97124 - Zakah on stagnant real estate shares

the question

I have invested in a property more than 3 years ago. This investment was not fruitful, until now. What is the ruling of Zakat, knowing that it is not sure that I will get the capital money back? Should I pay Zakat for the whole three years, or for only one year, knowing that this investment lasted for 8 months?.

Detailed answer

Praise be to Allah.

Zakah on real estate shares should be paid as zakah on trade goods, because these real estate companies buy land with the aim of trading in it.

When the year ends, you have to work out the value of your shares in this company and pay zakah on them at a rate of one quarter of one tenth.

The year begins from when you took possession of wealth that reached the nisaab, with which you bought these shares.

Shaykh Ibn ‘Uthaymeen (may Allah have mercy on him) said concerning land that belongs to a real estate company:

These shares are trade goods, it seems, because those who buy shares in land intend to trade and earn money from it. Hence they have to pay zakah on it every year, by working out its value, then paying zakah. So if he bought shares for thirty thousand and at the end of the year these shares are worth sixty thousand, then he has to pay zakah on sixty thousand. If at the end of the year the thirty thousand is worth only ten thousand, then he only has to pay zakah on ten thousand. End quote from Majmoo’ Fataawa Ibn ‘Uthaymeen (18/226).

He (may Allah have mercy on him) was also asked about a person who bought land with the aim of trading it, but it remained in his possession for a long time. Does he have to pay zakah on it?

He replied: If a person buys land to trade it then he has to pay zakah on it every year, whether its value increases or decreases, and whether he manages to sell it or not. He should work out its value every year, then if he has money he can pay the zakah from the money that he has. If he does not have money then he should keep a record of the zakah that is due every year, and when he sells it he should pay the zakah for the past years. End quote from Liqa' al-Baab il-Maftooh (15/12).

But if the land or shares do not sell, and the owners put them up for sale but do not find anyone to buy them, then some of the scholars think that in this case it is like a loan that was given to a poor person who cannot afford to pay it off; zakah is not due on it until it is sold, and he should pay zakah for one year only. But in order to be on the safe side, he should pay zakah for all years.

See: Majmoo' Fataawa al-Shaykh Ibn 'Uthaymeen (18/206).

And Allah knows best.