

HBZ Sirat Islamic Banking

A Brief Guide to

Zakāh

HBZ
سیراٹ
PATH TO SUCCESS سِرَاط

A Message from HBZ Sirat's Islamic Banking Branch

Dear Customers

Our industry is not only about fulfilling the banking needs of customers, but also fulfilling a broader responsibility of obedience unto Allah Ta'āla. Zakāh is an integral part in the life of every Muslim and we deem it our responsibility to guide you toward fulfilling this obligation.

Before you is a brief Zakāh guide which is aimed at clarifying the treatment of products on offer at HBZ Sirat.

I hope that you find this guide useful.

May Allāh Ta'āla accept your and our effort throughout the month of Ramadān, Aameen.

Was-Salam

Mohammad Mohsin Ahmed

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A Message from the Shari'ah team

Dear Customers

Zakāh forms one of five pillars of Islām and negligence regarding its fulfilment will be questioned on the Day of Qiyāmah.

While the fulfilment of Zakāh on personal physical assets is more easily understood, customers often overlook the application of Zakāh within an Islamic banking context. This is what sets Islamic Banking apart from its conventional counterpart.

This brief guide aims to provide a snapshot of Zakāh within the framework of products on offer at HBZ Sirāt.

We hope that you find it useful.

Was-salām

Muhammad Ismail (Mufti) - Shari'ah Advisor

Mahmod Suliman (Mufti) - Shari'ah Compliance Officer

The Zakâh Equation

- Zakâtable assets (see next slide) less Deductible liabilities (see next slide) equals (Net Zakâtable wealth) multiplied by 2.5% equals Zakâh payable

NB:

- If Net Zakâtable wealth exceeds or equals Nisâb = Zakâh is payable
- If Net Zakâtable wealth does not exceed Nisâb = No Zakâh is payable

Zakâtable assets and deductible liabilities

Zakâtable assets

- Gold
- Silver
- Cash
- Trade receivables
- Voluntary investments in Zakâtable assets
- Merchandise intended for resale
- Livestock (NB: Enquire further regarding methods if livestock is for breeding purposes)

