

ANNEXURE # I

ZAKAT ON PURE GOLD AND GOLD JEWELLERY :



Zakat should be calculated on Pure gold and jewellery at a value as on the date of valuation, preferably 15th day of Ramadhan. There are different opinions on the value to be adopted for valuation (i.e.,) purchase price or market price. Most of the Ulema have favoured market value prevailing as on date of calculation of Zakat and not the purchase price. The prevailing market rate of gold in India is taken as under for computation of Zakat (Value as on 25th August 2008), Please verify market rate of gold or silver on the date of calculation.

1. Pure Gold - 24 Carats at Rs._____ per gram or Rs._____ per 10 grams.
2. Gold Jewellery - 22 Carats at Rs._____ per gram or Rs._____ per 10 grams.
3. Gold Jewellery - 18 Carats at Rs._____ per gram or Rs._____ per 10 grams.
4. Gold Jewellery - 14 Carats Rs._____ per gram or Rs._____ per 10 gram

(Take the market value on the date of calculation)

A deduction of 2% from the weight of jewellery is allowed towards studded stones as zakat is not payable on any kind of stones including diamonds, rubies, emeralds, pearls etc. If there are rows of pearls or any other beads you have to make a rough estimate and deduct 25% from the total weight of the article.

You may deduct 4 gram from the total weight of the jewellery item if there is dory (thread for tying at the back). For Kundan jewellery deduct 25% from the weight for ' lac ' Zakat is payable on precious and semi-precious stones, if you are in the jewellery business.

Note : The amount receivable on credit sales is to be added to the total value and the amount payable to your suppliers or loans taken, if any for the business is to be deducted to arrive at the net value on which Zakat is due and payable

ANNEXURE # II

ZAKAT ON PURE SILVER, SILVER JEWELLERY, HOUSEHOLD ITEM ETC :

Zakat is payable on silver in pure form or in the form of jewellery, utensils, decorative items and all household items including crockery, cutlery made of silver at the prevailing market rates.

To arrive at the value of utensils & household items, 10% of the value is to be deducted, as it is not pure silver. The prevailing market rate of Silver is to be taken as under for computation of Zakat. Value as on 15th day of Ramazan.

- a) Silver - Pure and in the form of Jewellery at Rs._____ -per kg.
- b) Silver utensils and household items at Rs._____ per kg.

Zakat on jewellery should be paid by the owner of jewellery. If a woman is the owner of the jewellery and has no liquid cash, her husband, son or father can pay the Zakat on her behalf, but if they are also not paying, then the owner should sell part of the jewellery and pay Zakat. If the jewellery is held by two or more persons jointly, then the individual should calculate zakat on his / her share of the jewellery and pay the same if the value of individual's share exceeds Rs. 13,277/-

ANNEXURE # III

ZAKAT ON LANDED PROPERTY:

Zakat is not payable on the following properties:

- a) Personal residential houses even if they are more in number meant for residential purposes only.
- b) Property given on rent irrespective of their number.
- c) Agricultural land if meant for agriculture and farm house (if any) on agricultural land, servants quarters, godowns, tractors, bullocks and all implements for use at the farm.
- d) Open land owned with the intention of building a house in future for self or for the benefit of the family.

Zakat is payable on the properties held with the intention to sell at a future date for a profit or as an investment. However, if your intention of holding the property changes in the current year i.e., from self use business purpose, be honest to Allah and pay Zakat on it at the current market value from the year your intention had changed.

If you have sold property that was meant for business or have entered into an agreement of sale, Zakat on the balance of maoney receivable, is to be paid. Any loans taken for purpose of property meant for business should be deducted from the net figure before calculating Zakat.

If you are a builder and in property business (purchasing and sellin, purchasing developing & selling) on all completed unsold portions you have to pay Zakat at the prevailing market value. Zakat is also payable on amounts of installments receivable on such portions after deducting loans or liabilities payable on the same.

Zakat is payable on property in the form of building, shop, godown or land meant for property business, Zakat should also be calculated on property meant for business. However, there is n zakat on property self occupied for running you business like shops, show-room, godown, factory building, poultry shed etc. If any property is held jointly by two or more persons the individual must calculate zakat on his share in the property.

ANNEXURE # IV

ZAKAT ON BUSINESS STOCK:

No matter what your business is, you have to pay zakat on all stock-in-trade. The stock must be valued at cost price (purchase price plus transport, insurance etc.)

If you have any bills receivable from your customers you must add the same.

The following amounts are deductible from the above.

- a) All amount due to your suppliers.
- b) All loans on the date of calculation.

Dead stock should also be taken into account at the discounted rate (i.e., if sold in the open market by way of discount sale etc.) You should not calculate dead stock at purchase rate or cost price. Damaged stock need not be taken for calculation. Business stock includes old parts, scrap, car if in car business (excluding taxies, lorries, pick-ups, autos meant for transport business). Hence zakat is payable on all business stock after adding bills receivable and deducting bill payable. By paying Zakat regularly you are creating an insurance on your stock.

