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In the Name of Allah, the Most Gracious, the Most Merciful

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2018 Edition



## **Zakah calculation form**

**for use in Australia**

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**Sponsored by: Islamic Estate Planning Pty Ltd**

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**Published by: AXIS Solutions Pty Ltd**

P.O. Box 3437  
South Brisbane BC, QLD 4101  
AUSTRALIA  
Email: axis.publications@gmail.com

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Fourth Edition - 2018

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Allah knows best.

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### **Cover Picture:**

Syrian men carrying babies make their way through the rubble of destroyed buildings following an airstrike on the rebel-held Salihin neighbourhood of the northern city of Aleppo, on Sept. 11, 2016. Source: <https://abcnews.go.com/International/photos/syria-conflict-in-photos-20112474/image-46654760>

ISBN: 978-0-6483258-1-9

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# Preface

I recommend that you have the companion book, "How to calculate your zakah in Australia - 2018 edition" readily available when completing this form. The book outlines the various assets that are subject to zakah and, through examples, explains how zakah should be calculated.

Whilst the Prophet (Peace and Blessings Upon Him) clearly identified the assets that should be included in a zakah calculation and the zakah rates to be applied, zakah in today's world is complicated by the existence of "new" assets that did not exist at the time of the Prophet (PBUH).

During the era of the Prophet (PBUH), the common assets were gold and silver, livestock, agricultural land, crops, and business assets (largely merchants with stock for resale).

Today, the most common assets are:

- assets and businesses held in discretionary trusts;
- superannuation (retail or industry fund and self-managed);
- cash in various forms, including money market instruments and crypto currencies;
- investment properties and property developments;
- listed and unlisted shares, including managed funds, derivatives, and exchange traded funds (including franked and unfranked dividends);
- listed and unlisted fixed interest based securities;
- businesses where the most valuable asset is the company brand or its goodwill; and
- traditional businesses with stock in trade.

I would like to specifically thank the following Imams who contributed to a prior edition of this calculation form:

- Imam Yusuf Patel, at the time, secretary of the Jamiat-ul Ulama, Mpumalanga, South Africa for his reviews and mentoring; and
- Imam Uzair Akbar and Mufti J Akbar, of Holland Park Mosque, Brisbane, for their review of an earlier manuscript and their guidance.

As always, I would like to thank my wife Farida and my children Rashaad, Zahed, and Raesa for their support and review of the various manuscripts. The many debates greatly assisted me in formulating a perspective.

Thank you for reading this book.

Ebrahim Iqbal Lambat  
Brisbane  
May 2018

## About the Author



Ebrahim Iqbal Lambat (Iqbal) is a chartered accountant and holds a master's degree in business administration (MBA), majoring in project management and taxation. He also holds a Diploma in Financial Planning and is studying towards attaining a Graduate Diploma in Financial Planning and the Chartered Tax Advisor designation.

Iqbal is not a theologian, but he has a major interest in Islam. He has, in the last decade, written a number of books about various aspects of Islam.

Iqbal and his family migrated to Australia from South Africa. He has held senior business roles in major corporations in South Africa (including company directorships) and Australia.

Iqbal's passion is estate planning. He authored a number of publications in Australia on the Islamic law of succession within the Australian context. He is a director of Islamic Estate Planning Pty Ltd, a company focussed on providing Islamic estate planning services.



Rohingya refugees scramble for aid at a camp in Cox's Bazar, Bangladesh. Picture: Reuters. Source: *The Independent*. <https://www.independent.co.uk/news/world/asia/rohingya-refugee-camps-bangladesh-monsoon-cyclone-fears-myanmar-muslims-coxs-bazar-a8325766.html>

## Summary - Assets subject to zakah

The table below provides a summary of assets/income subject to zakah. For more information on how to calculate zakah per asset type, refer to the companion book that I wrote titled: "How to calculate your zakah in Australia - 2018 edition".

