Exploring the Conditions for Zakat ability of Wealth from the Contemporary Perspectives

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Abstract
Zakat system has played an important role in remodeling the socio-economic wellbeing of the early and contemporary Muslim generations. Recently, many Muslim countries and communities adopted the systematic zakat management in order to improve social welfare and help citizens observed their religious obligation by giving zakat. Despite the records of successes made by this countries, many studies considers changes in the concept of wealth of the contemporary age, and suggests that issues related to systems of zakat collection needs to be revisited. This paper aims at revisiting the traditional zakat collection systems with a view to accommodate contemporary views in respect to zakat collection. The paper revisits the criteria of zakatability of wealth, the nisab (rate), alhaul (passage of a year), exempted properties from zakat, and conditions of ownership. On nisab, the paper explores issues arising on deductible expenses and conditions of growth and profitability. This paper employs a qualitative research method mainly using previous literature and analytical deductions of the researcher. The result of the paper indicates that zakat accommodates contemporary changes in the concept of wealth, and gives rooms for various interpretations that will help in facilitation of zakat collection.

Introduction

Zakat is alms imposed on Muslims by Allah upon acquiring a minimum amount of wealth called Nisab, which is to be given to a specific category of people called Asnaf. Zakat is the third of the five major pillars of Islam and it is a divine act imposed by Allah on the rich Muslim, which is to be carried out through their legitimate earnings to the less privileged (Sheriff 2015). From the perspective of Fiqh, Zakat is a specific amount of explicit properties made compulsory by Allah to be distributed among the people called Asnaf (Qardawi, 2006). This definition, portrays that zakat is understood as a levy imposed upon Muslims upon acquiring certain amount of wealth. The Quran and Sunnah further illustrate items on which zakat is to be imposed, and the charge differs depending on the nature and source of wealth. The two sources also mention some assets that are exempted from the zakat base. Thus, this paper focuses on topics related to zakat collection including criteria for zakatability of wealth; the conditions of nisab; the condition of alhaul; condition of the full right of ownership; and exempted assets from the zakat base. In an attempt to find better systems of collection, the study discusses the issues regarding nisab and deductible expenses; issues arising regarding alhaul; and the best methods of determining the nisab in line with contemporary changes. This paper considers both the classical
and contemporary views about the practices of zakat collection.

During of the Prophet, zakatable items were very familiar since the sources of wealth were well known. Zakat is levied on camels, sheep, cows, goats, gold, silver, agricultural products and trade goods (Qardawi 2006). A property exempted from zakat in the life of the Prophet includes properties for personal use such as living house, clothes and furniture.

In the early Muslim epochs, the zakat collection was carried by the state as a tax imposed by shariiah and distributed among the needy (Marshal 1985). Zakat as an Islamic welfare system, was not only seen as a mere spiritual charity, but was enforced on the power and autonomy of the state so as to affirm the sustainability and the wellbeing of the community through redistributing wealth (Sheriff 2015).

Lately, Muslim scholars have shown serious concern over the change in the concept of wealth as it differs drastically from the traditional concept. They have been debating on the possibility of ijtihad over the newly emerging fiqhi issues related to zakat collection and distribution (Haneef and Mahmud 2011).

Other scholars concluded that inability of the zakat funds to serve as an effective fiscal tool against poverty is mainly due to the inefficient zakat collection and distribution (Chapra 1992). Among the major indications of fewer zakat funds observed by the scholars is the issue of narrowing interpretation the lifetime of the zakat and its principles. This leads to limiting the chances of application of ijtihad to enhance the methods of zakat.

For instance, in the state of Kano in Nigeria, zakat is only collected from the assets specifically mentioned in the Quran and Sunnah and the collection exercises in Kano does not consider the emergence of these transformed economic activities that in fact, generate much more revenue comparatively.

The Criteria for Zakatability

Early jurists had looked at the application of zakat from the traditional sources and had identified zakat as a duty imposed on all properties that are likely to grow or bring profit to the owner. They concluded that only the natural growing assets could be subjected to zakat (Tabrizi 741 H). Growth and profitability are further explained as; something that provides profit or benefits the owner; something that grows surplus; newly acquired item like business for profitability; or the livestock reproduction.

(Al- Kasani 1986) maintained, “The meaning of zakat is growth and growth in general does not exist except there is a growing wealth. We do not mean that the wealth automatically grows, but
we mean is that such wealth is prone to grow by any means, such as grazing, trading etc. Grazing becomes the source of milk, reproduction and meat, while trading is the root of profits”.

It must be observed that this view may have negative effects on zakat collection in the corporate sector. This is due to the cause that zakat will only be charged on the circulating wealth, and not the fixed assets of the company.

