67594 - He bought some land and he is waiting for its price to rise before selling it. Does he have to pay zakaah on it?

the question

Because of the high prices of land and houses and because these prices may reach an astronomical level, to such an extent that most people cannot buy a house to live in, I would like to do the following: I want to buy two pieces of land now for a low price (such as 30,000 riyals for one), and wait for 10 or 20 years until it is worth 500,000 riyals for example, then I will sell one piece of land and use that money to build a house on the other piece. My question is, how can I calculate the zakaah on each one? Because one is for building a house, but the other is what I am confused about because it may be regarded as wealth kept for trading. I do not want it for its own sake, rather I want to benefit from the rise in prices in order to build a house.
I have heard some fatwas which say that zakaah may be paid once for the twenty years, and I have heard others saying that zakaah must be paid for each of the 20 years, based on the estimated value.

Detailed answer

Praise be to Allah.

It is not obligatory to pay zakaah on land unless it is for the purpose of trade. Based on this, the land on which you are going to build a house is not subject to zakaah, but the other piece of land is subject to zakaah.

The way in which zakaah is worked out is to find out the value of the land at the end of each year, then pay zakaah at a rate of 2.5% of this value.

Zakaah must be paid each year; it is not sufficient to pay it one year for all these years. It should be noted that if trade goods are bought with gold or silver, or with money (riyaals or dollars or other currencies), or with other goods, then the year is reckoned from the time when the wealth

with which it was bought was acquired. Based on this, the year does not begin from the time when you took possession of the land; rather it begins from the time when you bought the land.

See question no. 32715.

The scholars of the Standing Committee were asked:

I have some money – say, fifty thousand, with which I have bought some land. I think that instead of keeping it in the bank, I should invest it in land so that I will not lose the money. When the right time comes or when I need the money, I will sell the land when its value has increased. Is zakaah due on it?

They replied:

Whoever buys land or is given it and intends to sell it, must pay zakaah on it when a full year has passed. He must estimate its value every year at the time when zakaah becomes due, and pay zakaah at a rate of one-quarter of one-tenth, i.e., 2.5%.

If he buys it with the intention of settling on it and living there, then no zakaah is due on it. But if he then decides to sell it, he must pay zakaah on it after one year has passed since he decided to sell it. If he buys it in order to rent it out, then he must pay zakaah on the rent he receives if it reaches the nisaab, after one year has passed.

Fataawa al-Lajnah al-Daa'imah li'l-Buhooth al-'Ilmiyyah wa'l-Ifta', 9/339, 340

Shaykh Ibn Baaz (may Allaah have mercy on him) was asked: How should zakaah be paid on land and the like? Is it sufficient to pay zakaah on it once for a number of years when it is sold?

He replied:

If the land and similar things such as a house or car etc, is prepared for sale, then you must pay zakaah on it every year, according to its value at the end of the year. It is not permissible to delay that, except in the case of one who is unable to pay the zakaah because he does not have any other wealth. In this case he may wait until he sells it and then pay zakaah for all the years, paying

for each year on the basis of its value at the end of the year, whether it was worth more or less than the price for which he bought the land, car or house.

This is the view of the majority of scholars, because it was narrated that the Prophet (peace and blessings of Allaah be upon him) commanded that zakaah be paid on things that are prepared for sale, and because trade goods are kept for the purpose of making money. So the Muslim has to pay zakaah on these goods every year, just as if he had money in his hand. End quote.

Majmoo' Fataawa Ibn Baaz, 14/160

And Allaah knows best.