

Fatwas of Muslim Minorities Series (1)

Islamic Finance (Q & A)



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Introduction

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

All praise and thanks are due to Allah, and peace and blessings be upon His Messenger.

One of the basic characteristics of Islam is that it is a comprehensive religion that guides the whole life of the Muslim: It offers solutions for different problems and provides a roadmap to a prosperous life in the world and the hereafter.

Being the final religion, Islam is meant to be valid for all times and places. Whatever the circumstances or challenges that may face people, Islam always has the keys to the best handling.



Living as a minority in a non-Muslim context poses various questions to many Muslim communities around the world. Attempting to live an Islamic life in such environments is a challenge that requires Muslim



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communities, institutions, scholars, and leaders to work diligently to find solutions. Muslim scholars' role in this regard is vital. Different social, political and financial issues emerge and need to be considered from an Islamic perspective.

As part of OnIslam.net's message to provide a moderate, comprehensive Islamic perspective on the issues facing Muslims around the globe, this series "*Fatwas of Muslim Minorities*" is launched to offer answers to many of the questions that haunt Muslims, individuals and communities, in their pursuit of ways to live righteously and abide by the teachings and ethics of Islam.

The first part of this series focuses on the financial issues that face Muslim minorities, As many of their ' concerns and questions related to banks, loans, mortgage, insurance, business, investment, retirement plans, etc., are given proper attention.

Featuring more than 40 *fatwas*, the three chapters of this book, namely, 1. *Banking and Finance*, 2. *Business and Investment*, and 3. *Zakah and Charities*, provide a comprehensive coverage that, hopefully, will fulfill the readers' needs as far as financial questions are concerned.

It is noteworthy that all questions and answers cited here are from OnIslam.net's resourceful Fatwa Bank, with names of questioners are withheld to protect identity and privacy.. However, the Muftis' names are mentioned in order to attribute *fatwas* to prominent scholars who issued them.

May Allah help every Muslim practice Islam and be blessed with the Islamic guidance. Ameen!

OnIslam Shari`ah Team

CHAPTER ONE

Banking and Finance



- ✦ *Take Mortgage If Islamic Finance Is Overcharging?*
- ✦ *Purchasing Houses With Usurious Loans in the West*
- ✦ *Sukuk to Finance Projects: Allowed?*
- ✦ *Cost-Plus Financing (Murabahah)*
- ✦ *A Loan With a Very Low Interest*
- ✦ *Using Master Cards that Entail Extra Charges*
- ✦ *Could I Accept a Gift from a Bank?*
- ✦ *Should I Emigrate If No Islamic Banks Available?*
- ✦ *Can a Non-Muslim Use an Islamic Bank?*
- ✦ *Currency Exchange in the Eyes of the Shari`ah*
- ✦ *Working with Banks*
- ✦ *Life Insurance from an Islamic Perspective*

And more...

Shall I Take Mortgage If Islamic Finance Is Overcharging?

Q. As-salamu `alaykum. Hope you are doing well. I have different opinions from different people regarding having own house. Some people say that since you are living in Canada, so you have to follow the same way buying house through mortgage if you don't have that much amount. Other people say Islamic financing but I found they charge very huge amount which is more than what bank takes. Kindly, help me find out the best way of purchasing.



Mufti: Dr. Monzer Kahf

A. Wa `alaykum as-salamu wa rahmatullahi wa barakatuh.

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

All praise and thanks are due to Allah, and peace and blessings be upon His Messenger.

Muslims are ordained to adhere to the Qur'an and the *Sunnah* everywhere and at all times.

As for purchasing a house, if Islamic finance is not available, it is permissible to have conventional finance with some conditions for families who need housing and could not afford to buy it.

In his response to your question, **Dr. Monzer Kahf**, a prominent economist and counselor, states,

“Dear Brother, Muslims, wherever they live, are called by the Qur'an to follow the guidance given by Allah. One of these commandments is the prohibition of *riba*. It should be avoided all the time and anywhere including being in Canada or the USA.

Muslim families in the West have the right to own their own homes if they need them. When Islamic finance is not available, conventional finance is permissible for families who need housing. If Islamic finance is much more costly than non-Islamic finance, I consider the overcharging Islamic finance as non-existing.”

Allah Almighty knows best.

How to Islamically Finance My Home?

Q. As-salamu `alaykum. I know that *riba* (interest) is *haram* (unlawful). But I don't really understand the Islamic or *Shari`ah* compliant home loans. Some seem to charge fees for the loans and I don't see how this is different from *riba*. Eventually, I would like to buy a house again, insha'Allah. I also read that one can do Islamic financing without a credit check. That would be very helpful too. Do you know good banks in the USA? I've heard there are some kinds of financing cooperatives too. Can you help me understand this including possible best options?



Mufti: Dr. Monzer Kahf

A. Wa `alaykum as-salamu wa rahmatullahi wa barakatuh.

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

All praise and thanks are due to Allah, and peace and blessings be upon His Messenger.

The basic rule is that a Muslim is not allowed to get an interest-based loan to finance a project. However, some banks offer *Shari`ah*-compliant contracts and services through which a Muslim could finance his or her projects.

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Responding to your question, **Dr. Monzer Kahf**, a prominent Muslim economist and counselor, stated,

"Of course *riba* (usury) is *haram* (impermissible) as you know. What must be realized is that while lending for interest or any increment under any name is *haram* because lending itself does not create a new wealth (value) financing, means other than lending are permissible and it is permissible to provide financing for profit.

In house finance, there are two ways that are permissible in Islam:

1. The finance provider may be asked to buy the house for cash and sell it to you for a higher price and deferred payment on installment. There are a few banks and finance companies in America which offer this finance.
2. The second is the same but they rent/sell to you on installment. So that each payment you make to the financer is divided into two parts; rent and payment to buy a small part of the house. The rent declines with time and the payment toward purchase increases.

For these, please, check the internet for names of banks and companies which offer these two contracts because they are commercial institutions and I cannot recommend any of them.

There are Islamic Housing Cooperatives in Canada (Toronto). There is also one Islamic housing cooperative in St Louis, MS and one in Bay area in San Jose CA. There may be others too."

Allah Almighty knows best.

Purchasing Houses With Usurious Loans in the West

Q. I'm a Muslim, living in a non-Muslim land, and need to buy a house with a usurious loan. Is it lawful for me to do so or not? Please clarify in details, for it is a serious issue.



Jazakum Allah Khayran.

Mufti: European Council for Fatwa and Research

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

All praise and thanks are due to Allah, and peace and blessings be upon His Messenger.

First of all, we would like to stress that it is the duty of Muslims living in the West to exert concerted efforts to have their own financial institutions that help them finance their projects and establish their economic presence in this part of the world. With this, they will be in no need to resort to usurious loans to purchase houses.

Having stated this, we can say that Muslim scholars have permitted Muslims, especially those living in the West, to purchase houses through mortgage with certain conditions that are explained in the fatwa issued by the **European Council for Fatwa and Research**, which goes as follows:

"The Council discussed in detail several papers concerning the purchasing of houses through mortgage and came to the following conclusion:

1. It stresses, according to what has been agreed upon by the Muslim *Ummah* , that usury is forbidden. It is a major sin and is one of the seven gravest ones. Those who commit it are considered as being waging war against Allah, and His Prophet (peace and blessings be upon him). In this vein, the Council supports what has been decided by *Fiqh* Councils throughout the Muslim world that bank interests are usury.
2. Therefore, the Council invites the Muslim community to do its utmost to seek Islamic alternatives such as *murabahah* (sale at a profit), which is practiced by Islamic banks. They should avoid doubtful matters to the furthest extent possible. It encourages them to establish their own construction companies that can build houses and sell them to Muslims with relaxed, less strict lawful ways of payments.
3. The Council calls upon Islamic organizations throughout Europe to enter into negotiations with European banks to find formulas that are acceptable to the Muslim client. Formulas like *Bei` At-Taqsit* or sale for deferred payment, where the buyer is required to pay more money due to the fact that payment is not immediate. This formula will help both banks as well as the Muslim community. This formula is in operation in some European banks.

In addition to this, some European banks opened branches in some Muslim countries, where transactions are run according to the *Shari`ah* as in Bahrain. In this regard, the Council would send appeals to European banks to observe the needs of the Muslim community.

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4. If all the above suggestions are unavailable, the Council, in the light of evidence and juristic considerations, see no harm in buying mortgaged houses if the following restrictions are strictly observed:

- A. The house to be purchased must be for the buyer and his household.
- B. The buyer must not have another house.
- C. The buyer must not have any surplus of assets that can help him buy a house by means other than mortgage.

This fatwa is based on the following two major juristic considerations:

The agreed upon juristic rule which states that extreme necessities turn unlawful matters lawful. This rule is derived from five Qur'anic texts, amongst them:

{But whosoever is forced by necessity without willful disobedience, nor transgressing due limits; (for him) certainly, your Lord is oft-Forgiving, Most Merciful.} (An-Nahl 16: 115)

Moreover, jurists have established that *hajah* or the necessity or need, whether for an individual or a group, can be treated in equal terms with *darurah* or extreme necessity. *Hajah* or need is defined as those things which put the Muslim in a difficulty, if not fulfilled, even if he/she can do without. *Darurah* or extreme necessity, on the other hand, is that which the Muslim cannot manage without. Allah has lifted difficulty as stated in *surat* Al-Hajj and Al-Ma'idah:

{And He has not laid upon you in religion any hardship} (Al-Hajj: 78), and **{Allah does not want to place you in difficulty, but He wants to purify you, and to complete His Favor to you that you may be thankful.}** (Al-Ma'idah 5: 6)

Any house that meets the criteria set up by the definitions of *hajah* and *darurah*, as mentioned above, is the one suitable for the Muslim family in terms of size, location, locality and amenities.

However, the *fatwa* is built on the rule of *darurah* or *hajah*, which is treated in a similar manner like *darurah*, the Council stresses that there is another rule which governs and complements the rule of extreme necessity and need. This rule states that what has been made permissible due to extreme necessity must be dealt with great care and taken in measure. It should be restricted to the category of people who are in real need for a house. However, the *fatwa* does not cover taking up mortgage to buy a house for commercial reasons or for purposes other than buying a personal house for those who do not have one.

Undoubtedly, accommodation is necessary for individuals as well as families, and it's part of the great blessings which Allah has His servants with, as He says: **{And Allah has made for you in your home an abode.}** (An-Nahl 16: 80). The Prophet (peace and blessings be upon him) has explained that a spacious house is one element of three or four elements that constitute the concept of happiness.

Rental houses do not fulfill all the Muslim needs. They do not give him the sense of security, as he/she keeps paying towards rents for long periods of time. He/she might be asked to evacuate their rented accommodation for some reasons like size of the family, or growing number of guests. When getting older or have his/her benefit suspended he/she might even be subject to eviction. Buying one's own house spares Muslims all these discomforts and helps them to be in the immediate vicinity of Mosques, Islamic centers or schools as it helps them build up their smaller Muslim community within host countries where families get to know each other and work to establish their cultural identity.

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Purchasing a house also helps the Muslim family to modify it to accommodate their social and religious needs. Besides all these individual benefits, it helps the Muslim community, being a minority, to free themselves from the financial pressure that renting accommodation often causes, and focus their attention on *da`wah*. This cannot in fact be possible if the Muslim family works all the time just to cover the expenses of their rented accommodations as well as their living.



The second criterion upon which the *fatwa* is based is the juristic verdict which claims that it is permissible for Muslims to trade with usury and other invalid contracts in countries other than Islamic countries. This opinion is held by a

number of renowned jurists such Abu Hanifah, his colleague Muhammad As-Shaybani, Sufyan Ath-Thawri, Ibrahim An-Nakha'ie, and according to one opinion of Ahmad Ibn Hanbal which was declared as true by Ibn Taymiah, according to some Hanbali sources. It is also the declared opinion of the Hanafi school of jurisprudence. What makes this last criterion accommodates our fatwa is a number of considerations, amongst which are the following:

1. According to the *Shari`ah*, Muslims are not obliged to establish the civil, financial and political status of the *Shari`ah* in non-Muslim countries, as these lie beyond their capabilities. Allah does not require people to do things that are beyond their capacity.

2. Prohibiting usury is a matter that concerns the host non-Muslim countries, and which Muslim communities can do nothing about it. It has many things to do with the socio-economic philosophies of the host countries. However, in these countries, what is required of the Muslim is to abide by the *Shari`ah* rulings in matters that concerns him in person such as the rules that govern acts of worship, food, drinks and clothes, marriage, divorce, inheritance and so on.

If Muslims choose not to deal with contracts involving usury in non-Muslim countries, this might weaken them financially. Islam is, however, supposed to strengthen Muslims not to weaken them, increase rather than diminish them, benefit and not to harm them.

Some Salafi scholars claimed that Muslims could inherit non-Muslims as this goes in line with the Hadith which says: **“Islam increases and never decreases”**, i.e., it increases Muslims in power, wealth, etc. Similar in content is the other Hadith which says: **“Islam is superior and none can excel it.”**

Therefore, if Muslims are not to trade with these invalid contracts and transactions (where extreme necessity and urgent need is involved), then they will end up paying what is required from them (in transactions that involve usury) without receiving any benefit in return. They will thus be losers as they will be obliged to honor these transactions, and in return get nothing. No doubt, this will bring financial detriments to Muslims.

Concerning cases where the Muslim is the recipient, i.e. the beneficiary, the Hanafis allow usury in and they permit invalid contracts only if two conditions are satisfied:

First: Where the Muslim is the beneficiary.