Asset/income	Include the following in your zakah calculation	Zakah rates
Cash	<ul style="list-style-type: none"> <li>All cash and bank accounts, including short term or long term deposit, in Australian dollars or multiple currencies</li> <li>Money market instruments</li> <li>Crypto currencies</li> </ul>	<b>2.5%</b>
Gold and silver	<ul style="list-style-type: none"> <li>Investments in gold and silver, including bullion or certificates backed by bullion</li> </ul>	<b>2.5%</b>
Jewellery	<ul style="list-style-type: none"> <li>All your jewellery that is not regularly worn or considered excessive</li> </ul>	<b>2.5%</b>
Shares in companies listed on the Stock Exchange	<ul style="list-style-type: none"> <li>The current market value of shares you intend to resell</li> <li>Current value of investments in managed funds that are active traders</li> </ul>	<b>2.5%</b>
	<ul style="list-style-type: none"> <li>The net dividend amount from shares that you are holding for long term dividends</li> <li>Investment income from passive managed funds held for long term dividend returns</li> </ul>	<b>10%</b>
	<ul style="list-style-type: none"> <li>Face value of fixed interest securities (bonds, debentures, etc.)</li> </ul>	<b>2.5%</b>
Property	<ul style="list-style-type: none"> <li>Market value of all property to be sold.</li> <li>Market value of vacant land (considered speculative)</li> </ul>	<b>2.5%</b>
	<ul style="list-style-type: none"> <li>The net rental amount from property being held for long term.</li> </ul>	<b>10%</b>
Debts owing to you	<ul style="list-style-type: none"> <li>Any debts owing to you. Include in your zakah calculation each year until paid or forgiven.</li> </ul>	<b>2.5%</b>
Superannuation funds	<ul style="list-style-type: none"> <li>Any voluntary and or personal contributions that you make to a superannuation fund.</li> <li>[Where your employer makes contributions on your behalf, these are not subject to zakah except in the years that you actually receive benefits from the superannuation fund.]</li> <li>Any lump sum and pension payments from superannuation funds.</li> </ul>	<b>2.5%</b>
Trust assets	<ul style="list-style-type: none"> <li>All businesses and investments held in trusts.</li> </ul>	<b>Depends on asset held by trust</b>
Assets in business	<ul style="list-style-type: none"> <li>Net current assets (stock + debtors + cash – creditors).</li> <li>Net profit after taxation but before depreciation and interest</li> </ul>	<b>2.5%</b>



Summary - assets subject to zakah

Asset/income	Include the following in your zakah calculation	Zakah rates
Business with large goodwill/brand valuation and insignificant working capital	<ul style="list-style-type: none"> <li>Net profit after taxation but before depreciation and interest</li> </ul>	<b>10%</b>
Businesses where you have shares either as a silent or active partner/joint ventures	<ul style="list-style-type: none"> <li>Your percentage ownership of the net current assets and net profit for the year.</li> </ul>	<b>2.5%</b>
Life insurance	<ul style="list-style-type: none"> <li>The surrender value of any annuity/endowment policy is subject to zakah.</li> </ul>	<b>2.5%</b>
Mining	<ul style="list-style-type: none"> <li>The value of ore extracted.</li> </ul>	<b>20%</b>
Crops	<ul style="list-style-type: none"> <li>The yield of the land if the land is irrigated by natural means (rainfall, rivers, etc.).</li> </ul>	<b>10% (not included in form)</b>
	<ul style="list-style-type: none"> <li>The yield of the land if the land is irrigated by "artificial" means.</li> </ul>	<b>5% (not included in form)</b>
Livestock	<ul style="list-style-type: none"> <li>Livestock, for example, camels, cattle, water buffaloes, goats and sheep (any animal that can be slaughtered for Qurbani) when they:                             <ul style="list-style-type: none"> <li>graze on the open field for the greater part of the year and are not stall fed;</li> <li>are kept for milk, breeding or fattening. Such animals are referred to as <i>Saaimah</i>. [Saaimah animals calculated on the number and not the value. Stud, thoroughbred and crossbred animals are therefore treated alike for zakah purposes.]</li> </ul> </li> <li>Stock of animals at market value where you are a trader.</li> </ul>	<b>Not in scope</b>
Liabilities	<ul style="list-style-type: none"> <li>Deductions for any amounts you owe. The full value of short term debts can be deducted whilst only the current year portion of long term/mortgage debts are permitted.</li> </ul>	<b>Deducted from 2.5% asset base</b>

# Zakah calculation form

Complete sections shaded in blue.