ZAKAT ON FACTORY BUILDING MACHINERY AND GOODS PRODUCED :

There is no Zakat on factory building or on any kind of machinery, But there is Zakat on products produced in the factory (finished stock). If there is any loan or liability on the finished stock you should deduct the same for calculation of the stock value. Similarly amount receivable on credit sales should be added to the net stock. Bad debts should be deducted from net calculation. Sometimes bad debts are recovered and you should pay Zakat on such recoveries in the year of recovery only and not retrospectively. There is no Zakat payable on vehicle used for personal transport and factory goods transport.

ANNEXURE # V

ZAKAT ON PARTNERSHIP FIRMS:

Zakat can be paid by the firm itself. But if the firm is not paying zakat and partner wants to calculate Zakat on his share in the firm, he should take the amount standing to his capital and loans given to partnership as per last balance sheet. Add his share of profit till the date zakat is calculated (This has to be estimated only as it is difficult to calculate the profit during an accounting year). Deduct any loans or drawings taken by your from the firm till date of calculation.

ANNEXURE # VI

ZAKAT ON CASH AND BANK BALANCES:

Zakat is payable on all cash and bank balances in the form of balance in savings account, current accounts of fixed deposits including monthly income certificates or term deposits (remember any kind of interest is haram in Islam). The amount should be in the bank for one year, if the amount is utilized for personal or any other use at the time of calculation of zakat, zakat payable only on balance of amount. But if the amount has been withdrawn and is lying as cash in hand, you should pay Zakat on both bank and cash balances added together. Usually it happens that the balance keeps on changing as per personal requirement. You may pay Zakat only on remaining amount on the date of calculation.

ANNEXURE # VII

ZAKAT ON LOANS, GOVERNMENT BONDS, PROVIDENT FUNDS, LIC ETC:

Zakat is payable on loans advanced by you to your friends and relative. It should be treated as cash in hand and Zakat is payable on it. You may deduct loans payable by you (if any) for arriving at the net amount.

Zakat is also payable on all government bonds such as Indira Vikas Patra, IDBI bonds, Units and LIC paid up premiums and all such postal savings certificates. Zakat is also payable on provident funds, earnest money deposits in the case of contractors, tender deposits, government bills receivable, security deposits etc.

ZAKAT ON COMPANY SHARES AND MUTUAL FUNDS:

You should pay Zakat on investment in company shares calculated at quoted value on the date of Zakat calculation. If the shares of your company are not quoted in any stock exchange then you may use the services of a chartered accountant to arrive at the values. Similarly Zakat is payable on all Mutual Funds. Private chits and chits funds. Your contribution in chit funds till the date of Zakat calculation should be taken as your wealth. If you have withdrawn any amount then the amount also should be added to your wealth, if the same is left over with you

ANNEXURE # VIII

USHUR ON AGRICULTURAL PRODUCE:

Ushur is payable on all agricultural produce including fruits, commercially grown flowers, vegetables, and all types of grains at the time of harvest itself. The passing of one year does not apply for agricultural produce.

1. On crops dependent on rain water only ushur is payable at 10% of the crop. You can give the produce itself in kind or the cash value may also be given.
2. On crops produced with canal water, tank water or bore well and open well, the ushur is 5% of the crop produced. There is no deduction out of this on any account.
3. If land is partly irrigated by rainwater, partly by well or canal water you make your own judgement and calculate

- ushur. But the formula of average 7.5% would be fair and reasonable.
- If there are two or more crops in a year on the same land, you should pay ushur on all the harvests,
Note: Grains retained for self-consumption is deductible before calculating ushur.

ANNEXURE # IX

ZAKAT ON ANIMALS INCLUDING POULTRY AND FISH FARMING:

On all grazing animals like goats, sheeps, camels, cows of average size, the Zakat is one animal on every 40 animals. But if the animal is of younger age (say less than 6 monthes) even one animal out of 100 can be given. There is no Zakat on egg laying birds and milk giving animals such as cow, buffalo etc. You can calculate and give zakat in cash, in lieu or animals. In case of broiler chickens or fish farming you may make your own judgement and calculate Zakat as there are no fixed norms.

Number of Animals	Zakat Payable
For 40 to 120 goats / sheep	One goat / sheep of a year or more
For 121 to 200 goats / sheep	Two goats / sheep of a year or a more.
For 30 to 39 cows / buffaloes	One calf of a year or more.
For 40 to 59 cows / buffaloes	One calf of not less than two years old
For 60 cows / buffaloes	Two calves, each 1 year old
For every additional 30 cows / buffaloes	One calf of a year old.
For every additional 40 cows / buffaloes	One calf of two years old.

ANNEXURE # X

Liabilities:

- Liabilities are deductible from net wealth/asset.
- If there is any income tax or sales tax payable to Government on the date of calculation of Zakat, such liabilities can be deducted before arriving at the net wealth.

Note: Payment of income tax or sales tax does not fulfill your liability towards Zakat and you cannot deduct income tax payment from your net Zakat. Only tax liability if due on the date of Zakat calculation, is deductible from the net asset. Zakat is apart from income tax and wealth tax payments. If you feel that certain I.T. demand is disputed, unpaid and /or pending in appeal, you may deduct the entire outstanding tax liability. But if the tax liability is reduced in appeal of otherwise in future you have to pay Zakat on such savings for all the years you have not paid Zakat. Allah is well aware of the facts and your intentions.

GHIASUDDIN BABUKHAN
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SYED GOUSUDDIN
Chartered Accountant