50726 - Zakah on Trade Goods and Shop Fittings

the question

I have a shop in which there is equipment worth 80,000 riyals, and there are people who owe the shop debts totalling 80,000 riyals. There was a fire in the shop 6 months ago and new merchandise has been and renovations have been done, which together add up to 40,000, of which 35,000 has been borrowed in the name of the shop, to be paid back in instalments.

My first question is: should we pay zakah on the total amount of equipment that was in the store before the fire? Total cost + debts – new stock and renovation.

My second question is: A full year has not yet passed since the renovations; should we pay zakah on it or only on the whole shop and the debts that we are owed?

Summary of answer

It is obligatory to pay zakah on trade goods. Fixtures that are not prepared for sale are not subject to zakah. It is permissible to pay zakah on trade goods in kind, and it does not have to be paid in cash. Zakah is to be paid on the sale price, not the purchase price.

Detailed answer

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Types of goods in shops

The goods that are found in a shop fall into two categories:

1. Those that are prepared for sale, whether they are real estate, food, clothes, or other kinds of goods that are sold.
2. Those that are not prepared for sale, rather they are for producing goods or are to be used, such as manufacturing equipment , cars, furniture, cameras and computers, etc.

The first category are those that are called “trade goods” and these are the ones on which zakah must be paid. As for the second category, they are known as fixed assets, and no zakah is due on them.

In the answer to question no. 42072 , we stated that it is obligatory to pay zakah on trade goods, and we explained the nisab (minimum threshold), and the fact that fixtures that are not prepared for sale are not subject to zakah.

In the answer to question no. 22449 , we explained that it is permissible to pay zakah on trade goods in kind , and that it does not have to be paid in cash .

For information on how to calculate zakah on trade goods , please see the answer to question no. 26236 , in which it explains that zakah is to be paid on the sale price , not the purchase price.

Zakah on trade good

In conclusion, if the time for paying zakah on your shop has come, then you should take stock of what you have in the shop, such as the goods that you have there, and add them to whatever you have of cash, and add that total to the debts that you hope will be paid back, then pay zakah on the total at a rate of one-quarter of one-tenth.

As for the debts which you have no hope that they will be paid back because they are owed by people who delay payment or who are poor, then no zakah is due on them until you take possession of them and start to reckon a new year from the day you receive them.

In order to be on the safe side, when you receive them, pay zakah for one year only, even if several years have passed. Please see question no. 1346 .

The debts that you owe are not to be deducted from the wealth on which you have to pay zakah, according to the more correct scholarly view. See question no. 22426 .

Zakah on lost goods

The goods that were lost in the fire are not to be added to the total of goods in the store.

As for the things that you put in the store after the fire, if they have to do with furnishings, décor and fixtures, then as we have stated above, no zakah is due on them, so they should not be included among the goods in the store that are subject to zakah. If they are goods that are for sale, then if you bought them with the shop's funds and profits, then zakah should be paid on them when you pay zakah for the shop's goods even if one year has not yet passed. If you bought them with other money that does not belong to the store, then you should count one year from the time when you acquired the wealth with which you bought them.

We ask Allah to compensate you with good and to bless you with a goodly provision.

For more, please see this category: Zakaah on trade goods

And Allah knows best.