95880 - Paying zakaah on a fund collected by a group of employees

the question

What is the ruling on participating in a fund collected by a group of people, every person pays a fixed amount monthly, and in the end of every month a lot takes place and the chosen one takes all fund collected and so on, until everyone takes his share of it. Should a person pay Zakah when he gets his share?.

Detailed answer

Praise be to Allah.

Firstly:

This transaction which is known as an employees' fund is the subject of a difference of scholarly opinion, but most of them are of the view that it is permissible.

Shaykh Ibn 'Uthaymeen (may Allaah have mercy on him) was asked about a group of teachers who, at the end of every month, collect a sum of money from their salaries and give it to one of them; the following month they give it to another person, and so on until all of them have taken their share. What is the Islamic ruling on that?

He replied:

There is nothing wrong with that. It is a laon in which there is no stipulation that anyone be given any additional benefit. The Council of Senior Scholars looked into that and determined by a majority that it is permissible, because it serves the interests of all without harming anyone. And Allaah is the source of strength. End quote from Fataawa Islamiyyah (2/413).

With regard to zakaah on that, it is based on knowing the following:

1.Whoever possesses money that reaches the minimum threshold (nisaab) and one full year has passed, is obliged to pay zakaah on it. The nisaab is the equivalent of 85 g of gold or 595 g of silver. The year begins from the time that the money reached the minimum threshold.

2.Whoever acquires wealth during the year which does not result from the original sum, such as if it comes to him by way of inheritance or a gift or a loan, should start a new year and pay zakaah on it when the year ends. Or he may add it to the year of what he has of previous wealth, so that he can pay the zakaah on all of it at one time, which is the end of the year for the first wealth, in which case he will have paid zakaah for the second sum in advance, before the year has passed, and this is permissible.

3.If a person is owed money and the borrower is well off and acknowledges the debt and is willing to pay it at the agreed time, he has to pay zakaah when the year has passed, even if the debt lasts for several years.

4.If a person is in debt and has money, he must pay zakaah on his wealth when the year has passed, without omitting the debt that he owes from the total sum, according to the more correct of the two scholarly opinions.

Based on that, the view concerning the zakaah on the employees' fund is as follows:

(a)

The one who receives the collected money, if it reaches the minimum threshold, may either add it to the year of money that he has previously acquired, or start a new year with it, then pay zakaah on it at the end of that year, if the nisaab remains until the end of the year. But if he spends the money, and it is all gone or falls below the threshold, then he does not have to pay zakaah. For example, a man has money that reaches the minimum threshold in Ramadan, then he receives the money from this group in Shawwaal. He may either pay zakaah on the total amount in the following Ramadan, or he may pay zakaah on each amount when its year is complete, one in Ramadan and the other in Shawwaal.

(b)

If the amount of the monthly installment reaches the minimum threshold (nisaab), or he has other money apart from this money which brings it up to the threshold, then one full Hijri year has passed since he joined this scheme. For example, the total amount that Zayd pays is 20,000, and he has not received any money from this scheme yet. He has to pay zakaah on this amount (20,000), because it comes under the ruling of a debt that is owed to him by his fellow participants.

If the monthly amount does not reach the minimum threshold, and he does not have any other money that would bring it up to the threshold, then the year for zakaah begins when what he gave reaches the minimum threshold.

And Allaah knows best.