Deductible liabilities

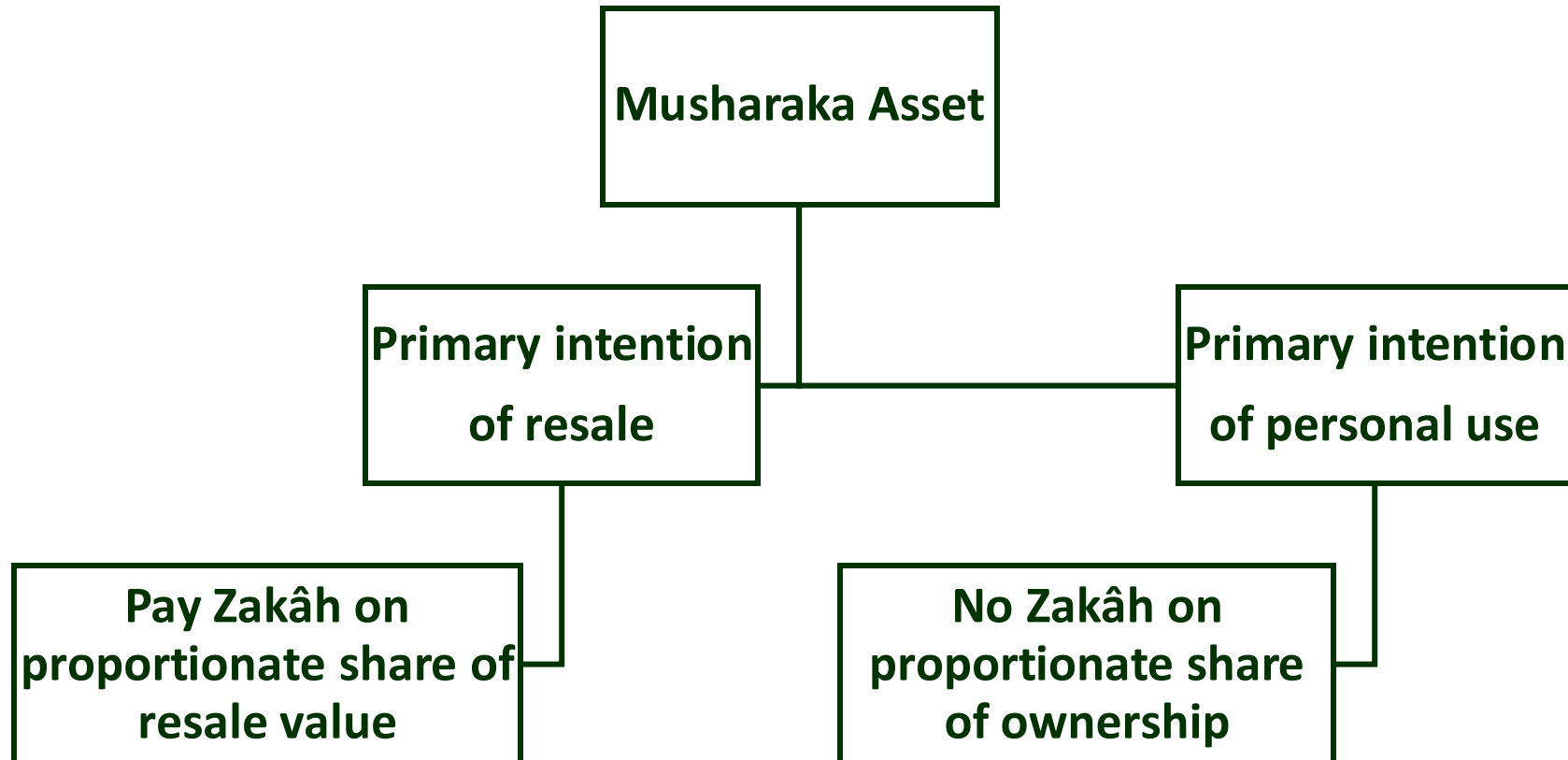
- Short term expenses for current month e.g. subscriptions, rent, telephone, school/Madrassah fees, etc.
- 12 months' instalments on long term conventional debt
- Current month instalment of diminishing Musharaka
- Debts payable in full within 12 months
- Unpaid Zakâh of past years
- Expenses due, but yet to be paid
- Accounts in arrears

HBZ Sirat – Murabaha

- On the asset side of an individual's Zakâh equation, there should only be an entry for the Murabaha goods under finance, as stock in trade, **AFTER** the offer and acceptance between customer and bank is executed. (NB: From a Shari'ah standpoint, merchandise is not yet classified as property of the customer until the offer and acceptance between customer and bank is complete.)
- For this purpose, the retail price is to be used. In the case of a wholesaler, the wholesale price may be used.
- On the liability side of an individual's Zakâh equation, there should be an entry for the total amount owed to the bank for the merchandise under Murabaha finance.

