



CENTRAL ZAKAT COMMITTEE

ZAKAT CALCULATION FORM

- Zakat is the third pillar of Islam. According to the Qur'an and Sunnah, it is an obligatory duty on all Muslims (men & women). On this, there is total agreement (*Ijma*). This obligation must be taken seriously. If a Muslim / Muslimah does not pay Zakat, he/she is subject to great displeasure of Allah (SWT). If a person refuses to acknowledge zakat as an obligatory duty, he/she ceases to be a Muslim/Muslimah.
- Even though Zakat follows Salaat in the sequence of Pillars of Islam, it is very close to Salaat in importance. Allah mentions Salaat & Zakat together in the Qur'an at least 32 times – By some accounts 72 times; when we consider the combinations of various other names used for the two words.
- Zakat is a form of worship prescribed for Muslims by Allah, The Glorified, and The Most High. It is a means of making ones wealth cleansed and blessed.
- **We urge everyone to take Zakat very seriously.** Use this simplified form to determine the amount of Zakat that you must pay. If your assets include agricultural produce, live stock, etc, or if you need further assistance, please refer to our Zakat booklet called, "The Institution of Zakah," or visit the Council's Zakat website, www.zakatchicago.com, and refer to the "Frequently Asked Questions."

Due Date: Zakat becomes due and payable immediately after one lunar year has passed since,

- The day you acquired the amount of *Nisab*¹ for the first time. *Nisab*¹ is the average value of 3 oz. of gold.
- The day you paid Zakat last year.

Although not required, it is recommended that you make it a habit of paying Zakat in the month of Ramadan every year for the *extra blessings*.

Jazaakum Allahu Khairan.

LINE DESCRIPTION – PERSONAL WEALTH	TOTAL AMOUNT, or CURRENT \$ VALUE
1. Amount of cash at home or in bank accounts: <i>(See note A on back)</i>	\$
2. Current value of gold, silver, and jewelry owned: <i>(See note B on back)</i>	\$
3. Current value of stocks, shares, etc.: <i>(See note C on back)</i>	\$
4. Money in other optional plans – e.g., IRA, deferred income plan, optional pension plan, 401K accounts, etc.: <i>(See note D on back)</i>	\$
5. Net profit from business: <i>(See note E on back)</i>	\$
6. Value of inventory from business: <i>(See Note E on back)</i>	\$
7. Any outstanding debt – Debt and Loans Given: <i>(See Note F on back)</i>	\$
Total Amount (add lines 1 through 7):	\$
8. Indebtedness you would like to subtract: <i>(See Note G on back)</i>	\$
Net Amount (Subtract line 8 from Total Amount):	\$

CALCULATIONS: (If *Total Amount* above is equal to or greater than the *Nisab*¹)

9. Zakat (Net Amount x 0.025):	\$
10. Less any payments already made towards Zakat:	\$
Net Balance Due (subtract line 10 from line 9):	\$

Make check payable to: Council of Islamic Organizations of Greater Chicago or CIOGC

IMPORTANT: Write "**Zakat-ul Maal**" on memo line, and mail to:

Central Zakat Committee
231 S. State Street, Suite 300, Chicago, Illinois 60604

¹ Check with your Islamic Center for the exact amount of *Nisab* this year OR visit ZakatChicago.com.

Notes:

