338469 - How should one who trades in gold pay zakah on the gold that he has?

the question

The gold is not my for my personal use but it’s to sell to customers. Do I still have to pay zakaah on this gold. If so do I need to deduct what I owe to suppliers and also the outstanding mortgages and loans that are outstanding. The gold I am trading has gone up in value and when I do sell I have to keep replacing the stock with the current market prices. I’m confused as we are paying UK tax on the business and I’ve been told we should be paying 2.5% on our stock too. Which is about £10k per kilo.

Detailed answer

Praise be to Allah.

Firstly: zakah is due on gold that a man owns if it reaches the minimum threshold and one full Hijri year has passed since acquiring it

Zakah is due on gold that a man owns, according to scholarly consensus, whether he trades in it or not, if it reaches the minimum threshold and one full Hijri year has passed since acquiring it.

The difference of scholarly opinion has to do only with permissible jewellery, meaning that which is owned by a woman.

The minimum threshold for gold is twenty mithqals [a unit of measure] or dinars, which is eighty-five grams of pure gold, meaning twenty-four karat gold. As for twenty-one karat gold, the minimum threshold is ninety-seven grams.

The minimum threshold for silver is two hundred dirhams, which is 595 grams.

So whoever owns the minimum amount of gold (or more) and one full Hijri year has passed since acquiring it must give zakah, by giving one quarter of one tenth (2.5 %), whether he gives that in the form of some of that gold, or from its value, or from other gold that he owns.

Ibn al-Mundhir (may Allah have mercy on him) said in *Al-Ijma`*, p.46: The scholars are unanimously agreed that for two hundred dirhams, the zakah is five dirhams. And they are unanimously agreed that if the gold is twenty mithqals, of which the value is two hundred dirhams, zakah must be given…

And they are unanimously agreed that if the gold is less than twenty mithqals and its value does not reach two hundred dirhams, no zakah is due on it. End quote.

Ibn Qudamah (may Allah have mercy on him) said in *Al-Mughni* (3/35): Chapter on the zakah of gold and silver, which is obligatory according to the Qur'an, the Sunnah and scholarly consensus. End quote.

Secondly: all goods in which a person trades are subject to zakah

Everything in which a person trades (trade goods) is subject to zakah, even if it is not something that is subject to zakah in principle.

So precious stones like diamonds are not subject to zakah in principle, but if they are for trade, then zakah must be given on them. The fact that you trade in this gold makes it more obligatory for you to pay zakah, and it cannot be waived, as you thought.

Thirdly: how to give zakah on gold

When giving zakah on gold you have the choice between two things:

1. Giving one quarter of one tenth (2.5%) of all the gold that you have (of all types), without deliberately giving anything to which little work was done or that in which many stones have been set.
2. Working out the value of the gold that you own based on the current price for which it is sold – not the price for which you bought it – then giving 2.5% of that value.

It says in *Kashshaf al-Qina'* (5/23 – Ministry of Justice edition): If the jewellery is for trade, what matters when giving zakah is its value, because it comes under the heading of trade goods…

So what matters when giving zakah is its value, because if he gives one quarter of one tenth of its weight, he would exclude the value of the work done to it, which should be included according to Islamic teachings, and this would deprive the poor of their due, which is not allowed.

If he gives some of all types of gold, that is valid, because he has given what is obligatory.

Or if he gives a similar amount by weight of the same quality (in karats) and the value added by the work done to it, that is permissible, because in that case he has given what is required in terms of weight and quality.

Fourthly: can debts be deducted from zakah?

Debts that you owe cannot be deducted from zakah according to the correct scholarly view, which is the view of ash-Shafa`i (may Allah have mercy on him), as we have explained in the answers to questions no. 22426 and 120371.

If what you mean by loans that are due to be repaid is that they are debts, they come under the same ruling.

Taxes are also not to be deducted from zakah.

You should understand that zakah is an obligation for which Allah warns of a painful punishment for the one who does not give it, as He says:

{O you who have believed, indeed many of the scholars and the monks devour the wealth of people unjustly and avert [them] from the way of Allah. And those who hoard gold and silver and spend it not in the way of Allah - give them tidings of a painful punishment

The Day when it will be heated in the fire of Hell and seared therewith will be their foreheads, their flanks, and their backs, [it will be said], “This is what you hoarded for yourselves, so taste what you used to hoard”}[At-Tawbah 9:34, 35].

Muslim (987) narrated that Abu Hurayrah said: The Messenger of Allah (blessings and peace of Allah be upon him) said: “There is no owner of gold or silver who does not give what is due on them, but when the Day of Resurrection comes, there will be beaten out for him plates of fire which will be heated in the Fire of Hell, and his sides, forehead and back will be branded with them. Every time they cool down they will be reheated for him, on a day the length of which is as fifty thousand years, until judgement is passed among the people. Then he will see his path, either to Paradise or to Hell.”

In addition to being obligatory, zakah also causes wealth to grow; it increases it and does not decrease it, as Muslim (4689) narrated from Abu Hurayrah that the Messenger of Allah (blessings and peace of Allah be upon him) said: “Charity does not decrease wealth. No one forgives, but Allah increases him in honour, and no one humbles himself for the sake of Allah but Allah raises him in status.”

Ahmad (18031) and at-Tirmidhi (2325) narrated from Abu Kabshah al-Anmari that he heard the Messenger of Allah (blessings and peace of Allah be upon him) say: “There are three things to which I swear and I will tell you about, so remember them.” He said: “A person’s wealth will not decrease because of charity; no person is treated unjustly and bears it with patience but Allah will increase him in honour; and no person opens the door to begging but Allah will open the door to poverty for him” – or words to that effect. “And I am going to tell you something, so remember it.” He said:

“In this world there are four types of people:

a person upon whom Allah bestows wealth and knowledge, so he fears his Lord with regard to it, upholds ties of kinship with it, and acknowledges the rights of Allah concerning it – he will have the highest status;

a person upon whom Allah bestows knowledge but does not grant him wealth, so he is sincere in his intention and says: 'If I had wealth, I would do the same as So and so' – so he will be rewarded according to his intention and the reward of both will be the same;

a person upon whom Allah bestows wealth but does not grant him knowledge, so he squanders his wealth without knowledge, and does not fear his Lord with regard to it or uphold his ties of kinship with it, and he does not acknowledge the rights of Allah concerning it – he will be the lowest in status;

and a person upon whom Allah has not bestowed wealth or knowledge, so he says: 'If I had wealth, I would do the same as So and so' – so he will be judged according to his intention, and the burden of sin of both will be the same."

This hadith was classed as good (hasan) by the commentators on *Al-Musnad*.

So beware of being heedless about zakah or delaying giving it, because it is obligatory as soon as it becomes due. You have done well to ask about matters of your religion, and we ask Allah to enable you to do good deeds, to bless you and to compensate you with good.

And Allah knows best.