88757 - Zakaah on money in the bank

the question

One full year has passed for some of the money that is in the bank that is not in a savings account. Some of it is deducted monthly to pay bank charges, as well as bills for water, electricity and household insurance. Is it permissible to pay zakaah on it or not?.

Detailed answer

Praise be to Allah.

Firstly:

Saving money in riba-based banks is helping them to commit riba (usury) on which these banks are based, so it is not permissible for a Muslim to put his money in them, unless he cannot find an Islamic bank that does not deal in riba.

See the answer to question no. 22392.

We have also explained that commercial insurance in all forms is haraam, and that it is a modern form of gambling which is forbidden in Islam. See the answer to question no. 36955.

Secondly:

It is obligatory to pay zakaah on cash if it reaches the nisaab, which is the equivalent of 597 grams of silver, and one full year has passed since acquiring it, even if it is kept for household expenses and other essentials, because of the general meaning of the words of the Prophet (peace and blessings of Allaah be upon him): “If you have twenty dinars and one full year has passed (since acquiring them), then half a dinar is due on them, and whatever is more than that is to be calculated on that basis.” Narrated by Abu Dawood (1573) and classed as saheeh by al-Bukhaari; al-Tirmidhi narrated it from him in his Sunan (3/16) and it was classed as saeeh by al-Albaani in Saheeh Abi Dawood.

It is not a condition of zakaah being obligatory that the money be surplus to one's needs, rather it is due from every nisaab when one full year has passed.

Shaykh Ibn ‘Uthaymeen (may Allaah have mercy on him) was asked, as it says in Majmoo’ al-Fataawa (18/177):

Is zakaah due on money saved from one's monthly salary when one full year has passed, despite the fact that it is not invested? Please note that I am saving it to cover my and my family’s living expenses. Is zakaah due in this case?

He replied:

Yes, zakaah is due on it if one full year has passed, because it is something that is subject to zakaah regardless of the use for which it is intended, and regardless of whether it is intended for trade or not. Hence zakaah is due on crops and grains even if a person does not intend to sell them, and even if a person has, for example, palm trees in his home and their yield reaches the nisaab and he has prepared them for his own use, zakaah is due from the crop of these palm trees. We say likewise about any crops etc on which zakaah is due. The same applies to livestock and flocks that graze in open land – zakaah is due on them, even if a person does not intend to sell them. The same applies to cash on which zakaah is due even if a person does not intend to use them for trade. The salary that you have set aside for expenses is subject to zakaah if one full year has passed and it reaches the nisaab. End quote.

And Allaah knows best.