Al-Shaukani (1250 H) maintained that zakat is legislated to help the poor and relieve them from poverty without impoverishing the rich. And clearly this is done by taking from their surplus. Therefore, if zakat is imposed on the wealth that does not grow, it is irrational, since zakat is paid annually in addition to the living expenses.

It is clear, that the classical scholars were of the view that; assets meant for personal use, assets that do not grow are not subjected to the obligation of zakat; and only growing, and profitable assets are drawn to the category of Zakatable.

The implications of this view could be portrayed as following:

Items subjected to zakat are:

i. The key wealth types known at the time including; livestock, inventory of trade, gold and silver

ii. Part of income concomitant to the major kinds of wealth or income, saved in form of wealth, regardless of its sources

iii. Agricultural products

iv. Natural resources

Items exempted from zakat include:

i. Human skills and resources

ii. Income used for consumption

iii. Items meant for personal and family use such as houses, horses, furniture etc.

iv. Petty things not meant to be trade inventories such as laborers’ tools.

The Nisab (Rate)

Classical jurists considered the traditional sources of zakat to be the Quran and Sunnah. They agree that there is no zakat imposed on any property, unless it reaches the nisab, laid by shariah. The limit of nisab was institutionalized by the Prophet S.A.W. The Prophet determined nisab for zakatable as follows: five camels and above; forty sheep and beyond 200, 2.5 for silver dirhams and five wasq (653 kilograms) for grain.
Khan (1997) further relates that whenever above properties reach the nisab, the following four types of rates are imposed:

i. 2.5% from the business capital
ii. 10% or 5% from the farm produce
iii. According to the detailed codes of livestock
iv. 20% of the found treasures

Abu Saud (1988) quoted Ibn Taymiyah’s support for the rationale behind the differences in the rate. He believed that the effort required for diverse wealth types differ according to their nature, and as a result, the nisab must vary.

The Condition of Alhaul (Passage of a year)

Majority of the scholars agree that a complete lunar year has to pass over a zakatable possession after its ownership. This condition is only applicable to the capital assets, such as money, business stock and livestock.

Arguments arose concerning the time allocated for determining the passage of a year. Shafi’iyyah and Hanabilah for instance, maintained that the nisab must be constant throughout the year. While Hanafiyyah believed that the nisab is only required to be present at the end and the beginning of the year. Similarly (Qardawi 2006) believes that zakatable properties such as crops, fruits, minerals, found treasure, salaries and wages are all classified as earned income (mal al-mustafad). This kind of income according to his view does not require the passage of year to determine its zakatability.

Exempted Properties from Zakat

Imam Buhkari and Ibn Kathir, as reported by Qardawi (2006), held the opinion that before assessing the zakat of a person, his basic needs must be considered, as zakat is only imposed on the excessive wealth. This view is supported by Imam Ibn Abidin (1994) further explains the basic needs as things that are used necessarily in the life of human being, such as living expenses, shelter, clothing, personal weapons and etc. Similarly, debts, tools for handicraft, home furniture, animals for personal travelling and books for study are all excluded from one’s property before assessing zakat.

Majority of the Muslim scholars opposed this view, arguing, that the former condition of growth and profitability has already classified these assets as non-growing properties as such discussion on this condition is not necessary.

Abu Saud (1988) had considered the present day changes and thus, supported the view of the
Hanafiyyah in this regard. However, Qardawi (2006) mentioned that the expenditures on holidays, luxurious shopping and buying big bungalows and cars are not considered essential needs and therefore money spent on such items is accountable to the zakat assessment.

The benchmark for the zakat is described in the Quran, Surah Al-Baqarah 2: 219:

"They will ask you what they should give away. Say, what is surplus from your needs."

Ibn Kathir translates this word as “surplus”. Surplus in his view means excess and anything accumulated beyond one’s basic needs. One of the Prophet’s hadith is also taken as a support to this understanding as he said, "Sadaqah is taken only out of wealth." (Ibn Majah not dated) According to al-Bukhari, this hadith makes it a condition that the payer and his family must not be in need. It is also supported by the Prophet’s order to the zakat collector (in case of fruits) to leave one third or one forth for the payer to spend on the neighbors, friends and relatives (Qardawi 2006).

Secondly, this study considers the differences and diversity of GDP among various nations, and consequently maintained that the best way to determine the benchmark for surplus wealth on which zakat could be calculated, is to allow different states and communities to set their own zakat benchmarks considering their level of necessities.

Full Right of Ownership and Free from Debts

Another condition considered by the early Muslim jurists is that, before assessing the nisab of zakat for a property, the owner must enjoy the privilege of a full right of ownership. The property must be free from all kinds of debts or liabilities. They further divided the zakatable wealth into two categories; wealth that can clearly appear (zahir); and wealth that does not clearly appear (batin). Zahir is a kind of property that can be seen by the poor and assessed by the zakat collectors, for instance, livestock and crops. In contrast, batin is a property that needs a testimony of the owner before its proper assessment.