Second: Where deception, involving non-Muslims, is avoided.

Arguing against this claim, first we would maintain that in our case, the benefit has not been realized. The second is, the claim has not been authenticated as this has been affirmed by Muhammad Ash-Shaibani – one of the chief scholars of the Hanafi Juristic School and a student of Abu-Hanifah- in his book: *As-Siar Al-Kabir*. Moreover, earlier scholars of the school did not set up any conditions (regarding trading with usurious contracts in non-Muslim lands). However, in our case even if the Muslim is the giver (of usury) he/she is still the beneficiary as he/she will win an own house after a number of years.

Furthermore, statements forwarded by Muslims living in Europe to the Council through correspondence and/or direct contacts show that payments made through mortgage are equal, and sometimes lower, than those paid as mere rent mortgage. It follows that if we are to forbid usurious transactions, Muslims will be impeded from securing their own house, despite it being one of *Al-Hajat Al-Asliyyah*, i.e., the essential needs, according to the jurists' terminology. Hence, Muslims will end up paying towards rents for a number of years without owning their houses, while they can own them if these payments are to be made towards mortgages.

Finally, even if this transaction is declared invalid by the Hanafi and those who hold a similar view, it will certainly be permitted where *hajah* (i.e., the need that is treated by jurists on similar grounds like *darurah*, which makes impermissible things permissible) comes into consideration.

What makes our argument sound and valid is that Muslims are compelled to take usury, i.e., they do not deal with it on purpose or by their free choice. The prime criterion for forbidding usury, according to a number of Qur'anic verses, revolves essentially around taking usury (not giving it). However, giving usury is forbidden only to obstruct

pretext, i.e., ways lead to usury, i.e., *Sadd Adh-Dhara'i`*. On similar grounds, notaries and witnessing usurious transactions are prohibited.

While taking usurious loan is categorically forbidden, paying interest attached to a loan is permitted if there is *hajah*, i.e., an urgent need as maintained by a number of jurists. It has also been maintained that taking a usurious loan is permitted if there is no other way available.

A famous rule that we could put forward in this regard is what has been made forbidden for an essential reason within the transaction can only be made permissible for cases where *darurah* i.e. extreme necessity is involved, and what has been made forbidden to obstruct further ways that lead to usury can be made permissible for *hajah*, i.e., need."

Allah Almighty knows best.

How to Buy a House Without Mortgage?

Q. As-salamu `alaykum. How can I buy a house in an Islamic way so I do not have to borrow from a bank and pay mortgage interest? I have seen a condo for \$250,000. I have to pay down payment of 10% which is \$ 250,000. Please, advise.



Mufti: Dr. Monzer Kahf

A. Wa `alaykum as-salamu wa rahmatullahi wa barakatuh.

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

All praise and thanks are due to Allah, and peace and blessings be upon His Messenger.

It is clearly known that usury (*riba*) is impermissible (*haram*) either in housing or any other dealings.

Responding to your question, **Dr. Monzer Kahf**, a prominent Muslim economist and counselor, stated,

"Of course these days in Canada and almost everywhere else no body accepts to finance you 100%. You will have to manage the down payment.

If you are in Alberta, there is a credit union there which has an Islamic finance contract. It is called Assiniboine. In other areas there are also some companies which offer Islamic finance at competitive prices. There is also the Islamic housing cooperative in Toronto area.



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You must remember that Islamic finance does not mean it is free of cost. It has a cost but it is made in a way permissible in Islam either through *Murabahah* or through *Ijarah* contracts. Islam does not prohibit financing for profit; it only prohibits financing on loans for profit."

Allah Almighty knows best.

Sukuk to Finance Projects: Allowed?

Q. As-salamu `alaykum, Dr. Monzer. We recently read that Egypt was considering issuing around \$2 billion worth of *sukuk* to help fund its development projects and bridge the gap in its currency reserves. My question is: I understand that *sukuk* could be used to finance private sector projects on a profit sharing basis, but can *sukuk* be used to finance a country's budget deficit and not be considered a form of usury (*riba*) from the point of view of Islamic Law? And how does *sukuk* work exactly that makes it different from traditional interest-based finance? Jazakum Allah Khayran.



Mufti: Dr. Monzer Kahf

A. Wa `alaykum as-salamu wa rahmatullahi wa barakatuh.

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

All praise and thanks are due to Allah, and peace and blessings be upon His Messenger.

Responding to your question, **Dr. Monzer Kahf**, a prominent Muslim economist and counselor, stated,

"Dear Brother,

In fact *sukuk* are a perfect Islamic alternative to treasury bond to finance budget deficit. They work better in the public sector than in the private one.

The budget in Egypt has several development projects such as roads, railroads, airports, etc. The government issues *sukuk* for these projects and their like as follows:

A *wakalah* (proxy) given by *sukuk* holders to the specific authority to construct the road whose cost is 2 billion Dollars; the road, say, takes 2 years to be built and then the government rents it for 10 years, a rent which ends with ownership, i.e., with payment of its cost price over this period.

Rent can be paid in advance, say the rent is taken at 5.5% for the ten year period. The rent payment can be distributed on the full 12 years instead of leaving the first 2 years without any payment. This is a payment in advance of the rent.

At the end of 12 years the road becomes owned by the road authority. Of course from day one of the rent the government intends to let the road be free for people. It is beautiful and fully *Shari`ah* compliant.

Some *Shari`ah* scholars go beyond the limit (in my opinion) to allow the same for an existing road by selling it cash to *sukuk* holders and rent/buy it back from them. I believe this is not permissible.

Sukuk have advantage over treasury bills in that they can only be issued for real projects not simply to cover deficit. They have a ceiling which related to real economic activity in the economy.

Of course if you take the opinion of “some scholars”, this advantage is lost because you take existing assets and issue *sukuk* on them once and again and they are already meaning there is no new real economic activity. ”

Allah Almighty knows best.

Cost-Plus Financing (Murabahah)

Q. Is the *murabahah* in Saudi National Bank *halal*? If you need the procedure, please advise.

Mufti: Dr. Yusuf Al-Qaradawi

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

All praise and thanks are due to Allah, and peace and blessings be upon His Messenger.

In response to your question, **Dr. Yusuf Al-Qaradawi**, president of the International Union for Muslim Scholars (IUMS) says:

“Before giving the verdict regarding the *murabahah* transaction, let's look at it through an example.

A man who owns a hospital goes to an Islamic bank and says to the banker: I need to buy a modern medical apparatus, the price of which I cannot afford for the time being. I do not want to resort to the non-Islamic banks to take an interest-based loan. Therefore, can your bank help me in this without being involved in *riba*? Can your bank afford to buy the apparatus for me with a considerable profit margin stipulating that I pay the price in a defined period of time?

The banker replies: Yes. We can buy that apparatus with the specifications you define and from the retailer you choose, stipulating that the bank gets a given sum of money or a given rate of the profit. You can pay the price after a while as you desire. But, the transaction



will not be effected till the bank actually buys the aforementioned apparatus and owns it itself or through its deputy. This is done this way in order for the bank to sell what it already has and owns.

Therefore, between the bank and you (owner of the hospital) is a mere promise to sell the commodity to you after it is actually owned by the bank.

The man says: Then the bank is held responsible for buying, paying for, transporting, and shipping the appointed apparatus. The bank is also responsible for the damage that may be caused to the apparatus through all these procedures. Moreover, if any defect appears in the apparatus, the bank will be responsible for returning it according to the defined legalities.

The banker says: Yes, sure. But, the bank is afraid that after fulfilling your desire and buying the medical apparatus, you refrain from taking it from the bank, which can be disastrous to the bank and its clients.

The man says: When a Muslim promises, he does not break his promise. I am ready to sign any papers that make the bank sure I am going to buy the apparatus from it. But, what makes me sure that the bank will not give the apparatus to anyone else on the pretext that he will pay a higher price than the one agreed upon?

The banker says: The bank is committed to its promise in the same way. We are ready to sign whatever papers may be required to be sure of that.

The man says: It's a deal.

The banker says: Let's sign these papers. You sign an order in which you express your intention to buy the apparatus and a promise that you will take it from us, along with a promise on the bank's part that it will submit the apparatus to you and no one else.

This is *murabahah* which has been approved by all the legal bodies in many Islamic banks and which has gained approval through many *fatwas* issued by scholars."

In addition, the Islamic Bank conference held in Dubai, in Jumada Al-Akhirah 1399 AH\1979 AC., in which 59 scholars from all around the world met, approved a similar form of transaction.

Also, in the second Islamic Bank conference held in Kuwait in Jumadah Al-Akhirah 1403 AH\March 1983 AC, with participants from 12 Islamic financial organizations along with a great number of scholars, it was unanimously agreed that such transaction is permissible."

Allah Almighty knows best.

A Loan from *Haram* Money for Investment

Q. As-salamu `alaykum. I want to borrow money from someone and use that money to build houses. Then I plan to sell some of the houses and rent the others out. The problem is that the money of the person from whom I want to borrow is *haram* (it is not even *halal* money mixed with *haram*, rather all of his money is *haram*). If I borrow his money and build the houses with it, will the money I get from selling and renting out the houses be *halal* for me, as the houses have been built with *haram* money? Thanks!



Mufti: Dr. Monzer Kahf and Dr. Wael Shihab

A. Wa `alaykum as-salamu wa rahmatullahi wa barakatuh.

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

All praise and thanks are due to Allah, and peace and blessings be upon His Messenger.

Generally speaking, Islam calls for investing money by all lawful means and condemns storing wealth not spending it in people's benefits.

However, a Muslims is not allowed to borrow and invest money that he is quite sure that is unlawful (*haram*).

Responding to your question, **Dr. Monzer Kahf**, a prominent Muslim economist and counselor, stated,

"The more important question is: how do you determine that his money is *haram*? And what gives you the right to poke your nose in other people's hearts, actions, and behaviors?

Money can be *haram* if it is forfeited, i.e., false or not real money, or if you saw the person stealing it from its true owner. Otherwise you cannot even determine that interest-based banks money is *haram*.

The most that can be said about interest-based banks is that their interest transactions (not money) are *haram*.

If the money is stolen or forfeited you must not borrow it and if you do knowingly, you are then a part of the crime."

Moreover, **Dr. Wael Shihab**, PhD in Islamic Studies, Al-Azhar University, and the Head of OnIslam.net's (English) Shari'ah Dept. added,

"Though you are not to ask about the source of money of the person you would take a loan from, if it happens that you know for sure that his money is 100% *haram*, I don't recommend dealing with him. I think that normal financial dealing with such a person encourages him to continue in earning *haram* money. So, I see that if you—and other people as well—avoid normal financial dealings with him, he may reconsider the source of his money and look for *halal* avenues.

If somebody has *halal* and *haram* money, you may take a loan (without interest of course) from him. However, you should properly advise him to clean himself of the *haram* sources of money and stick to what is *halal*."

Allah Almighty knows best.

A Loan with a Very Low Interest

Q. As-salaamu `alaykum. I

am working in a government organization which engages maritime business. The employees of this organization are entitled to apply for the various types of loan (Vehicle loan, Ten month loan, etc.) based on their job category. Although these loans are interest based,

the interest is very low comparing to the bank. I'm also thinking of applying for loan to buy a vehicle since I don't have one. But some fellow Muslim employees say it is *haram*. Others say it is acceptable since I don't have any other options. Please clarify this to me. Jazakam Allah khayran.



Mufti: Dr. Monzer Kahf

A. Wa `alaykum as-salamu wa rahmatullahi wa barakatuh.

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

All praise and thanks are due to Allah, and peace and blessings be upon His Messenger.

It should be clearly known that interest is impermissible (*haram*) either it is of high or low rates. Hence a good Muslim is required to

save no effort in avoiding interest in his dealings and seek the correct alternatives, even if they are more difficult for him.

Responding to your question, **Dr. Monzer Kahf**, a prominent Muslim economist and counselor, stated,

"Interest is *haram* regardless of whether the rate is low or high; of course higher rates make it uglier. Interest is *haram* because a loan makes a debt on the borrower and the debt does not generate any increases through time.

For this reason, it is called *zulm* (injustice) in the Qur'an since the lender takes an increase which is not, and cannot be, generated by the asset he owns.

The alternative is either credit sale even, if it were at a higher price (which is definitely different from *riba*, because the seller gives a car that generates utility/value) or you wait until you save the price of the car."

Allah Almighty knows best.

Using Master Cards that Entail Extra Charges

Q. In European countries, you can get the so-called visa or master card. It can be used for paying in shops, but if it's used to withdraw money from cash points, there would be a charge of 1.5% (i.e. when you receive a statement to repay what you've spent there will be some extra amount of 1.5% added). Is it considered *Riba* (interest) since they don't call it interest in the statement, but just a charge for using withdrawing facility?



Mufti: Dr. Monzer Kahf

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

All praise and thanks are due to Allah, and peace and blessings be upon His Messenger.

Responding to the question, **Dr. Monzer Kahf**, Scholar in Islamic Economics & Financial Expert, states the following:

"The credit card matter is a kind of complicated issues. Take the following point as a simplification:

1. Credit card contract has a conditional interest (*Riba*) clause. Credit cards may be used to pay for purchases and to withdraw cash. The condition is left to the customer to activate. If you pay within the

grace period, without withdrawing cash, there will be no interest. Cash withdrawal activates the interest clause from the day of withdrawal (you missed this part, you can see it on the statement, it is in addition to the 1.5% charge) and leaving a balance in your account activates interest from the date of the statement (not from the end of the grace period).

