

Standing Members of the Panel:

Shaykh Dr. Haitham al-Haddad

Shaykh Dr. Sajid Umar

Shaykh Dr. Ali Ahmed

Shaykh Fuad Abdo

Umer Suleman



THE ISLAMIC COUNCIL

Islamic Finance Consultancy and Advisory

ZAKĀH POLICY

V1.0 - SHA'BĀN 1443 - MARCH 2022

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

الحمد لله رب العالمين والصلاة والسلام على سيدنا محمد وعلى
آله وصحبه ومن تبعهم بإحسان إلى يوم الدين

All praise is due to Allah, Lord of the Universe, and may Allah's Peace and Blessings be upon our guide and Messenger Muhammad, his pure family, his noble Companions, and all those who follow them with righteousness until the Day of Judgment.



THE ISLAMIC COUNCIL
Islamic Finance Consultancy and Advisory

ZAKĀH POLICY

SHA'BĀN 1443 - MARCH 2022



Usage of The Islamic Council's endorsement in any form is not permitted without prior consultation. Consultations can be booked at ICEurope.org

CONTENTS

1. Introduction	4
2. Policy Framework and Scope	6
2.1 The Methodology and Scope of the Juristic Approach of this Document	6
3. Types and Definitions of Zakāh	8
3.1 Zakāt al-Fiṭr	8
3.2 Zakāt al-Māl	8
4. Recipients of Zakāh	9
4.1 The Poor and the Destitute (al-Fuqarā wa-l-Masākīn)	9
4.2 Zakāh workers (al-Āmilīn ‘Alayhā)	10
4.3 Those whose hearts are being reconciled (al-Mu‘allafati Qulūbuhum)	11
4.4 Those in bondage (Fī-l-Riqāb)	11
4.5 Those in debt (al-Chārimīn)	12
4.6 Those in the path of Allah (Fī Sabīl-Allah)	12
4.7 Those who are travellers (Ibn al-Sabīl)	14
5. Zakāh calculation	15
6. Eligibility of receiving Zakāh	16
7. Zakāh distribution	18
8. Zakāh distribution exception	21
9. Distribution Amount	22
10. External Sharī‘ah compliance	23
11. Administration deduction	24
12. Field delivery	26
13. Reporting	27
14. Monitoring and evaluation	28
15. Breach of policy	29
16. Policy review	29
Appendix A – Zakāh eligible/non-eligible costs	30
17. Signatories	35





1 | INTRODUCTION

Zakāh is a pillar of Islam, a monetary act of worship and devotion through which an individual seeks to get closer to Allah, attain success in this world and the Hereafter, and through which the purification of the heart and wealth of the payer is achieved. Allah says in the Quran:

Take, [O Muḥammad], from their wealth a charity by which you purify them and cause them increase and invoke [Allah's blessings] upon them. (Sūrah al-Tawbah, 9:103)

In the Prophetic Sunnah, Ibn 'Umar reported Allah's Messenger (ﷺ) as saying:

Islam is based on five things: the testimony that there is no one worthy of worship but Allah and that Muhammad is His servant and Messenger, the establishment of the prayer, the payment of Zakāh, the Pilgrimage (Ḥajj), and the fast during Ramadan. (Bukhari and Muslim)

Zakāh ultimately serves as a social and economic tool that can maintain a just and empathetic society, empower individuals to remove financial difficulties, and to reduce economic inequality in society. This is done through the collection and distribution of Zakāh which encourages cooperation between members of the Muslim community in establishing social protection for the needy. Regarding this, Allah says:

And from their properties was [given] the right of the [needy] petitioner and the deprived. (Sūrah al-Dhāriyāt, 51:19)

...it is for Allah and for the Messenger and for [his] near relatives and orphans and the needy and the [stranded] traveller - so that it will not be a perpetual distribution among the rich from among you... (Sūrah al-Ḥashr, 59:7)

Individuals who do not fulfil this integral pillar of Islam and fail to discharge this obligation in a way commanded by Allah, face the wrath and punishment of Allah. Allah says:

And those who hoard up gold and silver [do not pay Zakāh] and do not spend them in the Way of Allah, announce unto them a painful torment. (Sūrah al-Tawbah, 9:34)

And let not those who [greedily] withhold what Allah has given them of His bounty ever think that it is better for them. Rather, it is worse for them. Their necks will be encircled by what they withheld on the Day of Resurrection. And to Allah belongs the heritage of the heavens and the earth. And Allah is [fully] Aware of what you do. (Sūrah Āl-'Imrān, 3:180)

Likewise, charity organisations who work in collecting, allocating and distributing the Zakāh of the Muslims must be aware of the gravity and severity of discharging their duty diligently so it can be in accordance to the Sharī'ah guidelines.



