



Zakat Pocket Partner

Zakat Answers at a Glance



■ What is Zakat?

Zakat is a charity Allah obligates Muslims to pay yearly. There are two kinds: *Zakat Al-Mal*, the Alms of Wealth, and *Zakat Al-Fitr*, the Alms of Fast-Breaking at the end of Ramadan. When we say 'Zakat,' we mean *Zakat Al-Mal*.

■ What is Zakat's place in Islam?

Allah mandated it. The Prophet, on him be peace, ranked Zakat as the Third of Islam's Five Pillars of worship.

■ What wealth do I have to pay Zakat on?

You pay Zakat on your yearly surplus money and property on four kinds of "growing or producing" Wealth – called 'Zakatable' Wealth:

- (1) Currency
- (2) Livestock
- (3) Crops & Produce
- (4) Treasure Troves & Minerals

■ What wealth-type do people commonly pay Zakat on?

Currency, which means money – cash on hand & in banks, equity instruments & good loans, precious metals like gold & silver, and your tradeable business goods.

Who Can Receive Zakat?

Allah listed eight kinds of people who can receive Zakat:

1. The Poor (prevented from asking)
2. The Indigent (driven to ask)
3. Those Who Work to Administer Zakat
4. Those Whose Hearts Are to Be Reconciled
5. Those in Bondage (to be freed)
6. The Debt-Ridden
7. In the Cause of God
8. The Wayfarer (stranded, displaced w/o access to means)

Do I pay Zakat on any amount of currency wealth?

No. You pay Zakat on your personal & business wealth when they reach a threshold called *nisab* for an Islamic lunar year (about 354 days).

Who set the *nisab* amount for wealth?

The Prophet Muhammad, on him be peace, set *nisab* amounts for all the types of zakatable wealth.

What is *nisab* for currency wealth?

It is the dollar equivalent of 85 grams of gold on the day your Zakat comes due at the time you pay it.

■ How do I calculate if I have currency *nisab*?

Add up your total personal and business wealth combined. If it is at or above the dollar value of 85 gm, or 3 oz, of gold, you have *nisab* for your money wealth. If you don't, then *nisab* is not reached.

■ How much of my surplus wealth do I pay Zakat on?

You pay Zakat on your total Zakatable personal and business wealth combined, at your Zakat Due Date, minus your immediate due debt payments (usually monthly) for essential living expenses. (No long-term debt).

■ Are my house, car, and tools of trade Zakatable wealth?

No. You pay Zakat only on your potentially investable or producing wealth, whether it is invested, producing, or not.

■ What is the Zakat rate on my Zakatable currency wealth?

The Zakat rate on currency wealth is 2.5%

■ Do I pay Zakat on loans I've given out?

Yes. If you expect the debtor to pay it back, it is a "good loan." You add it to your currency wealth and pay its due Zakat. If it is unlikely to be paid back, it is a "bad loan." You pay the Zakat due when you collect the loan.

■ How often do I pay Zakat?

On currency, the most common Zakatable wealth, you pay Zakat on it once every Islamic lunar year (*hawl*). Choose a Zakat Due Date (e.g. 25 Ramadan). Calculate and pay your Zakat on that date every year.

■ If I own a store, what do I pay Zakat on?

You pay Zakat on its income and the wholesale price of its inventory added to your personal and business currency wealth at 2.5%, not on the property or equipment.

■ Is Zakat due on retirement accounts like 401(k)s?

Yes. Zakat is due on their cash-out sums on your Zakat due date. (Scan QR Code for detailed answer.)



Scan for Answers

■ Is Zakat owed on stocks, bonds & other securities?

Yes. Stocks are equity ownership in businesses that reap profit and risk loss. Bonds are loans of value that will be paid back to you.

■ Is Zakat paid on prohibited wealth?

Yes (sometimes with *fiqh* rulings that add penalties). Add prohibited monetary assets (like interest) to currency wealth. Pay 2.5% Zakat on the total sum.

■ Is Zakat owed on rental property?

No. Zakat is owed only on the income your rental property generates not on the exploited assets themselves.

■ What is the Zakat rate on rental property income?

After maintenance costs and depreciation on your rental assets, the Zakat rate on the income from mobile assets (like vehicles, tools, event tents, etc.) is 5%. The Zakat rate on the income from fixed assets (buildings, installed heavy machinery, land, etc.) is 10%.

■ Is there Zakat on cryptocurrencies?

Yes. As their name says, cryptocurrencies are money, thus, Zakatable wealth. Add them to your personal and business currency wealth and pay 2.5% Zakat on the total sum.

■ What is Zakat Al-Fitr?

Zakat Al-Fitr (fitrah), the Alms of Fast-Breaking, is the special obligatory charity paid by all Muslims at the end of the Ramadan fasting month.

■ Why do we pay Zakat Al-Fitr?

Zakat Al-Fitr repairs our Ramadan fast from our flaws during it, and it gives the fasting poor the food resources they need for their families to join in Eid's festive joys.

■ Who must pay *Zakat Al-Fitr*?

Zakat Al-Fitr comes due on every Muslim – male and female, young and old, rich and poor. Head of household pays for all members that cannot pay it.

■ How much is *Zakat Al-Fitr*?

The Prophet, on him be peace, set *Zakat Al-Fitr* at four double handfuls (one *sa'a*) of wholesome food (like dates, barley, raisins, or dried yogurt). Today, most scholars agree that it can be paid in a value equivalent of money, enough to feed wholesome food to someone for a day. Check its current monetary value at zakat.org.

■ How does *Zakat Al-Fitr* differ from *Zakat Al-Mal*?

Zakat Al-Fitr is imposed on the individual Muslim. *Zakat Al-Mal* (and other kinds of charity) are levied on the Muslim's measures of wealth or earnings.

■ What's the difference between Zakat and *Sadaqah*?

Zakat, in both its forms (on wealth and on fasters) is a kind of *sadaqah* that Allah made an obligatory charity. *Sadaqah* is commonly used by Muslims to mean voluntary charity, though it appears in the Quran sometimes meaning Zakat (See Surat Al-Tawbah, 9:60). But giving *sadaqah* is an essential act for both the believer's forgiveness and blessings in the Hereafter and necessary to help the poor and suffering in the world, in addition to Zakat.

وَأَقِيمُوا الصَّلَاةَ وَآتُوا الزَّكَاةَ

*"Yet duly establish the Prayer,
and give the Zakat-Charity.
For whatever good you advance for
your souls, you will find its reward
with Allah. Indeed, Allah is
all-seeing of all that you do."*

(Surat Al-Baqarah, 2:110)

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