



In the name of Allah, The Beneficent, The Merciful

Liability of Zakat and Long-term Loans – An Overview

The usual treatment of debts owed to others is that they are deductible from ones assets for zakat calculation purposes, on the basis that to settle one's outstanding debts is a basic necessity.

Whilst classical opinions considered both short and long term debts to be deductible, contemporary scholars, including the Al Qalam panel have classified only debts due in the next twelve months as deductible from zakatable assets.

The fatwa initially considers the differing opinions on prompt and deferred dowry and demonstrates that whilst the primary opinion of Hanafi scholars is that dowries are deductible, some Hanafi scholars establish only prompt dower as deductible and a third position considers deferred dower as deductible debt provided the husband has the intention to pay.

According to the principles mentioned above, commercial and personal loans are, therefore, deferred loans and not held by some of the later scholars as deductible in their entirety. Rather, as deducting the portion of the principle due before the next Zakah anniversary will suffice as a safeguard against the punitive measures of one's creditors, only the outstanding payments for the coming year will be deducted.

The fatwa concludes by providing further clarity to this ruling, namely that deducting only outstanding payments for the lunar year ensures that the rich and affluent are not exempted from giving Zakah and that through this practise the needs of the beneficiaries of Zakah are given priority.