252545 - Zakaah on a pension and end-of-service payment

the question

I heard that zakaah is due on pensions, but I heard something different from other people. My situation is as follows: every month my boss puts some money in a fund in my name, so that I will be able to choose whatever investment fund I want, such as halaal investments. Every time my boss makes a payment, the payroll department buys units in this fund. At the same time, I cannot claim back this money until I retire (for which I must reach the age of sixty-eight years). Is zakaah due, because it may so happen that the money in the investment account may be a large amount, but the amount available to me is small?

Detailed answer

Praise be to Allah.

The employee is not required to pay zakaah on the money saved in the pension fund, because he does not have full possession of it, as he is not entitled to this money until after retirement, and he cannot take it or dispose of it before then.

During the fifth session of the zakaah conference, the following was determined:

1. Zakaah on end-of-service payment and pension:

1. End-of-service payment refers to a defined sum of money that the worker is entitled to from his boss at the end of his service, according to the laws and regulations, if the stipulated conditions for that have been met.
2. The retirement payment is a defined sum of money that is paid by the state or specific foundations to the employee or worker who is entitled to it according to the social security law, if all the necessary conditions are not met for entitlement to a regular pension.
3. The pension is a sum of money that the employee or worker is entitled to monthly, from the

state or specific foundation after the end of his service, according to the laws and regulations, if the stipulated conditions for that have been met.

4. The worker or employee does not have to pay zakaah on these entitlements for the duration of his service, because he does not have full possession of that wealth, which is a condition of zakaah being obligatory.
5. With regard to these entitlements, once a decision has been made to state the amount and deliver them to the employee or worker, either all in one go or at regular interviews, they become fully in his possession, and he must pay zakaah on what he receives of them.

It was previously determined in the first zakaah conference that wealth received recently should be added to what a person already possesses of wealth, and zakaah should be paid when the nisaab (minimum threshold) is reached and one full Hijri year has passed.

End quote from al-Fiqh al-Islami wa Adillatuhu by Dr. Wahbah az-Zuhayli (10/7948).

Conclusion:

You do not have to pay zakaah on these entitlements until you actually receive them, after which you must include them with your wealth that is subject to zakaah, like any other wealth that you may acquire and take full possession of.

For more information, please see question no. 75390.

And Allah knows best.