

## Zakat Policy

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Associated Documents	

### Revision History

Revision History (Provide summary of changes and justification)	Changes reviewed & approved by	Date of review & approval	Date effective

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This document is the official Policy Document of Human Appeal and intends to provide a structure for future Zakat distribution.

### **Zakat**

Zakat is one of the five pillars of Islam, which are a core elements of faith. As the third pillar of Islam, Zakat is the obligation on every sane, adult individual to contribute 2.5% of their wealth to those in need. Those eligible for Zakat fall into 8 pre-defined categories.

Any sane, Muslim adult, whose wealth exceeds that above the Zakat threshold (also known as the Nisab threshold), is obligated to contribute a portion of their wealth to those in need.

The Nisab threshold is the minimum wealth a Muslim must possess to be eligible to pay Zakat, and should be owned by the individual for one lunar year.

The nisab value is directly related to the current values of gold and silver. In the Holy Qur'an, the nisab value is described as 612.36g of silver or 87.48g of gold.

## **Policy and Procedure**

Zakat is an obligation commanded by God upon any sane, adult Muslim who is in possession of wealth over a certain threshold (nisab). Throughout the Qur'an, Zakat is mentioned alongside

prayer, emphasising the sacred and essential nature of Zakat as an act of worship. As a core pillar of Islam, the Qur'an teaches that Zakat is not a matter of voluntary charity, but a matter of communal justice and protecting the rights of the poor. Zakat is a unique redistribution of wealth, transferring wealth from the richest members of society to the poorest.

Zakat benefits individuals on both a spiritual and materialistic levels. By purifying wealth, Zakat allows for the purification of the heart of the Muzakki (the one who pays Zakat). Zakat enables humility, generosity and a detachment from material belongings to be instilled into those who pay Zakat. It offers novel opportunities for those who give Zakat to move closer to God.

As well as benefiting those who give Zakat, it has immense power in supporting those who receive Zakat. They are able to break cycles of poverty and move out of extreme poverty and need, promoting excellence and dignity.

Zakat is the third pillar of Islam, following only faith and prayer, and so Human Appeal believed it should be at the core of its work. Human Appeal is in a unique position to assist Muslims in fulfilling their religious obligation of Zakat by facilitating the distribution of Zakat through projects which protect lives and dignity, strengthen communities and lift people out of poverty around the world.

Human Appeal honours the responsibility of distributing Zakat in accordance with Islamic values and teachings that are placed upon them by donors, beneficiaries and by God himself.

## Aim

The overall aim of Human Appeal's Zakat Policy is to ensure that Human Appeal is able to fulfil its amanah of Zakat distribution in the best way possible. This policy ensures that Human Appeal's Zakat activities are in line with Islamic teachings and guidelines

The aims of this policy are:

- To improve internal and external communications around Human Appeal's Zakat activities.
- To ensure that Human Appeal's Zakat activities are conducted in the most transparent and Islamically compliant manner as possible.
- To provide clear guidance to Human Appeal staff (particularly in Fundraising, Finance and Programmes) on how Zakat should be fundraised for, allocated, distributed and monitored
- To provide clarity to donors and beneficiaries on how they should expect Human Appeal to fundraise, allocate and distribute Zakat.
- To enable Human Appeal to utilise Zakat within its programmes in a manner that ensures maximum impact and efficiency in reducing suffering and poverty.

## Scope

This policy is binding on all Human Appeal staff members, including Field and Office staff.

