

Islam Question & Answer

General Supervisor:
Shaykh Muhammad Saalih al-Munajjid

380902 - He has shares that he intends to keep, but he may sell them if he needs the money or if the prices of the shares rise. How should he pay zakaah on them?

the question

I have an investment portfolio for buying Saudi shares. Every once in a while, I put some money in it and buy some shares, with the aim of saving and having growth in my wealth. But if I need money to buy a car or the like in the future, I will sell as much as I need in order to acquire the right amount of money. My question is: how do I pay zakaah on the wealth in this portfolio? Please note that sometimes I sell shares in one company and purchase other shares, as some companies are better than others with regard to distribution of profits, or they reach a good price that makes it tempting to sell them, and there are other shares whose price makes it tempting to buy them. I hope that you can give a detailed answer, because my intention is a mix of investing and making a profit.

Detailed answer

Praise be to Allah.

Firstly

Zakaah on shares is subject to details which have been explained previously in the answer to question no. [69912](#) .

The matter may be summed up as follows:

With regard to shares, there are two scenarios.

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The first scenario is shares which a person buys with the intention of trading in them. In that case, zakaah must be paid on their market value every year, no matter what type of shares they are.

The second scenario is shares which the owner wishes to keep and benefit from their returns. There are details regarding zakaah on them, according to the type of shares, as follows:

- 1.. In the case of shares in commercial or industrial companies, zakaah must be paid on the value of the shares, after deducting the value of equipment, tools and furniture, and also buildings.
- 2.. In the case of shares in agricultural companies, zakaah must be paid on what is equivalent to the share in terms of crops or fruits, if they are of the type on which zakaah must be given. That is on condition that the shareholder's share reaches the minimum threshold (nisaab), which is 300 saa's. Zakaah must also be given on what is equivalent to the value of the share in terms of currency in the company's fund.
- 3.. In the case of shares in service companies, such as hotels and transportation companies, zakaah must be paid on their returns and profits only.

Shaykh Ibn 'Uthaymeen (may Allah have mercy on him) was asked: I have one hundred shares in a company; do I have to give zakaah on them? What is the rate of zakaah on shares?

He replied: If the state - may Allah guide it - collects zakaah on these companies according to precise calculations, then you do not have to give zakaah, because the authorities have the right to collect zakaah and spend it on those who are entitled to receive it, as the Prophet (blessings and peace of Allah be upon him) used to send his workers to collect zakaah and bring it to Madinah, then he would distribute it.

But if the state does not collect zakaah, then you must work out the number of shares that you have, then if you have prepared them to trade in them, you must work out their value when zakaah becomes obligatory, and give one quarter of one tenth (2.5%) of the value, because this is

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the zakaah on trade goods. If you have not prepared them to trade in them; rather they are to be kept and grown, then no zakaah is due on items that do not come under the categories of wealth that are subject to zakaah, such as if someone has shares in tools or equipment that are not for sale; rather they are to be used. In that case, no zakaah is due on this equipment. Rather zakaah is only due on the profit that results from using them." (*Al-Liqa' ash-Shahri* 71/13).

Secondly:

So long as you have not bought the shares with the intention of trading in them, then the second scenario above applies in your case, and the zakaah varies according to the type of share.

If the shares are in commercial or industrial companies, and it is difficult for you to find out what should be deducted from the value of the shares, such as equipment and buildings, you should give zakaah on your shares according to the market value every year.

If they are shares in service companies, such as shares in hotels and transportation companies, then in that case zakaah is due on the returns, if they reach the minimum threshold (nisaab) by themselves or when added to your other wealth, and one full Hijri year has passed.

Thirdly,

What is meant by the value of the shares here is the market value, which is the price for which the shares are sold in the market.

You should give zakaah on this value, plus the profits if there are any.

It says in a statement of the Islamic Fiqh Council regarding zakaah on shares: When one full Hijri year has passed, if they are still in his possession, he should give zakaah on their market value, and if that value is unknown, then he should give zakaah on their value as worked out by experts. He should give one quarter of one tenth (2.5%) of that value and of the profits, if the shares

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earned any profit." (*Majallat al-Majmoo'* issue no. 4, vol. 1, p. 705).

And Allah knows best.