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Lesson 31: Islamic Economic System (2)

1. Importance of Zakat

"Zakat" literally means "purity; justness; integrity and honesty". In Islamic legal terminology, the word "zakat" is used for one of the main obligatory taxes imposed upon the wealth of the Muslims derived from the natural resources given to them by Allah. Its literal meaning implies that by paying zakat, one is purifying his wealth by sharing God's blessing with the less fortunate members of the ummah. The wealth of the person who does not pay zakat is impure and tainted with the share of the poor and the needy.

One of the ways by which we describe the value of a seemingly simple thing is by comparing it to an item well known for its value. In the Qur'an, Allah, *subhanahu wa ta`ala*, also uses this method of emphasizing certain Islamic values: whenever He wants to show the importance of an issue, He combines it with something whose importance is well known to the Muslims. Salat, the symbol of Allah's right upon human beings, is a well known virtue in Islam; it is known as "the pillar of the religion". Similarly, Allah has used zakat as the symbol of the rights of human beings upon each other. In order to show the importance of fulfilling the rights of fellow human beings, in many verses, Allah has combined the order of salat with the order of paying zakat.

All items of zakat are related to the natural resources of the earth. They are not the creation of man but blessings of Allah. So by paying zakat, we thank Allah by sharing His blessings with other human beings; and we also show our concern for the poor and the needy. Imam 'Ali bin Abi Talib (a.s.) said,

"Almighty Allah has made the zakat obligatory so that He may test the rich people and provide for the poor. If the people pay zakat from their wealth, no one would be poor any longer..."

2. Obligatory Zakat

(A) Sharing The Natural Resources

Zakat, according to the Shi'a school of thought, is limited to the following nine items:

I. Coins:

1. Gold Coins. 2. Silver Coins.

II. Cattle:

3. Goats and sheep. 4. Cows.
5. Camels.

III. Crops:

6. Wheat. 7. Dates.
8. Barley. 9. Raisins.

These are the nine items on which zakat is wajib. At this stage of our discussion, we will not go into details of the rules to explain how much becomes wajib on which item at what time. We shall only mention some details about zakat on crops.

Zakat on crops becomes wajib only when the production reaches the minimum nisab (the specific amount or quantity on which zakat becomes wajib). The nisab for each of the four crops mentioned above is 846 k.g. So if you produce less than 846 k.g. of wheat, then there is no zakat on you.

The amount you have to pay as zakat tax depends on the methods used for watering the crops:

- if the farm was watered by a river or by rain, then you have to pay 10% of the total crop.

- if the farm was watered by drawing water from a well or by using modern machines, then you have to pay 5% of the total crop.

So if you produced 100,000 k.g. of wheat and you had watered your farm through a near-by river, then you have to pay 10,000 k.g. wheat as zakat. But if you used modern technology to water your farm, then you have to pay 5,000 k.g. wheat as zakat.

(B) Zakatu 'L-Fitra: Sharing On The Day Of 'Iddu 'L-Fitr:

Besides the zakat mentioned above on the natural resources, Islam has introduced a zakat common to all affluent people on the occasion of `iddu 'l-fitr, the celebration which occurs after the end of Ramadhan. This zakat is known as zakatu 'l-fitra.

By "affluent" we mean anyone who can provide the necessary expenses of his self and his dependents for a year.

The amount to be paid depends the one's eating habits and the number of his dependents. One has to

pay three kilos of wheat or rice (or its market value) on behalf of himself and each of his dependents. So if a person has a wife and three children, then he must pay fifteen kilos of wheat or rice, or its monetary value.

It becomes due on the eve of `Iddul 'l-fitr and must be paid before one performs the special sal□t of `idd. This zak□t is to be paid to the poor and the needy so that they may be able to share in the happiness and joy of the day of `iddu 'l-fitr.

3. Recommended Zak□t

All other forms of charity are considered as sunnat zak□t or sunnat sadaqah. The levels of voluntary charity has already been discussed in the previous lesson. Here I would like to mention one more sunnat zak□t: If a business man buys certain merchandise for investment and it remains in his inventory for a full year, then it is recommended that he should pay the zak□t on that particular merchandise at the rate of 2.5% of its market value. This recommendation is applicable only if the value of that merchandise is at least equal to 69 grams of gold.

4. The Usage of Zak□t Fund

The revenue generated from the zak□t tax is to be used for the following persons and projects:

1. The Poor: a person who does not earn enough to cover a year's expenses for himself and his family.

2. The Needy: a poor person who is so desperate that he begs for his needs.

3. Those in debt: A person who is in debt and does not have the ability to pay it off can be helped from the zak□t fund for the paying of the debt.

4. In the way of Allah: A project which can be classified as "*fi sab□li 'l-l□h* — in the way of Allah" can also be financed by the zak□t fund. This includes construction of roads, bridges, hospitals, shelters for the poor, mosques, religious schools, religious publications and other projects which contribute to the betterment of the society in general.

5. The Way-farer: A traveller who has run out of money and, therefore, cannot return to his home, can be helped by the zak□t fund.

6. Those poor non-Muslims whose hearts are inclined towards Islam and/or Muslims. Islam allowes the use the zak□t to win the goodwill of the financially weak non-Muslims in whom one finds an inclination towards the religion of Islam or towards the Muslim people.

7. The Zak□t-Collectors: The wages of those who work in the revenue department of an Islamic government to collect zak□t comes out of the zak□t revenue itself.

8. The slaves: Islam allowes the usage of zakat to buy slaves in order to emancipate them in the way of Allah.

This list is based on the following verse of the Qur'an: ***"The alms (zakat) are only for the poor, the needy, those who work (to collect) them, those (unbelievers) whose hearts are inclined (towards the truth), the slaves, the debtors, in the way of Allah, and the traveller. So does Allah ordain. Allah is Knowing, Wise."*** (***9:60***)

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This lesson has been written by Sayyid M. Rizvi

Question Paper on Lesson 31

Question 1: [20 points]
True or False:
(a) Zakat means purifying one's wealth.

(b) Zakatu 'l-fitra is wajib on 9 items.

(c) Just as salat is the symbol of God's rights upon us, zakat is the symbol of man's rights upon us.

(d) The minimum nisab for zakat on wheat is 486 k.g.

(e) Zakat is a tax on the natural resources of the earth.

(f) Imam 'Ali (a.s.) said that paying zakat will not eliminate poverty.

(g) The nisab for wheat and for raisins is the same.

(h) Zakatu 'l-fitra is due only on gold and silver coins.

(i) Zakatu 'l-fitra is due on the day of `iddu 'l-adha.

(j) The Qur'an has mentioned eight purposes for the utilization of the zakat fund.

Question 2: [15 points]
Briefly explain what role zakat plays in bringing about economic harmony in society.

Question 3: [15 points]
What is the purpose of zakatu 'l-fitra?

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