159355 - Is There Zakah on Rental Property?

the question

Dear Imam, my friend has a property with annual rental income of $15,000. He uses this money for family use. He also owns a piece of land worth $16,000. At the same time, he has a loan from the bank to the amount of $30,000. He is employed with 6 figure salary but his savings are Zero. He intends to pay off loan as soon as his financial situation improves. My question is How much should he pay for Zakat?

Summary of answer

If you have a rental property and you receive the rent in advance, then you spend it and don’t save any of it until the end of the year, then you don’t have to pay zakah on it.

Detailed answer

Praise be to Allah.

Zakh on rental property

With regard to the property that is rented out , zakah must be paid on the rent if it reaches the nisab (minimum threshold) by itself or when other money is added to it, and one full Hijri year has passed since acquiring it. One quarter of one tenth (2.5%) must be given as zakah .

The year for the rent starts from when the rental contract begins.

Based on that, if your friend receives the rent at the end of the year, he has to pay zakah on it according to the following calculation: 15,000 x 2.5% = $375.

If he receives the rent in advance, at the beginning of the year, then he spends it and does not save any of it until the end of the year, then he does not have to pay zakah on it.

Zakah on land

If he intends to sell the piece of land that he owns, then he has to pay zakah on it every time one year passes. He should look at its value and pay one quarter of one tenth of it as zakah.

So if the land is worth $16,000, he has to pay $400 as zakah.

But if he does not intend to sell the land ; rather he wants it to build on it so that he could live there or rent out the building, then he does not have to pay zakah on the value of the land.

Zakah on salary

With regard to his monthly salary , he has to pay zakah on whatever he saves from it, after one year has passed.

If your friend does not save anything from his salary , he does not have to pay zakah on it.

Does debt affect zakah?

If a person is in debt, that does not affect his zakah, according to the correct scholarly opinion. So he has to pay zakah on all his wealth that is subject to zakah when one year has passed, and he should not deduct the debt he owes others from what he has.

And Allah knows best.