2. The above means that while it is forbidden for any Muslim or Muslim Bank to issue credit cards contracts with this condition, and it is forbidden too for any Muslim to sign such a contract if there is possibility for him/her to use it in such a way that activates the *riba* clause (by the way it is also much costlier that even direct borrowing from a *riba*-based bank), it is permissible to sign such a contract and use the card for purchases only for all Muslims who are sure about themselves to pay within the grace period and not to use it for cash withdrawal (they must be sure of their accuracy and capability of payment on time).

3. The charge or commission issuers of credit cards take from merchant is permissible, so are the membership annual fees. Further, the problem in cash withdrawal is not handling fee (i.e., the 1.5% you mentioned) but the activation of the interest clause as mentioned above."

Could I Accept a Gift from a Bank?

Q. As-salamu `alaykum

Sheikh. Firstly, I am using credit cards for my transactions and paying off on time without any interest. I am also planning to move towards using debit card instead of credit card as some people say it is desirable. Please,

advise. Secondly, while using credit cards I have accrued a good amount of reward points, which the credit card company allows me to en-cash. Is it *halal* to use this? Because, in my understanding banks profit from interest-based business and they are giving me a gift from the money earned through that. Please, clarify if it is *halal/haram* accepting it. Jazaka Allah khayr.



Mufti: Dr. Monzer Kahf

A. Wa `alaykum as-salamu wa rahmatullahi wa barakatuh.

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

All praise and thanks are due to Allah, and peace and blessings be upon His Messenger.

In his response to your question, **Dr. Monzer Kahf**, a prominent economist and counselor, states,

"If you pay the balance on time, always you are a free rider and it is permissible. Debit card is not better in this regards although I know there are people who claim that signing the contract of credit card is itself *haram*. I do not believe so, because the contract gives you the option to pay on time without interest.

Points and other promotions are permissible. Banks benefit a lot from interest on credit cards by people who do not pay on time but they also benefit from fees they collect from business that accept the cards. These fees are permissible.

Besides, it is none of your business what banks earn or do with other customers as long as your relation with your banker has no interest or other non-permissible elements. These points and privileges are permissible in my opinion."

Allah Almighty knows best.

Should I Emigrate If No Islamic Banks Available?

Q. As-salamu `alaykum. I

live in a non-Muslim country in which there are no Islamic banking possibilities. (It seems that the population is too small to warrant any of the banks here to offer Islamic banking services).



1- Is it permissible under

such circumstances to resort to taking a loan to buy a house or car? Can you, please, let me know if there are any rulings on this matter?

2- Also, is it permissible to sign up for private pension insurance again under the circumstances that there are no Islamic alternatives? I have read on some other Islamic websites opinions which recommend the Muslim to move to an Islamic country or a country where there is Islamic banking. But this is not possible for everyone. I am quite worried, I know what we should avoid any non-Shari`ah compliant banking methods and I wish to avoid committing a sin by taking such loans. Thank you very much, Jazakum Allah khayran.

Mufti: Dr. Monzer Kahf

A. Wa `alaykum as-salamu wa rahmatullahi wa barakatuh.

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

All praise and thanks are due to Allah, and peace and blessings be upon His Messenger.

Muslims can live in a non-Muslim country as long as they are allowed to practice the fundamental rituals of Islam.

If renting a house is not available, you can resort to banking mortgage providing that there is no Islamic finance facility available. As for insurance, it is permissible according to *takaful* (Islamic insurance). If that is not available, then insurance is permissible.

Responding to your question, **Dr. Monzer Kahf**, a prominent Muslim economist and counselor, stated,

"As for the first question, Muslims who live in the West or non-Muslim country need not to move to any other countries unless the law prevents them from practicing the fundamentals of their religion. These are circumstances, economic and otherwise, that require many Muslim families to live in Western countries and they enjoy fair laws. The prohibition of *riba* (usury), like all other rulings of *Shari`ah*, is not intended to make life difficult, but rather to prevent injustice and make social life better and fairer.

The issue of housing and other necessities of life was discussed in several collective meetings of *Shari`ah* scholars and there are several *Shari`ah* opinions which conclude that decent housing, being a necessity for all families, can be obtained either by buying or renting and when one needs a residence, if renting is either not available or not suitable for financial or any other reasons, resorting to

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conventional banking mortgage is permissible provided there is no Islamic finance facility available.

The principle of necessity applies to all other matters. I believe that buying a car in Austria is not necessary unless it is required for work which is the main source of income (like plumbers who go from house to house with their load of tools and equipments). Also housing may not be in some countries a real necessity if renting in decent areas is available at reasonable fares. What matters is that one should make his/her own judgment keeping in mind that the Questioner (Allah) is Most Knowledgeable.

Regarding the second question about private pension insurance, I need more details. The principle is that insurance is permissible on the basis of *takaful* (Islamic insurance). If *takaful* is not available, taking conventional insurance (car, hazard, life, pension, etc.) is permissible if needed.

I believe that Muslims who live in Western countries and in countries where community troubles and conflicts exist such as India, should take all kinds of insurances even with conventional companies, when Islamic insurance is not available. When insurance is required by law, Muslim must take it anyway.

Further, in private pension insurances there are usually choices of what you invest in. One should then choose shares which have minimum impermissibility as much as possible and estimate the part of the return which comes from non-permissible uses and give this part away to Muslim charity.

Remember that the issue of insurance itself is disputed among Muslim scholars. Some of the most respected scholars argue that it is permissible if it does not contain interest. In other words the issue of insurance is not as strong as the issue of prohibition of interest."

Allah Almighty knows best.

Can a Non-Muslim Use an Islamic Bank?

Q. Respected scholars, as-salamu `alaykum. Can a non-Muslim use an Islamic Bank? I was informed that non-Muslims are forbidden from using them. Also, what exactly is Islamic banking and what is its basis in Islam? Thank You!

Mufti: Dr. Monzer Kahf

A. Wa `alaykum as-salamu wa Rahmatullahi wa Barakatuh.

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

All praise and thanks are due to Allah, and peace and blessings be upon His Messenger.

Muslims and non-Muslims alike can use Islamic banks. Islamic banking, as defined by the Wikipedia encyclopedia, refers to a system of banking or banking activity that is consistent with Islamic law (*Shari'ah*) principles and guided by Islamic economics.

In particular, Islamic law prohibits usury — the collection and payment of interest, commonly called *riba* in Islamic discourse. In addition, Islamic law prohibits investing in businesses that are considered unlawful, or *haram* (such as businesses that sell alcohol or pork, or



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businesses that produce media such as gossip columns or pornography, which are contrary to Islamic values).

Islamic banking has the same purpose as conventional banking except that it operates in accordance with the rules of *Shari`ah*, known as *Fiqh Al-Mua`malat* (Arabic for "Islamic rules on transactions").

The basic principle of Islamic banking is the sharing of profit and loss and the prohibition of *riba* (interest). Among the common Islamic concepts used in Islamic banking are profit sharing (*mudharabah*), safekeeping (*wadi`ah*), joint venture (*musharakah*), cost plus (*murabahah*), and leasing (*ijarah*).

In his response to your question, **Dr. Monzer Kahf**, a prominent economist and counselor, states,

"Dear brother, there is no doubt that Islamic banks can be used by Muslims and non-Muslims alike with not a single thing of differentiation between them. Islamic banks in Malaysia, for instance, have more non-Muslim customers than Muslims.

In brief, Islamic banks are normal banks that observe two main things:

1. Their financing and deposits are done without interest (this does not mean without return) because they do not take funds or give funds on the basis of lending; they rather take and give money on the basis of either sharing, sale, or leasing.
2. They are morally committed in their transactions. For example, they do not accept to finance casinos, liquor, tobacco, and all other vice activities."

Allah Almighty knows best.

Currency Exchange in the Eyes of the *Shari`ah*

Q. I have heard that dealing in foreign currency is *halal*. The question is about a more specific action in this deal. Where we have two actions: 1- Long Deal: Where you buy now and sell later (\$ against a major currency). 2- Short Deal: Where you sell now and buy later. The first one is clear, where you buy something and sell later on, but the 2nd one you sell what you don't own, so what is the Fatwa about this.



Mufti: Dr. Monzer Kahf

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

All praise and thanks are due to Allah, and peace and blessings be upon His Messenger.

First of all, we would like to stress that the rules governing currency exchange in the *Shari`ah* are different from those of the commodities. In Arabic, currency exchange is known as *sarf*, and such *sarf* is permissible with certain conditions that will be clarified in the following fatwa issued by **Dr. Monzer Kahf**, a prominent Muslim economist and counselor:

“Currency transactions are used very often as a vehicle for *riba*-based borrowing/lending. Therefore, the rules of currency exchange are not the same in the *Shari`ah* as the rules of other commodities (very

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similar to currencies the exchange of what we call cash crops, and at the time of the Prophet Muhammad (peace and blessings be upon him) the cash crops were wheat, barley, date and dried grape).

Currency exchange is called in Arabic and in the *Fiqh* literature "*sarf*" and the rules of *sarf* are basically derived from an authentic Prophetic *Hadith* where the Prophet (peace and blessings be upon him) is reported to have said: **"Do not sell gold for gold, except like for like, and do not differentiate among it; and do not sell silver for silver except like for like, and do not differentiate among it, and of these, (gold and silver), do not sell something present for something to be later delivered."** (Reported by Muslim)

Contemplating over the words of the Prophetic *Hadith*, I can say that it introduces two Conditions:

1. The transaction must be completed with delivery at the **time** of the contract.
2. If you exchange the same currency (or any of the other four commodities), the **quantity must be the same** regardless of differences in qualities.

The *Hadith* then requires that any *sarf* must have immediate delivery at the time of contract of both currencies exchanged.

Based on this, in currencies both long and short are not permissible because both do not fulfill the condition of immediate delivery or what is known in Arabic as *yadan bi yad*.

Spot currency transactions in the NY exchange are executed (delivered) within three days. But although this is not literally *yadan bi yad*, the OIC *Fiqh* academy rightly considered delivery as immediate because this is the normal time the no-delayed-delivery transaction takes and the followers of the Maliki school of thought argue that a

very short period for delivery does not matter as long as the transaction is not meant to be a deferred one. Having said this, I should ascertain that you should be careful as you were incorrect in thinking that long currency is clear. Rather, **long currency transaction is as forbidden as the short because both of them have a period of time for delivery.**

Moreover, one more problem in both the long and the short seems to me in need of some clarification.

In *Shari`ah*, sale contract may delay either delivery or payment but not both; while in the long and short transactions both are delayed and only a margin is paid by both the seller and the buyer. The OIC Fiqh Academy issued a famous resolution on commodity exchange in which it considered both the long and the short in violation of the *Shari`ah* conditions and it called for taking the *Shari`ah* known contract of that *salam* (that requires full payment at the time of the contract) as a basis for any delivery-deferred transaction in commodities. You may notice that the heat of the market is reduced drastically if you eliminate contracting on margins only and this is one of the objectives of the Islamic *Fiqh*: to bring transactions down to earth and keep them in close ties with reality or actuality."

Working for Banks

Q. What is the Islamic ruling regarding working for banks?

Mufti: Dr. Yusuf Al-Qaradawi



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

All praise and thanks are due to Almighty Allah, and peace and blessings be upon His Messenger.

In the first place, we would like to stress that every committed Muslim should work with his heart and tongue and devote his energy to upgrade Muslim's economic system. Indeed, this is a reachable goal that is not impossible.

Responding to the question, the eminent Muslim scholar **Sheikh Yusuf Al-Qaradawi**, states the following:

"The Islamic economic system is based on fighting usury. Islam declared usury as one of the major sins that brings about disasters and societal destruction. It wreaks havoc in this life and a great penalty in the hereafter, as Allah says in the Qur'an:

{Allah will deprive usury of blessing but will give increase for deeds of charity, for He loves not creatures ungrateful and wicked.} (Al-Baqarah 2: 276)

It is sufficient to read what Allah has said in the Qur'an:

{Oh ye who believe! Fear Allah and give up what remains of your demand for usury, if ye are indeed believers. If you do it not, take notice of war from Allah and his messenger. However, if ye turn back, ye shall have your capital sums. Deal not unjustly and ye shall not be dealt with unjustly.}
 (Al-Baqarah 2: 278-279)

The Prophet (peace and blessings be upon him) has said, **“If adultery and usury spread in a village, the people of that village are asking for the punishment of Allah.”**

The Islamic ruling in resisting evil is to do your best to fight it, change it and do not cooperate with others in doing it. Therefore, if all Muslims participated in the killing of an innocent life, Allah Almighty will punish them all. The Prophet (peace and blessings be upon him) cursed those who produce alcohol, sell it, drink it, promote it, those who sit with drinkers, carry it and those whom it is carried to. In another saying, the Prophet (peace and blessings be upon him) cursed bribery, those who give it, take it and those who call for it or promote it. Similarly, the Prophet (peace and blessings be upon him) cursed usury, those who take it, write its contract and those who witness such a contract.

It is these sayings of the Prophet (peace and blessings be upon him) that torture the lives of some good Muslims who work in banks and other financial institutions.

In fact, the issue is more than witnessing a contract. Usury has penetrated the very structure of our economic systems and financial institutions. The hardship has become collective, as the Prophet (peace and blessings be upon him) once said,

“There will come an age where everybody eats usury and those who don’t will be touched by its dust.”