2 | POLICY FRAMEWORK AND SCOPE

In this document The Islamic Council is presenting a set of principles, practices, and procedures that a charity organisation will need to follow and adhere to in the collection, allocation and distribution of Zakāh funds. Due to the diversity of Zakāh donors, the multiple locations a charity organisation may operate projects in, and the modern nature of finance and poverty, this policy is designed to be as encompassing and accommodating as possible from a Muslim legal perspective. This policy seeks to adopt scholarly positions that would be readily accepted by the majority of Islamic scholarship in most scenarios and circumstances.

2.1 | The Methodology and Scope of the Juristic Approach of this Document

The approach to Islamic law lies within the framework of the understanding of the four canonical schools of Islamic Jurisprudence. The common denominator, in terms of jurisprudential opinion between the schools is preferred as the juristic position where possible. Where there is a stronger difference of opinion between the schools on a particular issue, the safest opinion will be adopted whilst being mindful of Allah's rights and safeguarding and protecting the wealth of His slaves.

It is also worth noting, as part of the approach of this document, that The Council completed its considerations regarding this policy upon the understanding that the jurisprudence of Zakāh, as with all laws, must be contextualised. This contextualisation is achieved by understanding the causative effects ('ilal) of the rulings found within Islamic scholarship historically, and then applying them in light of the nuanced contemporary circumstances at hand.

Aiding in this process, the positions taken below have been formulated by The Council with the following criteria in mind:

1. Ensuring adherence to the will of the Lawgiver, Allah and his Prophet (ﷺ) as close as possible, based on classical and orthodox Islamic scholarship.
2. Attempting to fulfil the letter and spirit of the law (in this case, the edicts of the Sharī'ah).
3. Alignment with the pragmatic need, situation, and challenges of those suffering from poverty and the challenges of delivering charitable interventions during current times.

The scope of this document is limited to Zakāt al-Māl only and its policies, practices, and procedures that charitable organisations are expected to adopt and implement. It will not discuss issues pertaining to Zakāh donors, such as what constitutes charitable assets, Nişāb (Zakāh thresholds) of Zakāh, etc. nor will it provide a full explanation of the jurisprudence of Zakāh.

3 | TYPES AND DEFINITIONS OF ZAKĀH

There are two types of Zakāh:

1. Zakāt al-Fiṭr
2. Zakāt al-Māl

3.1 | Zakāt al-Fiṭr

Zakāt al-Fiṭr is a charity that is paid by all Muslims, whether male or female, minor or adult, to the poor on Eid al-Fiṭr. It is traditionally given in the form of any staple food, such as wheat, corn, rice, beans, lentils, chickpeas, pasta, meat and so on based upon the Ḥadīth narrated by Abū Sa'īd al-Khudrī:

We used to pay Zakāt al-Fiṭr at the time of the Messenger of Allah (ﷺ) on the day of al-Fiṭr, a Sā' of food. And our (staple) food was barley, raisins, dried yoghurt, and dates.¹

3.2 | Zakāt al-Māl

Zakāt al-Māl is the worship of Allah Almighty through an obligatory charity of a specific amount applicable to certain types of wealth, which is to be given at a certain time, and to certain people the Sharī'ah deemed to be recipients of Zakāh.

¹ Ṣaḥīḥ al-Bukhārī, 1510 and Ṣaḥīḥ Muslim, 985. Contemporary scholars have stated that one Sā' is approximately three (3) kilograms.

4 | RECIPIENTS OF ZAKĀH

Zakāh-eligible beneficiaries are classified into eight categories as per the Quranic injunction.

إِنَّمَا الصَّدَقَاتُ لِلْفُقَرَاءِ وَالْمَسَاكِينِ وَالْعَامِلِينَ عَلَيْهَا وَالْمُؤَلَّفَةِ قُلُوبُهُمْ
وَفِي الرِّقَابِ وَالْعَارِمِينَ وَفِي سَبِيلِ اللَّهِ وَأَبْنِ السَّبِيلِ فَرِيضَةً مِّنَ اللَّهِ وَاللَّهُ
عَلِيمٌ حَكِيمٌ

“Zakāh expenditures are for the poor, the needy, those employed to collect it, those whose hearts are subject to reconciliation, those in captivity, debtors, those in the cause of Allah and the traveller – an obligation by Allah. Allah is Knowing and Wise.” (9:60)

The below provides a brief definition and analysis for each category:

4.1 | The Poor and the Destitute (al-Fuqarā wa-l-Masākīn)²

Zakāt al-Māl is the worship of Allah Almighty through an obligatory charity of a specific amount applicable to certain types of wealth, which is to be given at a certain time, and to certain people the Sharī'ah deemed to be recipients of Zakāh.

² Scholars differ on the definitions of the Fuqarā (poor) and Masākīn (needy), as well as which of the two are 'needier'. Though this policy does not cover these intricacies, this distinction is not consequential as both would fall under the remit of deserving beneficiaries.

4.1.1 | These two categories refer to someone who fulfils one of the following conditions:

- i.** A person who has no property or income
- ii.** A person whose wealth and income only partially satisfy their essential needs.

4.1.2 | The length of time determining satisfaction of need is up to one year.³ Zakāh eligibility criteria is detailed in section 6.

