



In the name of Allah, The Beneficent, The Merciful

Zakat on Islamic Home Purchase Plans – An Overview

This fatwa address the issues of zakah on Islamic Home Purchasing Plans, namely Ijarah, Murabahah and Diminishing Musharakah and considers whether these are deemed debts which can be excluded from one's assets.

The fatwa discusses the following:

- Whether Shari'ah compliant home purchase plans are considered a debt
- Whether the customer is able to deduct any future rental instalments due to the bank from their zakatable assets
- Whether zakat is payable on the value of on account payments
- What the Shari'ah position is with regards to zakat on Murabaha home purchase plans
- What the Shari'ah position is with regards to zakat on Ijarah home purchase plans
- What the Shari'ah position is with regards to zakat on Diminishing Musharka home purchase plans

The fatwa states that with regards to the Murabahah scheme, ownership is vested in the client at the time of contract with the individual incurring a debt for the balance of the purchase price which will be paid according to an agreed schedule. With the Ijarah and Diminishing Musharakah purchase plans, the debt incurred by the client is only that of monthly rental payments.

The fatwa does not allow the deduction of future rental instalments from zakatable assets, but allows those payments to be excluded which are a result of using the property.

With regards to the 'on account' payments which are made on a monthly basis in addition to the rental payments in the Ijarah and Murabahah schemes, the fatwa states that despite having ownership of these 'on account' payments, as the individual has no access to the wealth and, therefore, has no ability to effect increase on the 'on account' payments, zakah will not be payable on the value of the payments.

The fatwa states that with the Murabaha scheme, as the client incurs a debt for the balance of the purchasing price, normal rules regarding long term debts will apply and the individual will exclude the outstanding sum of payments for the remainder of the lunar year from his/her zakatable assets as an exercise in staving off punitive measures from creditors.

With regards to Zakah on Ijarah and Diminishing Musharakah purchase plans, the fatwa states that as the client incurs a debt only to the extent of the monthly rental payment, if the client's zakah date arrives before the monthly debt payment is settled, only the month's payment will be deductible from his/her zakahtable assets.