This disaster won't be changed by an individual's refusal to take a job at a bank. What changes it is a societal desire to be rid of the disastrous effects of such a system. Usury is taken from the exploitation of a capitalist system. The change would come when a people possess their destiny with their own hands and act accordingly. Islam does not oppose removing this ill in increments. That was the *Sunnah* of the Prophet (peace and blessings be upon him) and Islam in exterminating the habit of drinking. What is important is that the people be convinced of the disastrous effects of usury. That way, when they possess the will to change it, they will. If the intention and the goal are determined, then the path is clear.

Therefore, every Muslim should work with his heart and tongue and devote his energy to develop our economic system in accordance with Islam's instructions. This is a reachable goal that is not impossible. There are many countries and millions of people who do not subscribe to the usury system. These are the communist countries. If we too prohibit working with banks and financial institutions, then non-Muslims will control our economies as well as the international economy. Usually, the one that has that control are the Jews and that is not in our best interest.

Generally speaking, most functions of the banks are not prohibited, with only the least of their functions being involved in usury. I see no problem in accepting a job with a bank.

Meanwhile, we should all work to change such a system and do our best in conducting ourselves to be satisfied with our work and Allah's satisfaction with us. Working is necessary to provide for oneself and one's family with sustenance. Therefore, the rule of necessity applies here. Allah Almighty says,



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{If a person is forced by necessity without willful disobedience or transgressing due limits, thy Lord is oft-forgiving, most merciful.” (Al-An`am 6: 145)}

IT Job for a Bank: Allowed?

Q. As-salamu `alaykum. Is it allowed (*halal*) to work in BFSI domain as a software engineer?

(BFSI) is: Banking, Financial Services and Insurance. Above business service it involves the interest (*riba*) in their business transaction. My question is: as a software engineer, can I work on developing software for the above sectors? Please, give me the reason also.



Mufti: Dr. Monzer Kahf

A. Wa `alaykum as-salamu wa rahmatullahi wa barakatuh.

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

All praise and thanks are due to Allah, and peace and blessings be upon His Messenger.

Regarding your question, it is allowed to work in technical support jobs in interest-based institutions like the ones you mentioned in your question.

Responding to your question, **Dr. Monzer Kahf**, a prominent Muslim economist and counselor, stated,

"Dear Brother,

Technically, it is permissible to work in institutions specialized in *riba*-based transactions such as conventional banks in areas of IT and other activities which are not directly involved in creating and processing a *riba* contract.

What is technically *haram* is: taking and giving *riba* and writing its contract (such as filling in application) or being its witness. Other functions are not *haram* in specific sense.

But does its "dust" reach you? Yes. Although it is not *haram*, the issue of income does not raise a problem because you take salary against a permissible function that you give."

Allah Almighty knows best.

Life Insurance from an Islamic Perspective

Q. I was automatically enrolled for life insurance with my company. I would like to know if I must cancel the life insurance policy or not. Can you please explain if it is *haram* or *halal* and why?



Mufti: Dr. Monzer Kahf

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

All praise and thanks are due to Allah, and peace and blessings be upon His Messenger.

Life insurance is a new contract not known in the history of Fiqh. Muslim scholars have different opinions regarding this kind of insurance.

Responding to the question, **Dr. Monzer Kahf**, states the following:

"In the circles of contemporary *Shari`ah* scholars, there are three opinions about life insurance. They all recognize that it is a new contract not known in the history of *Fiqh*. A minority consider it *haram* and with all kinds of argument against it including *riba*, gambling, *gharar* and speculation on the will of Allah. This view does not carry much weight.

The second view is that it contains *gharar* because no one knows whether the liability of the insurer (the company) will ever materialize nor when it will, if ever. This is a serious *gharar* that leads to a major defect in the contract. It is therefore forbidden.

The third opinion is presented by the late Sheikh Mustafa az-Zarqa. He argued that the *gharar* in the contract is remedied by the fact that it is a contract based on overwhelming statistical knowledge and the application of the theory of probability. With this in mind, there is no *gharar* on the part of the insurer and the contract is permissible with two conditions: that it contains no *riba* clause and that its subject (insured thing) be legitimate. These two conditions rule out regular fixed return life insurance because the value of the policy is the outcome of investment premiums at a compounded rate of interest, (while variable - return life is permissible if the funds are invested in the *Shari'ah* approved stocks or mutual funds). They also rule out insuring a prohibited activity such as casinos.

The advocators of the second opinion argue that the *gharar* problem applies only in exchange contracts. If the contract is modified and restructure on the basis of cooperation or mutuality, where there will be an association of the insured instead of a profit motivated insurer company, the *gharar* is then tolerated. This is so because the relation between the association and its members become based on contribution or *tabarru'* rather than exchange and a *tabarru'* can accommodate certain conditions (i.e., that the association compensate in case a hazardous event happens). On the basis of this all the "Islamic insurance companies" were established.

In this regards, az-Zarqa adds, that if a mutual or cooperative insurance exists he prefers it to profit motivated insurance out of his respect to the opinion of opponents. There is an old argument (from the 1950s), even by those who oppose insurance, that whenever

insurance is forced by law, one must do it and one is excused, from the *Shari`ah* point of view. This include car insurance, social security, workman compensation, and employer's imposed insurance if it is not optional for the employee to this we add another element that if the insurance provided by the employer is paid completely from the employer, i.e., given as a fringe benefit without deducting any part of the premium from the pay checks, then it is a kind of grant from the employer and if a hazard happens the paid policy amount is *halal* because it is an outcome of the grant.

Now think for yourself: if your life insurance is only term life, you may apply the opinion of Sheikh az-Zarqa, and if it is imposed by employer, you also have room to accommodate, and if it is a grant from employer it is also tolerated. Otherwise you need to see the specifics of the contract you have and determine, in the light of the above briefing, whether you keep or seek to withdraw from it."

Allah Almighty knows best.

CHAPTER TWO

Business and Investment

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- *Investing in the Stock Market*
 - *Selling to Non-Muslims: Any Restrictions?*
 - *Investing Endowment Money to Help Orphans*
 - *Mutual Funds in the View of Islam*
 - *If the Stock Splits, Does that Make it Haram?*
 - *Buying and Selling Undeveloped Residential Plots*
 - *Trading in Cosmetics: Permissible?*
 - *Investing Money in Producing TV Serials*
 - *Forex Trading: Permissible for Muslims?*
 - *K Investments: Allowed for Muslims?*
 - *Silent Partner Dealing in My Employer's Products*
 - *Investing With Borrowed Money*

Investing in the Stock Market

Q. I would like to invest using either the Dow Jones Islamic Index or the FTSE Islamic Index. Is this allowed? Furthermore, sometimes the information that is displayed is a few months behind. Should I still use either indexes? Also, suppose I buy a stock in a company that has the ratios that are Islamically permissible and that has most of its businesses in *halal* areas, and after a few months I sell this stock because the price has risen. If I had gotten a dividend, what do I do with it; is it *haram* and should I give it to charity? The other question is, sometimes the rise in price is affected by the idea that a dividend will be paid soon. Should I also give away part of the price because it was higher because of the dividend declaration? As for *zakah*, should I pay 2.5% on the percentage of the assets that I own? So for example, if the company has \$1000 and I own 10% of the company then I would have to give away \$2.5? And how often do I have to do this considering that I may not keep these stocks for a long time? Thank you for your time and effort and may Allah give you success in what you are doing.



Mufti: Dr. Monzer Kahf

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

All praise and thanks are due to Allah, and peace and blessings be upon His Messenger.

Responding to the question, **Dr. Monzer Kahf**, Scholar in Islamic Economics & Financial Expert, states the following:

“In the first place, I should stress that Islam prohibits interest and certain other practices that contain any immoral or unfair ingredients such as gambling, unbalanced transactions, ambiguous contracts, etc. This prohibition includes that a Muslim must abstain from such practices as an individual as well as a partner in a company, meaning that if a Muslim enters in a company with others, Muslims/non-Muslims, a Muslim must always be keen that other partners do not indulge in any non-permitted transaction because the management of a company acts on behalf of its owners.

Accordingly, many jurists argue that it is prohibited to buy, own/hold or sell stocks of companies that make any prohibited transaction whatsoever. But a group of jurists, whose opinion is respected, argue that this ruling poses a great deal of inconvenience and hardship on many Muslims, especially in the West and other non-Muslim countries because there are only a few stocks that comply with it such as stocks of Islamic banks and a few other small companies, even these are not available for the greatest majority of Muslims.

And since hardship always calls for relaxation, they argue for exceptionality at this time and until a time when there will be reasonable number of *halal* stocks available to absorb the investments of Muslims, which may be even theoretically a long time. Yet, this exception has certain conditions that can be summarized in three groups:

a- The company's main line of activity must not be *haram* in itself such as interest-based banks and insurance companies and Las Vegas type entertainment business, etc.

b- The degree of involvement in prohibited transaction must not be high, and here they argue that depending on interest-based loans, maintaining high percentage on receivables that in most of the times carry interest and having high percentage of interest in the company's net income or giving donations to prohibited causes, etc. may be indications that should be considered, obviously the ideal is zero on all these, but one may say that 5%, 10%, 25%, 33% or the like may not to be a high to induce the prohibition on any or some of these points.

c- There always must be active process of cleaning your investment, i.e., to do away with the income that results from prohibited transactions by giving it to charity since according to the *Shari`ah* you really do not own it, and remember you are, Allah willing, rewarded for this action of cleaning but not as a *sadaqah* nor *zakah*.

Thus, investing according to these indices or stocks in them is on one hand an exception of the basic principle and on the other hand calls for cleaning your income, both from dividend and price increment that may have resulted from *Shari`ah* unlawful activity of the company.

To my knowledge, the listing in these indices is updated every three or six months, and if you have old information on a specific stock you may look in the web of that company and see if there was any substantial change in its fundamentals, balance sheet and income statement from the previous period when it was listed, if the change is not substantial, you may work on the assumption that it has not changed since during the period of comparison, this is not easy, is it?

Zakah on stocks: the opinion of the majority of the contemporary jurists is that if stocks are purchased for the purpose of capital gains, i.e.,

watching prices and get an opportunity to sell, even after split, at higher prices, especially if the idea is done in the short run, stocks are then objects of trade and they are subject to *zakah* at the market value on the day a lunar year is complete from the day a *nisab* is owned. This market value is added to your other zakatable assets, like cash and bank accounts, and *zakah* is due at 2.5% of the total if it is *nisab* or above. This means whatever dividend you got during the year is actually included (when it is either used for new stocks or other zakatable assets) unless was used for consumption (whether used up like food or durable like a refrigerator and both are exempt from *zakah*).

But if stocks are used for income (their dividends), the *zakah* is due only on a percentage of the stocks' value that equals the percentage of the net mobile assets (inventory + cash on hand and in banks + receivables and similar payables) to total equity of the company.

In all cases, if it is difficult to calculate the Zakatable amount at the lunar year, then you may take the figures from the Gregorian (solar) year and compensate for the difference by adjusting the rate of *zakah* from 2.5% to 2.577% (= 2.5% + 2.4% multiplied by 354/365).

Besides this opinion, there is a view that only the income (dividends) of stocks held for their income is subject to *zakah* at a rate of 10% in similarity with agricultural land and products. I believe that this view is weak and cannot be substantiated by the rules of *Usual Al-Fiqh* or the principles of Islamic Jurisprudence nor by the *Fiqh* rules."

Allah Almighty knows best.

Selling to Non-Muslims: Any Restrictions?

Q. As-salamu `alaykum. I'm currently living in Canada, and a person in my family was thinking of starting a business in our city of residence. We were thinking of selling Egyptian jewelry, accessories, etc. My question is specifically about the permissibility of selling things that are *haram* to non-Muslims. Jazaka Allah Khayran.



Mufti: Dr. Monzer Kahf

A. Wa `alaykum as-salamu wa rahmatullahi wa barakatuh.

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

All praise and thanks are due to Allah, and peace and blessings be upon His Messenger.

As for buying and selling, the rule is that the prohibited (*haram*) things to eat, drink, or wear are not allowed sell or buy.

Responding to your question, **Dr. Monzer Kahf**, a prominent Muslim economist and counselor, stated,

"The rule is that anything which is *haram* to wear, eat, or use is also *haram* to sell regardless of who is the buyer. The Prophet (peace and blessings be upon him) was asked by a person who just imported a shipment of wine from Sham - but the verse prohibiting it came just

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before it arrives in Madinah - whether he can return it to the exporter in Sham (who was of course not a Muslim), he told him no.

Allah prohibited only what is bad; He did never prohibit anything good. What is bad is bad for anybody regardless of religion."

Allah Almighty knows best.

Investing Endowment Money to Help Orphans

Q. As-salamu `alaykum. Can we make specific amounts of money (shares in the business) as waqf or Islamic endowments to be used in different *halal* businesses? And, can we use profit generated from that for orphans, well digging, or other similar projects?



Mufti: Dr. Monzer Kahf

A. Wa`alaykum as-salamu wa rahmatullahi wa barakatuh.

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

All praise and thanks are due to Allah, and peace and blessings be upon His Messenger.

There is nothing wrong, as far as Islam is concerned, in making specific amounts of money as *waqf*, or endowment, with the intention of making profits in a *halal* business in order to help care for orphans or for other charitable causes.

Responding to your question, **Dr. Monzer Kahf**, a prominent economist and counselor, stated,

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"Yes, certainly, no doubt about it. It is, in fact, being practiced all over the Muslim world. It may be better to put it with institutions such as Islamic banks or shareholding companies, and you should define the objective and the checks and balances on the managers of this *waqf* very clearly and in detail."

Allah Almighty knows best.