There are two components to calculating your zakah - assets subject to 2.5% zakah and income streams subject to 10% zakah.

## A. ZAKAH AT 2.5%

The following assets are subject to zakah at 2.5%. The companion book that I wrote, "How to calculate your zakah in Australia," explains what values to use for the various assets. You should refer to the book whilst completing this form.

SECTION A1: CASH (PERSONAL)		Zakah Value
1.1	Australian dollar equivalent of actual cash you have on you	
1.2	Cash you have in banks (savings accounts, fixed deposits, money at call, etc.):	
	Name of Bank:	
1.3	Cash that you have in overseas accounts (you can pay the zakah locally in local currency or you can pay the zakah from your overseas account):	
	Name of Bank:	
1.4	Money market instruments Cash management trusts - market value Other	
1.5	Crypto currencies - market value:	
	Bitcoin	
	Other	
<b>SECTION A2: GOLD AND SILVER</b>		
2.1	Value of gold and silver on hand	
2.2	Value of gold and silver certificates/deposits	
2.3	Value of gold/silver futures and options	
2.4	Other	
<b>SECTION A3: JEWELLERY</b>		
3.1	Value of all jewellery not worn (gold, silver, diamonds, sapphires, etc.)	
3.2	Value of excess jewellery (gold, silver, diamonds, sapphires, etc.)	
3.3	Value of jewellery owned by a male	
<b>SECTION A4: PROPERTY</b>		
4.1	Market value of properties held for sale.	
	Property:	



4.2	Market value of land held until development begins	
	Property:	
4.3	Market value of land and improvements under development - development intended for sale	
	Property:	
4.4	Net rentals from properties held for sale	
<b>SECTION A5: SHARES</b>		
5.1	Market value of shares held for sale	
	Share:	
5.2	Net dividends from shares held for sale	
<b>SECTION A6: MANAGED FUNDS</b>		
6.1	Market value of managed funds with active trading and high growth achieved by being an active trader	
	Fund:	
6.2	Net income from managed funds	
<b>SECTION A7: FIXED INTEREST SECURITIES</b>		
7.1	Face value (redemption value) of all fixed interest securities (bonds, debentures, bank bills)	
	Security:	
7.2	Net income from fixed securities	
7.3	Market value of managed funds with a large fixed interest security portfolio (you can pro-rata based on actual value of fixed interest security holding)	
	Fund:	
7.4	Net income from securities	
<b>SECTION A8: SUPERANNUATION</b>		
8.1	Total of voluntary concessional and non-concessional contributions made to date (refer to book on zakah for an alternative approach captured under the 10% zakah rate section)	
	Name of Superannuation Fund:	

<b>SECTION A9: DEBTS OWING TO YOU</b>		
9.1	All non-business debts owing to you and is likely to be paid	
	Debtor:	
<b>SECTION A10: BUSINESS ASSETS</b>		
10.1	<b>Net current assets/circulating assets/working capital:</b> (if you have more than one business - add all your business assets together)	
	Asset:	Company balance sheet value
	Cash	
	Debtors	
	Stock	
	Other current assets	
	<b>Total current assets</b>	
	Less current liabilities (due in the next year)	-
	<b>Net current assets</b>	
	<b>Net Assets</b>	
10.2	<b>Net profit before depreciation and interest, but after taxation</b>	
<b>SECTION A11: PARTNERSHIPS/TRUSTS/LARGE INVESTMENTS</b>		
11.1	<b>Your percentage share of net current assets</b>	
	Asset:	Company balance sheet value
	Cash	
	Debtors	
	Stock	
	Other current assets	
	<b>Total current assets</b>	
	Less current liabilities (due in the next year)	-
	<b>Net current assets</b>	
	Multiply by your percentage shareholding	%
11.2	<b>Your share of net profits</b>	
<b>SECTION A12: LIFE ASSURANCE</b>		
12.1	The surrender value on any policies	
12.2	Proceeds from any endowment policy	
<b>SECTION A13: OTHER ASSETS</b>		
13.1		
13.2		
13.3		
<b>DEDUCT LIABILITIES</b>		
	Deduct/subtract any debts that you owe and that are due in the next lunar year - only include the short term portion of long term debt. (You will need to decide if you include mortgage or other interest in the amount due next year)	

