125918 - Is There Zakah Due on Factory Products?

the question

I have a factory that produces soap, and its capital is composed of the following: 1. Fixed assets in the form of buildings, land, machinery, equipment and cars. 2. Stock of unprocessed raw materials. 3. Stock of ready-for-market products. 4. Current balances in banks.

My question is: how should I pay Zakah on this factory? I hope that you will explain in detail.

Summary of answer

Zakah is due on the products that are ready for market, and also on the raw materials because they were bought with the intention of processing them and trading in them. Zakah must be paid on gold, silver and cash, and also on trade goods, livestock and anything extracted from the ground. Zakah must also be paid on the balances in the bank. Zakah must also be paid on debts that are owed to you by others.

Detailed answer

Praise be to Allah.

Zakah must be paid on gold, silver and cash, and also on trade goods , livestock and anything extracted from the ground. It is not paid on buildings, machinery and land, unless they are intended for sale.

Based on that, no Zakah is due on the fixed assets that you own, namely the buildings, land, machinery , equipment and cars.

Zakah is due on the products that are ready for market, and also on the raw materials , because they were bought with the intention of processing them and trading in them.

The way to evaluate their Zakah is to assess the value of the processed materials and the raw materials, according to the market price when one Hijri year has passed, then give one quarter of one tenth (2.5%) of that amount.

Zakah must also be paid on the balances in the bank . So you should look at what is in the bank accounts when one Hijri year has passed, then give Zakah on that. The rate that is due is one quarter of one tenth (2.5%).

Zakah must also be paid on debts that are owed to you by others, if they acknowledge those debts and agree to pay them, meaning that they do not deny them and are not in financial difficulty. You should give Zakah on these debts when one full Hijri year has passed.

With regard to debts that you owe , if there are any, they do not have any impact on Zakah and are not deducted from it, according to the more correct scholarly view.

For more details, please see this category: Zakah on Trade Goods

And Allah knows best.