4.2 | Zakāh workers (al-Āmilīn ‘Alayhā)⁴

4.2.1 | This primarily refers to those collectors or administrators of Zakāh. Their roles are broken down into two major functions:

- i)** Collecting Zakāh and
- ii)** Distributing Zakāh.

4.2.2 | Collecting Zakāh entails identifying Zakāh-liable individuals, collecting and storing Zakāh funds.

4.2.3 | The distribution function is the identification of Zakāh recipients, assessment of their current state and the efficient distribution of Zakāh funds to them.

³ This is per the view of some of the jurists, from them, the scholars of the Mālikī school of thought:

وقال المالكيَّة: الْفَقِيرُ مَنْ يَمْلِكُ شَيْئًا لَا يَكْفِيهِ لِقُوتِ عَامِهِ. - الموسوعة الفقهية الكويتية - 23-313

⁴ Charities are considered ‘agents’ (Wakīl) as opposed to ‘Zakāh administrators’ (al-Āmilīn ‘Alayhā) in the traditional sense. They are however, as per Islamic scholarship, permitted to take costs similar to Zakāh administrators in order to implement a project. More details are available in section 9.

4.3 | Those whose hearts are being reconciled (al-Mu‘allafati Qulūbuhum)⁵

4.3.1 | The default understanding of this category refers to those Muslims who would become firmer in the religion. Zakāh can be paid towards this group that include those who have newly-embraced Islam, or Muslims whose core faith are unsettled.

4.3.2 | The general position of distributing Zakāh to non-Muslims is one of impermissibility⁶ (as it is a religious directive), except on one condition: if there is clear hope or evidence that indicates they will be inclined to Islam.⁷ However, since most charities are not involved in proselytizing (Da‘wah), this category would not be applicable.

4.3.3 | In the situation where Zakāh has inadvertently been distributed to non-Muslims mistakenly, this can be retrospectively funded from collected Ṣadaqah.

4.4 | Those in bondage (Fī-l-Riqāb)

This refers to those who are considered slaves or in bondage.

5 The majority of the scholars hold this category as still applicable, and permit donations of Zakāh towards it. The Ḥanafī scholars opine this category is inapplicable today.

6 The scholars generally held that non-Muslims should not be given Zakāh. This is the official position of the four canonical schools of Islamic jurisprudence, though some scholars from the Maliki, Shāfi‘i and Hanbali schools of Islamic Jurisprudence have given an exception for those ‘whose hearts would be softened towards accepting Islam’.

7 Ibn Qudāma states: “the one whose Islam is hoped for, so he is given to strengthen his resolve to accept Islam and incline towards it.” (Al-Mughni, 6/476)

4.5 | Those in debt (al-Ghārimin)

4.5.1 | These are individuals who are in debt and according to the majority of scholars are those in debt due to

- i) Personal reasons and**
- ii) Social external reasons⁸.**

4.5.2 | The following conditions must be present for those with debts for personal reasons⁹;

- i) They must be Muslim**
- ii) They should not be from the descendants of the Prophet (ﷺ)¹⁰**
- iii) They do not have sufficient wealth to repay the debt**
- iv) The debt must have been taken for something permissible in Islam and to fulfil their basic needs**

4.6 | Those in the path of Allah (Fī Sabīl-Allah)

4.6.1 | This category primarily refers to a Muslim state's military personnel. For the majority of charity organisations, this is not applicable.

8 The latter type refers to debts incurred by people involved in communal activities of goodness. The majority of scholars separated this type due to certain flexibilities of paying these debts off.

As for those who have personal debts, there are circumstances in which they will not be considered eligible recipients of zakat. As such, careful consideration and approval needs to be sought from the charity's Shariā panel/board before the dispensation of Zakāh funds takes place

9 Fiqh al-Zakāh, Qaradāwī (1/398) and al-Mawsū'ah al-Fiqhiyyah (23/321).

10 If, however, one from descendants of the Prophet (ﷺ) is in need, and the charity does not have sufficient Sadaqah for this group - then Zakāh can be passed on as per the view of Abū Yūsuf, some Shafī'is, al-Birzīni and Ibn Taymiyyah. Kashmiri was of the view that giving them Zakāh is better than letting them beg for non-Zakāh charity.

4.6.2 | Zakāh funds cannot be spent on interventions that do not empower individuals with ownership for the Zakāh funds. As such, charity organisations adopt the prudent view¹¹ of not using Zakāh money to build mosques, establish schools, pay third parties for skills training etc., due to two main reasons:

- i) there is no ownership by the Zakāh beneficiary to dictate the way funds are spent, and**
- ii) the restrictions as set on valid categories being only the eight specifically stated in the aforementioned verse.**

4.6.3 | Exceptions can be made to 4.6.2 above if a project is considered to be a necessity. This will only be enacted through a formal process with guidance from the designated Sharī'ah Panel. More details in relation to this is shared in Section 7 and 8.

