99400 - Zakah for past years, and on shares in the event of a loss

the question

I have been in my job since ten years. I have not paid Zakat all this time, not because I deny it is obligatory, it was just neglecting, knowing that I always considering the start of the new year to start paying Zakat. After six years I started sharing in the market of shares, I made profits of about 80% but I lost about 85% of my capital money after the collapse of February. Should I pay Zakat on the capital money I started with in the shares' market? Or just pay Zakat on what remains of it? What should I do about all the previous years?.

Detailed answer

Praise be to Allah.

Firstly:

Zakah is one of the important obligations of Islam, and it is mentioned alongside prayer in the book of Allah. Failing to pay it and procrastinating is a major sin.

There is a strong warning about not paying Zakah, which fills the believer's heart with fear. For example, Allah says (interpretation of the meaning):

"And those who hoard up gold and silver (Al-Kanz: the money, the Zakah of which has not been paid) and spend them not in the way of Allah, announce unto them a painful torment.

35. On the Day when that (Al-Kanz: money, gold and silver, the Zakah of which has not been paid) will be heated in the fire of Hell and with it will be branded their foreheads, their flanks, and their backs, (and it will be said unto them:) 'This is the treasure which you hoarded for yourselves. Now taste of what you used to hoard' [al-Tawbah 9:34-39]

"And let not those who covetously withhold of that which Allah has bestowed on them of His

Bounty (wealth) think that it is good for them (and so they do not pay the obligatory Zakah). Nay, it will be worse for them; the things which they covetously withheld, shall be tied to their necks like a collar on the Day of Resurrection. And to Allah belongs the heritage of the heavens and the earth; and Allah is Well-Acquainted with all that you do" [Aal 'Imraan 3:180]

al-Bukhaari (1403) narrated that Abu Hurayrah (may Allah be pleased with him) said: The Messenger of Allah (peace and blessings of Allah be upon him) said: "If Allah gives a person wealth and he does not pay Zakah on it, his wealth will appear to him on the Day of Resurrection in the form of a bald-headed venomous snake with two fangs in its mouth which will encircle him on the Day of Resurrection, then it will hold him with its jaws then it will say: 'I am your wealth, I am your treasure.'" Then he recited (the verse): "And let not those who covetously withhold of that which Allah has bestowed on them of His Bounty (wealth) think that it is good for them…"

Hence what you must do is repent to Allah, and pay the Zakah that you have missed, and also regret what has happened, seek forgiveness, and do a lot of righteous deeds.

Secondly:

If Zakah is obligatory upon a person but he does not pay it, then he must pay it for all the years that have passed.

Al-Nawawi (may Allah have mercy on him) said in al-Majmoo' (5/302): If several years have passed in which he did not pay Zakah, then he must pay Zakah for all of them. End quote.

Thirdly:

Zakah does not have to be paid on cash unless it reaches the nisaab (minimum threshold) and one year has passed. The nisaab is the equivalent of 85 grams of gold or 595 grams of silver.

There is no Zakah due on your salary, unless you have saved from it money that reaches the nisaab, or it reaches the nisaab when added to other money that you own, and one year has passed.

Fourthly:

The shares in which a person deals buying and selling, are subject to the Zakah on trade goods, so at the end of the year you should estimate their value and pay Zakah at a rate of one-quarter of one-tenth (2.5%).

If the shares make a loss, then their value should be worked out; if it reaches the nisaab, then Zakah must be paid on them.

What counts is not the capital with which you bought the shares, but their value at the end of the year. If a person buys shares for ten thousand, for example, and their price falls and at the end of the year they are worth three thousand, then Zakah is due on three thousand, not ten thousand.

Based on that, you have to strive to pay Zakah for the past years. Work out how much money you had at the end of the year, then add to it the value of the shares at that time, then pay Zakah at 2.5 %, and so on for the end of each year.

We advise you to hasten to pay this Zakah and repent to Allah. We ask Allah to compensate you with good and to bless you from His bounty.

And Allah knows best.