

110144 - He has invested money in the investment fund; how should he pay zakaah?

the question

I have investment funds in a bank. Do I have to pay Zakah on this amount? How much must I pay if yes? Should I calculate Zakah on the whole amount or only on the profit?.

Detailed answer

Firstly:

Zakaah on investments varies according to the intention of the owner.

If he invested in the company with the aim of benefiting from the annual profit on the shares, and not with the intention of dealing in them, then no zakaah is due on the shares themselves, rather he must pay zakaah on the yield, at a rate of one quarter of one tenth after one full hijri year has passed since he took possession of the yield.

But if the shareholder bought the shares with the intention of dealing in them, then the zakaah is the same as zakaah on trade goods. When the hijri year has passed since the shares came into his possession, he must pay zakaah on their market value, at a rate of 2.5% of that value and of the profit if the shares have made any profit.

End quote from Majallat Majma' al-Fiqh al-Islami (1/879).

Secondly:

If you bought shares with the aim of making profit only, and you paid 2.5% of the profits with the intention of paying zakaah, and you gave it to an organization to distribute it on your behalf, that is sufficient, but you should make sure that this organization has paid the zakaah. If you had taken the money and distributed your zakaah yourself, that would have been better.

But if you bought shares with the intention of trading in them, then you must work out their value at the end of the year and pay zakaah on it at a rate of 2.5% of their value.

And Allaah knows best.