Mutual Funds in the View of Islam

Q. I have a query that concerns investments. Is it *haram* for a Muslim to invest in Unit Trusts or to buy shares of companies, even if those companies are not dealing with things that are clearly *haram* such as alcohol? This has been on my mind quite a lot lately and I would really appreciate a clear reply so that I may put the matter to rest once and for all. Thank you.



Mufti: Islamic Religious Council of Singapore

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

All praise and thanks are due to Allah, and peace and blessings be upon His Messenger.

Different forms of investment in companies are permissible as long as the company doesn't deal in *haram* products, and the investment itself does not contradict the Islamic law.

Responding to the question, the **Islamic Religious Council of Singapore**, states the following:

"Thank you for your query. We commend your effort to seek the truth in the religion.

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Investment in any company, whether it be in the form of stocks, shares, unit trust, etc., is *halal* as long as the following conditions are met:

1. The company does not deal in *haram* matters, such as alcohol, porcine products, weaponries, music and entertainment, non-Islamic faith-based projects, and wanton destruction of flora and fauna.
2. The company does not involve in any oppression against humanity, especially Muslims.
3. The investment instrument itself does not contradict Islamic Law.

We would like to advise you to check the company thoroughly, or check market sectors you would like to invest in before making any commitment.

We hope that this reply answers your question. Please continue to seek religious knowledge at mosques or by reading authentic materials."

Allah Almighty knows best.

If the Stock Splits, Does that Make it *Haram*?

Q. If a person owns stock and the stock splits, does that make it *haram* (unlawful)? Are dividends *haram* (unlawful)? If so, then what exactly do you mean by dividends?
Jazakum Allah Khayran



Mufti: Dr. Monzer Kahf

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

All thanks and praise are due to Allah and peace and blessings be upon His Messenger.

Answering your question, **Dr. Monzer Kahf**, a prominent Muslim economist and counselor, states the following:

“Stocks/shares are basically of two kinds: common and preferred. If the preference is in preferred shares in financial transaction such as guaranteed minimum return, priority in payment at time of liquidation and the like, preferred stocks/shares are then prohibited because equal owners of the companies principal must be treated equally. They are forbidden to issue, buy, own and sell. If the preference is managerial, they may be permissible. Common stocks are not prohibited from this point of view.


From another angle, stocks/shares may belong to companies that are fully compatible with *Shari'ah* in establishment and all activities such

as Islamic Banks, to companies whose main and major business is forbidden such as conventional banks or Las Vegas type entertainment companies, or to companies whose main/major business is permissible but their articles of incorporation allow them to undertake activities that are prohibited in *Shari'ah* and their management actually do such activities, this category covers most companies on the stock exchanges such as Microsoft, Intel, Sony, General Motors, etc. because they are involved in at least one kind of impermissible transaction, i.e., *riba*-based borrowing and/or lending. Obviously, the *Shari'ah* ruling on issuing, buying, owning and selling the first category is permissible while prohibited on the second.

The third category is troublesome and needs certain details. It is prohibited for a Muslim to establish a company that gets indulged in prohibited activity and consequently, it is also prohibited to issue its stocks and offer them to the public for sale. In principle it is also prohibited to buy and own such a stock because by doing so the owner becomes in fact a partner in the company whose management takes up prohibited activities on behalf of all its owners as their deputed officers. In other words, the management acts as your agent, this means, you are doing this prohibited activity.

In this regard, two points are important. If one buys such stocks with the intention (that is coupled with ability) to convert such a company into all *halal* activities through having a majority in its board and general assembly, such a purchase is certainly permissible because it narrows the scope of *haram* (unlawful) in the world, although the process may take a few month or may be a year or two.

The second point (that may be more relevant to the questioner) is buying and owning such stocks as small investor and a small minority holder to get benefit from expected capital gains and from dividends. A small group of Muslim scholars argue that this category of stocks

The background of the page features a collage of financial and cultural symbols. On the left, the words 'WALL STREET' are prominently displayed in a large, serif font. Below this, a calendar page is visible, showing the date 'FRIDAY, AUGUST'. On the right side, there is a collection of Euro coins, including a 10 Euro coin and several smaller ones, along with a portion of a Euro banknote. A green horizontal bar with a subtle pattern runs across the middle of the page, containing the title text.

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may be purchased and owned for investment within certain conditions that can be summarized in being sure that the prohibited activities do not make a high percentage of the total activity of the company. These include that the company does not have high rate of liability/asset, i.e., it does not live on loans, it does not earn a lot on interest, it is not involved in activities that basically hurt the interests of Muslims, such as producing and selling arms to people who attack Muslim *Ummah*. Based on these conditions Dow Jones, in cooperation with a group of Muslim Scholar, studied the registered stocks and made a list that is issued under the name of Islamic Market Dow Jones Index.”

Almighty Allah knows best.

Buying and Selling Undeveloped Residential Plots

Q. As-salamu `alaykum. In my city there are certain areas where the basic infrastructure such as roads, drainage, etc. have not been developed but the development authorities have laid out plans on paper for location of residential plots and are selling them. Is it permissible to buy and sell these plots?



Mufti: Dr. Monzer Kahf

A. Wa `alaykum as-salamu wa rahmatullahi wa barakatuh.

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

All praise and thanks are due to Allah, and peace and blessings be upon His Messenger.

In principle, it is permissible to sell as well as to buy plots of land that are developed or undeveloped. The same is with buying shares.

Responding to the question, **Dr. Monzer Kahf**, a prominent economist and counselor, states the following:

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"Yes, it is permissible to sell/buy plots of land that are not yet fully developed as long as the appropriate authority designated their development plans and the plots become recognizable (i.e., they can be defined and land-marked by a specialist) as in the case of the question. It is also permissible to buy a share (certain percentage) of a land that is not yet designated whereby the plots are not recognizable.

If you have any further questions, please don't hesitate to write back!"

May Allah guide you to the straight path, and guide you to that which pleases Him. Ameen.

Trading in Cosmetics: Permissible?

Q. Dear sheikh, is it permissible for me to sell cosmetics and make up? If I do sell them, am I responsible if some women use these products outside their homes?



Mufti: Dr. `Ali Muhyy Ad-Din Al-Qurra Dhaghi

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

All praise and thanks are due to Allah, and peace and blessings be upon His Messenger.

Basically, it is permissible to trade in cosmetics. Some non-practicing women may go outdoors while having them on, but if this happens you are not responsible. In such a case, the sin will be on the users, unless you know that this particular woman is going to use such things in a *haram* (prohibited) way, in which case you are not permitted to help her in that.

In this context, there is the fatwa of the prominent Muslim scholar, **Dr. `Ali Muhyy Ad-Din Al-Qurra Dhaghi**, professor of the Principles of Islamic Jurisprudence at the Faculty of *Shari`ah* Qatar, that reads:

"Goods that are used for both lawful and unlawful purposes like cosmetics are, in principal, lawful to sell. The sin will be on the one

who uses it in *haram* (prohibited) ways. However, if the seller is sure that a particular person is going to use these things in a *haram* (prohibited) way, then he is not allowed to sell it to that person. This is the view of the majority of Muslim jurists. Furthermore, they say that basically it is permissible to sell grapes which may be used in making wine or just eaten as a fruit, yet, if the seller is sure that a certain person is going to use the grapes to make wine, he is not permitted to sell them to him."

Investing Money in Producing TV Serials

Q. Is it permissible to invest my money in producing TV serials and drama that tackle social or religious issues? Here, I would like to note that I can choose the type of serials that I want to invest my money in.



Mufti: `Ali Jum`ah

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

All praise and thanks are due to Allah, and peace and blessings be upon His Messenger.

Islam encourages good work that promotes morality and solves the problems of the Muslim society. Sahl ibn Sa'd reported that the Prophet (peace and blessings be upon him) said: **"If Allah gives guidance to someone through your person, this is better than the red camels (the best kind)."** TV serials that aim at promoting morality and solving social problems and inculcating religious teachings are surely a good thing.

Answering the question in point, the prominent Muslim scholar **Dr. `Ali Jum`ah**, the ex-Mufti of Egypt, states:

"Almighty Allah says: **{And say (unto them): Act! Allah will behold your actions, and (so will) His Messenger and the believers}** (At-Tawbah: 105). Also, the Prophet (peace and blessings be upon him) said: **"Whoever starts a good deed to be followed by those who**

come after him, will get the reward of that good deed and rewards of all those who follow him in it without diminishing the rewards of one another in the least. And whoever commits a bad deed that is followed after his example, he will get its sin and the sin of all those who follow him in that deed without their sins being diminished in any respect."

Based on these texts, it is safely said that it is permissible to invest money in producing dramas and TV serials that tackle religious and social issues and aim at raising the awareness of the audience. We should add that such productions should be free from any immoral themes or scenes or any other thing that has a negative effect on the audience. It should be free from anything that demolishes the morality of the society. A Muslim should always remember that his work is judged by Allah before it is judged by people. Thus, he should fear Allah and avoid anything that places him in shame in front of Allah on the Day of Judgment."

Allah Almighty knows best.

Forex Trading: Permissible for Muslims?

Q. Respected scholars, as-salamu `alaykum. Is it permissible for a Muslim to engage in Forex trading with any broker who provides a Muslim account? Jazakum Allahu Khayran.



Mufti: Dr. Monzer Kahf

A. Wa `alaykum as-salamu wa rahmatullahi wa barakatuh.

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

All praise and thanks are due to Allah, and peace and blessings be upon His Messenger.

Forex, which is a kind of currency trading through the internet, involves some factors that may conflict with Shari`ah.

Explaining this in his response, **Dr. Monzer Kahf**, a prominent economist and counselor, stated:

"Forex is speculation with currencies. It does not have a productive objective nor does it produce any benefit to society or humanity, so from where would you obtain your profit? It comes from someone else's loss. The account may be with no interest, but that is not sufficient for it to be *halal* because we are talking here about speculative non-productive transactions or trading that is done without the objective of creating value.

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When it comes to the specific conditions of trade, we find that the Prophet (peace and blessings be upon him) made two very important conditions in trading currencies:

- 1) Payment must be in full in both currencies.
- 2) Payment must be at the time of the contract.

In Forex you buy on a margin, that is, you buy 100,000 worth of a currency but pay only 5000. It is incorrect to think that the broker lends you 95,000 without interest; the contract itself requires only a small amount to commit that large sum. Moreover, the second condition is not satisfied because most transactions are futures.

This means that even if the payment is made in full and at the time of the contract (i.e., no margin transaction and no futures), the transaction is not *haram*; but it remains a matter of profiteering from speculative dealings without making any real trade or production.

I would not advise any one to use Forex because its transactions are said to be interest free but are, in fact, in a violation of the rules of currency trading (this violation is called *riba* in *Shari'ah*, under the name *ribaal fadl*) and even when one trades with full payment and with no futures, it is extremely speculative and non-productive."

Allah Almighty knows best.

401K Investments: Allowed for Muslims?

Q. As-salamu `alaykum. I have question about 401k: is it allowed to invest in it for retirement? Thank You.



Mufti: Dr. Monzer Kahf

A. Wa `alaykum as-salamu wa rahmatullahi wa barakatuh.

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

All praise and thanks are due to Allah, and peace and blessings be upon His Messenger.

It is the duty of each Muslim to highly observe his/her dealings making sure that all his/her earning are from lawful (*halal*) ways.

In his response to your question, **Dr. Monzer Kahf**, a prominent economist and counselor, states,

"In 401K, investment decisions, according to tax rules and 401K regulations, are taken in a collective manner by a committee. It normally does not abide by the *Shari`ah* rules.

On the other hand, these same rules and regulations contain many benefits to Muslim employees that are inappropriate to sacrifice. These benefits include: saving for retirement, tax deductibility and related tax benefits on return of investment, matching contribution of employer, etc.

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My argument is that these benefits should not be sacrificed by Muslim employees because of the limitation on investment decision making, keeping in mind that investment in share is essentially permissible except in shares of companies which produce *haram* products, these companies are essentially avoided by Muslims to work in.

Therefore, my opinion is: it is permissible to be part of 401K and avail its benefits provided one applies the purification principle on the return of investment by estimating the part of the return (both dividends and capital gain) which is generated by bonds and non-permissible shares and giving it to Muslim charity.

You should make this estimation yourself from the reports of the investment committee and other info available."

Allah Almighty knows best.

Silent Partner Dealing in My Employer's Products

Q. Is it permitted under *Shari'ah* to be a silent partner in a business dealing in the same or a similar line of products as the company you are already employed in?



Mufti: Dr. Monzer Kahf

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

All praise and thanks are due to Allah, and peace and blessings be upon His Messenger.

Islam encourages all efforts to promote the economy of the Muslim community and make Muslims financially strong. At the same time, Islam aims to establish good relations among Muslims. It commands Muslims to avoid all things that lead to conflict and hatred among them. Allah Almighty says:

{O ye who believe! Squander not your wealth among yourselves in vanity, except it be a trade by mutual consent, and kill not one another. Lo! Allah is ever Merciful unto you}
(An-Nisa' 4: 29).

Answering your question, **Dr. Monzer Kahf**, a prominent economist and financial expert, states:

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"To be a silent partner in a company is normally permissible. In *Shari`ah*, this is called *mudarabah* in which you contribute only capital, part or all, and leave the management to other partners. But it seems there is a conflict of interest because the *mudarabah* deals with the same products of your employer. Conflict of interest issues are usually solved by disclosure. If you tell your employer about your part in this company and he raises no objection, it becomes permissible; otherwise he would have the right to terminate your employment. In other words, it is permissible with disclosure and you carry the consequences."

Allah Almighty knows best.