11 Restricting the category of 'fi sabīl-Allah' to its agreed purpose is the position of the majority of scholars across the Four Schools. The expansion of this category to entail 'all forms of good' or 'supporting the religion of Allah' and, hence, including the building of infrastructure, schools etc. is a minority view and most likely first highlighted by al-Qaffāl al-Shāshi, claiming it was the view of some jurists. Recent scholars who allowed Zakāh to be used unreservedly for public interest include Rashid Rida, Qaraḍāwī and others. The below quote references examples of activities that do not fall under the 8 categories and cites the first reason to be lack of ownership.

جِهَاتُ الْحَيْرِ مِنْ غَيْرِ الْأَصْنَافِ الثَّمَانِيَةِ: ذَهَبَ الْفُقَهَاءُ إِلَى أَنَّهُ لَا يَجُوزُ صَرْفُ الزَّكَاةِ فِي جِهَاتِ الْحَيْرِ غَيْرِ مَا تَقَدَّمَ بَيَانُهُ، فَلَا تُنْشَأُ بِهَا طَرِيقٌ، وَلَا يُبْنَى بِهَا مَسْجِدٌ وَلَا قَنْظَرَةٌ، وَلَا تُشْتَقُّ بِهَا ثُرْعَةٌ، وَلَا يُعْمَلُ بِهَا سَفَايَةٌ، وَلَا يُوسَعُ بِهَا عَلَى الْأَصْنَافِ، وَلَمْ يَصَحَّ فِيهِ نَقْلٌ خِلَافٍ عَنِ مُعَيَّنٍ يُعْتَدُّ بِهِ، وَظَاهِرُ كَلَامِ الرَّمْلِيِّ أَنَّهُ إِجْمَاعٌ، وَاحْتَجُّوا لِذَلِكَ بِأَمْرَيْنِ:

الأول: أَنَّهُ لَا تَمْلِكُ فِيهَا، لِأَنَّ الْمَسْجِدَ وَنَحْوَهُ لَا يُمْلِكُ، وَهَذَا عِنْدَ مَنْ يَشْتَرِطُ فِي الزَّكَاةِ التَّمْلِكَ

والثاني: الحَضْرُ الَّذِي فِي الْآيَةِ، فَإِنَّ الْمَسَاجِدَ وَنَحْوَهَا لَيْسَتْ مِنَ الْأَصْنَافِ الثَّمَانِيَةِ، وَفِي الْحَدِيثِ الْمُتَقَدَّمَ الَّذِي فِيهِ: إِنَّ اللَّهَ جَعَلَ الزَّكَاةَ ثَمَانِيَةَ أَجْزَاءٍ وَلَا يَثْبُتُ مِمَّا نَقَلَ عَنْ أَنَسٍ وَابْنِ سِيرِينَ خِلَافَ ذَلِكَ (1)

فتح القدير ٢ / ٢٠، وابن عابدين ٢ / ٦٢، ونهاية المحتاج ٦ / ١٤٩، والشرح الكبير والدسوقي ١ / ٤٩٧، والمغني ٢ / ٦٦٧

(الموسوعة الفقهية الكويتية - 328 23)

وندرِكُ مِمَّا ذَكَرْنَا الْمَذَاهِبَ الْأَرْبَعَةَ قَدْ اتَّفَقَتْ عَلَى دُخُولِ الْجِهَادِ فِي سَبِيلِ اللَّهِ وَمَشْرُوعِيَةِ الصَّرْفِ مِنَ الزَّكَاةِ لِأَشْخَاصِ الْمَجَاهِدِينَ وَعَدَمِ جَوَازِ صَرْفِ الزَّكَاةِ فِي جِهَاتِ الْإِصْلَاحِ الْعَامِ مِنْ بِنَاءِ السُّدُودِ وَالْقَنَاظِرِ وَإِنْدِشَاءِ الْمَسَاجِدِ وَالْمَدَارِسِ وَإِصْلَاحِ الطَّرِيقِ وَتَكْفِينِ الْمَوْتَى وَنَحْوِ ذَلِكَ وَإِنَّمَا عَبءَ ذَلِكَ عَلَى مَوَارِدِ بَيْتِ الْمَالِ الْأُخْرَى وَذَلِكَ لِعَدَمِ التَّمْلِكِ فِيهَا أَوْ لَخُرُوجِهَا عَنِ الْمَصَارِفِ الثَّمَانِيَةِ (مَجْلَةُ مَجْمَعِ الْفِقْهِ الْإِسْلَامِيِّ - 3-50).

4.7 | Those who are travellers (Ibn al-Sabīl)

4.7.1 | This category refers to those who are travelling from one location to another and have no or limited and insufficient access to a means of expenditure to suffice their needs.

4.7.2 | The traveller must be in some form of need and in today's climate, this would also include refugees who are in a state of travel from one location to another. Under this category, it would be permissible to give Zakāh to a refugee, even though he may have wealth in his hometown or is unable to access it.¹²

12 There are cases where refugees may actually have assets which makes them ineligible for Zakah. However, due to extenuating circumstances, they may not have the ability to access that wealth. In this case, they will be Zakāh eligible based on the Zakāh category: 'ibn al-Sabīl.



