32715 - He bought land with the intention of selling it. How should he pay zakah on it?

the question

I bought some land for 115,000 riyals with the intention of selling it, and one year has passed. Do I have to pay zakah? How much is the threshold of zakah (nisab) in Saudi riyals, if zakah is due on it?.

Detailed answer

Praise be to Allah.

The fact that you took possession of the land with the intention of selling it means that zakah is due on it every year, so you should calculate the value of the land at the end of the year and pay zakah on this amount. The rate of zakah that must be paid on it is one-quarter of one-tenth, i.e. 2.5%, which should be paid in the ways specified by Allah in the verse (interpretation of the meaning):

“As-Sadaqaat (here it means zakah) are only for the Fuqaraa’ (poor), and Al-Masaakeen (the poor) and those employed to collect (the funds); and to attract the hearts of those who have been inclined (towards Islam); and to free the captives; and for those in debt; and for Allah’s Cause (i.e. for Mujaahidoon — those fighting in a holy battle), and for the wayfarer (a traveller who is cut off from everything); a duty imposed by Allah. And Allah is All-Knower, All-Wise” [Al-Tawbah 9:60]

It should be noted that if goods for trade are bought with gold, silver or cash money (riyals, dollars or other currencies), or in return for other goods (barter), then the year for calculating zakah starts from the time when you acquired the wealth with which you paid for the goods. Based on this, then the year for the goods does not start from the time you took possession of them, rather it starts from the time you acquired the wealth with which you paid for them.

For example: if a man takes possession of one thousand riyals in Ramadan, then he starts the reckoning of the year. Then in Sha'baan of the following year (i.e., one month before the year ends) he buys some goods for trade with this thousand, then he should pay zakah on these goods in Ramadaan, in other words just one month after he took possession of them. That is because the year for these goods is based on the year for the money with which they were bought.

See al-Sharh al-Mumti', 6/149, by Shaykh Ibn 'Uthaymeen (may Allah have mercy on him).

It says in Fataawa al-Lajnah al-Daa'imah, 9/331.

zakah is due on land that is prepared to be bought and sold, because it comes under the heading of trade goods, and thus is included in the general meaning of the texts of the Qur'aan and Sunnah which state that zakah is obligatory, such as the verse (interpretation of the meaning):

"Take Sadaqah (alms) from their wealth in order to purify them and sanctify them with it" [Al-Tawbah 9:103]

And Abu Dawood narrated with a hasan isnaad that Samurah ibn Jundub (may Allah be pleased with him) said: The Messenger of Allah (S) commanded us to pay zakah on whatever we had prepared for sale. This is also the view of the majority of scholars, and it is the truth.

The Standing Committee was asked:

With regard to lands that are bought for the purpose of selling, how should we calculate them when we calculate zakah – should we base it on the price for which we bought them or on the market value at the time when the year for zakah has passed?

They replied:

Lands that are bought for the purpose of selling come under the heading of trade goods. The general principle in Islamic sharee'ah is that trade goods are to be calculated upon the completion of one year at market value, regardless of the price for which they were bought, whether that was more or less than the market price at the time when zakah becomes due. The zakah should be

paid from their value. The rate of zakah is one-quarter of one-tenth. So for land worth one thousand riyals, for example, the zakah is twenty-five riyals, and so on."(Fatawa al-Lajnah al-Daa’imah, 9/324, 325).

With regard to the nisab for zakah, as previously stated in question no. 42072 , the nisab for zakah on gold is twenty dinars i.e., 85 grams of gold; the nisab for silver is two hundred dirhams, i.e., 595 grams of silver.

The nisab for money (i.e., Saudi riyals or other currencies) is whatever reaches the value of the nisab for gold or silver. As the value of silver is now less than that of gold, the nisab for money now is the equivalent of 595 grams of silver.

And Allah knows best.