Investing with Borrowed Money

Q. As-salamu `alaikum, respected scholars. I want to know whether it is permissible to borrow money for investments. Does Allah forbid us from buying goods or making investments (even if they are *halal*) using borrowed money, or does He stop us only from borrowing *haram* funds? Please, clarify the principle involved here, since I am unclear whether to borrow or not, for *halal* investments from *halal* sources. Many thanks.



Mufti: Dr. Monzer Kahf

A. Wa `alaykum as-salamu wa rahmatullahi wa barakatuh.

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

All praise and thanks are due to Allah, and peace and blessings be upon His Messenger.

Usury (*riba*) is impermissible (*haram*). But it is important to define *riba*, which is the increase in a loan or debt. It does not matter for which purpose one borrows money; for consumption or investment. So, you can borrow money to invest as long as you are strongly intending and able, to pay it back.

Offering a detailed reply to your question, **Dr. Monzer Kahf**, a prominent Muslim economist and counselor, stated,

"Riba (usury) is any increment in a loan or a debt as mentioned in Verse 2:279 that is anything above the principal of the loan or debt. It does not differentiate between loans for consumptions and loans for investment or to buy goods for trade. A loan without interest is of course permissible all the time but a loan with interest is not.

Financing investment from a loan without interest is also permissible. In other words, the prohibition is of the interest not of the loan and purpose of using the money is irrelevant."

Allah almighty knows best.

CHAPTER THREE

Zakah and Charities



- *Zakah on Salaries*
- *Zakah to Islamic Schools and Mosques: Valid?*
- *Giving Charity or Repaying Debt*
- *Giving Charity to a Non-Muslim*
- *Donating Sadaqah for AIDS Patients*
- *Zakah to a Cousin Who May Be Wealthy*
- *Zakah to a Divorced Sister*
- *Giving Zakah to Non-Muslims*
- *Zakah on Retirement Accounts*
- *Zakah Due on a K Account for Years*
- *Zakah on Inventories*
- *Zakah on Houses and Cars*
- *Zakah on a Rented House*
- *Can a Mosque Accept Stolen Money?*
- *Is Mortgage Liable to Zakah?*
- *Can I Pay My Bank Interest to a Mosque?*

Zakah on Salaries

Q. As-Salamu `alaykum. I want to ask about *zakah* on the fixed income. Should I pay *zakah* on my monthly salary?

Mufti: Dr. Monzer Kahf



A. Wa `alaykum as-salamu wa rahmatullahi wa barakatuh.

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

All praise and thanks are due to Allah, and peace and blessings be upon His Messenger.

In his response to your question, **Dr. Monzer Kahf**, a prominent economist and counselor, states:

"According to the majority of Muslim scholars salaries are not subject to *zakah*, because the passage of one full lunar year from the day one acquires a *nisab* is a necessary condition for the obligation of *zakah*.

Dr. Yusuf Al-Qaradawi believes that salaries are subject to *zakah* because that condition is not on all forms of what one owns and he also quotes some incidences from the time of the Companions of the Prophet that may indicate taking *zakah* on earned income (salaries and professional income).

This view of Dr. Al-Qaradawi is supported by the point that richness is not only manifested by how much one owns but also by how much one earns, and *zakah* is on the rich. I go along with this view. However,

according to Al-Qaradawi, there are conditions for this obligation of *zakah* on salaries:

1. Deducting personal and family expenses. These include any other expenses even for leisure and *Shari`ah* permissible entertainment
2. What remains after the above expenses should accumulate to a *nisab* for a whole lunar year.

The difference between the two views is not really big. This may be a surprise to some; but if we look closely, we will find that according to both whatever is saved is subject to *zakah*. The second opinion requires *zakah* to be paid in the first year during the accumulation of savings while the first opinion only requires *zakah* in the second year that begins on the day when a *nisab* is reached."

Zakah to Islamic Schools and Mosques: Valid?

Q. As-salamu `alaykum. Is it permissible to give my *zakah* to any Islamic school or to my masjid for their expenses such as rent, utilities, renovation, etc.? Jazaka Allah Khayr.



Mufti: Dr. Monzer Kahf

A. Wa `alaykum as-salamu wa rahmatullahi wa barakatuh.

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

All praise and thanks are due to Allah, and peace and blessings be upon His Messenger.

Indeed, it is the duty and responsibility of the rich Muslims of each community in the West to finance the mosques and Islamic schools. They should not, by any means, exploit *zakah*, the right of the poor, for such purposes, which may badly influence the poor reducing the amount of *zakah* that they receive.

In his response to your question, **Dr. Monzer Kahf**, a prominent economist and counselor, states,

"If the question is for America, Canada, Australia, New Zealand, Europe and the like, my answer is definitely NO. Mosques are always necessary for any Muslim community to maintain their religion and that of their children. The *Shari`ah* principle is that any Muslim community must have a mosque and other community facilities, and mosques should be established and spent on by members of the

community outside the *zakah* which is a right of the poor and the needy.

In the past Muslims in these countries were very poor (students and poor Afro-American converts) and have no means and were endangered to lose their very religion, then the Fatwa was it is permissible on the ground that preservation of their religion is a part of "*fi sabilil-Allah*" as an exception from the principle which prohibit using *zakah* for mosques.

Now this exception does not apply anymore as Muslims in these countries have become well-to-do and able to spend on their mosques. It is the responsibility of the rich Muslims to spend on mosques in these countries not the responsibility of the poor because spending *zakah* on mosques means charging these expenses to the poor who have the right to this *zakah*.

As for schools, the matter is even stricter because educating Muslim children is the responsibility of their parents, more specifically their fathers; it is not the responsibility of the poor or even other members of the Muslim community.

Poor Muslim families who cannot afford Muslim schools fees may be paid from *zakah* on the basis of needs and poverty and they are of course free to use whatever they receive for food, school tuitions or any other expenses of their own. ZAKAH MUST NOT BE PAID TO THE SCHOOL FOR THESE FAMILIES."

Allah Almighty knows best.

Giving Charity or Repaying Debt

Q. Dear scholars, As-salamu `alaykum. I have a debt which I owe a relative. I have clear intention to pay it off and the relative trusts in me to pay it back whenever. During Ramadan, I wanted to do good and I pledged a big amount to a charity. I paid half that amount and will shortly pay the other half. Did I do something wrong that is against the teaching of the Prophet (peace and blessings be upon him)? Should I have instead paid my debt down? Should I use the second payment to pay my debt or should I fulfill my promise to the charity? Jazakum Allah khayran.



Mufti: Ahmad Kutty

A. Wa `alaykum As-Salamu wa Rahmatullahi wa Barakatuh.

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

All praise and thanks are due to Allah, and peace and blessings be upon His Messenger.

It is impermissible for a solvent person to procrastinate in the payment of a debt if he is asked to pay it back, for this is injustice to the creditor. The Prophet (peace and blessings be upon him) said,

“Delay (in the payment of debt) on the part of a rich man is injustice” (Reported by Muslim). However, if the creditor has allowed you leeway in paying it back and he is quite comfortable with your delay, then you can go ahead and fulfill the commitment you have made in regards to the charitable contribution you have pledged.

In his response to your question, **Sheikh Ahmad Kutty**, a senior lecturer and Islamic scholar at the Islamic Institute of Toronto, Ontario, Canada, states:

"We must not be slack in paying back the debts we owe people; for unless we pay our debts in full before death, we will be tormented for such neglects in our graves. Our souls will not ascend to Allah, as is reported in the traditions.

Having said this, however, I should add this: If the debt you owe your relative is such that he has allowed you leeway in paying it back and he is quite comfortable with your delay, then you can go ahead and fulfill the commitment you have made in regards to the charitable contribution have pledged. For we are obligated to fulfill our pledges and commitments; but you need not do this right away, if the relative is expecting a repayment from you. If you are in doubt, then you should have a frank discussion with him about it, in order to make sure of his intentions. If you find he is OK with your delay, then you should fulfill the pledge. Otherwise, you can do it after you have paid back your debt that is outstanding. In Islam, it should be pointed out, Allah will not take us to task for something which is beyond our means or ability."

Giving Charity to a Non-Muslim

Q. Dear scholars, as-salamu `alaykum. Is it allowed to donate *sadaqah* (charity) to non-Muslims in dire need who are fighting for life because of illness? Jazakum Allah khayran.

Mufti: Ahmad Kutty

A. Wa `alaykum as-salamu wa rahmatullahi wa barakatuh.

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

All praise and thanks are due to Allah, and peace and blessings be upon His Messenger.

Among the considerable signs of showing gratitude to Allah is payment of *zakah* and charity. When a Muslim pays his *zakah* or spends something in charity, his soul is purified from miserliness and he rises to the peak of magnanimity and honor. The very act of spending money in charity and *zakah* is itself a great sign of showing gratitude to Almighty Allah. Of course, all Muslims are commanded to show gratitude to Allah night and day and they are encouraged to give charity **to all human beings regardless of differences of religion, race, color or language.**



In his response to your question, **Sheikh Ahmad Kutty**, a senior lecturer and Islamic scholar at the Islamic Institute of Toronto, Ontario, Canada states:

"Islam encourages giving charity to all human beings regardless of differences in religion, race, color, or language. The Prophet (peace and blessings be upon him) came to the aid of the non-Muslim pagans who had fought against him. Their disbelief did not prevent him assisting them in their dire need. Allah describes the quality of faith of the true believers,

{They give food to the poor, the orphan, the captive, though they love it themselves, saying, 'We fed for the sake of God alone: We seek neither recompense nor thanks from you'}
(Al-Insan 76: 8-9).

The prisoners mentioned here were none other than the disbelieving pagans taken as prisoners by the Muslims.

So Muslims are obligated to come to the aid of their non-Muslim neighbors and fellow citizens. The Prophet (peace and blessings be upon him) said, **"If a single person goes to bed with an empty stomach, Allah's guarantee of protection shall be taken away from them!"** So let us come together to fight poverty and help those in need regardless of differences in religion, race or ethnicity, color or language. May Allah include us among those whom the Prophet (peace and blessings be upon him) described when he said, **"The best of mankind are those who are most helpful to the servants of Allah!"**

Donating Sadaqah for AIDS Patients

Q. Is it right to pay *sadaqah* (charity) to AIDS patients, since many of them have contracted that disease due to unlawful sexual relationships? I would also like to know the viewpoint of Islam with regard to participating in the educational campaigns launched to alert people to the seriousness of HIV/AIDS and how to protect themselves from the disease.



Mufti: Dr. Muhammad Ahmad Al-Musayyar

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

All praise and thanks are due to Allah, and peace and blessings be upon His Messenger.

First and foremost, it does not befit a true Muslim to have suspicious thoughts about the persons infected with AIDS, for this disease is transmitted in many ways and infection does not necessarily occur through illicit sexual relationships. Almighty Allah says:

{O ye who believe! Shun much suspicion; for lo! Some suspicion is a crime...} (Al-Hujurat 49:12).

The Prophet (peace and blessings be upon him) is reported to have said: **“Beware of suspicion (about others), as suspicion is the falsest talk”** (Al-Bukhari and Muslim).

Even if a person is infected with AIDS through an illegal relationship, people are not to increase his or her plight by disdaining him or her. Prophet Jesus (peace and blessings be upon him) said: "Do not judge people's sins as if you were Gods; rather, look at your sins as humble bondsmen. People are of two kinds: one is afflicted (with plights, diseases, etc), and the other is free from such afflictions, so have mercy upon people of affliction and praise Allah for being affliction-free."

Hence, we are required to treat AIDS patients kindly and not to add to their ordeal by depriving them of our support and thus leading them to despair of Almighty Allah's mercy. Rather, we should seek to alleviate their pain and guide them to the path of repentance and Allah's mercy.

As for giving *sadaqah* to the societies or groups that take care of those patients, there is no doubt that this is a good deed that draws one close to Almighty Allah if one does it for Allah's sake, and He Almighty will generously reward one for doing so.

The Prophet (peace and blessings be upon him) is reported to have said: **"Almighty Allah will give shade to seven persons on the Day when there will be no shade but His (i.e., the Day of Judgment). Of those persons is "one who gives *sadaqah* so secretly that his left hand does not know what his right hand has given (i.e., nobody knows how much he has given as *sadaqah*)"** (Al-Bukhari and Muslim).

The Prophet (peace and blessings be upon him) also said:

"If one gives *sadaqah* as equal as one date-fruit from the honestly earned money, and Allah accepts only the honestly earned money, Allah takes it in His right (hand) and then enlarges its reward for that person (who has given it), as

anyone of you brings up his baby horse, so much so that it becomes as big as a mountain” (Al-Bukhari and Muslim).

So giving *sadaqah* to the AIDS patients, especially if they are poor, will be accepted, Allah willing, so long as its giver means to give it for Almighty Allah's sake. Furthermore, one may give zakah to the poor among those patients.

Moreover, one may give *sadaqah* to a non-practicing Muslim on condition that this non-practicing person is poor and that the *sadaqah* will not help him continue his disobedience of Almighty Allah's teachings.

On these issues, we cite for you the following fatwa issued by **Dr. Muhammad Ahmad Al-Musayyar**, professor of Islamic creed and philosophy at Al-Azhar University:

"In the beginning, keep in mind that a Muslim who commits sins is not to be regarded an apostate by so sinning, so long as he does not commit these sins out of considering them lawful (though he knows they are not so in Allah's Law).

According to an authentic *Hadith*, any person who believes that there is no god but Almighty Allah and dies with this belief will be admitted into Paradise, even if he has committed adultery and usurped others' properties. This person's case is up to Almighty Allah on the Day of Judgment to decide upon; He Almighty is free either to punish him for his sins or forgive him all of them.