5 | ZAKĀH CALCULATION

5.1 | The basic method of calculating Zakāh is to calculate the total Zakātable assets of an individual, minus the total liabilities (over the coming lunar year) and the due amount would be 2.5% of that balance.

5.2 | Generally, Zakātable assets include, gold, silver, cash on-hand, money in the bank, commercial and saleable commodities, and stocks and shares.



6 | ELIGIBILITY OF RECEIVING ZAKĀH

6.1 | Zakāh can only be given to people who fall under one of the categories mentioned in the Quranic injunction.¹³ In order to be Zakāh eligible (as per the most frequent categories of the poor and needy) a beneficiary must meet all the following criteria;

- i) Be a Muslim
- ii) Must fall under one of the 8 categories.

6.2 | Charity organisations have a responsibility to ensure the target beneficiaries are Zakāh eligible.¹⁴ The following scenarios detail to what extent they will investigate Zakāh eligibility:

6.2.1 | If the target population is not entirely Zakāh eligible (e.g. consists of a mix of Muslim/non-Muslim beneficiaries, or entail common areas of rich and poor individuals etc), then a satisfactory assessment is automatically triggered.¹⁵ This will include an

¹³ Qur'ān, 9/60.

¹⁴ The neediest, where accessible, should be prioritised ahead of others less needy.

¹⁵ The charity's partner should conduct a needs assessment and investigate each individual's eligibility of Zakāh. Imam al-Nawawi said those who distribute Zakāh should 'identify the relevant beneficiaries, be

individual/household needs assessment, which will confirm the target beneficiary eligibility. This is to be confirmed by one or more of the following:

- i)** Document review – financial statements, government ID (e.g., categorisation of an Internally Displaced Person (IDP), refugee etc.)
- ii)** Observation – state of one’s abode, number of dependents, etc.
- iii)** Evidence of debt
- iv)** Evidence of dependents (if applicable)

6.2.2 | If the target population is clearly Zakāh eligible (i.e. refugees, IDP’s in a camp, following a natural disaster in a Muslim country etc), then in this case, where it is extremely likely that the beneficiaries are Zakāh eligible (as per the conditions above), Zakāh may be distributed without a thorough assessment.

6.3 | Zakāh cannot be given to the following categories of people:

- The rich
- Those capable of earning a livelihood, but are not willing to work
- Those who attack or undermine Islam and Muslims
- The children, parents, spouses of Zakāh payers, and those whom the Shariah has stipulated as falling within the remit of receiving obligatory expenditure.
- Descendants of the Prophet (ﷺ) unless there is a dire need (refer to footnote under 4.5.2)

aware of the total number, and the extent of their need....in order to fulfil their rights and to confirm the discharge of the wealth collated by them’ (Rawḍatul-Ṭālībīn 2 / 337).



7 | ZAKĀH DISTRIBUTION

7.1 | The default approach for Zakāh distribution is to transfer the cash or goods to the recipient, rendering the recipient the owner.¹⁶

7.2 | Providing money (naqd) to the beneficiary is the default rule¹⁷ due to the ability of the recipient to spend as personal needs dictate. This is also in line with preserving the dignity and reputation of the individual. Distribution methods may include mobile payments, cash vouchers, bank transfers, ATM access and cash (with stricter controls).

¹⁶ Transferring ownership (or tamlik) is a condition according to the scholars from the Shāfi'i and Hanafi Schools (see Radd al-Muhtar 2/278-279 and al-Muhath-thab 1/551).

¹⁷ Most donors today donate Zakāh in the form of money either via online, through bank transfers or cash.

7.3 | Non-monetary items such as food parcels, agricultural tools or even livelihood projects such as sewing machines¹⁸ etc. are permissible exceptions as per the needs of the individual or local circumstances in the country.¹⁹ This would be applicable in the case of the organisation genuinely; a) finding it difficult to provide cash, and/or b) they feel the beneficiary would be negatively impacted handling money due to the context of the situation. The following circumstances may permit in-kind donations²⁰:

- If local products are expensive (e.g., >20% fluctuation)
- Hyperinflation
- Lack of access to bank accounts
- Fear of life in emergency situations (e.g., threat to life to leave home)
- Lack of available essential goods (e.g., certain foodstuffs, medicines etc)
- Logistical difficulty of distributing cash (e.g., high risk of theft, inability to discharge cash separately to beneficiaries i.e. when congregated)
- Genuine fear that certain people or groups will misuse the monies.

18 With the proviso of recipients owning the sewing machine, chicken farm etc. and managing it themselves or whomever has been delegated and thereby distributing the profits.

19 Provision of items of equivalent value (e.g., in-kind) is not generally accepted by the majority of the scholars with exception to the Hanafi school who allow it unreservedly. Ibn Taymiyyah generally prohibits the giving of value but does permit it when there is a need or a particular interest is to be served (Al-Ma-jmu' - 25/82). This is more conducive, especially with challenges in volatile locations such as emergency situations or hostile environments where cash distribution is disadvantageous e.g., due to inflation, exchange rate fluctuations, lack of availability of staple goods in local markets etc. The key condition here is observing the clear interest of the recipient of Zakat. It is recommended strongly to seek guidance of scholars in such situations.

