



National Zakat
Foundation

Simple Zakat Guide

Your guide to understanding &
calculating Zakat



Why you need this guide?

Zakat can be complicated.

But it doesn't have to be. We prepared this guide to make things easy and simple, without omitting essential information. We hope that after reading this guide you will be able to:



Understand the basics of Zakat



Know who pays Zakat and who receives it



Calculate your own Zakat

This guide is updated on an annual basis. If you are reading this on a physical copy, and would like to see the newest version, visit zakatguide.ca to download your very own digital copy, for free!

If we've missed anything or you simply have a question, visit us at nzfcanada.com and send us a message!

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What is Zakat?

Linguistically, Zakat is associated with purification and growth.

Zakat is the third pillar of Islam. It requires Muslims to give 2.5% of their qualifying wealth each year to help Muslims who need it across a range of categories. Zakat is both a spiritual duty and a vital part of the Islamic social welfare system.



The Power of Zakat

"The example of those who spend their wealth in the way of Allah is like a seed [of grain] which grows seven spikes; in each spike is a hundred grains. And Allah multiplies [His reward] for whom He wills. And Allah is all-Encompassing and Knowing."

(Quran 2.267)

Zakat in the Quran & The Sunnah

The word Zakat is mentioned 32 times in the Quran.

Out of the 32 instances, Zakat is mentioned in its technical meaning of paying Zakat 30 times.

Furthermore, out of these 30 mentions, Zakat has been interlinked with Salah, the obligatory prayer, 28 times. It is on this theme that the great scholar Al-Hafiz al-Iraqi stated:

"Whoever can perform 3 pillars with diligence will be able to perform fasting and hajj easily." Al-Kirmani commented that Salah and Zakat have been paired together multiple times due to their universal nature and significance."

See Surah Al-A'raf 7:156

As the Quran makes multiple references to Zakat, there are numerous 'Ahadith (prophetic narrations) that discuss Zakat.

Abdullah Ibn Abbas (May Allah be pleased with him) narrates:

"The Prophet SAW sent Mu'adh to Yemen and said, "Invite the people to testify that none has the right to be worshipped but Allah and I am Allah's Messenger, and if they obey you to do so, then teach them that Allah has enjoined on them five prayers in every day and night, and if they obey you to do so, then teach them that Allah has made it obligatory for them to pay the Zakat from their property and it is to be taken from the wealthy among them and given to the poor."

Sahih Al-Bukhari

Who pays Zakat?

Those required to pay Zakat must be:



Adult

Only those who have reached puberty are required to pay Zakat



Muslim

Those who are non-Muslim are not required to pay Zakat



Of Sound Mind

Those not of sound mind or with a debilitating mental illness are not required to pay Zakat

The above conditions fall under the Hanafi Madhab.

According to the other three madhabs (Maliki, Hanbali, and Shafi'i):



The guardians of the child must take responsibility of paying Zakat on the wealth owned by the child.



The one who is not of sound mind is responsible for Zakat. The family or caretakers must take responsibility of paying Zakat on his/her behalf.

What type of wealth is Zakat due on?

Complete Ownership

Only the wealth that is under the ownership of the Zakat payer is Zakatable.

Meets the Nisab

Zakat is paid by those whose net Zakatable assets are above the Nisab value. Nisab is calculated based on the market value of gold or silver. There is a difference of opinion among the scholars regarding which Nisab should be used. NZF recommends using the silver Nisab.

The value of silver Nisab is 595g of pure silver, or approximately \$950 CAD as of February 2025.

The value of gold Nisab is 85g of pure gold, or approximately \$12,250 CAD as of February 2025.

To determine the live Nisab values for gold and silver, visit:

nzfcanada.com/calculate-zakat/

Passes One Lunar Year

One lunar year (the hawl) passes after attaining the Nisab amount. Note, it becomes very difficult to capture the hawl for each asset coming into your possession over the year. And thus, the best method is the spot method: once Nisab is reached for the first time, wait one lunar year and pay your Zakat on the spot, based on your current financial standing. If you dipped below the Nisab during the year, your Zakat due date will reset, and you must wait another lunar year after re-attaining the Nisab.

Free from Haram Income

Zakat is not due upon earnings that are Haram. One should dispose of these by giving in charity, and seek forgiveness from Allah.