Reviewing the authentic *Hadiths* reported about giving *sadaqah*, one finds that they clearly indicate that Allah Almighty rewards sincere givers of *sadaqah* even if the *sadaqah* is placed in the hands of a person who is not really worthy of receiving it.

For example, the Prophet (peace and blessings be upon him) is reported to have said:

“A man expressed his intention to give *sadaqah*, so he came out with *sadaqah* and placed it in the hand of an adulteress. In the morning, the people were talking and saying ‘*Sadaqah* was given to an adulteress last night.’ He (the giver of *sadaqah*) said, ‘Praise be to Allah that I was able to give *sadaqah* (even though it went) to an adulteress.’

He then expressed his intention to give *sadaqah*; so he went out with the *sadaqah* and placed it that time in the hand of a rich person. In the morning the people were talking and saying ‘*Sadaqah* was given to a rich person last night.’ He (the giver of *sadaqah*) said, ‘Praise be to Allah that I was able to give *sadaqah* (even though it was given) to a rich person.’

He then expressed his intention to give *sadaqah*, so he went out with the *sadaqah* and placed it in the hand of a thief. In the morning, the people were talking and saying ‘*Sadaqah* was given to a thief last night.’ The giver then said, ‘Praise be to Allah that I was able to give *sadaqah* (even if it was placed in the hands of) an adulteress, a rich person, and a thief.’

Then there came (an angel to him) and he was told ‘Your *sadaqah* has been accepted. As for the adulteress, the *sadaqah* might become the means whereby she might restrain herself from fornication. The rich man might learn a lesson and spend from what Allah has given him, and the thief might thereby refrain from committing theft.’”

It is to be taken into consideration also that according to the Qur'an, the recipients of *zakah* include those whose hearts are to be reconciled to the Truth. Those are either non-Muslim people who are to be given so as to be attracted to Islam, or those who have recently embraced Islam but it is not yet strong in their hearts, or harsh influential people who are to be given so that their harshness be avoided.

Umar ibn Al-Khattab (may Allah be pleased with him) reported: Allah's Messenger (peace and blessings be upon him) distributed something. Upon this I said, "Oh Messenger of Allah, other people were more deserving than those to whom you have given." He (peace and blessings be upon him) said, **"They had, in fact, left no other alternative for me but (that they should) either beg importunately from me or they would regard me as a miser, but I am not a miser"** (Muslim).

There is another *Hadith* reported in the same connection, according to which the Prophet (peace and blessings be upon him) said,

"By Allah, I may give to a man and ignore another, although the one whom I ignore is more beloved to me than the one to whom I give. But I give to some people as I feel that they have no patience and no contentment in their hearts, and I leave those who are patient and self-content with the goodness and wealth which Allah has put into their hearts."

Concerning participating in educational campaigns to awaken people to the seriousness of HIV/AIDS, it falls within the Muslims' duty of enjoining the right and forbidding the wrong. In fact, this disease has proliferated widely owing to Muslims' negligence of this duty. The Muslim nation was worthy of being described by Almighty Allah as the best among nations when it accomplished this duty heart and soul. This is what is referred to by Allah's words:

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{Ye are the best of peoples, evolved for mankind. Enjoining what is right, forbidding what is wrong, and believing in Allah.} (Aal `Imran 3:110).

Hence, one who is able to contribute to guiding people, for Allah's sake, to the seriousness of this disease and the protective measures to take against it should spare no effort in this respect. Allah Almighty says:

{And whatever good ye send forth for your souls, ye shall find it in Allah's Presence, yea, better and greater, in Reward} (Al-Muzammil 73: 20).

In conclusion, people should learn lessons from what takes place to others and bear in mind that one who commits a sin [without seeking repentance] incurs its shame upon oneself both in this world and in the Hereafter."

Zakah to a Possibly Wealthy Cousin

Q. As-salamu `alaykum. My mother gives a small portion of her annual *zakah* to her mother's cousin. The cousin is a single female who is middle aged and has no parents. A few years ago my mother collected *zakah* from a number of relatives so that the cousin could buy a small house for herself. The cousin does not have a job. Recently, when my mother was preparing to give the cousin *zakah*, my mother's aunt said that the cousin is not eligible to receive so much because the cousin has nephews and niece who have moved in with her and two of them have jobs. But the cousin used to phone every week and asks for money. So, my mother gave her. We cannot verify the cousin's situation because she lives in another city and when we used to ask her when we could come and see her new house she used to make excuses. My mother felt that the cousin deserves the money as she is a single woman and has no brother or son to look after her, and that the money is barely enough to buy food each month. Now my mother is worried that would her *zakah* be counted?



Mufti: Dr. Monzer Kahf

A. Wa `alaykum as-Salamu wa rahmatullahi wa barakatuh.

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

All praise and thanks are due to Allah, and peace and blessings be upon His Messenger.

Indeed, the first people a rich Muslim should target with his *zakah* and *sadaqah* (charity) are his relatives, especially those who are related to his father or mother. But it is the responsibility of every Muslim who pays *zakah* to make sure that the recipients of this *zakah* are really deserving it.

As for the case you are asking about, you should find a gentle way to make sure that your mother's relative deserves the *zakah*.

In his response to your question, **Dr. Monzer Kahf**, a prominent economist and counselor, states,

"Of course, the worry is justified, you should be sure that your *zakah* is given to a deserving person. The fact that the cousin is not married and has no son or brother is not sufficient. But also the fact that nieces and nephews moved in with her does not mean they spend on her.

You really should verify whether she deserves *zakah* or not, maybe she collects rent from them which may supply her with sufficient income to remove her out of poverty. It is also possible that they do not care about her and they forced themselves on her, as a powerless woman, so she is still in need."

Allah Almighty knows best.

Zakah to a Divorced Sister

Q. As-salamu `alaykum. My sister is divorced. She has a 15 years old son. Her health is also not good. The only income resource that she has is property rental income, but it is not enough. So basically she is dependent on her 2 brothers and mother. She lives in Pakistan with one of her brothers in the family home. However, she has gold in her possession more than 87.48 grams. Please, suggest and advice: 1) Is it obligatory for her to pay the *zakah*? 2) Can her brothers give their *zakah* money to her? Allah Hafiz



Mufti: Dr. Monzer Kahf

A. Wa `alaykum as-salamu wa rahmatullahi wa barakatuh.

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

All praise and thanks are due to Allah, and peace and blessings be upon His Messenger.

It should be known that *zakah* must be paid for any investment and jewelry whoever the owner is as long as these are subject to *zakah*.

Responding to your question in details, **Dr. Monzer Kahf**, a prominent Muslim economist and counselor, stated,

"Your sister is subject to *zakah* on her investment (rental property) in addition to her gold jewelry. The market value of the rental property should be estimated, same also for jewelry and *zakah* should be paid every lunar year at 2.5% and this is to be repeated every year.

If she lives in the family house with her mother and brothers, the brothers are responsible for her living expenses. They cannot give her their *zakah* and they cannot calculate what they spend on her living as *zakah*.

The *zakah* due on the investment property may be delayed until it's sold without a sin but must be calculated every year and recorded so that, when it is sold, you recognize the entire accumulated amount. *Zakah* on jewelry should not be delayed because it is easy to liquidate."

Allah Almighty knows best.

Giving *Zakah* to Non-Muslims

Q. Respected scholars, as-salamu `alaykum. Is it permissible to give *zakah* to non-Muslims? Jazakum Allahu Khayran.

Mufti: Dr. Monzer Kahf and Sheikh Ahmad Kutty



A. Wa `alaykum as-salamu wa rahmatullahi wa barakatuh.

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

All praise and thanks are due to Allah, and peace and blessings be upon His Messenger.

Zakah is taken from rich Muslims to be distributed among the poor Muslims. In principle, non-Muslims are not to be given any *zakah* funds but they can be given *sadaqah* (optional charity). An exception to this ruling is when it is a matter of life and death. In this specific case *zakah* can be given to non-Muslims. A portion of *zakah* can also be given to non-Muslims whose hearts are inclined towards Islam.

In his response to your question, **Dr. Monzer Kahf**, a prominent economist and counselor states:

"Dear sister, the principle is that *zakah* is to be paid by rich Muslims to poor Muslims. This is according to the *Hadith* whose meaning I quoted; it refers to the community of Muslims.



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Zakah should be paid to Muslims, not to non-Muslims except in one case: when a non-Muslim needs immediate help in a matter of life and death. On another ground, we live today in a world in which Muslims are in extreme poverty and dire need, to the extent that if all our *zakah* is paid to help famine-stricken Muslims it will not be sufficient to relieve them, while most non-Muslims have access to many other sources for help.

Moreover, **Sheikh Ahmad Kutty**, a senior lecturer and Islamic scholar at the Islamic Institute of Toronto, Ontario, Canada, adds:

The recipients of *zakah*, unlike ordinary charity in Islam, are primarily Muslims; Almighty Allah has specified the categories of those who are entitled to receive *zakah* in the Qur'an:

{The alms are only for the poor and the needy, and those who collect them, and those whose hearts are to be reconciled, and to free the captives and the debtors, and for the cause of Allah, and (for) the wayfarer; a duty imposed by Allah. Allah is Knower, Wise.} (At-Tawbah 9: 60)

However, a portion of *zakah* can be given to those whose hearts are inclined towards Islam; these are the non-Muslims who are on the verge of converting to Islam. Nevertheless, it cannot be given to others. Ordinary charity, however, can be given to both Muslims and non-Muslims. Islam also teaches Muslims to feed the poor in general, without any discrimination between Muslims and non-Muslims. Furthermore, Islam is emphatic about establishing good neighborliness, whether the neighbors are Muslims or non-Muslims. The Prophet (peace and blessings be upon him) said,

"Jibreel continued to advise me on being good to my neighbors so that I feared that he would (one day) make him my legal heir!)."

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Therefore, even if *zakah* is only limited to Muslims, Islam never closes the doors of charity to non-Muslims.

May Allah inspire us to be charitable to all His creatures— Ameen."

Allah Almighty knows best.

Zakah on Retirement Accounts

Q. As-salamu `alaykum! I have a question about *zakah* on retirement-saving accounts such as 401K or IRA accounts. As you know these are retirement plans that many companies offer to their employees. Sometimes, the employee has to contribute to it to be eligible for any withdrawals or sometimes companies deposit money for their employees. Either case employees are not supposed to take money out of these accounts until he/she retires. My question is: Should I pay *zakah* on that money, or it is better to wait until I retire, and get access to it? Jazakum Allah Khayran.



Mufti: Dr. Muzammil H. Siddiqi and Dr. `Abdul-Azeez Al-Qassar

A. Wa `alaykum as-salamu wa rahmatullahi wa barakatuh.

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

All praise and thanks are due to Allah, and peace and blessings be upon His Messenger.

As regards your question, **Dr. Muzammil H. Siddiqi**, former President of the Islamic Society of North America, states:

"The basic rule of *zakah* is that it is due on the wealth that one owns and has the freedom to use. I think this 401K Account is similar to what is called 'Provident Fund' in India and Pakistan. A committee of scholars under the leadership of Maulana Mujahidul-Islam Qasmi discussed this issue in great detail. In the light of the discussion of the scholars the following points can be presented:

The employee's contribution to this fund is *zakatable* if it is done by his/her own choice. There is no *zakah* due on these funds if the employers due to the company or government's policies collect them by force. *Zakah* will be due on these funds when they can be withdrawn.

If these funds are withdrawn and they reach the value of *nisab* (3 ounces of gold or its cash value) and a year passes on them, then the *zakah* (at the ration of 2.5 per cent) will be due.

The *zakah* must be paid for the money that one receives and then voluntarily contributes to a retirement fund (such as IRA etc.), if it reaches the *nisab* and after a period of one year."

Shedding more light on this issue, **Dr. `Abdul-Azeez Al-Qassar**, professor of Comparative Jurisprudence, Faculty of *Shari`ah*, Kuwait University, says:

"It is not obligatory to pay *zakah* on what is known as retirement money (i.e. the pension paid to the employee upon his retirement) unless the money is really possessed. Muslim Jurists state that the person who is going to pay *zakah* should possess the money he is going to pay. So far, as it appears in your question, that such pension is not actually possessed by the person for the time being, hence it is not obligatory to pay *zakah* on it till it falls into his possession in one way or the other.



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According to the consensus of jurists, it is not permitted to pay *zakah* two years in advance.”

Zakah Due on a 401K Account for Years

Q. As-salamu `alaykum. I have had a 401K account (a type of defined contribution pension plan available in the United States) for the past four years. I have not paid *zakah* on this wealth. I forgot completely. I have asked Allah to forgive me for this human inadequacy. As you know, the funds in this account are never fixed. How do I pay this arrears in *zakah*?



Mufti: Dr. Monzer Kahf

A. Wa `alaykum as-salamu wa rahmatullahi wa barakatuh.

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

All praise and thanks are due to Allah, and peace and blessings be upon His Messenger.

In fact, every Muslim should hasten paying *zakah* on its due time as long as the conditions for paying the *zakah* are fulfilled. The Prophet (peace and blessings be upon him) is reported to have said, **“Islam has been built on five [pillars]: testifying that there is no god but Allah and that Muhammad is the Messenger of Allah, performing the**



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Prayers, paying *zakah*, making the pilgrimage to the House, and fasting in Ramadan.” (Reported by Al-Bukhari and Muslim)

Responding to the question, **Dr. Monzer Kahf**, a prominent economist and counselor, states the following:

"*Zakah* on 401K account can be paid every year or you can accumulate the yearly due *zakah*, year after year, delay payment until you begin withdrawing, and then pay with each withdrawal (it will then be a big portion of each withdrawal). The reason is that *zakah* is not required to be paid from resources other than the item on which it is due.