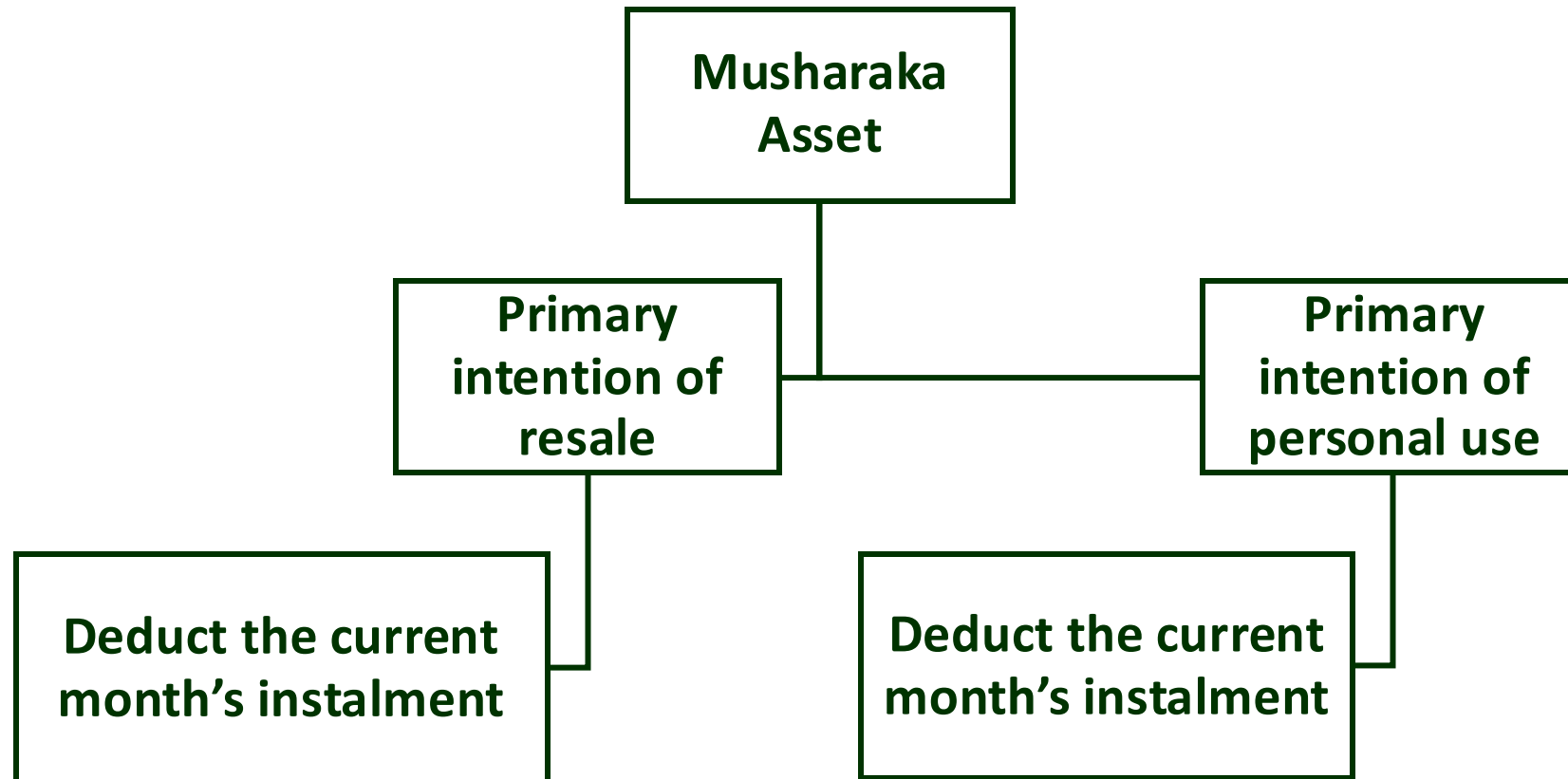
HBZ Sirat – Diminishing Musharaka (Asset side)

- As far as the entry on the asset side of an individual's Zakâh equation is concerned, the following detail will apply:-



HBZ Sirat – Diminishing Musharaka (Liability side)

- As far as the entry on the liability side of an individual's Zakâh equation is concerned, the following detail will apply:-



HBZ Sirat – Lodged security/Pledge

- Zakâh is **NOT** payable on customer-owned assets lodged with the bank under an active facility.
- Zakâh **IS** however payable (for the customer's account) on assets lodged with the bank under an inactive facility.

HBZ Sirat – Current Account

- Zakâh is only payable on the principal amount lodged with the bank.

HBZ Sirat – Islamic Investment Certificate

- Customers are required to use their current statement value for Zakâh purposes.

HBZ Sirat – Premium Call Account

- Customers are required to pay Zakâh on the principal amount plus the capitalised portion of profit.

HBZ Sirat – Saving Account

- Customers are required to pay Zakâh on the principal amount plus the capitalised portion of profit.

HBZ Sirat – FEC

- Customers are only required to consider an FEC contract value **if** an Offer and Acceptance have been concluded as at ones Zakâh due date.

Further Zakâh-related queries may be directed to:-

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