333351 - How should he pay zakaah on money in a profit-sharing investment on which he will receive the profits in three years’ time?

the question

I had money reaching the minimum threshold (nisaab) on which I pay zakaah on the first of Ramadan, then I put it in an Islamic profit-sharing (mudaarabah) investment, on which the profits will be distributed in three years’ time. When the month of Ramadan came, I had no cash flow with which to pay zakaah. Can I refrain from giving zakaah until I receive the profits in three years’ time? When I receive the profits, should I give zakaah on the profits + the capital at a rate of 2.5%, or should I give zakaah on the profits only at a rate of 10%? Should I give zakaah only once, or three times for three years? I hope that you can give a straightforward answer, without too much elaboration. Thank you.

Detailed answer

Praise be to Allah.

Firstly:

The time for giving zakaah on money is not changed as a result of putting the money in a profit-sharing (mudaarabah) investment.

If someone has cash for which the time of giving zakaah is in Ramadan, then he puts it into a profit-sharing investment, i.e., in trade goods, then the time for giving zakaah does not change; rather it remains in Ramadan, because cash and trade goods fall under the same category.

Ibn Qudaamah (may Allah have mercy on him) said in *al-Mughni* (2/504): If someone buys trade goods with capital that reached the nisaab (minimum threshold at which zakaah becomes due), or he sold trade goods and the price he received reached the minimum threshold, the time for giving zakaah does not change, because zakaah is due on the value of the goods, not on the goods

themselves, so they are of the same category. End quote.

Secondly:

If what you mean by Islamic profit-sharing is putting the money in an Islamic bank for investment, and you cannot work out the value of the trade goods or the project in which the investment is made, and you cannot find out what your profit is every year, then you should realise that zakaah is due on the capital, which you do know, so you should give zakaah on the capital every year, and on the estimated profit. Then when you receive the profit in three years' time, you can compare it with the amount you already paid, and give anything that you still owe, if anything remains due from you.

If you do not have any cash flow, then zakaah is a debt that you owe.

It says in a statement of the Islamic Fiqh Council, no. 143 (1/61), regarding zakaah on restricted-access accounts:

Zakaah is due on the balance in investment accounts, and on their profits, and is to be paid by the holders of these accounts, if they meet the conditions of zakaah being obligatory, whether the accounts are long-term or short-term, even if no withdrawals were made from the accounts, regardless of whether that was because of restrictions imposed by the investment company or by the account holder. End quote.

See the text of the statement in the answer to question no. 250818 .

Thirdly:

The zakaah that must be paid on both capital and profits is one quarter of one tenth (2.5%), not one tenth (10%).

This must be paid every year, as noted above, except in the case of one who has no cash flow and no trade goods that he can give; in that case zakaah becomes a debt that he owes, which he can pay when he acquires money from this profit-sharing investment or elsewhere.

Fourthly:

If the profit-sharing investment is not in trade goods, or through an Islamic bank, as explained above, then we hope that you will explain the type of investment portfolio in which you deposited this money, so that we can see whether it is an investment portfolio in which the bank pays zakaah on your behalf or not.

And Allah knows best.