

Series of Questions Addressed to Eminent Scholar Ata Bin Khalil Abu Al-Rashtah,
Ameer of Hizb ut Tahrir through his Facebook Fiqhi Page

Answer to Question

Zakat of Paper Currency

To Muhammad Yusuf

(Translated)

Question:

Assalamu Alaikum Wa Rahmatullah Wa Barakatuh.

Since the six categories that were mentioned in usury were fixed names, and when paper currency took the rule of gold and silver when they were covered with gold and silver, the ruling was clear, now paper currency does not have a gold or silver cover, so does the ruling remain the same, as well as with zakat on money?

Please advise us, may Allah reward you with good, and may Allah bring the empowerment by your hands.

Answer:

Wa Alaikum Assalam Wa Rahmatullah Wa Barakatuh

We have explained this in the book, *Funds in the Khilafah State* in the chapter: “**Zakat of Paper Currency.**”

[Paper currency is the financial papers which the State issues and makes as its currency and money by which prices of goods and payments for services are assessed. The Zakat on this paper currency is the Zakat of gold and silver. The rules of Zakat apply to it according to its reality. This reality appears in three forms:

1. Representative paper currency which is currency issued by the State that proceeds according to the system of metallic currency. It represents a specified quantity of gold or silver and acts as its representative in circulation and is exchanged for it upon demand. This representative paper is considered gold or silver as it can be exchanged for them at any time, and its Zakat becomes the Zakat of gold and silver. If it is a substitute for gold and its quantity reaches the equivalent of 20 gold Dinars i.e. 85 grams which is the Nisab of gold, the Zakat of quarter-tithe is obliged once a year passes over it. If it is a substitute for silver and its quantity reaches the equivalent of 200 silver Dirhams i.e. 595 grams which is the Nisab of Zakat, the Zakat of quarter tithe is obliged on it. The evidence for the obligation of Zakat in this paper currency is the same as the previously mentioned Ahadith indicating the obligation of Zakat in gold and silver. This is because it is a representative and substitute for gold and silver, and the representative or substitute takes the rule of the original (*asl*).

2. Reliable (Watheeqa) paper currency which is currency issued by the State or a trustworthy bank in which the State is vested with the right to issue such papers. It has a specific cover of gold and silver according to a specific proportion which is less than the nominal value of currency. This cover of gold and silver is retained by the State or the issuing bank as a guarantee for it. Its issuer commits itself to give its cover value of gold or silver to its bearer upon demand. Its cover is not complete but a specific proportion of its value, such as three-quarters, two-thirds, one-half or any other percentage.

The covered ratio or portion of the reliable paper currency (Watheeqa) is considered representative paper currency, whether covered by gold or silver, because it can be substituted for it at any time. So its Zakat becomes the Zakat of gold and silver. If for example, it is covered with gold at half of its nominal value, then Zakat is obliged in it when it

reaches 40 Dinars and a year passes, with its Zakat being in Dinars of its type. If it doesn't reach 40 Dinars, no Zakat is obliged upon it as it is less than the Nisab.

If it is covered by silver at a one-half nominal value, for example, then Zakat is obliged in it once it reaches 400 Dirhams and a year has passed, with its Zakat being 10 Dirhams of its type. If it is less than 400 Dirhams, there is no Zakat on it because it is less than the Nisab of silver.

The evidence for the obligation of Zakat on this reliable paper currency is the same Ahadith indicating the obligation of Zakat in gold and silver. This is because it acts as a representative and substitute for gold and silver within the amount of the nominal value covered, so Zakat is obliged on it since the representative or substitute takes the rule of the origin (Asl).

3. Compulsory (Ilzamiyya) paper currency which is paper currency issued by the State through statute. It is issued for dealings and deemed as prices for commodities and payment for services and benefits. However, it is not exchangeable for gold or silver, or covered by gold or silver, nor is it guaranteed by reserves of gold or silver or backed paper money. There is no value to this paper currency save statutory value

However, since this compulsory currency has been adopted as money, payments for benefits and services and gold and silver as well as all other merchandise and goods are bought by it. Therefore, it has fulfilled the currency and price characteristics verified in gold and silver, coined as Dinars and Dirhams.