- A. Interest being forbidden (*haram*) is not included. The only way to dispose off any interest income is to give it to charities (without expecting reward for it from Allah).
- B. There are different opinions about this. However, the general opinion is that jewelry, whether it is normally in use, or stored for occasional use, must all be included in calculating Zakat. The value of the gold or silver content in the jewelry should be included in the category of "Personal wealth". Precious stones (diamonds, ruby, pearls, etc.) are not to be included neither the labor cost of making the jewelry is to be included. Zakat on precious stones, however, is due if they are items of trade and should be included in Item 6, business inventory.
- C. Though owning a share of stock of any business is like having a share in the ownership of the business; we have categorized it as "Personal wealth". Therefore, the lower of the value of stock at the beginning and the end of the year should be added in the category of "Personal wealth". This is categorized as "Personal wealth" because of two reasons.
1. For the most people who own stock it is held as a saving with expectations that it will grow in value over time. In fact it is readily traded for money. Considering it as a readily redeemable asset, we have treated it as another form of saving. Therefore, we suggest using its fair market value in calculating Zakat.
 2. Calculating Zakat on stock treating it as a share in ownership is normally not very convenient. There are literally millions of shares owned by general public. A stockholder will need to know his/her share of cash on hand, profit, and inventory, in order to use those values in the calculation of Zakat. This information is ordinarily very difficult to obtain, unless it is a partnership of a few people. Therefore, we did not treat stocks as a business partnership.
- D. If this amount is available to the individual at any time without any restrictions, then Zakat should be calculated for this amount through the category of "Personal wealth" because its nature will be that of savings. If the plan is restrictive and involves penalty and/or taxes, opinions differ on the payment of Zakat.
1. One opinion is that an individual should calculate the amount that is available to an individual after paying an early withdrawal penalty and taxes, and include this remaining amount in the calculation of Zakat as a part of "Personal wealth" category.
 2. Another opinion is that Zakat should be only paid when the amount is actually received or is available to the individual without any penalty. In that case only taxes due on this amount should be deducted. The net amount after taxes (for the year the amount is completely available to the individual) should be included as a part of the "Personal wealth" category.
- E. When one is engaged in business, whatever its nature, one usually invests some money in the purchase of building, furniture, and equipment. Next there is investment in inventory (raw material, or work-in-progress, or finished goods). The inventory on hand is eventually sold and converted into cash. The third element is the net profits (after all expenses and taxes etc. are paid) that the business makes. This net profit flows into the cash that the business holds for further distribution to the owners or for re-investment. There are only two items on which Zakat is paid.
1. The operating cash on hand (or in the bank) and the net profit made during the year (if not already included in cash).
 2. The value of inventory at the end of the year
- These two items are to be included by the owner in the category of "Personal wealth". If there are many owners, the cash on hand, the profit, and the value of inventory shall be apportioned according to their respective shares, and each one will be responsible for the Zakat on ones individual share.
- This business has to be operating for at least one year. If any share of the business is sold during the year, that share will not be included in the "Personal wealth" of the seller or the buyer because neither of them had it for at least one year.
- The assets used in the production of wealth (building, furniture, equipment, and even some animals or any other assets) are exempt from Zakat because Zakat is collected from the output from those assets. In other words, there is no Zakat on means of production. As such exclude the value of land, plant building and fixtures, machinery and tools, vehicles used in business, furniture, etc. The raw materials inventory and work-in-process inventory must be included. If your business does not involve inventory, you should figure out the net value by subtracting total liabilities from total assets. Caution: If you have any doubts on this, consult a scholar.
- On rental property, the value is calculated as the difference between total revenue and total expenses (i.e., net income).
- F. In case of a loan, Zakat on the amount loaned to someone is primarily the obligation of the owner of the money, and the obligation is determined based upon the following conditions.
1. If the borrower is expected to return the loan in the year in question, the lender (the owner) should include the amount in his/her calculations. There are two opinions within this, one is that this Zakat shall be paid every year, and the other opinion is that it should be paid for all the years the loan was outstanding upon its return.
 2. In case the repayment is not expected, there are three possible opinions.
 - i. Once returned, pay Zakat for all years the loan was outstanding.
 - ii. Once returned, pay Zakat that year.
 - iii. Once returned, pay Zakat after one year has passed since the return.
 3. We favor the opinion that Zakat should be paid by the owner, upon repayment, in the year of repayment. Therefore, if a loan whose return is not expected, should be included if and when the loan is returned.
- The impact of loan on the borrower is explained in paragraph G below.
- G. If the individual is in debt that is not serviceable from his/her normal income and the only way that individual can repay his/her loans is by disposing of some or all of his/her assets the amount owed should be subtracted from the total value of his/her "Personal wealth" and the remaining amount evaluated to see if it meets the *Nisab* in that category. If it does, Zakat should be calculated upon the net value (total amount less loans). On the other hand, if loans are serviceable from the ongoing income (such as in case of regular mortgage payments or an installment loan), the unpaid loan should not be subtracted from the assets unless the individual plans to pay the loan off that year from his/her wealth.