26236 - Should zakah on commercial goods be based on the price for which they are bought or the price for which they are to be sold?

the question

How should zakah be paid on commercial goods? Should it be based on the price for which they are bought or the price for which they are to be sold?

Detailed answer

Praise be to Allah.

The way in which the zakah on trade goods is worked out is based on their market value (which is usually the price for which they are sold in the store) after one full year has passed, whether this price is equal to the price paid for them or it is more or less. Then zakah should be paid at the rate of one-quarter of one-tenth (i.e., 2.5%). (Risaalah fi'l_zakah by Shaykh Ibn Baz, p. 11; Risaalah fi'l-zakah al-'Aqaar by Shaykh Bakr Abu Zayd, p. 8).

This is perfectly just, because its value after one year has passed may differ from the price for which it was bought; it may be more or less.

If the businessman is one who sells wholesale, then he should base his zakah on the wholesale price, and if he is one who sells retail, then he should base his zakah on the retail price. Al-Sharh al-Mumti', 6/146.

If he sells both wholesale and retail, then he should strive to work out the amount of goods he sells wholesale and the amount he sells retail, and pay his zakah accordingly. If he errs on the side of caution and pays more than he owes, that is preferable, because he may think that he will sell these items wholesale and then sell them retail.

And Allaah knows best. May Allaah bless our Prophet Muhammad and grant him peace.