



Zakat made simple.

For business owners

A tailored guide brought to you by:



**National Zakat
Foundation™**
A U S T R A L I A

Zakat Made Simple.



Every Muslim community in the world needs a mechanism to uphold the pillar of Zakat, just as our mosques uphold the pillar of Salat. This is what we tasked ourselves with in 2013, when we launched the National Zakat Foundation (NZF) in Australia.

NZF is now the premier local Zakat institution for the Australian Muslim community, serving

Zakat payers and recipients nationwide.

By providing a complete Zakat service in Australia, NZF aims to achieve its vision of a pious, confident, selfless and self-sufficient Australian Muslim community, where no individual in need is left abandoned. It is the only organisation providing an end-to-end Zakat service, encompassing Education, Calculation, Collection and Distribution of Zakat funds for the benefit of local, deserving recipients. This group includes some of the most vulnerable members of the community, including the homeless, refugees, asylum seekers, single parents and the elderly.

Our aim is for every dollar of Zakat that should be paid by Muslims in Australia to be paid accurately and appropriately. We also strive to ensure that those living in our midst who are eligible to receive Zakat are not forgotten and that they are supported in the most impactful possible way. NZF distributes 100% of its Zakat funds in line with the Qur'an and Sunnah.

The aim of this guide is to simplify, provide guidance and encouragement for the reader about his or her obligations in paying their Zakat. At the National Zakat Foundation we don't only provide an effective Zakat distribution channel, but we are equally concerned about the payer's obligations. This guide has been compiled with strict care, however if you happen to find any mistakes or have any suggestions for improvement, please contact us.

To calculate your Zakat online please visit our website at www.nzf.org.au.

If you require any more information or your business situation has more complex conditions or you simply just need help calculating your Zakat, please call us on 1300 663 729 or email us at info@nzf.org.au to schedule a confidential appointment.



Unlike Salah, Saum and Hajj, there is no common or fixed date on which all Muslims are obliged to calculate their Zakat. In other words, every Muslim will have to establish their own individual Zakat valuation date based on when they first came to possess the Nisaab amount.

Tip: While there may not be a fixed or common date for all Muslims, we recommend that you fix an auspicious occasion, such as Ramadaan or Muharram or any other Islamic date as your Zakat valuation date simply as a reminder to yourself. Consider also that Mosques and Islamic media highlight the importance of charity especially during such occasions and this too becomes a useful reminder. The same applies for your business. You may choose the financial year to be a more appropriate anniversary, as you will note that the date chosen is critical for your on-going Zakat obligations and calculations.

Zakat on Haram money (BANK INTEREST, UN-ISLAMIC SHARES, ETC.)



No Zakat on haram money by near consensus. All the money has to be given away. If one uses it for calculation then that is benign as one is simply giving a portion of the haram away and one needs to give all the rest of the haram away. We use the term 'tainted wealth' and at NZF we do accept this money and we use it for various non-zakaatable distributions and also for administrative purposes.

Business Owners Guide

There are two types of businesses addressed in this guide.

- **Goods Based Business (i.e. Supermarkets, Clothing store, Car accessories)**
- **Service Business (i.e. Accounting, Consulting, Marketing)**

Agricultural businesses, such as farming and animals are not covered in this guide.

Often business owners find the task of calculating their Zakat too daunting or too 'expensive', meaning they hesitate (due to the amount) to pay the Zakat that is due. Let us take an analogy of Government Tax obligations. All

businesses need to pay a range of taxes to the government every year. Many business have fulltime staff just managing their tax obligations. Business owners are acutely aware of what the consequences are of avoiding paying the taxes hence there are very few business who do not fulfil their government tax obligations. Now similarly the Zakat obligation should be treated with the same or even more seriousness as the non-payment of it has even more dire consequences on the Day of Judgement.



Also unlike taxes, Zakat actually has many rewards and benefits for the payer. Needless to mention that Allah ordained Zakat as a Pillar of our belief for a very good reason and that is also why without a doubt Zakat is the most equitable and fair tax system in the world.

If for some reason, you have not paid any Zakat previously (and you were meant to), please see our guide, 'Zakat Made Simple – Missed Zakat'.