Hanafiyyah jurists maintained that the first category would be free from zakat if overwhelmed by debt. They justify this argument by stressing that zakat is a right of the poor taken from the rich. And in such case, the right of the debtor holds a higher priority than the right of the poor. Thus, the debtor should be settled first. On the contrary, Shafi’iyyah jurists stayed firm on their stand that zakat being an act of worship, is a right of Allah, and that this right supersedes of any other rights (Qardawi 2006).

Nevertheless, with a stern hold, Hanafiyyah, Shafi’iyyah and majority of the scholars agreed that for the non-apparent wealth, it would be free from zakat if the owners were indebted. However,
in a situation where the remaining balance reaches the \textit{nisab}, the \textit{zakat} must be deducted from the remaining wealth.

Nevertheless, with the aid of latest advancements in the field accounting and finance, discussion on the matters of wealth related to the aspects of \textit{zahir} and \textit{batin} is no more relevant. Nowadays, all assets could be assessed using a simple formula as a means of calculation.

\textbf{Issues Arising on Nisab and Deductible Expenses}

The recent literatures about \textit{nisab} indicate that there is a great deal of inconsistency and ambiguity if the classical views on \textit{nisab} are to be applied in this modern era.

Al-Dahlawi, as cited by Qardawi (2006), defines \textit{nisab} using contemporary perspectives of wealth and economy. According to his definition, \textit{nisab} is a clean reference to the cost of living. He found that there are no repercussions of this interpretation in all the studies about the \textit{nisab} of wealth. He also stressed that the relative price of gold and silver and all other commodities have reformed their values from the time the \textit{nisab} was set. The value of 200 \textit{dirham} of silver is no longer compatible to 20 \textit{dinar} of gold, 40 sheep, 5 camels or 653 kg of grain. Similarly, the living cost have changed overtime as housing takes higher priority and consumes more income compared to what was the case in the past. Changes are also observed in the size of \textit{families} that cannot be sustained by 653 kg of grain. Moreover, agricultural products have experienced drastic decline in their value and industrial products and services have stepped in and have become a better source of wealth for the present generation.

In order to achieve the objectives of \textit{zakat}, these changes must be considered in the stipulation of \textit{nisab} for this contemporary age. It is noted, that \textit{zakat} is a sacred religious duty imposed by the \textit{shariah}, and any unnecessary alteration of its principles must not be tolerated. But the application of \textit{ijtihad} to accommodate the current change in the economies should be considered in order to lodge the concerns of time and to achieve the objectives of \textit{zakat}.

Similar inconsistencies are observed on the deductible expenses. Qardawi (2006) insists that one of the conditions of \textit{zakat}ability of wealth is that the items which \textit{zakat} has targeted must be in excess to the need of the owner. While he applied this principle on the salaries and wages, he did not clarify the case of peasants whose \textit{family} lives on the farming of 653 kg of grain for the whole year. It could simply be understood, that allowance for expenses are not the same in both the cases of a person receiving a fixed salary and a farmer relying on farm produce. A situation like this may cause a lot of confusion for the authorities undertaking \textit{zakat} administration.

Kahf (1989) cited similar situation in Pakistan, where the \textit{zakat} authorities set up limits by collecting \textit{ushr} from the farmers who cultivated on more than three acres, neglecting the actual
nisab of 653 kg. By implication, the payment of ushr is left voluntarily to farmers cultivating less than three acres. Consequently, they may not be willing to pay zakat and their production may not be enough to meet their basic needs.

Economies today, face these radical changes and this transforming nature of wealth has gained the attention of many contemporary scholars. Many of them have called for initiating *ijitihad* regarding the zakat issues for its practicality in today’s world. This comes in line with the concept of *al-islah wa al-tajdid* (renewing the concepts of life for better) (Haneef and Mahmud 2011).

