

Zakāt on Provident Funds♦

The provident fund is a welfare concept of present day employment system in which both the employee and employer pool an amount regularly. The total amount thus accrued is returned to the employee at the time of his/her retirement along with some interest. Since the amount of the fund is not directly in the control of the employee until it is finally paid at the time leaving the job, then should it be included in the sum of wealth for calculating *Zakāt* on it or not? The Fifth Seminar of the IFA, responded to this question and reached upon the following derivations.

- 7.1 *Zakāt* will not be due on the provident fund unless it is finally received by the employee. If it amounts to the *Nisaab*, *Zakāt* will be due on it after one year of its receipt by the employee.
- 7.2 Provident fund is compulsorily deducted from the pay of an employee at a prescribed percentage. But some persons (to avoid income tax or due to other expediencies) deposit more than the obligatory amount in their provident fund. In case the accumulated amount thus voluntarily contributed reaches the level of *Nisaab*, then *Zakāt* will become obligatory every year on that amount. This excess amount deposited voluntarily in the provident fund is a sort of trust, and *Zakāt* becomes obligatory on the trust amount.

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