



Zakat made simple.

For retirees

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.

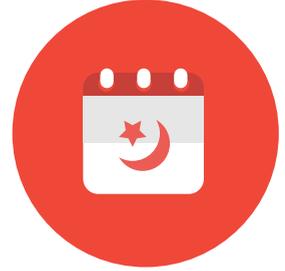
By providing a complete Zakat service in Australia, NZF aims to achieve its vision of a pious, confident, selfless and self-sufficient Australian Muslim community, where no individual in need is left abandoned. It is the only organisation providing an end-to-end Zakat service, encompassing Education, 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.

Retirees

Remember that Zakat is an INDIVIDUAL measurement so it should be calculated separately for each member of the family. Husband and wife, each should do their own Zakat calculations.

Zakat is payable in full on pensions (superannuation) received after retirement.

For monies set aside for pensions prior to retirement, Zakat is only payable if the pension assets are being invested on behalf of the pension holder and if there is a specific quantum of wealth attributed to the pension holder. This is the case in money purchase schemes but not in final salary schemes. The Zakat liability will then be determined by the nature of the investment (property or shares)

Please note, if pension monies are able to be invested, care should be taken to invest in a shari'ah compliant investment.

Shares

If you own shares for the purposes of long-term investment without intention to resell then Zakat is due on dividend income only.

If you own shares with the prime motivation of capital appreciation and with the intention to resell, then include their market value in your calculation.

The scholars have differences on working out the Zakat upon this type of wealth.

1. By way of the type of business that the company deals in
2. By considering it similar to the Zakat on business and trade. This is the preferred opinion.



TYPES OF SHARES

- **Ordinary shares** are the most common type of shares and carry flexible dividends (dividends that are adjusted in accordance to a company's profit), these shares also carry full voting rights.
- **Preferred shares** have fixed dividends, which must be paid before any dividends are paid to ordinary shareholders. However preferred shares carry no voting rights.

If shares reach the nisaab one should pay zakat on them according to their value on the day when the year ends.

Note: There is no Zakat on options and extra value of golden shares as trade in these matters is not permitted.

Jewellery, Gold and Silver

There is an accepted difference of opinion as to whether Zakat is payable on jewellery. The National Zakat Foundation adopts the view that Zakat should be paid on jewellery.

Note that for lower carat gold items (i.e. where there is a mixture of gold with other metals), Zakat is only due on the proportion that contains gold. Therefore, when calculating weights, please only enter the best estimate of the weight of gold in your jewellery. The safest way to avoid underpayment of Zakat is to enter the total weight of gold jewellery.



Even though men are prohibited from wearing gold jewellery, if a man possesses a gold watch for example, then Zakat should still be paid on that watch.

Note that for silver alloy items (i.e. where there is a mixture of silver with other metals), Zakat is only due on the proportion that contains silver. Therefore, when calculating weights, please only enter the best estimate of the weight of

silver in your jewellery. The safest way to avoid underpayment of Zakat is to enter the total weight of silver jewellery.

Zakat is not due on jewellery made of platinum, pearls or any other precious metals.

Property

By consensus of the scholars of Islam, there is no Zakat on the house that a person owns, but lives in it, or someone under his or her care, lives in. However, there may be Zakat applicable in any other property or building that a person owns, such as:

If you own property other than your home for the purposes of long-term investment without intention to resell then Zakat is due on rental income only.

If you own additional property with the prime motivation of capital appreciation and with the intention to resell in this Zakat year, then you must include the value of the property in your calculation.

If you own additional property with no intention either to resell or to derive rental income, then no Zakat is due.



Example: If a person owns 3 houses – he lives in one of them, his old and retired parents live in the second one and the third one is rent out. The Zakat is only applicable in this case on the third house.

How much is obligatory and how to pay? The Zakat that is obligatory depends on the use of the property and building that a person owns:

- **Living in the property** – There is no Zakat due
- **Using the property for business and trade** – No Zakat on the property itself, however there is Zakat on the business goods and profits from the business

- **Renting the property out to tenants** – The Zakat that is due is on the rental return from the property minus, any property taxes, council fees, maintenance costs, real estate agency fees, security charges etc.

The same rules above apply to any property you may have inherited.

With above points, if the properties are on the market for sale, when you calculating your Zakat, and it has not been sold yet, and you are unable to pay the full amount (as you do not have the cash), then you must pay the Zakat once as soon as it is sold. (Imam Malik)

Shared Ownership

NARRATED ANAS (R.A):

Abu Bakr (r.a) wrote to me regarding what the Messenger of Allah (ﷺ) made compulsory and there was mentioned in it:

“If a property is equally owned by two partners, they should pay the combined zakat and it will be considered that both of them have paid their zakat equally”. (Sahih al-Bukhari Vol 2 24:35;1451)

NARRATED ANAS (R.A):

Abu Bakr (r.a) wrote to me what Allah’s Messenger (ﷺ) has made compulsory and there was mentioned in it:

“Neither the property of different people should be gathered together nor the joint property should be split for fear of (paying more, or receiving less) zakat.” (Sahih al-Bukhari Vol 2 24:34;1450)

This shows that Nisaab of property of person/s in partnership is considered together as one property.



Intention

It is very important to note the major intention behind buying a commodity or keeping a commodity in one's possession (as illustrated above with property). However for lesser value items such as cars, the same rules apply.

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.

Mortgage and Rental Bond

You are not allowed to deduct your home mortgage debt from your Zakat liability amount.

If you are renting and have paid a rental bond to the landlord, then you pay only once on the bond amount when you actually receive the bond back.

All too hard?

Often individuals or families 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. Some even go so far as to move money, property and jewellery 'around' amongst family members in order to minimise or to get below the Nisaab.



As a reminder, see the notes under warnings of not paying zakat. Let us take an analogy of Government Tax obligations. All working individuals need to pay some form of taxes to the government. At the end of the financial year, most people visit an accountant to ensure they have paid the correct amounts and to possibly get a refund.

The reason they do this, is because they know that the tax office will eventually catch-up with them for any outstanding taxes. So with Zakat, if you don't pay it, then be rest assured your outstanding Zakat will catch-up with you on the Day of Judgement.

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*.



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 money GROW in retirement!

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.

All donations to NZF are also 100% Tax Deductible, so if you require a Tax
Invoice, send us an e-mail at accounts.receivable@nzf.org.au