Some business owners may be too busy and find just reading this guide too onerous. At NZF we urge you to make the time and invest in your Hereafter as well as your business.

The word Zakat is the infinite of the verb zaka, meaning to grow, to increase and to purify. When said about a person, it means to improve or to become better. Consequently Zakat means, blessing, growth, cleanliness and betterment.

So Pay the Zakat that is due and watch your business GROW!

Important issues regarding Zakat on business and trade

Zakat is obligatory on business and trade according to the most correct opinion. From the Quran:

“O you who believe! Give from that which you have earned and from that which we have given you from the harvests of the land.” [AlBaqarah: 267]

From the Sunnah Charity (obligatory) is due upon Camel, and upon Sheep and upon raisins. [AlMuhalla: (5/234-235)]

Zakat is obligatory on business if:

- A whole lunar year has passed, and
- The value of the commodities of business and its earning is beyond the nisaab of currency and money. As mentioned previously, the nisaab that we take into account here is the nisaab of silver.
- The resources and fixed assets that are used by the business to run, such as the building, factory, warehouse, office equipment, IT systems, transport vehicles, etc... which are not directly for sale – have no Zakat due upon them. Similarly, if an investment in the capital resources is made, such as renovations of the office – then this can be deducted from the wealth upon which Zakat is due.
- The majority of the scholars are of the opinion that **the value of the commodity to be taken into account for Zakat purposes is the selling price and not the buying price.** The price to take into account would be the wholesale selling price if most items sell wholesale or retail pricing if most items retail.

- Most scholars are of the opinion that Zakat is obligatory if a whole year passes and the commodity did not yet sell (with the condition that the commodity was up for sale for the full year). Imam Malik was of the opinion that, the Zakat would not be obligatory except only once after the item was sold, even if a few years pass without it being sold. This opinion may be followed by the Imam in times of economic depression, in order to decrease harm upon the businesses.
- The most correct opinion is that the Zakat that is levied upon the businesses should be in the form of money and currency and not from the type of wealth that the business deals in – unless the poor need that type of wealth, in which case it would be permissible for the business to give the Zakat in terms of the commodity that it does business in. This is the opinion of Ibn Taymiyyah rahimahullah.



Important conditions about the intention

- Commodities that are bought and sold or prepared for sale.
- With the intention of business and profit.
- As a result it is very important to note the major intention behind buying a commodity or keeping a commodity in one's possession.

Example: If someone buys a car for personal use, however intended as well that if he or she finds a good price for it, he will sell it – then there is no Zakat due. On the other hand, if some buys a car with the intention of reselling it, however also uses it in the meanwhile, Zakat is due on it. Also if a person bought a car for reselling, however before a year passed, changed his intention and decided to keep the car for personal use and not for sale, or primarily for personal use and no longer primarily for sale, then this is enough to remove the obligation of Zakat on this commodity.

Goods Based Business

(I.E. SUPERMARKETS, CLOTHING STORE, CAR ACCESSORIES)

The manner of paying Zakat on business

1. At the end of the lunar year, first do a stock-take and balance of all stock from all the different businesses of the owner.

2. Secondly, value the saleable stock based on its saleable price, whether bulk pricing or retail pricing depending on that which is the predominant business.

3. Thereafter, balance your accounts, taking into account all cash at hand, in bank accounts, and including all non-delinquent loans and good credits and minus from that all immediate liabilities such as taxes, salaries of staff, periodic payments etc.. As for long term liabilities, or long term loans, then they should not be subtracted, because debt does not prevent Zakat.

- This is why your Zakat calculation anniversary date is critical. So if you have not chosen a date before, do so immediately and use the date for subsequent years. The date is important in calculating allowable deductions. An example, if you need to pay rent or salaries prior to the anniversary date, you should deduct that from your Zakaatable amount. But if the payments are only due after the date, you are not allowed to deduct it.

- Another good example is tax. When one's Zakat anniversary occurs, unpaid tax in relation to a previous financial year can be deducted from one's cash balance prior to Zakat being calculated. However, any money being saved to pay for taxes in relation to the current financial year cannot be excluded.

