



In the name of Allah, The Beneficent, The Merciful

Zakat on interest based loans – An Overview

This fatwa seeks to explain the shariah position on whether Zakat needs to be paid on interest based loans owed to others.

The general principle regarding debt is that it can be excluded from ones zakatable assets.

In the situation of an interest based loan, however, only the principle amount loaned falls under the category of excusable debt. Although interest is legally valid in English Law, it is prohibited by Shariah and, therefore is not deductible from one's zakatable assets.

The fatwa concludes by asserting that as with all cases of long term debt, the protection afforded to the creditor by the English legal system ensures that the entire loan need not be deducted, as deducing the portion of the principle due (not the interest due) before the next Zakah anniversary will suffice as a safeguard against the punitive measures of one's creditors.