"Whoever is made wealthy by Allah and does not pay the Zakat of his wealth, then on the Day of Resurrection his wealth will be made like a bald headed poisonous male snake with two black spots over the eyes. The snake will encircle his neck and bite his cheeks and say, 'I am your wealth, I am your treasure'."

Who receives Zakat?

The Quran (9:60) specifies **eight categories of people** who can receive Zakat.



The poor



The Needy



Those employed to administer Zakat



Those whose hearts need to be softened toward Islam



Those in Slavery



Those in Debt



In the way of Allah



The Destitute Traveller

When to pay Zakat?



15 Ramadan 2024

One Lunar Year



15 Ramadan 2025

Your Zakat year starts on the date your wealth first equalled or exceeded the Nisab. Zakat should then be calculated and paid after one lunar year passes and every year thereafter on the same date.

If you cannot remember the date you first reached the Nisab, then the date should be estimated. If this is not possible, then a specific Islamic date should be selected arbitrarily and adhered to annually. Paying Zakat in Ramadan is not necessary, although giving charity in Ramadan guarantees greater rewards, insha'Allah.

When should Zakat be distributed?

Zakat becomes obligatory for the individual on the day it becomes due. This is the date on the Islamic Calendar, 12 months after the individual first reaches the nisab.

Thereafter, this date becomes your Zakat anniversary on which Zakat must be paid yearly, given that you continue to retain the nisab.

Once due, Zakat should be paid without delay. If paid to a Zakat

organization, it must be distributed within one Islamic year. It is a sin to delay distribution without a valid reason.

It is permissible to pay your Zakat ahead of time. This is often encouraged especially if there is a need in society. If Zakat is pre-paid, then it must still be calculated on the due date to ensure the correct amount was paid.

Where should Zakat be distributed?

It is preferred to give Zakat locally if deserving recipients exist.

This is based on the instruction that the Messenger of Allah (peace be upon him) gave to his companion, Mu'adh, who was sent to spread the message of Islam in Yemen: "O Mu'adh! Inform them that Allah makes Zakat obligatory for them. (It is) to be taken from their rich and given to their poor."

Sahih Al-Bukhari

Scholars allow for the distribution of Zakat to places where there is significant need. As Muslims living in Canada, it is important that we balance our giving between local and

international causes, bearing in mind that our collective accountability for the poor and destitute within Canada is paramount and must not be forgotten.

The number of those eligible to receive Zakat in Canada is increasing and such individuals have a right over Canadian Zakat payers .



How do I calculate my Zakat?

Our calculator below will allow you to easily calculate your Zakat payment. You can also visit nzfcanada.com/calculate-zakat to make your calculation online

A Zakatable Assets

B Deductible Expenses & Liabilities

C Zakat Calculation

Paying your Zakat is a crucial act of worship; it is the most important obligation after the five daily prayers. Therefore, refresh your intention that you are about to embark on an act of worship purely for the sake of Allah.

Remind yourself that calculating and paying your Zakat is a means of purifying yourself, your wealth, fulfilling the rights of the poor and needy, and acquiring the blessings and mercy of Allah. Once all of this is firmly rooted in your mind and heart, begin!



Zakatable Assets

Assets you own on which Zakat is payable



1. Cash & liquid assets

Cash and other liquid assets are subject to Zakat

All cash must be included, whether in a bank account, wallet, purse, locker, or safe.

If interest has been earned on your liquid investments, then all of it should be given to charity.

Note: This is given in charity only to absolve oneself of this haram wealth. There is no reward to be sought in this, nor is it itself an act of charity. Interest income would not be part of the Zakat calculation.

My total cash amount

\$



2. Gold and silver

Gold and silver, in whichever form (jewelry, coin, ingots, etc) are subject to Zakat. Though the scholars differ in this area, it is safer to pay Zakat on all gold and silver jewelry.

When paying Zakat on jewelry, items that are composed of more than 50% gold or silver are Zakatable.

Gold and silver can be valued at its resale value by a jeweller or you can multiply the number of grams (of gold or silver) you own by the current market value.

Zakatable Portion of Gold Jewelry =

$$\frac{\text{Weight of jewelry in grams} - \text{Weight of non-metals and stones}}{\text{Resale price of gold}}$$

- If you measured your gold in Tolas, convert it to grams by multiplying by 11.66.
- NZF takes the opinion that Zakat should be paid on Gold and Silver regardless of whether it is used or not.
- There is no Zakat on metals other than gold and silver.
- There is no Zakat on gemstones and diamonds.