- The reason for the above position is that the tax liability for the previous year is known and cannot change. It is a fixed liability now that must be paid. By contrast, tax in relation to the current financial year is neither known precisely in terms of its overall amount, nor is it due to be paid.

4. Add the figure from point No.3 to that of the total saleable value of the current stock at hand from point No.2. This is the total value on which Zakat needs to be paid.
5. Thereafter pay 2.5% of the amount obtained from the above.

Amount of Zakat = value of goods and stock + cash

What are my options if I don't have the money?

In some cases, business may not have the necessary cash to pay their Zakat. An example is where a shop has plenty of stock still to be sold but not much cash on hand.

In this case the business owner have 2 options:

- **First option** is that if he feels that he will have cash soon then it stays a debt upon him to pay as soon as he gets the cash.
- **Second option** is if he is uncertain when he will have cash to pay, he goes into the opinion of imam Malik which is to pay 1 zakat when he sells the product even if that is after more than one or two years. Imam Malik said if there is economic depression in the market and traders have no cash, then they pay one zakat only as and when they sell even if that is more than one year or multiple years. This is because such traders resemble situation of someone who has wealth but does not have access to it, like someone who has money in a long term deposit where he is not able to access it every year. Only exception to this ruling is if the trader is trading in goods that the poor and needy is in need of such as a date or grain merchant - in which case the merchant can give zakat in the form of 2.5% of his goods.



If you find your business in this dilemma then it is worth considering calculating and paying your Zakat in advance and possibly monthly.

Service Business

(I.E. ACCOUNTING, CONSULTING, MARKETING, DESIGNING)

This type of business is similar calculation as that for the individual, plus any money that is in the business.

If there are more than one owner, then it is recommended that the Zakat is calculated and paid at the business level and the individuals calculate and pay their own. However if you are the sole owner you can combine your business and personal Zakat calculations.

If there is more than one owner and they choose to combine the personal and business then the business portion is to be divided as per the ownership portions.



Who is responsible for paying Zakat for a business? The answer is the business owners or directors, in proportion to their ownership, assuming they work in the business.

If you own or you are a silent partner in a business where you don't actually work or get involved, you are still liable, so you must ensure that the Zakat of the business is paid. However in this instance it is the responsibility of those running the business to calculate and pay the Zakat. During the time of our beloved prophet (may Allah's peace and blessing be upon him), the shepherds paid the zakat of the sheep, even though they did not own the sheep.

Calculating the Zakaatable amount for this type of business, see also point 3 under goods based business, as the same rules apply here.

So let's take an example:

Ahmed and Sarah own an IT. Consulting Business. Ahmed owns **60%** and Sarah owns **40%**.

The business has cash and Zakaatable assets valued at **\$1,000,000** at their Zakat anniversary date.

But it also has overdue liabilities of **\$200,000** before or on their Zakat anniversary date.

So the next Zakaatable assets are **\$800,000**.



The Zakat on the business is therefore **\$20,000** (2.5% of \$800,000). Ahmed would owe **\$12,000** and Sarah would owe **\$8,000**. They can pay from the cash in the business or they could pay from their own cash too. They still have to calculate and do their personal Zakat liability.

Payments can be made to:

National Zakat Foundation

There are a few options available. Visit our website www.nzf.org.au/pay

Option 1: Bank Transfer

Account Name: National Zakat Foundation Incorporated
Bank: Commonwealth Bank Australia
BSB: 062 196
Acc No: 11378252
References: ZAKAT / SADAQAH / FIDYAH / FITR / KAFFAARAH /
TAINTED WEALTH

Option 2: Direct Debit (One off & Ongoing)

Debit and Credit accounts can be used for all categories of payment types
ZAKAT / SADAQAH / FIDYAH / FITR / KAFFAARAH / TAINTED WEALTH

Option 3: PayPal

PayPal account holder as well Debit and Credit cards can be used without a
PayPal account

Also please consider setting up an on-going payment in any of the above
options by paying your zakat in advance or for on-going Sadaqah to help us
with our administration cost to distribute your Zakat, as we have a policy of
100% Zakat Distribution.

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