

## 5

### *Zakāt* on Business Advances & Security Deposits<sup>♦</sup>

The present day business transactions involve various kinds of advances as a part of deal or deposit of securities for materializing certain agreements. Although proprietary rights of such advances and deposit remains to be that of the first party, however, it does not enjoy the same practically so long as the advances or securities are not returned to the first party. Therefore, the question arises that for the sake of calculating due *Zakāt* whether the person or group of persons thus involved should include the amount of advances and securities as a taxable asset or not? The Fifth Seminar of the Islamic Fiqh Academy mooted on this issue and passed the following judgements.

- 5.1 *Zakāt* will not be obligatory on the amount which one pays as advance price of commercial goods but has not been delivered the possession thereof. It will, however, be obligatory on the seller who still holds the goods and has also received the price in advance.
- 5.2 As for *Zakāt* on the sold goods, in case of *Bai Salam* (advance deal) and *Bai Istisna* (consideration amount) it will be obligatory on the seller before handing over the goods to the buyer. Apart from the sales in the above two manners, another sort of sale in which the sale has been finalised but the buyer has not taken possession of the goods, also falls in this category, and therefore, the *Zakāt* on such goods will be obligatory on the seller and not on the buyer.
- 5.3 Regarding the security deposits paid while taking a property on rent, general opinion of the participants was that *Zakāt* on such deposits would not be due on the tenant. Some were of the opinion that *Zakāt* on the advance deposits shall be due on the landlord while some favoured the view that *Zakāt* will be due on nobody.

---

<sup>♦</sup> 5<sup>th</sup> Fiqhi Seminar (Jamiatur Rashad Azamgarh) 30 Oct, 1-2 Nov 1992.