131229 - He bought Islamic sukuk; does he have to pay zakaah on the profits or on both the profits and the principal?

the question

I bought some Islamic sukuk (investment certificates or bonds) three years ago, and I receive the profits at the end of the company's financial year. Should I pay zakaah on this money based on the value of the profits or based on the value of the principal?

Detailed answer

Praise be to Allah.

If you bought the Islamic sukuk (investment certificates or bonds) with the intention of trading in them and selling them when the price rises, then zakaah is due on them and on their profits. So you should work out their value at the end of the hijri year, based on the market price, and give one quarter of one tenth (2.5%) of this value. You should also give zakaah at the same rate on what you receive of profits on them.

But if you bought the sukuk with the intention of keeping them and benefiting from their profits only, then you should pay zakaah on the profits, not on the sukuk, unless some of the money that you gave to the company that is taking care of the sukuk was not invested and the like. In that case, you should work out how much of this money was put into each sakk [sing. of sukuk], and the owner of the sakk should pay zakaah on this cash that was not invested.

For more information, please see the answer to question no. 69912 .

It says in a statement of the Islamic Fiqh Council that was issued during its fourth conference in Jeddah, in the Kingdom of Saudi Arabia, 18-23 Jumaada al-Aakhirah 1408 AH/6-11 February 1988 CE regarding zakaah on shares, which is also applicable in the case of sukuk:

If the investment company did not give zakaah on its wealth for any reason, then the shareholders must pay zakaah on their shares. If the shareholder can find out from the company's accounts how much zakaah is due on his shares, if the company gives zakaah on its wealth in the manner referred to, then he should give zakaah on his shares in the same way, because this is the guideline on giving zakaah on shares.

If the shareholder is not able to find that out:

if he bought shares in the company with the aim of benefitting from the annual profit on those shares, and not with the aim of trading in them, then the owner of these shares is not required to pay zakaah on the original share; rather he must give zakaah on the profit, at a rate of one quarter of one tenth after one full Hijri year has passed since he received the profit on the share, taking into consideration the conditions of zakaah, and assuming that there is no impediment.

If the shareholder acquired the shares with the intention of trading in them, then they come under the ruling on the zakaah on trade goods. So when one full Hijri year has passed since he acquired the shares, he should give zakaah on their market value. If there is no market for them, he should give zakaah on their value as determined by experts, and give one quarter of one tenth (2.5%) of that value and of the profit, if the shares earned any profit.

End quote from *Majallat al-Majma'* (4/1/882).

And Allah knows best.