The value of gold in my possession

\$

The value of silver in my possession

\$

3. Debts owed to you

Zakat is payable on strong debts, i.e. money owed to you that you are confident will be returned back to you. This may include personal loans to family and friends.

This does not include outstanding wages, dowry, inheritance or assets held in trust.

Total amount of money I have lent to others that I am confident will be repaid \$

4. Shares, Pensions, RRSPs, RESPs, TFSA and other Investments

Important note: In this section, Zakat is discussed for investments that are Shariah compliant. For Shariah non-compliant investments, Zakat is given on the market value of the investment, and any interest gains or dividends are given away.

Short-Term Investment

The intention is to not hold these investments for longer than one lunar year, or to buy and sell within one lunar year (i.e. day trading or swing trading)

The Zakatable amount is the market value of the investment, regardless of the type of fund held.

Example: Fatima has \$10,000 in her TFSA account on the day her Zakat is due. She buys and sells various shares on a regular basis. Her entire \$10,000 TFSA account is a Zakatable asset.

Long-Term Investment

The intention is to hold assets for more than one lunar year. The investment could be held in any number of account types (RRSP, RESP, TFSA, etc.)

Stock/Share Holdings

As a long-term shareholder in a company, you are considered a part owner. As such, to determine Zakat owed on your share of the company, the Zakatable assets of the company are considered. The key formula is:

$$\text{Zakatable Portion of Shares} = (\text{Zakatable Asset Ratio}) \times (\text{Current Value of Your Holdings in Dollars})$$

- Where, the Zakatable Asset Ratio = $\frac{\text{Total Current Assets}}{\text{Market Cap}}$
- And where, Total Current Assets consist of Cash + Cash Equivalent + Short Term Investment + Receivables + Inventory + Other Current Assets. (Generally, a line item on the company's balance sheet)
- And, The Market Cap is the value of the company, taken from the latest financial summary of the company (Yahoo Finance is a good resource for most publicly traded companies)

Example



You are a long-term investor. You own 100 stocks in Company Z.



\$120B
Company Z's
Total Current
Assets



\$800B
Market
Cap



\$50
Current
Price Per
Stock

| | | | | |
|----------------------|---------------|---|-------------|-----------------------|
| Total Current Assets | \$120 Billion | = | 0.15 | Zakatable Asset Ratio |
| Market Cap | \$800 Billion | | | |

| | | | | | |
|-------------------------------------------|------------|---|------|---|---------|
| Current value of your Holdings in Dollars | 100 Shares | × | \$50 | = | \$5,000 |
|-------------------------------------------|------------|---|------|---|---------|

| | | | | | |
|---------------------------------|------|---|---------|---|-------|
| Zakatable Portion of your Share | 0.15 | × | \$5,000 | = | \$750 |
|---------------------------------|------|---|---------|---|-------|

| | | | | | |
|---------------------|-----|---|-------|---|----------------|
| Zakat Due On Shares | 750 | × | 0.025 | = | \$18.75 |
|---------------------|-----|---|-------|---|----------------|

Notes: 1. You must repeat this step for every share you own long-term. 2. During certain market conditions, it is possible for the Zakatable Asset Ratio to be higher than 1, in this case, a value of 1 should be applied to the formula.

ETF's and Mutual Funds (Long-Term)

If the ETF/Mutual Fund is Shariah compliant and holds stocks, then the Zakatable portion can be calculated using a proxy of 30%. Learn more at nzfcana.com/calculate-zakat.

Note: Some ETF/Mutual Funds hold cash. In this case, the portion of the fund held in cash is 100% Zakatable. A proxy may be applied to the stock portion.

If the fund holds cryptocurrencies, the Zakatable amount is the market value.

If Shariah non-compliant, the Zakatable amount is the market value.

Bonds

Traditional bonds which pay interest have the Zakatable portion equal to the market value of the bonds. Due to the nature of bonds, it is advisable not to purchase or hold bonds as an investment. Earned interest must also be given away in full.

Suqqu Bonds

The Zakatable amount is the market value.

RRSP

RRSPs are accessible and can be liquidated, making them Zakatable. In most cases, RRSPs are long-term investments.

If RRSPs are invested in a mutual fund or ETFs, then Zakat is paid on the market value. However, depending on the size of the fund, a withholding tax would apply. This is deducted from the market value.

If RRSPs are invested in company shares, use the Zakatable Asset Ratio formula on page 11.

