480155 - How should one who has invested in a hospital project that is still under construction give zakah?

the question

I invested in a hospital project which is currently in the preliminary stage of construction. I don't expect any profit in the next 5 to 8 years. Do i have to pay zakat on the investment?

Detailed answer

Praise be to Allah.

Firstly:

Investing in the construction of a hospital means that the building is to be kept and is not for sale, and profit will be generated after the hospital is up and running from what doctors charge for examining patients, selling medicines, doing x-rays and lab tests, and so on, if the hospital is going to provide these services.

If that is the case, there is no zakah on the building or devices and equipment, or anything that is bought to be kept and used in the hospital. It says in *al-Ma'ayir ash-Shar'iyyah* regarding zakah:

1/4 Fixtures and fittings for the purpose of running the business

Fixtures and fittings for the purpose of running a business are not subject to zakah, such as offices of institutions and the equipment in them, and what the company possesses of intangible things, if they are not for the purpose of trading, such as things that the institute makes use of, such as patents, trademarks and software, and movable items that are kept in the building for the purpose of operating the business and are not prepared for sale, such as machine parts, machines and equipment (in industrial settings), even if they are in storage, so long as they are not for sale.

2/4 Other fixtures that are used to generate income

There is no zakah on other fixtures that are used to generate income, such as things that are rented out, so long as they are not for sale. Rather zakah is due on what is left of the income generated by means of them at the end of the zakah year, by adding that accumulated income to other zakatable wealth and paying zakah on the total."(A*l-Ma'ayir ash-Shar'iyyah*, p. 448).

Secondly:

In this case, zakah is due on three things:

1. Cash that is used to build the hospital, if one full hijri year has passed and some of it is left. In that case the one who is in charge of the project must give zakah on it. If he does not do that, then each shareholder must estimate his share of that money, and give zakah on it.

2. What is prepared for sale, such as medicines. Its value should be worked out at the end of the zakah year, and the zakah on trade goods must be given on it. So one quarter of one tenth (2.5%) must be given.

The zakah year begins from the time of taking possession of the money with which the medicines and the like, that are to be sold, were purchased, if this money reached the nisab (minimum threshold at which zakah becomes due).

Ibn Qudamah (may Allah have mercy on him) said in *al-Mughni* (2/504): If someone buys goods to sell with money that reached the minimum threshold, or he sells goods of which the value reached the nisab, the zakah year is not interrupted (rather it continues), because zakah is due on the value of the goods, not on the goods themselves, and their value is their price. Hence the price and the goods come under the same category. End quote.

3. With regard to income that is generated after the hospital is up and running, such as doctors' fees and the like, the accounts should be examined at the end of the zakah year, and zakah should be paid at a rate of one quarter of one tenth (2.5%) on the money that is available and debts which are expected to be paid and are not owed by someone who is in financial difficulty or is

delaying payment for no reason.

In this case, the zakah year begins from when this money was acquired, after the hospital is up and running.

Thirdly:

It is permissible for the people in charge of the project to take care of paying zakah, but if they do not do that, each shareholder should pay zakah himself, after finding out his share of the money that is subject to zakah as we have mentioned above.

It says in *al-Ma'ayir ash-Shar'iyyah*, p. 88: With regard to investments in shares with the aim of keeping the shares for the purpose of their yields: if it is possible to find out from the company what belongs to each share of wealth that is subject to zakah (cash, trade goods and debts which are expected to be paid), he should give zakah on that.

If that is not possible, he should give zakah on whatever zakatable wealth is connected to each share on the basis of estimation. If the company does not have any zakatable wealth, he should give zakah on what remains of the net income at the end of the zakah year. End quote.

And Allah knows best.