169961 - Should he pay zakaah on the profits only or on the capital too?

the question

Should zakaah be paid on the returns only or on both the capital and the returns?.

Detailed answer

Praise be to Allah.

Zakaah must be paid on both the capital and the returns, if the capital reaches the minimum threshold (nisaab) and one full zakaah year has passed since it was acquired, because the profit is connected to the capital, and is subject to the same rulings.

If a person has some money that he invests in trade, then he makes a profit during the zakaah year, what he has to do is add that profit to the capital and pay zakaah on the total, when one zakaah year has passed since the capital was acquired.

The scholars of the Standing Committee (9/356) were asked: I have money that reaches fifteen thousand (15,000) riyals, that I gave to a man to trade with on the basis that he would have half of the profit. Is there any zakaah on this wealth? And on what should zakaah be paid – the capital, the profit or both? If zakaah is due on the capital and the capital has been used to buy trade goods such as carpets, furniture and the like, what is the ruling in this case?

They replied: Zakaah is due on the wealth mentioned that was set aside for the purpose of trade, when one zakaah year has passed since it was acquired. Zakaah must be paid on the capital and the profits at the end of the zakaah year. If the money was used to buy trade goods, their value should be worked out at the end of the zakaah year at current prices, and zakaah must be paid at a rate of 2.5% of the total of the wealth plus the profits. End quote.

Shaykh ‘Abd al-‘Azeez ibn ‘Abdullah ibn Baaz; Shaykh ‘Abd ar-Razzaaq ‘Afeefi; Shaykh ‘Abdullah

ibn Ghadyaan.

Shaykh al-Fawzaan (may Allah preserve him) was asked: I have seven thousand Egyptian pounds that I have put into a commercial investment project. Is zakaah due on it? And what is the rate? To whom should I give it? Should I pay zakaah on the capital only or on the capital and the profit?

He replied:

Money that is invested in trade is subject to zakaah if it reaches the minimum threshold (nisaab) or more, and it must be paid on the profits too, as the profit belongs to it and zakaah must be paid on it as well as on the capital. So you have to give the zakaah of this money when one zakaah year has passed, and add the profit to it, then pay zakaah on the total at a rate of one quarter of one tenth (2.5%).

End quote from al-Muntaqa min Fataawa ash-Shaykh al-Fawzaan

And Allah knows best.