65722 - Zakaah on shares

the question

I work in the field of buying and selling Saudi shares, and the way I work is that I sell the share as soon as the price rises and I am able to make a profit, and I do not wait for reports about the companies' profits.
My question is: I bought some shares in the electrical company five months ago for 172 riyals per share. After I bought them, they went down to 147 riyals and have not yet gone back up to the purchase price. Is there any zakaah due on these shares? How should the zakaah be paid? Is it based on the purchase price or the current price which is 147?.

Detailed answer

Praise be to Allah.

These shares are now regarded as trade goods, because trade goods are anything that is prepared for sale. So zakaah is due on them.

The zakaah on trade goods is worked out on the basis of their value at the end of the year, whether it is more than the purchase price or less.

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Based on this, if these shares reach the nisaab, or they reach the nisaab when added to the cash money that you have, then you should pay zakaah on them according to their value on the day when the year ends.

Shaykh Ibn 'Uthaymeen said:

The way in which zakaah is paid on shares in companies is as follows: if the state undertakes the mission of calculating and collecting the zakaah, then you have discharged your responsibility, otherwise zakaah must be paid in the following manner: they should be evaluated every year and

one-quarter of one-tenth should be paid, if the purpose of them is to trade. But if the purpose is investment, then no zakaah is due on them, but zakaah is due on any profits they produce if it is in the form of money and one year has passed. End quote.

Majmoo' Fataawa Ibn 'Uthaymeen, 18/196

The Standing Committee was asked: Is there any zakaah on shares and certificates? How should it be paid?

They replied:

Zakaah is due on shares and promissory notes if they represent money or trade goods, so long as the one who is keeping the money is not going through hardship or delay payment unduly. End quote.

Fataawa al-Lajnah al-Daa'imah, 9/354

The Standing Committee was also asked about shares through which one buys land and real estate.

They replied:

The shares mentioned in the question are a kind of trade goods, so zakaah must be paid on them, to be evaluated every year according to their current value, not the purchase price. If the owner has money he may pay from that, otherwise he should pay the zakaah for past years from their value after selling them and taking the money. End quote.

Fataawa al-Lajnah al-Daa'imah, 9/353

Shaykh Ibn 'Uthaymeen (may Allaah have mercy on him) was asked: Should zakaah on shares be based on the official value of the share or on the market value, or what?

He replied:

Zakaah on shares and other trade goods should be based on the market value. If it was worth one thousand at the time of purchase, then the value rises to two thousand at the time when zakaah becomes due, then zakaah should be based on the value of two thousand, because what matters is the value of a thing when zakaah becomes due, not when it is bought. End quote.

Majmoo' Fataawa Ibn 'Uthaymeen, 18/197

It should be noted that if trade goods are bought with gold or silver or cash (riyals, dollars or other currencies), or with other goods, then the year for those goods starts from the time when one acquired the wealth with which one bought them. Based on this, the new year does not start from the time when one takes possession of the new goods, rather it starts from the time when one acquired the wealth with which one bought them.

See question no. 32715

And Allaah knows best.