

423108 - He invested his money in business with someone; does he have to give zakah on both the capital and the profit, and how should he give it?

the question

I gave some money to a trader to use it in doing business, and he will give me a small amount every month. I am not saving any of it, as I have commitments and many expenses each month, and I have no money left at the end of the month. Is zakah due on the capital that I gave to the trader to do business with it?

Detailed answer

Zakah is due on cash money, such as Egyptian pounds, if it reaches the minimum threshold (nisab) by itself, which is equivalent to 595 grams of silver.

If the money is invested in business, the zakah must be given every time a (Hijri) year passes since taking possession of the capital; that does not change when the money is invested in the business.

It says in *Zad al-Mustaqni* (p. 87): If he buys trade goods with currency [that is, gold or silver] that reaches the minimum threshold, then the year for the trade goods (for zakah purposes) begins from the time when he acquired that currency. End quote.

So if someone acquired 10,000 pounds, for example, on the first day of Ramadan, then he used it in Muharram to buy goods to sell, the year for zakah on the trade goods begins on the first of Ramadan, so he should work out the value of the goods on the first day of the following Ramadan, based on the market price, and he should note what his share of the trade goods and of the available cash is, then give zakah on it.

Therefore the equation for working out zakah is as follows:

The market value of the goods + the amount of available cash + any debts owed to you that you expect to collect. Then you should give 2.5% (one quarter of one tenth) of the total as zakah.

The scholars of the Permanent Committee were asked (9/356): I have fifteen thousand riyals, which I gave to a man to do business with it in return for half of the profit. Is zakah due on this money? On what should I give the zakah – the capital, the profit, or both? If zakah is due on the capital, and I used the capital to buy specific items, such as carpets, furniture and the like, what is the ruling in this case?

They replied: Zakah is due on the money mentioned, which was allocated for the purpose of trade, when one (Hijri) year has passed since acquiring it. Zakah must be given on both the capital and the profits at the end of the zakah year. If trade goods were bought with the money, then their value should be worked out at the end of the zakah year, based on the market price at that time, then zakah must be given at the rate of two and a half percent (2.5%) of the total amount of the wealth and the profit. End quote.

Shaykh ‘Abd al-‘Aziz ibn ‘Abdillah ibn Baz, Shaykh ‘Abd ar-Razzaq ‘Afifi, Shaykh ‘Abdullah ibn Ghadyan.

Shaykh Salih al-Fawzan (may Allah preserve him) was asked: I have some money, seven thousand Egyptian pounds, which I put into a commercial investment project. Is zakah due on it? What is the rate, and to whom should I give it? Should I give zakah on the capital only, or on the capital and the profit?

He replied: Money that is invested in business is subject to zakah, if it reaches the minimum threshold (nisab) or more. It must be given on the profit as well, because the profit is connected to the capital, so zakah must be given on both. So you have to give zakah on this wealth when one (Hijri) year has passed. The profit should be added to it, then zakah must be given on the total at a rate of one quarter of one tenth... End quote from *al-Muntaqa min Fatawa ash-Shaykh al-Fawzan*.

And Allah knows best.