50801 - Zakah on Savings

the question

A person puts money in the bank and it is not permanent, i.e. it may increase or decrease during the year – how should he pay zakah on it? This amount is not just for savings, it increases and decreases during the year. So how can he define the amount for which one hijri year has passed?

Summary of answer

If the amount of money reaches the nisab and one full Hijri year has passed, then zakah must be paid on it, whether it is for savings or otherwise. If the amount of money decreases and drops below the nisab during the year, then no zakah is due.

Detailed answer

Praise be to Allah.

Zakah on money in bank

If the amount of saved money reaches the nisab (minimum threshold) and one full Hijri year has passed, then zakah must be paid on it, whether it is for savings or otherwise. The nisab is whatever is equivalent to 85 grams of gold or 595 grams of silver. The amount that must be paid is 2.5% of the money .

If the amount of money decreases and drops below the nisab during the year, then no zakah is due, and you start reckoning the year anew when the amount of money reaches the nisab again.

Do you pay zakat on savings less than a year?

If the amount of money increases gradually , then the matter is subject to further discussion.

- If the new money comes from the first money, such as profits on the saved money in an Islamic bank – then zakah must be paid on the whole amount when one year has passed since the original money was acquired, even if only a few days have passed since the profit was acquired. Hence the jurists said that the year for the profits is the same as the year for the original amount.
- If the extra money does not stem from the original and is separate money, such as money that a person saves from his salary, then the basic principle is that a separate year should be calculated for each amount of money. It is not necessary for this new money to reach the nisab, because the nisab has already been reached by the first amount of money.

Based on this, then whatever you save during Ramadan, you should pay zakah on it the following Ramadan, and whatever you save in Shawwal you should pay zakah on it the following Shawwal, and so on.

Undoubtedly it is difficult for a person to make a separate account for his savings each month, and to pay zakah on every amount he saves when one year has passed since acquiring it. Hence it is easier for him to pay zakah on all his savings during the year when one year has passed since his money first reached the nisab.

In that case, you will be paying zakah on money for which one year has not yet passed, but there is nothing wrong with that, because it comes under the heading of paying zakah in advance before one year has passed.

We have discussed that previously in the answer to question no. 26113 , where we have quoted the fatwa of the Standing Committee concerning that, which we will repeat here because it is useful:

“With regard to a person who owns money that reaches the nisab then acquires other money at different times which does not stem from the first amount of money, and is rather separate from it, such as the salary that is paid monthly to an employee , or an inheritance, gift or rent paid on property, etc,

if he insists on having all his rights and on not giving any charity to those who deserve it apart from what he is obliged to give, then he should make a schedule of his earnings and write down every amount and the date on which he took possession of it. Then he should pay zakah for each amount separately when one year has passed from the date on which he took possession of it.

But if he wants an easier method, and wants to be more generous and give precedence to the poor and others who are entitled to zakah over himself, then he can pay zakah on all the money he possesses when one year has passed from the date when his wealth first reached the nisab. This will bring a greater reward and raise him higher in status; it is easier for him and is more generous towards the poor and needy and others who are entitled to zakah. Whatever extra amount he may pay will be regarded as a "down payment" on the zakah for any wealth for which one year has not yet passed." (Fatawa al-Lajnah al-Daimah, 9/280)

And Allah knows best.