RESP

RESPs are for the education of one's children. These funds are under the control of the parent(s) prior to maturity, and are subject to Zakat.

If invested in mutual funds or ETF's, the Zakatable amount for RESP is the total value minus early withdrawal fees/penalties (e.g., the government-funded portion of the fund).

If the RESP's are invested in company shares, use the Zakatable Asset Ratio formula that appears on page 12.

Note: According to the Hanafi opinion, RESP's are issued to children and their wealth is not Zakatable until maturity.

Pensions

Pension funds that are not accessible and with no control over the investment, are not Zakatable. If you have control over the investment, then it is Zakatable even if it is not accessible immediately.

Canada Pension Plan (CPP)

CPP is not Zakatable.

Defined Benefit Plan (DBP)

DBP is not Zakatable.

Defined Contribution Pension Plan (DCPP)

DCPP is Zakatable.

Locked-In Retirement Accounts (LIRA)

LIRA's are Zakatable, if controlled. Otherwise not Zakatable.

Cryptocurrencies

Cryptocurrencies, by and large, are treated as fiat currency. Thus, the Zakatable portion is the market value of these holdings regardless of the intention to hold them short-term or long-term. In rare cases where the funds are staked and not accessible (for more than one lunar year), no Zakat is due until they become accessible again.

Notes:

- The type of account in which your investment is held does not matter. What matters is the intention, type of investment, and accessibility.
- You may have more than one portfolio: one for short-term trading and another for long-term investments. Treat each portfolio accordingly to determine the correct Zakatable amount.
- Inaccessible funds such as locked-in pension funds are exempt from Zakat until the fund becomes accessible, except when there is control over the investment. There is a difference of opinion among the scholars on this matter.
- The area of Islamic finance is ever-changing, with frequently developing scholarly positions. For the most up-to-date information, please visit us at nzfcanada.com/zakat-guide

The total value of the Zakatable portion of my Investments

\$



5. Property and other fixed assets

The house in which you live is not subject to Zakat.

If a property or other fixed asset is purchased with the express intent to resell, then the entire sale value of the property is subject to Zakat.

If the property is marked for sale and your Zakat becomes due but you don't have enough cashflow to pay Zakat, then you may pay it once the funds are available. Allah knows best.

If it is a rental property then you only have to pay Zakat on the rental income minus the expenses related to the rental income. If you have not saved the rental income earned from the rental property, then there is no Zakat on it.

If you have no intention with a property or fixed asset (whether to sell, keep or rent out) then there is no Zakat on it until your intention changes.

The total value of my Zakatable property and other fixed assets

\$



6. Business assets

Important Note: These business assets can be included in your personal Zakatable assets if you are self-employed and not incorporated. However, if you own (or share) a corporation, then your business assets should not be included in your personal Zakatable assets. Your business Zakat should be calculated separately from your individual Zakat.

Business assets include cash, finished goods, work in progress, raw materials and strong debts.

Zakat is due on the wholesale price of your inventory or goods for sale. This is the price placed on your entire inventory in bulk. This amount would be Zakatable.

The total cash amount in my business

\$

The total value of work in progress, raw materials and inventory is

\$

Account receivables of the business that you are confident will be collected

\$

Total Zakatable Assets

\$

Deductible Expenses & Liabilities

Expenses and liabilities that can be deducted from your Zakatable Assets

7. Personal Liabilities

These include outstanding or overdue living expenses such as rent payments, utility bills and debts.

For long-term debt, such as mortgages or student loans, only the non-interest or principal portion of the upcoming lunar year's worth of payments can be deducted.

If payments are not being paid on the long-term debt, then the debt is not deducted from your Zakatable assets.

Interest payments are not considered deductible liabilities for the purpose of Zakat calculation (whether short-term or long-term). It is recommended to prioritize repayment of all interest-bearing debt.

Note: Your upcoming living expenses not related to debt repayment are not deducted as liabilities. These include upcoming rent payments, bills, food, fees, etc

| | |
|--------------------------------------------------------------------------------------------------|-----------|
| My outstanding or overdue basic living expenses that have not yet been paid for add up to | \$ |
| The upcoming year's non-interest portion of my long-term debt | \$ |
| My personal debts add up to | \$ |
| Money that I owe to third parties for completed purchases adds up to | \$ |
| Outstanding dowry owed and intended to pay | \$ |



8. Business liabilities

Remember to only include business liabilities if you are self-employed and not incorporated. If you own (or share) a corporation, then do your business Zakat calculation separately from your personal Zakat calculation.

