21574 - Zakah on company shares

the question

I hope that you can give me an idea about how to pay zakah on shares, and if the company already pays zakah, am I obliged to pay zakah too?

Detailed answer

Praise be to Allah.

The zakah on shares is obligatory upon the owners of the shares. It may be paid on their behalf by the company if that is stated in the company's constitution, or it is decided by the board of directors, or if the law of the land obliges companies to pay zakah, or if the shareholder authorizes the company to pay zakah on his shares.

Secondly:

The company should pay zakah on the shares just as an individual pays zakah on his wealth, in the sense that all the money of the shareholders is to be considered like the wealth of one person, and zakah is calculated on that basis, depending on the category of wealth on which zakah is obligatory, the nisaab (minimum threshold), the amount on which zakah is to be paid, and other matters which are to be taken into account with regard to the zakah to be paid by an individual. This is based on the principle of khultah (collectivity), according to the fuqaha' who apply this to all kinds of wealth, excluding the amount of shares on which zakah is not obligatory, such as shares belonging to the public treasury, charitable waqfs, charitable organizations, and shares belonging to non-Muslims.

Thirdly:

If the company does not pay zakah on its wealth for any reason, then the shareholders are obliged

to pay zakah on their shares. If the shareholder can find out from the company's statements how much the company would have to pay in zakah if it did pay zakah in the manner described above, then he should pay zakah on that basis, because this is the basic principle with regard to paying zakah on shares.

If the shareholder is not able to find that out:

If he holds shares in the company with the intention of benefiting from the annual profits of the shares, and not for the purpose of trading in those shares, then he should pay the zakah similar to that paid on things that are rented out, in accordance with the resolution of the Islamic Fiqh Council (Majma' al-Fiqh al-Islami) passed during its second session, with regard to the zakah on real-estate and non-agricultural land that is rented out. The owner of these shares does not pay zakah on the value of the shares, rather he pays zakah on the profits, which is 2.5% after one year has passed from the day when he acquired that profit, bearing in mind the conditions of zakah and provided that there are no impediments.

If the shareholder bought the shares with the intention of trading, then the zakah on the shares is the same as zakah on trade goods. If one year has passed and they are still in his possession then he should pay zakah on the value of the shares, based on the evaluation of experts, and he should pay 2.5% of that value and of the profit, if the shares have made any profit.

Fourthly:

If the shareholder sells his shares during the year, he should include their price in his wealth and pay zakah on it after one year has passed. The purchaser should pay zakah on the shares that he has bought in the manner described above.

And Allah knows best.