20 Before implementation of the above, prior approval should be sought from a Shariah Panel.

7.4 | Ownership of the Zakāh funds is to be transferred to the recipient (whether as cash or in-kind).

7.4.1 | In addition, Zakāh funds must be disbursed and received by the beneficiary as soon as reasonably possible upon receipt of funds, whilst at most before the next lunar year (within 355 days from when the charity received the donation). **Only in the case of exceptions out of the control of the charity would a delay to the Zakāh distribution be permitted, e.g., inability to discharge funds due to war or government restrictions.**

7.5 | Zakāh therefore cannot be spent on infrastructure (such as schools/buildings), third-party services or skills training etc. due to the absence of the condition of human ownership of Zakāh funds. There is an exception to this (see 8.1 below).



8 | ZAKĀH DISTRIBUTION EXCEPTION

8.1 | In the event a project being deemed a necessity by the organisation²¹ and it does not fall under the traditional categories of Zakāh or does not entail ‘ownership’, then it may be permitted by exception with two conditions;

- 1) Presence of a confirmed necessity**
- 2) Scholarly approval**

²¹ Examples include the need of a medical clinic where a disease has spread, a refugee camp having no school for children, digging a well for a community with no access to clean water etc.



9 | DISTRIBUTION AMOUNT

9.1 | The amount to be distributed to the recipient of Zakāh is at the discretion of the field office or implementing partner.²² The amount differs based on the circumstance of the recipient, needs, stability/volatility of local markets and no. of dependants.

9.2 | As a general rule, Zakāh should be distributed within the remit of its categories, in a manner that creates the greatest impact from the funds available and the needs of the Ummah.

9.3 | Zakāh can be given to any number of categories, without requiring or equally splitting Zakāh donations across them.²³ However, the charity should aim to prioritise the most vulnerable and allocate based on community needs.²⁴

22 There are two predominant views regarding the amount to be disbursed. The first is enough for one year's sustenance, and the second is whatever is required to alleviate poverty from the beneficiary. (Majma' al-Fiqh al-Islāmi: 3/43)

23 The Hanafi, Maliki and Hanbali Schools do not require distribution of Zakāh equally to all available categories.

24 In cases where Zakāh funds are plentiful, it would be better to allocate Zakāh across the available

9.4 | It is not necessary to inform the beneficiary that the amount disbursed is from Zakāh²⁵ though if they do, there is no problem. In some cases, it may provide an additional verification stage of Zakāh eligibility.

10 | EXTERNAL SHARĪ’AH COMPLIANCE

10.1 |²⁶ have appointed²⁷²⁸ as their official Sharī’ah advisor. They have approved this policy and its contents on²⁹.

10.2 | They will also audit the Zakāh framework (including its implementation) on an annual basis, which will involve document reviews, project spot-checks and, in applicable cases, visits to the field of operation. Updates will be provided as necessary to the public.

categories as urged by some scholars.

25 Some scholars prefer that recipients are not told they are receiving Zakāh, to maintain their dignity.

26 Charity Name

27 Islamic Council name

28 Islamic Council web address

29 Date (dd/mm/yyyy)



11 | ADMINISTRATION DEDUCTION

11.1 If ‘the charity’ cannot fully or partially cover their administration costs for processing a particular Zakāh application, then ‘the charity’ is committed to deducting no more than 12.5% of Zakāh funds for administration or project expenses related to the collection and distribution of Zakāh funds.^{30, 31}

11.2 This is in line with scholarly recommendations to restrict administration expenditure to 1/8, by analogy on the category of ‘Amilīn ‘alayhā (Zakāh administrators).³²

30 The Shariah Council uses a case to case format as a framework for the implementation of this segment of the policy, and in the event of a charity qualifying to utilise Zakāh funds, the percentage amount will be decided upon mutually between the Council and the related Charity.

31 The (X) administration amount is not fixed, but instead a maximum permitted as long as Zakāh eligible costs are incurred. If the organisation can function with a lower administration percentage (than the percentage mutually agreed to, if any), then this would be binding. This would be determined as part of a yearly audit.

32 It is worth bearing in mind that the restriction to 1/8 for Zakāh collectors (or in the current environment, charities) is not a definitive legal ruling from the Quran or sunnah, but actually an Ijtihad by scholars (Judai, 2017). It seems to be a position of the Shafi'i school due to the school's insistence on equally dividing Zakāh across the 8 categories and Allah knows best.