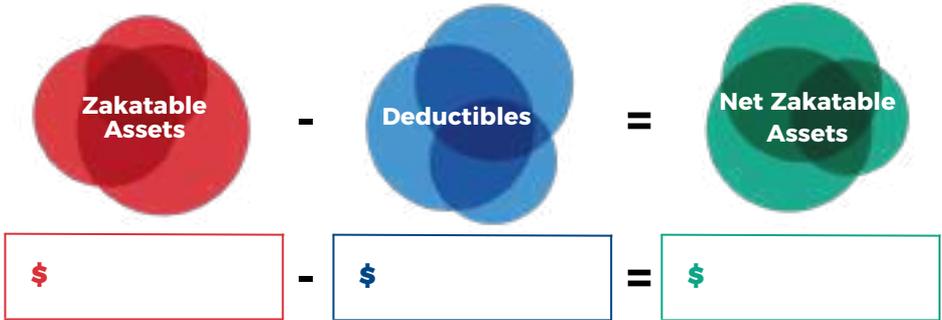
Note: A period of twelve lunar months or less is considered short-term, while more than twelve lunar months is considered long-term.

| | |
|---------------------------------------------------------------------------|-----------|
| The total value of rent, bills and salaries outstanding or overdue | \$ |
| The total value of outstanding short-term commercial loans | \$ |
| The next year's non-interest portion of long-term business debt | \$ |
| The total value of goods purchased on credit | \$ |

| | |
|--------------------------|-----------|
| Total Deductibles | \$ |
|--------------------------|-----------|

Zakat Calculation

My Net Zakatable Assets Are:



So, do I have to pay Zakat ?

Remember you only pay Zakat if your net assets are equal to or higher than the Nisab value. If the only asset you possess is gold or silver, then use the respective Nisab values.

If you own a mixture of assets (gold, silver, cash etc.) then use the silver Nisab.

Using the silver Nisab will result in more Zakat being paid, in shaa Allah.

Nisab is the value of 85g of gold or 595g of silver.

Visit nzfcanada.com/calculate-zakat to determine the live Nisab values, or calculate it yourself on goldprice.org

| | | |
|--------------------------------------------------------------------|----|------------------|
| I have a mixture of assets Today's Nisab value is | \$ | |
| My net Zakatable assets are above Nisab and 2.5% of that is | \$ | Zakat Due |

We ask you to consider donating your Zakat to those in need here in Canada. You can do this by visiting:

www.nzfcanada.com/donate

Additional Notes

- It is quite possible that your wealth may fluctuate above and below the level of nisab during the year. If this is the case, then Zakat is only due if wealth is in excess of the nisab on your Zakat anniversary. Zakat is always paid on the assets owned on the Zakatable date, not on fluctuating amounts during the year or even an average amount.
 - It is permissible to prepay Zakat for future years. However; at the time of payment, the intention must clearly be for future years.
- In addition, a Zakat calculation should still be made on the Zakat anniversary to make sure that sufficient Zakat has been paid.
- Missed Zakat payments for previous years must be paid as a matter of urgency. A realistic attempt must be made to calculate the Zakat due for each of the years missed.
 - Last but not least, don't forget to intend specifically for the giving of Zakat when you make your payment!

Resources



Calculator

Use our online Zakat calculator or download an offline version. Work out your Zakat quickly and with ease.



Zakat Q/A

Have questions about Zakat? Write in your questions and one of our Zakat experts will respond to you by email.



Zakat Workshops

Free knowledge-packed sessions conducted by local imams and scholars, giving you the opportunity to learn Zakat in an interactive setting.



Knowledge Bank

A rich repository of Zakat FAQ's where you can get answers to some of the most common Zakat questions.



1-on-1 Zakat Consultation

Sign up for a private call with one of our Zakat experts. We'll answer your Zakat questions and help you calculate your Zakat, no matter how complicated your finances are.

nzfcanada.com/zakat-guide

Your Trusted Zakat Partner

Since 2013, our mission has been to make the pillar of Zakat simple, transparent, and impactful across Canada. We envision a Muslim community that is dignified and unified through the prophetic teachings of Zakat.



Education



Calculation



Collection



Distribution



National Zakat
Foundation

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ONLINE CALCULATOR