## Fundraising Zakat

- Human Appeal will strive to educate local Muslim communities on who is obligated to pay Zakat and the importance of doing so.
- Human Appeal will provide clear and accessible guidelines and support to donors in calculating how much Zakat they are obligated to pay. Such guidelines must be appropriate to the context of each office, and should be prepared in consultation with local Imams or scholars where possible.
- Human appeal will provide training to fundraising staff on the obligation to pay Zakat and on basic elements of calculating Zakat.
- All fundraising materials for Zakat should include a disclaimer which states that in on occasions where Human Appeal in unable to spend donations in a particular requested manner, donations will b reallocated to where they are most needed. This must be clearly visible to the donor when making their donation.
- Where donors insist that their Zakat goes to a specific fund (e.g. country or sector), before accepting the donation Human Appeal staff must clarify whether it is possible for Zakat to be allocated in this way among their Zakat activities. Once Human Appeal has accepted this donation, Human Appeal must respect the wishes of the donor as much as possible.
- On some occasions, Human Appeal may feel as though they are unable to respect the wishes of the donor, perhaps due to a lack of projects in that country or sector, or if the donor's conditions contravene our policies. In this instance, Human Appeal must either:
  1. Communicate clearly to the donor that Human Appeal may not be able to spend the Zakat in the requested manner, and encourage the donor to give Zakat to an alternative fund.
  2. Refuse the donation on the grounds that we do not have the capacity to spend the Zakat in the requested manner.

## Zakat Eligibility

In the Holy Qur'an, there have been eight groups of people identified as being eligible to receive Zakat. These are:

1. Al Fuqara - The poor
2. Al-Masakin - The needy
3. Al-Amilina Alayha - Those who collect and administer Zakat
4. Al - Mu'allafal Qulubuhum - Reconciliation of Hearts
5. Fir Riqab - Those held captive or enslaved
6. Al-Gharimin - Those in debt
7. Fi Sabilillah - Those striving in the path of Allah
8. Ibn Al-Sabil - Wayfarers (travellers)

## Policy Statement

- Zakat funds will be considered as a restricted fund.
- Zakat payments are collected into a specific, restricted fund within Human Appeal and payments are directed to clearly identified projects
- Zakat will primarily be given to the Al-Fuqara' (Poor) and Al-Masakin (Needy).
- If the need arises, Zakat may be distributed among those from other categories under the guidance and advice from Islamic scholars.
- Zakat donations collected are spent within the lunar year requirement.
- Zakat funds may be used to pay staff involved in distributing Zakat (Al-Amilina Alayha).
- Zakat will be given to the beneficiary either as cash or as possessions.
- Up to a maximum of 12.5% of the Zakat fund may be used to pay the Zakat Overseers
- Gift Aid can also be claimed by Human Appeal on Zakat payments if the Zakat payer is eligible and willing to complete a Gift Aid declaration form. The Gift Aid will be treated as a general donation and allocated by Human Appeal to our work according to greatest need.

## Zakat Allocation

There are a number of principles which guide the decision-making process of the allocation of Zakat.

- The Programmes team and Partner offices must be involved in the decision making process regarding Zakat allocation.
- The Zakat Allocation Committee, comprised of representatives from office programmes, fundraising and finance departments, must collectively determine which projects to fund with Zakat.
- Service Level Agreements must clearly state what funds are being used to fund a project (e.g. the amount of Zakat; Sadaqah or general donations being used). It is the responsibility of the office to ensure regional desks are fully aware when they are receiving Zakat funds
- Regional desks are responsible of ensuring field offices are fully aware when they are receiving Zakat.
- All concept notes must clearly state whether the project is eligible to be funded by Zakat or not.

## Monitoring & Evaluation of Zakat

Zakat-funded activities must be frequently examined and evaluated to ensure their compliance with Human Appeal's Zakat Policy.

- The primary responsibility for ensuring that Zakat funded projects are monitored and evaluated lies with the project staff, followed by the Country Director and Regional Desk.
- The ultimate responsibility for ensuring that Zakat-funded projects are monitored and evaluated according to the principles of this policy lies with the Monitoring & Evaluation department at Human Appeal.

## Policy Responsibility

- Management at all levels are accountable for ensuring those reporting to them are made aware of and understand this policy and are given acceptable and regular training on it.

## Review

- The policy will be reviewed annually in accordance with legal and organisation requirements



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