Scholars have mentioned these following reasons as the basis of arguments in calling for new *ijitihad* on matters related to zakat;

i. With the current changes in the concept of wealth, sticking to the classical definition, it would obviously exclude much contemporary wealth from zakat application. Kahf (1989) found that if zakat application is limited to livestock, agriculture, and mining and monetary holdings, zakat proceeds would only stand between 0.9% and 2% (except in Sudan it is 4.3%) of the total GDP. But when the contemporary views are applied and the afresh sources of wealth are considered, the estimate shows a rapid increment from 2% to 7.5% of the total GDP.

iii. Another point raised by the contemporary scholars is the exemption of fixed assets from zakat. The exemption of fixed assets draws a lot of attention. They conserved that in the classical Muslim era, businesses required lesser-fixed assets. While on the other hand, today’s corporations require large amount of investments and capital (fixed assets) such as land, structure, machineries etc. Hence, imposing zakat only on the stock cash, leaving the healthier investments in terms of fixed assets is trouncing the objectives of zakat (Haneef and Mahmud 2011)

**Issues Arising on the Condition of Growth**

Contemporary Muslim economists questioned the idea of growth as a condition for zakatability.
Kahf (1989) criticizes the condition of growth regarding zakat in some of the following aspects:

Firstly, applying growth as a condition of zakat excludes the fixed assets of a business entity regardless of the value of the assets. He argued that the fixed asset in a contemporary business does not only sustain the business, but these assets are equally used in the production process, and should therefore be accountable to zakat.

Secondly, Kahf stressed that excluding fixed assets from zakat on their inability to grow is inconsistent when on the other hand, idle money, that does not grow is still subjected to zakat.

Thirdly, when fixed assets are considered non-growing and not zakatable, then the application of growth on agriculture is arbitrary since agricultural produce does not grow in actual or potential sense.

Moreover, whenever it is established that growth is strictly considered as Illah (reason) for zakatability, and then a property that does not grow should not be considered zakatable. Nevertheless, this was not the case in trading properties as their zakat is imposed even if it incurs lost.

Kahf finally suggested that classical scholars have mistaken the concept of growth in determining zakatability. Instead, they should have considered the basis of ghina (richness).

Abu Saud (2008) further emphasizes, that the theory of growth is not consistent in application with the modern times. He suggested another definition that would provide a room for the modern changes in the economies. He shared that, “zakat is a due on all economic goods once they exceed nisab, except for those goods acquired for personal use or consumption, as well as on all forms of money, if the amount withheld exceeds the limit”.

Conversely, other contemporary scholars like Qardawi (2006) and many official zakat institutions opposed this opinion and advocated the condition of growth as a base for zakatability.

Determining the Nisab in the Contemporary Period

It is quite clear, that the contemporary scholars maintained different views regarding the nisab in order to meet the hassles of time and the altered nature of wealth. To address these demands, Mannan (2000) suggested that the formula of nisab should consider the living standard of an average economy. The amount required for a basic living in each community should be calculated out of the wealth, before determining the nisab.

In support of this view, Sheik (1980) cited in Raqibuzzaman proposes, “We need to allow different nisabs and exemption limits as in fact, each country’s situation differs from the other”.

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His arguments were based on consideration that the Prophet Muhammad S.A.W. fixed the \textit{nisab} in accordance with the conditions of time and place he was living in. He argued that reviewing them in line with today’s conditions would not violate \textit{shariah} in no way (Sadeq 2004).

Masfiqurrahman as cited in Sadeeq (2004) believes, that scholars who oppose the idea in principle, at times reverse their views especially when the conventional rates are not sufficient to remove poverty. They also justify their views by referring to the precedent set by Umar Ibn al-Khattab when he changed the \textit{zakat} rates on horse.

The Saudi \textit{zakat} administration rejects the idea in principle. But they were somehow forced to admit changes within the sub-structure of the traditionally define of silver and gold. Due to sharp decline in the price of silver, the Saudi \textit{zakat} authorities have now considered the price of gold as the bases of monetary \textit{nisab} and have ignored the value of silver in determining the \textit{nisab} (Haneef and Mahmud 2011).

\textbf{Discussion and Conclusion}

Going by the findings above, it is clear that the need to extend the concept of \textit{zakatable} items to cover the contemporary sources of wealth does not drive only from scholar’s views; rather it is clearly rooted in the traditional sources of Islamic revelations. The Qur’an had clearly asked that all wealth that reaches \textit{nisab} should be purified through the \textit{zakat}.

Another issue that is treated by the paper is using analogy to determine the changes in the value and ration of \textit{zakat}. This is discussed in the case of \textit{zakat} value of dirham and dinar. It is established that the \textit{zakat} \textit{nisab} should not be based on dirham as a result of sharp decline in its market value. Similar analogy goes to the peasant family that could not be sustained by 653 of grains, if \textit{zakat} is imposed on such a family without considering their basic requirements, it will appear like an imposition of \textit{zakat} on the poor. It is clear that a person works and receives salary, may receive in a month what is beyond the produce of the farmer in the whole season, therefore if his basic requirements will be considered out of \textit{zakat} funds, then the peasant farmer is should also be considered. This view is supported by Quran;

\begin{quote}
"They ask thee how much they are to spend; Say: "What is beyond your needs."
\end{quote}

This clearly indicates that no one is obliged to pay \textit{zakat} except from what is beyond his necessary needs.

\textbf{References}