However, it is certainly permissible (and perhaps much easier) to pay it from your current income every year and I would prefer this approach if you can do it.

Accordingly, you should estimate the amount of due *zakah* for each of the past four years by looking at the balances in the account, or by making the payment four times on the last year balance (which will be higher than the actual amount because the balance is increasing by the monthly additions). Take as a base of calculation the market price of the funds in the account for each year or for the last year, and make the intention that anything you pay extra is a *sadaqah*."

Allah Almighty knows best.

Zakah on Inventories

Q. As-salamu `alaykum. I have a convenience store. My inventory value \$100000, every week my inventory goes down to \$50000, mean sold out. Then I order new product for \$50000. Please, let me know if I have to pay *zakah* on inventory and on which amount. Regards!



Mufti: Dr. Monzer Kahf

A. Wa `alaykum as-salamu wa rahmatullahi wa barakatuh.

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

All praise and thanks are due to Allah, and peace and blessings be upon His Messenger.

Zakah is the third pillar of Islam. It is due once a year on all the assets of the money that have lasted for a lunar year. So, in your case, you don't pay *zakah* on every inventory, rather you pay it once at the end of year after deducting all the expenses.

Responding to your question in details, **Dr. Monzer Kahf**, a prominent Muslim economist and counselor, stated,

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"Dear Brother,

Zakah is an obligation in our religion and it is to be paid once every year. You have to pay it on your investment net worth according to a truly reflective balance sheet which you need to make every lunar year. If you make a solar calendar balance sheet, then you will have to adjust the rate of *zakah* for the 11 days difference and use the rate of 2.5778% instead of 2.5%.

Most likely you need to adjust the regular balance sheet that you already make for accounting and tax purposes in order to reflect the true market value of all assets (including all fixed, mobile and cash assets not only inventory). And repeat the same once every year."

Allah Almighty knows best.

Zakah on Houses and Cars

Q. As-salamu `alaykum.

Dear scholars, please let me know whether one who owns houses and cars should pay *zakah* on them or not.

Mufti: Sheikh `Abdel Khaliq Hasan Ash-Shareef and Dr. Yusuf Al-Qaradawi



A. Wa `alaykum as-salamu wa rahmatullahi wa barakatuh.

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

All praise and thanks are due to Allah, and peace and blessings be upon His Messenger.

Generally speaking, the rulings of *zakah* vary according to the nature and the utilization of possessions. Houses and cars are no exceptions. The rulings on houses used for residency are different from those meant for trading, and the rulings on houses and cars for renting out are different.

Explaining the rulings and details of *zakah* on houses and cars, the eminent Muslim scholar and renowned *da`iyah*, **Sheikh `Abdel Khaliq Hasan Ash-Shareef** states:

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"Nowadays, there are huge investments in hotels, planes, ships, buildings, cars, etc.

Some people may believe that such issues were not handled by early Muslim scholars. In fact, this is a wrong idea. Scholars discussed the issue of renting houses and the *zakah* due on them.

The rulings on houses vary from case to case :

- If houses are owned for residence, there is no *zakah* in this case.
- If the houses are meant to be sold, they are liable to *zakah* on business (*`urood at-tijarah*), and in this case *zakah* is due on the value of the houses so long as the other conditions of *zakah* on business are fulfilled.
- If the houses are meant for renting, there is more than one opinion in this regard discussed below.

When we review the approaches of the *fiqh* books to the issue of *zakah* on rented buildings or vehicles, we will find two opinions:

- *Zakah* is due on the value of such buildings or vehicles (including planes, ships, and so on) plus their revenue. According to this opinion, the amount paid as *zakah* is 2.5 percent.

In fact, this opinion is weak because it deems such possessions as *`urood* (possessions prepared for sale). This is far from the reality, since the above possessions are not meant for trading but for renting their services.

- *Zakah* is due only on the revenues yielded by such possessions. The advocates of this opinion are not agreed on the amount to be paid as *zakah*. There are two views on this:

- The first view applies the ruling on money *zakah* to this case and, accordingly, the amount to be paid as *zakah* is 2.5 percent.
- The second view applies the ruling on crops' *zakah* and, accordingly, the amount to be paid as *zakah* is either 5 percent or 10 percent.

The first view holds that *zakah* is due on the revenues, not on the possessions themselves (i.e., the buildings and vehicles, etc.). This is based on the analogy with crops' *zakah*, which is due only on the revenue. However, the same opinion specified the amount of *zakah* as 2.5 percent, which is the same amount due on *urood at-tijarah* (business). It is to be noted that in *urood at-tijarah*, *zakah* is due on both the capital and the revenues. Thus, the analogy employed in the first opinion, therefore, is questionable, for it is remarkable that when *Shari'ah* imposes *zakah* on both the capital and revenue, the amount of *zakah* is specified as 2.5 percent. On the other hand, when *zakah* is imposed only on the revenues, the amount of *zakah* increases (to 5 percent or 10 percent). "

Shedding more light on the issue at hand, the prominent Muslim scholar **Sheikh Yusuf Al-Qaradawi** states:

"If one builds or buys a building or a market to rent it, then such building is not considered *urood*. Therefore, *zakah* is due on its revenues, not on its value. This is based on analogy with *zakah* on the revenues of arable lands.

As for the amount of *zakah* due, is it 2.5 percent like the *zakah* of money, 5 percent like the *zakah* on lands irrigated by machines, or 10 percent of the revenue, after deducting the expenses and the like? In fact, these all are possible. However, the opinion of 5 percent seems

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to be the most acceptable one. The first opinion (2.5 percent) is easier and more common among people, and it is somewhat passable.

Anyway, the Muslim is to spend the *zakah* on these revenues once he receives them (monthly for example). He should not wait until the year passes. This is based on the general provisions of *Shari`ah* and the analogy with crops, the ruling of which was mentioned in the verse **{and pay the due thereof upon the harvest day }** (Al-An`am 6: 141)."

Zakah on a Rented House

Q. As-salamu `alaykum. I have a house in Pakistan that is on rent but it is used by my brother and I am not taking any money from it. Is there any *zakah* due on house/rent? Please also explain that if it is due on the house or rent. We do not have any other land or house.



Mufti: Dr. Monzer Kahf

A. Wa `alaykum as-salamu wa rahmatullahi wa barakatuh.

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

All praise and thanks are due to Allah, and peace and blessings be upon His Messenger.

If the house is for family utility, namely not for investment, it is not subject to *zakah*. But if it is for investment, it is subject to *zakah* which is 2.5% of its market value.

Responding to your question in details, **Dr. Monzer Kahf**, a prominent Muslim economist and counselor, stated,

"Let me assume for clarity that you are settled in Canada, so that the house in Pakistan is really an extra one (probably you used to live in it or you bought it for investment). If your brother lives in it I would have

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no problem at all and I would not hesitate that the house is not subject to *zakah*.

The house is presently an investment property whereby its utility is taken by your brother (I assume he needs it for his family expenditure, not that he is saving it for you). In this case it is a family house which is not subject to *zakah*.

If it were an investment property intended for rent or for increase in price, the house would be subject to *zakah* as an investment property. You need to evaluate it every year at market price (assuming you want to sell it) and calculate and pay its *zakah* on its market value at the rate of 2.5% and repeat the same every lunar year whereby the first year begins on the day you acquired it and ends 354 days later.

The rent, if kept or invested shall be included in your cash or other investment items which are subject to *zakah*. In other words as rent it is not subject to *zakah* but as cash or investment whatever balance left is subject to *zakah*."

Allah Almighty knows best.

Can a Mosque Accept Stolen Money?

Q.

As-salamu `alaykum. Dear sheikh, a mosque here in Germany has been given 5000 Euro by a man who wanted to give up his sinful way of life. He had stolen this money from a kind of casino or gambling center. Now, our brothers in the mosque want to know what to do with the money. May Allah Almighty reward you for your help.



Mufti: Ahmad Kutty

A. Wa `alaykum as-salamu wa rahmatullahi wa barakatuh.

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

All praise and thanks are due to Allah, and peace and blessings be upon His Messenger.

It should be known that stealing, robbery, and gambling are totally forbidden in Islam. So, every Muslim must refrain from that in order not to expose himself to Allah's anger.



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As for your question, the stolen money should not be spent on mosques, Islamic centers, etc. Rather, it can be spent on public services or general benefits of the society.

In his response to your question, **Sheikh Ahmad Kutty**, a senior lecturer and an Islamic scholar at the Islamic Institute of Toronto, Ontario, Canada, states,

"A person who has stolen money from such sources must get rid of it immediately; he cannot use it to benefit himself, his family, or his dependents, nor it can be given to mosques or Islamic centers for their use. Rather, it must be given away in entirety to a public charity or hospital, or to refugees, etc.

It is equally important for him to repent of his sins, and the repentance is not complete, unless he gives away all the ill-gotten money. He also needs to fulfill the requisites of repentance. Repentance proper entails the following steps:

1. Feeling deep remorse for the sin he or she has committed.
2. Refraining from it and all of its associations and leads altogether.
3. Resolving never to do it again.
4. And finally, following it up by doing as many good deeds as he or she can and leading a righteous life.

The Prophet (peace and blessings be upon him) said, "**A body nurtured by ill-gotten income is a worthy fuel of hell-fire.**" Allah says, **{O mankind! Partake of what is lawful and good on earth, and follow not Satan's footsteps: for, verily, he is your open foe.}** (Al-Baqarah 2: 168)

{O Messengers! Partake of the good and pure things of the earth, and do righteous deeds: verily, I have full knowledge of all that you do.} (Al-Mu'minun 23: 51)

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The Prophet (peace and blessings be upon him) said, "**Allah is Pure, and He accepts only that which is pure.**" (Muslim from Abu Hurayrah) In order to illustrate this point, the Prophet (peace and blessings be upon him) **mentioned the case of a person who appears in the holy sites, in a disheveled state due to long journey, and supplicates, calling out to Allah, "Lord! Lord!" However, how would Allah answer his prayer when his entire body is nurtured by that which is *haram*, his food is from *haram* and his clothes are from *haram* and he is entirely nurtured by *haram*!**" (Muslim from Abu Hurayrah)

In conclusion, it is important to give away the entire amount in charity for the causes mentioned above.

I pray to Allah to make us all content with that which He has declared as lawful, and pure for us."

Allah Almighty knows best.

Is Mortgage Liable to *Zakah*?

Q. As-salamu `alaykum. I just had a question about the payment of *zakah*. When a person has mortgage on their house; for example if a person owns 100 thousand dollars on mortgage how does he calculate the *zakah*?



Mufti: `Abdul-Majeed Subh and Dr. Monzer Kahf

A. Wa `alaykum as-salamu wa rahmatullahi wa barakatuh.


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

All praise and thanks are due to Allah, and peace and blessings be upon His Messenger.

As we all know, *zakah* is the third pillar of Islam. It is considered a purification of one's wealth, and it is always correlated with Prayer in the Qur'an; wherever you read (**Perform Prayer**) in the Qur'an, it is followed by (**And pay *zakah***).

It is known that only those who own *nisab* (the minimum amount requiring *zakah*) have to pay *zakah*. In calculating *zakah*, a Muslim should first deduct all his or her expenses and loans, as these items are not subject to *zakah*.

Regarding your question, **Sheikh Abdul-Majid Subh**, a prominent Azhari scholar, stated,



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As for *zakah*, it should be known that expenses, debts, and loans are not subject to *zakah*, and mortgage is a kind of debt.

Shedding more light on the matter, **Dr. Monzer Kahf**, a prominent Muslim economist and counselor, stated,

"You do not deduct the mortgage amount at all. In other words, you add whatever you have of cash, gold or silver, investment, and other zakatable items on the day of their *hawl* (passage of 354 days), including any money you just may have earned one day before, deducting all that you have to pay during the month or the period until your next earning (including any amounts coming due during this period on the mortgage and household expenses) and pay Zakah on the rest at 2.5 percent.

The reason is that the rest of the mortgage is in fact a debt on your future income, not on your present property; it is not going to be paid out of the present property."

Allah, the Almighty, knows best.

Can I Pay My Bank Interest to a Mosque?

Q. As-salamu `alaykum. Can I pay my bank's interest to needy Muslims or to my local masjid for their operating fund? Jazaka Allah khyran.

Mufti: Dr. Monzer Kahf



A. Wa `alaykum as-salamu wa rahmatullahi wa barakatuh.

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


All praise and thanks are due to Allah, and peace and blessings be upon His Messenger.

Mosques are related to devotional affairs like worship, so they should be financed through lawful (*halal*) ways. Hence, it is not permissible for you to pay the interest of your money to the mosque.

Responding to your question, **Dr. Monzer Kahf**, a prominent Muslim economist and counselor, stated,

"Earned interest (according to *Shari`ah* it is not really earned) should be given to the poor and needy and the like of objectives that serve the community at large.

I would not suggest giving it for operating expenses of the mosque unless it is specifically used for the bathroom areas and their like, not

The background of the header features a collage of financial and cultural symbols. On the left, the words 'WALL STREET' are printed in large, bold letters. Below this, a calendar page shows 'FRIDAY, AUGUST' and '20'. On the right side, there are several Euro banknotes and coins, including a prominent '10 EURO' note and various coins, some with the European Union flag's stars.

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for anything related to the prayers area because it is more respected than being financed from *haram*."

Allah Almighty knows best.