74987 - Is zakah due on manufacturing equipment?

the question

Is manufacturing equipment subject to zakah, knowing that its value may be very high?.

Detailed answer

Praise be to Allah.

Company buildings, heavy and light machinery and vehicles that are used to transport goods or company workers are not subject to zakah.

The early scholars stated that the tools of craftsmen such as carpenters, builders, blacksmiths and the like are not subject to zakah. Al-Kasaani said in Badaa'i' al-Sanaa'i' (3/398): As for the tools of the craftsman and the buckets and containers, they are not trade goods, because they are not usually sold with the goods. End quote.

In Kashshaaf al-Qinaa' (168/2) it says: There is no zakah on craftsmen's tools, containers used for displaying goods or the jars and bottles used for perfume and groceries, or for oil and honey, unless they are intended for sale, i.e., the bottles and their contents, in which case zakah should be paid on both because they are goods for trade. The same applies to the equipment used for tending animals. If they are to be kept then there is no zakah on them, because they are tools of the trade, but if they are to be sold with the animal then they are trade goods and zakah should be paid on them. End quote.

The fact that these machines may be huge and produce a great deal does not alter the shar'i ruling at all, rather the basic principle still applies and the ruling remains as it is. The fact that cars and planes can cover huge distances does not affect the rulings on concessions granted to travellers. Similarly, changes in tools used for manufacturing do not affect the rulings at all. Stated by Shaykh 'Abd-Allah al-Bassaam. Majallat al-Majma' al-Fiqhi, 4/1/722

Shaykh Ibn Baaz (may Allah have mercy on him) was asked about modern enterprises that have appeared nowadays, such as enterprises for animal production, milk production, agricultural production, and large real estate projects such as high-rise buildings. Is there any zakah on these things, and how should the zakah be paid?

He replied: if these projects and enterprises are set up for the purpose of buying and selling, with the aim of making a profit, then the owner must pay zakah on them every time one year passes, if these things are prepared for sale, whether they are buildings, land, shops, animals on his farm, and so on. He should pay zakah when one year has passed, based on their value. But equipment that is not for sale is not subject to zakah, and the land on which the farm is located is not subject to zakah if it is not prepared for sale, rather it is the place where the owner raises the animals for sale or it is cultivated by him and so on. So the zakah is on the produce, but the land itself which is prepared for cultivation or where he raises animals is not subject to zakah. The same applies to carpenters and blacksmiths – there is no zakah on the tools that they have for use such as hammers and and all other tools. Rather zakah is due on wealth that is prepared for sale and tools that are prepared for sale – as stated above – when one year has passed he should pay zakah according to their value. zakah should also be paid on vehicles that are prepared for sale and land that is prepared for sale."

Majmoo' Fatawa Ibn Baaz, 14/184

The scholars of the Standing Committee were asked: In our institute there is equipment that is used for the work of the institute, such as vehicles, compressors and mixers. Is zakah due on them or not?

They replied:

zakah is due on the rental fees paid if they are rented out, after one year has passed, if that reaches the nisaab. If the owner of the institute enters into contracts and uses these machines to fulfil the contracts, then the zakah should be paid from the profits earned from these contracts, after one year has passed, but no zakah is due on the machines themselves or on their value,

because they have not been prepared for sale, rather they have been prepared for use. End quote.

Fatawa al-Lajnah al-Daa'imah, 9/345

Shaykh Ibn 'Uthaymeen (may Allah have mercy on him) said:

No zakah is required of a man for what he keeps of vessels, furniture, tools, cars, property etc, even if he has prepared them for renting out. If a person owns many properties that are worth millions, but he does not deal in them by buying or selling, rather he prepares them for using or renting, then no zakah is due on these properties, even if they are many. Rather zakah is due on what he earns from them in rental payments or income; zakah must be paid on rental income when one year has passed since the beginning of the contract. If one year has not yet passed, then no zakah is due, because in principle there is no obligation (with regard to these matters) unless there is evidence. Rather the evidence indicates that zakah is not required on them, because the Prophet (peace and blessings of Allah be upon him) said: "The Muslim does not have to pay zakah on his slave or his horse." This indicates that "non-zakaatable" wealth that a person keeps for himself is not subject to zakah, and wealth that a person prepares to provide an income for himself, such as real estate etc, is undoubtedly something that a person wants for himself and not for others, because he is not selling it, rather he is keeping it for income. End quote.

Majmoo' Fatawa Ibn 'Uthaymeen, 18/254.