ثُمَّ قَالَ الشَّافِعِيُّ: لَا يُعْطَى الْعَامِلُ مِنَ الزَّكَاةِ أَكْثَرَ مِنْ ثَمَنِ الزَّكَاةِ، فَإِنْ زَادَ أَجْرُهُ عَلَى الثَّمَنِ أَتَمَّ لَهُ مِنْ بَيْتِ الْمَالِ. وَقِيلَ مِنْ بَاقِي السَّهَامِ

قَالَ الْحَنْفِيُّ: يَدْفَعُ إِلَى الْعَامِلِ بِقَدْرِ عَمَلِهِ فَيُعْطِيهِ مَا يَسَعُهُ وَيَسَعُ أَعْوَانَهُ غَيْرَ مُقَدَّرٍ بِالثَّمَنِ، وَلَا يُزَادُ عَلَى نِصْفِ الزَّكَاةِ الَّتِي يَجْمَعُهَا وَإِنْ كَانَ عَمَلُهُ أَكْثَرَ (الموسوعة الفقهية الكويتية 318-23)

This will be reviewed by the Shariah advisor to ensure adherence and feasibility and may be modified as necessary under scholarly supervision. Actual cost attribution will also be reviewed by the advisor at the end of each financial year.

11.3 Administration expenses are required in order to contribute to the collection, administration, and implementation of the relevant Zakāh projects. This includes costs relating to fund transfers, staffing, transportation etc. Examples of eligible costs are detailed in Appendix A.

11.4 In the event that ‘the charity’ exercises its authorised permission to retain up to 12.5% upon the directives of 11.1, it is advisable that the donor should be made aware of this deduction where appropriate in communications.



12 | FIELD DELIVERY

12.1 | Field offices/partners will be responsible for the effective administration and distribution of Zakāh in their relative locations.

12.2 | They must ensure the following:

- Appropriate segregation of Zakāh funds from other funds.
- Must not deduct any additional administration (additional expenses, variances to pre-defined %'s etc.), except what has been agreed within funding agreements.
- Verify beneficiaries are Zakāh eligible (in line with section 3 above).
- Discharge the Zakāh funds as soon as possible and no later than 6 months of receipt³³ (unless otherwise stated by HQ/scholarly board).³⁴
- Report on Zakāh distribution in line with the relevant reports as detailed in the manual.
- Highlight any exceptions to the above immediately to 'the charity' HQ.

³³ This is due to the need to discharge Zakāh before the following lunar year (ḥawl). There is time required by the necessary department to receive, process and disburse the funds (within a period of 6 months or less) and then a period of 3 months is allocated to the field office/implementing partner. The remaining 3 months is to be considered a cautious time span to cater for disbursement of all necessary funds in case of any extenuating circumstances.

³⁴ In some cases, the scholarly board may permit extensions due to extenuating circumstances.

12.3 | Additional details surrounding standard operating procedures (SOP's) and implementing best practice are available in 'the charity' Programmes manual.

13 | REPORTING

13.1 | 'The charity' commits to reporting on Zakāh collection and distribution activities via the following:

1. Annual financial statements
2. Annual reports
3. Trustee reports
4. Project completion reports
5. Financial fund availability reports
6. Monitoring and evaluation reports
7. Annual Zakāh disbursement report (for donors)
8. Zakāh audit report (internal and external)
9. Other reports deemed necessary by the organisation
10. Evidence of expenditure as much as feasible



14 | MONITORING AND EVALUATION

14.1 | ‘The charity’ commits to monitoring and evaluating Zakāh projects as per their normal Monitoring & Evaluation Plan. This will be remotely as well as via project field visits by ‘the charity’ programmes team.

14.2 | The external Sharī’ah advisor will also monitor and evaluate select processes, policies and projects (within the UK and the field) as per the Terms of References.

14.3 | The external Sharī’ah board will also be responsible to review financial costs at the end of the year to vet that the administration costs have been attributed correctly in line with the Zakāh guidance in this document.



15 | BREACH OF POLICY

15.1 | Those who breach the policy knowingly and intentionally, whether HQ staff, field offices or implementing partners may be disciplined. This can include a verbal or written warning, or in serious cases a dismissal.

16 | POLICY REVIEW

16.1 | The Zakāh policy was prepared by the Islamic Finance Consultancy and Advisory at The Islamic Council. It will be reviewed by the presiding panel of scholars on an annual basis to ensure continuing appropriateness.

16.2 | In the event of significant operational changes or divergence from any Islamic guidelines in the policy; this must be reported to the accredited Shariah council to re-evaluate the legitimacy of the existing certification in association with this policy.



APPENDIX A – ZAKĀH ELIGIBLE/NON-ELIGIBLE COSTS

This appendix deals with the different types of costs incurred by charities and to what extent they can be attributed to Zakāh income.

The Sharī'ah board strongly advises that if an organisation can subsidise administration and project support costs through Şadaqah or other sources of income alone, that is preferable.³⁵

However, more realistically and if required, the organisation should utilise Zakāh contributions for the below administration and support costs, in accordance with calculated percentages of the Şadaqah/Zakāh income ratio.³⁶ For example, if an organisation's annual income of £1,000,000 is split by 40% Zakāh and 60% Şadaqah, the Zakāh contributions to costs such as governance, bank charges etc. should reflect 40%.

