94842 - There is no zakaah on charitable funds

the question

We collect money in a charitable fund to help the needy and give loans to those who need loans. This fund is very high right now. Is zakaah due on it?.

Detailed answer

Praise be to Allah.

Money that has been put in a charitable fund to give loans to the needy or to help them in emergencies such as accidents etc, is not subject to zakaah, because it is money that does not belong to a particular individual, so it is like waqf funds, and no zakaah is due on it.

The scholars of the Standing Committee for Issuing Fatwas was asked: One of the tribes acquired a lot of money and they set this money aside specifically for blood claims that may be made against this tribe, and they used this money in business, and the profits made go back into the same fund. Is this money subject to zakaah or not? If they did not use it for business, would it be subject to zakaah or not? Can the tribe itself pay their zakaah on its wealth to this
fund?

They replied: If the matter is as described, there is no zakaah on the money mentioned, because it comes under the heading of a waqf, whether it lies idle or is used in business. It is not permissible to pay zakaah to this fund, because it is not allocated to the poor or to any of the other categories who are entitled to receive zakaah.

Fataawa al-Lajnah al-Daa’imah (8/291).

They were also asked: A charitable fund has been set up for tribal members, so as to meet needs that may arise, such as blood claims and the like, Allaah forbid. Then this money was invested in some Islamic bank. Is zakaah due on it or not?

They replied:

If the matter is as described and the money that was donated will not be returned to those from whom it was collected, and if the project fails it will be spent on other charitable causes, then no zakaah is due on it. But if it will be returned to those from whom it was collected in the event of the project failing, then zakaah must be paid by every individual according to his share in that fund, if it reaches the nisaab and one year has passed. End quote.

Fataawa al-Lajnah al-Daa'imah (8/296).

Shaykh Ibn 'Uthaymeen (may Allaah have mercy on him) said about a village charity where the people paid money into the fund every month so as to help in the event of accidents, diyah claims and loans for those who needed to get married: These funds are not subject to zakaah, because they do not belong to the participants and they are not the property of a specific individual. There is no zakaah on that which does not belong to a specific individual. End quote from Majmoo' Fataawa Ibn 'Uthaymeen (18/184).