	Liability:	
<b>TOTAL NET ASSETS SUBJECT TO ZAKAH (total of all values under end column - zakah value)</b>		
Zakah due at 2.5% (multiply total value by 2.5%)		

NOTES:

- Where you hold assets in a trust, zakah needs to be calculated on those assets. You can approach this either:
  - by including the assets in the form above; or
  - having the trust calculate and pay the zakah due
- Place a value in the last column "Zakah Value" as is applicable for the assets that you hold.
- In the liability section, only include liabilities that are due next year. Where you hold long term liabilities such as mortgage bonds, only include that portion of the capital that you are paying in the next lunar year. You need to decide whether you include interest.
- Agriculture, mining, and livestock are not included in this form.

/Zakah at 10%....



Yemeni children wait to receive food rations provided by a local charity, in Sanaa, Yemen, Thursday, April, 13, 2017. Picture: AP/Hani Mohammed. *Source:* AP  
<http://www.news.com.au/world/middle-east/writhing-with-hunger-the-poorest-country-in-the-middle-east-on-the-brink-of-a-catastrophic-famine/news-story/6809172e7c2cfc4e64a1bef9f7a53447>

**B. ZAKAH AT 10%**

The following income streams are subject to zakah at 10%. The companion book, "How to calculate your zakah in Australia," explains what values to use for the various assets. You should refer to the book whilst completing this form.

<b>SECTION B1: DIVIDENDS FROM SHARES</b>					Zakah Value
1.1	Dividends received from shares held for long term dividend returns				
	Share:				
1.2	Add back franking credits				
<b>SECTION B2: NET RENTALS FROM PROPERTIES HELD FOR LONG TERM</b>					
2.1		Property 1	Property 2	Property 3	
	Rental Income				
	Less:				
	Agent's fees				
	Rates				
	Repairs and maintenance				
	Insurance				
	Interest?				
	Other				
	<b>Net Rentals</b>				
<b>SECTION B3: BUSINESSES WITH HIGH VALUE INTANGIBLES (Goodwill, patents, brands)</b>					
3.1	Net profit				
<b>SECTION B4: ALTERNATE VIEW ON SUPERANNUATION</b>					
4.1	Dividend yield on long term super voluntary contributions (provided fund is not a high volume trader focussed on high returns)				
<b>SECTION B5: OTHER</b>					
<b>TOTAL NET INCOME SUBJECT TO ZAKAH (total of all values under end column - zakah value)</b>					
Zakah due at 10%% (multiply total value by 10%)					
Add zakah calculated from Section A					
<b>TOTAL ZAKAH PAYABLE</b>					

# AXIS

Published by: AXIS Solutions Pty Ltd

PO Box 3437, South Brisbane BC, 4101

Email: [axis.publications@gmail.com](mailto:axis.publications@gmail.com)

“Zakah is obligatory like Prayer. There are some Muslims who do not pay zakah and they are some who give whatever they feel like giving, without observing the rules of zakah. Muslims must learn the rules of zakah, just as they learn the rules of Prayer.” Dr Muzzamil Siddiqi, member of the Fiqh Council of North America.

The zakah calculation form is a guide on how to calculate zakah on the following:

- superannuation (retail or industry fund and self-managed);
- cash in various forms, including money market instruments and crypto currencies;
- listed and unlisted shares, including managed funds, options, and exchange traded funds (including franked and unfranked dividends);
- listed and unlisted fixed interest based securities;
- businesses where the most valuable asset is goodwill;
- traditional businesses with stock in trade;
- assets held in discretionary trusts; and
- investment properties and property developments.

Reference should be made to the companion book, "How to calculate your zakah in Australia", when completing this form.



Yusuf joined the UNICEF malnutrition program in north-east Nigeria. Source: OCHA - <http://www.unocha.org/legacy/top-stories/all-stories/photo-story-north-east-nigeria-2017-review>

**Through zakah, let us reach out to the many Muslims in acute need.**

ISBN: 978-0-6483258-1-9