# Zakah on Livestock

- Camels, cows, bulls, buffalos, sheep and goats.
- Nisab- 5 camels, 40 sheep, 30 cows
- Hawl: One lunar year.

# Zakat on Minerals and Treasures

- Nisab- 2.5% of value as cash
- Rikaz- 1/5 of the value.
- Hawl- Do not require completion of a year.

# Zakat on Income and Profesional Salaries

- Obligatory
- 2.5% from the total yearly income deducting personal expenses.
- Rental Income from real properties or revenues from factories-5 % on gross return or 10% on net return

# Malaysia

- Muslims are obliged to pay zakat on savings, business, shares, gold, corps, and earnings including zakat fitr. The fatwa authorities differ on the obligation to pay zakat of earnings. In 1997, National Fatwa Council issued a fatwa to pay zakat of earnings as an obligation

- **zakat on savings is levied at the rate of 2.5% on the lowest balance of a person's saving for the year,**
- **zakat on income is 2.5% of a person's zakatable income**
- **zakat on business is 2.5% of the zakatable assets of the business,**
- **zakat on shares is levied at 2.5% on the lowest value of the year of shares owned by the payer after deducting debts or loans on the shares,**
- **zakat on gold is 2.5% on the value of gold kept by a person for each year (if not less than nisab of 85 grams),**
- **zakat on corps or rice is is 10% of the field value of the rice harvested if this is more than 1,620 kg**
- **zakat fitrah is about RM4.00 to RM5.00 per head**

<b>Year</b>	<b>Nisab (RM)</b>
<b>2007</b>	<b>6,200</b>
<b>2006</b>	<b>4,600</b>
<b>2005</b>	<b>4,200</b>
<b>2004</b>	<b>3,700</b>
<b>2003</b>	<b>3,000</b>
<b>2002</b>	<b>3,000</b>
<b>2001</b>	<b>2,900</b>
<b>2000</b>	<b>3,200</b>
<b>1999</b>	<b>2,900</b>
<b>1998</b>	<b>2,800</b>
<b>1994-1997</b>	<b>2,700</b>

# Types of Wealth Exempt from Zakat

- No zakat on any number of living quarters, cars for personal use, household furniture, crockery and clothes.
- No zakat in fixtures and fittings of a shop, motor car, truck or vehicle used in running a business
- Factories, ships, planes and building used are not subject to zakat.
- Fresh fruit and vegetables are not subject to zakat.



# Management of zakah During the Prophet's time

- Prophet appointed officer to collect and distribute zakah.
- Eg. More than 25 companions were zakat officer. Muadh in Yemen
- Prophet give written instruction on zakatibility.
- Prophet also appointed accountant and record keepers
- Prophet instructed the officers to distribute all zakat collection to the recipients.
- Zakah funds were separate entity from other revenues. Zakah funds were separate entity from other revenues.

## Cont..

- Collection and distribution of zakat were localized.
- Assessment of payment was left to the payer with approval of the officer.
- Zakat officer is assessor, collector and distributor.

# Zakah Management During Four Caliph

- Umar RA- Introduced
- 1. system of record keeping or al-dawawin. Record for zakat and other revenues.
- 2. System of deduction at source began
- 3. System of obligatory collection of zakah on merchandise, gold, silver by installing public officers at road and bridges

# Caliph Uthman

- He entrusted individual zakah payers with the distribution.
- To minimise the cost of collection of zakah because the zakatable items were difficult to detect and identify.

# After Four Chalips

- Rise of the four schools of jurisprudence.
- Zakah management is the authority of muslim government.
- Separate account of zakah known as bait almal.
- Government to collect zakah of all zakatable items
- No voluntary zakah organisation to collect zakah.
- Hanbali- Discretion of payers to distribute zakat. Shafii and Hanafi- Only to non-apparent merchandise.

# Issue on Time

- Zakat must be paid immediately at its due time.
- Deferment is prohibited unless has valid reason.
- Permissible to pay zakat in advance-  
Jumhur

# Issue on Transfer of Zakat

- Consensus: zakat can be transferred from one city or country to another provided that the needs of the city or country have been satisfied.

# Issues on zakat owed by a deceased person

- If one dies before he pays zakat, it must be paid from his estate.



# Issue on the payment of the value

- At first majority of the scholars- not permissible to pay the value instead of item itself.
- Abu Hanifah, Ibnu Qudama, Ibnu Taimiya- approved paying the value.
- Must choose the way which suffice the needs of the needy and more beneficial.