A more specific example would be an organisation's governance costs of £13,000 for the year. In the above case, the maximum Zakāh contribution to this cost should not exceed 40% of £13,000 which is £5,200.

The premise here is to ensure a clear separation of Zakāh/Şadaqah and prevent front-loading Zakāh funds to supplement admin costs primarily supporting Sadaqah-funded projects.

³⁵ In cases, it could be deemed mandatory to abstain from taking administration from the Zakāh if an organisation has multiple unrestricted forms of income to cover their admin costs.

³⁶ Direct costs on delivering the Zakāh project can of course be attributed 100%.

General guidelines on eligible/non-eligible costs

Costs which would **be eligible** to take from the Zakāh are:

- Most direct costs – costs which are directly attributed to delivering the project.
- A percentage of the project support costs which facilitate the delivery of the project. E.g. in-country finance staff, stationary, equipment etc. However, the contribution from the Zakāh should be in line with the overall Zakāh/Şadaqah ratio as highlighted above.
- A percentage of the HQ administration costs which facilitate the delivery of the project. E.g. case workers, bank charges, systems etc. However, the contribution from the Zakāh should be in line with the overall Zakāh/Şadaqah ratio as highlighted above.

Costs which would **not be eligible*** to take from the Zakāh are:

- Fundraising costs e.g. Event sponsorship, influencer fees etc.
- Marketing costs e.g. google ads, campaigns etc.
- Advocacy and campaigns
- Project feedback costs e.g. cost of videographers, banners etc.

* It is important to note the costs above are ineligible; as the Zakāh is the right of the Zakāh beneficiaries, and these costs are not integral to the intervention.

Specific examples of eligible/non-eligible costs

LEGEND			
	Zakāh eligible	Zakāh utilised only as needed	Not eligible
Type of Cost	HQ	Field (in-country)	
Administration	<ul style="list-style-type: none"> • Salaries of individuals responsible to collect Zakāh funds (Muslims only)³³ • Necessary stationery and equipment • Systems and subscriptions to collect and administer the Zakāh (CRM systems, finance subscriptions, plug-ins for website etc.) • Case workers (UK and field-level) • Bank charges • Exchange rate losses • Governance costs • Rent and rates (if having an office). • Advocacy and campaigns • Marketing • General Governance/legal fees • Training costs 	Field (in-country)	

³³ Additional requirements are that they are above the age of puberty and trustworthy. In addition, the CEO, project implementation and finance staff at UK and country field-level must be knowledgeable of the 'general and complete of Zakāh rulings and regulations' (Qaradawi, Fiqh of Zakāh: p370).

<p>Project support</p>		<ul style="list-style-type: none"> • Staff/personnel salaries involved in implementing Zakāh projects (from CEO, finance officers, drivers etc.) • Stationery and equipment • Systems and subscriptions to administer and manage the Zakāh projects (project management system, procurement etc.) • Bank charges • Rent and rates (if having an office). • Electricity and IT • Utilities • Office rent • General staff training
<p>Project direct</p>		<ul style="list-style-type: none"> • Actual cash to distribute • Cost of intervention (e.g., food packs, agricultural tools) • Vehicle for transporting specific goods. • Salaries of staff working directly on the project. • Cost of training beneficiaries on budget management (training materials, space for training etc.) • Banners and stickers for logo • A videographer/ photographer
<p>Fundraising</p>		<ul style="list-style-type: none"> • Event sponsorship • Paying for influencers to promote projects • Paying google ads

Understanding the cost table above:

1. **Administration/Central support** – This is the cost of overall operations and management e.g., salaries of the HQ CEO/finance team, HQ office rent, systems etc (this cost is typically aligned to UK HQ entities).
2. **Project support** – Costs incurred to support the infrastructure of an organisation’s projects portfolio, but not directly attributed to them e.g., in-country HR staff salary, utilities (typically aligned to actual field offices implementing projects). e.g. A HR staff member in the Syria office will deal with payroll for all projects associated, but isn’t a direct programme cost to a specific project.
3. **Project direct costs** – All costs directly attributed to deliver the project e.g., project manager working to deliver cash Zakāh delivery, purchase of goods, vehicle rental to deliver goods to the beneficiary etc.
4. **Fundraising** – Costs to raise more funds e.g., holding a fundraising event, marketing costs etc.

والله أعلم ، وصلى الله وسلم على نبينا محمد وعلى آله وصحبه أجمعين

And Allah knows best, and may Allah's Peace and Blessings be upon our Prophet Muhammad, his pure family, his noble Companions.

SIGNATORIES

CHARITY NAME

SHARIAH COUNCIL

CHARITY REPRESENTATIVE

COUNCIL REPRESENTATIVE

DESIGNATION

DESIGNATION

DATE

DATE

THE ISLAMIC COUNCIL
Islamic Finance Consultancy and Advisory

ZAKĀH POLICY

SHA'BĀN 1443 - MARCH 2022



Usage of The Islamic Council's endorsement in any form is not permitted without prior consultation. Consultations can be booked at ICEurope.org