This is because the texts on zakat of gold and silver are of two types: the first is evidence that states zakat on gold and silver as names of types, i.e., in objects of gold and silver. They are rigid names that are not suitable for being reasoned (*Ta'leel*), so there is no analogy for them. Therefore, there is no zakat on other metals such as iron and copper. Abu Hurairah narrated that the Prophet (saw) said: «... وَمَا مِنْ صَاحِبِ ذَهَبٍ وَلَا فِضَّةٍ، لَا يُؤَدِّي مِنْهَا حَقَّهَا، إِلَّا إِذَا كَانَ يَوْمُ الْقِيَامَةِ، صُفِّحَتْ لَهُ صَفَائِحُ مِنْ نَارٍ...» **...If any owner of gold or silver does not pay what is due on it, when the day of resurrection comes plates of fire will be beaten out for him...** [Narrated by the five except for Tirmidhi]. The words (silver and gold) are mentioned in this Hadith, and they are fixed names that cannot be reasoned (*Ta'leel*)

The second: Evidences that stipulate zakat on gold and silver, as currency which people use for prices and wages, and these evidences have a divine reason (I'la) that can be deduced from them, which is currency, so the compulsory currency notes are measured against them, in order to achieve this reason (I'la) in them, and the rules of zakat on currency are applied to them, by calculating what they are worth in the gold or silver market. On the authority of Ali bin Abi Talib, on the authority of the Prophet (saw) he said: «إِذَا كَانَتْ لَكَ مِائَتَا دِرْهَمٍ، وَحَالَ عَلَيْهَا الْحَوْلُ، فَفِيهَا خُمْسَةُ دَرَاهِمٍ، وَلَيْسَ عَلَيْكَ شَيْءٌ - يَعْنِي فِي الذَّهَبِ - حَتَّى يَكُونَ لَكَ عِشْرُونَ دِينَارًا، فَإِذَا كَانَتْ لَكَ عِشْرُونَ دِينَارًا، وَحَالَ عَلَيْهَا الْحَوْلُ، فَفِيهَا نِصْفُ دِينَارٍ.» **If you have 200 Dirhams, a year passes on it, you must give 5 Dirhams from it, and nothing is obliged on you- i.e., on gold- until you have 20 Dinar, If you have 20 Dinars and a year passes on it, you must give half a Dinar** [Narrated by Abu Dawud]

It is mentioned on his saying: «في كل عشرين ديناراً نصف دينار، وفي كل أربعين ديناراً دينار.» **In every twenty dinars half a dinar, and in every forty dinars a dinar.**

On authority of Ali (ra), he said: the Prophet (saw) said: «... فَهَاتُوا صَدَقَةَ الرِّقَّةِ مِنْ كُلِّ أَرْبَعِينَ دِرْهَمًا» **so give al-Raqqa alms of every forty dirham, and nothing is in the ninety and one-hundredth, If it is two hundred then give five Dirhams.** [Narrated by Al-Bukhari and Ahmed]. As Abd al-Rahman al-Ansari narrated in the book of the Messenger of Allah (saw), and Umar's letter on charity. «... والورق ...» **...and paper is not taken from it until it reaches two hundred dirhams** [Narrated by Abu Obeid].

All of these Hadiths indicate currency and value. Because the expressions of al-Raqqa with the qareena (indication): «في كل أربعين درهماً»، **...in every forty dirhams** paper, dinar,

and dirham, are expressions that refer to gold and silver, coined and minted, that is, they are money and prices.

The expression in these terms indicates that currency and price are intended in these Hadiths, and many of the legal rulings are attached to them, such as zakat, blood money, kaffarat (atonements), cutting off in theft, and other rulings.

Since compulsory currency verifies these currency and price characteristics, then it is included by the Ahadith obliging Zakat in the two currencies, gold and silver. So Zakat is obliged on it as it is obliged on gold and silver and it is valued in gold and silver. Whoever owns compulsory currency equivalent to the value of 20 Dinars of gold-i.e. 85 grams of gold-which is the Nisab of gold, or 200 Dirhams of silver-i.e. 595 grams of silver-over which a year passes, then Zakat is obliged upon it and he must give quarter-tithe.

Zakat on gold is paid in gold, representative currency and reliable currency. Zakat on silver is paid in silver, representative currency and reliable currency. Similarly, Zakat on gold can be paid in silver and compulsory currency while Zakat on silver can be paid in gold and compulsory currency, as they are all currencies and prices. So some of them can take the place of others and some of them can be paid in the place of others for the objective is verified in this. It has been mentioned in the chapter of Zakat on crops and fruits the evidences for taking the value as a substitute for the property upon which Zakat is obliged.]

As you can see, the compulsory papers have the divine reason (l'la) (currency and price) and that is why zakat is obligatory on them if their value reaches the Nisab and one year has passed, and this means that a Muslim who lives in a country that does not take gold and silver as its currency as required by Shariah, but rather takes the compulsory paper currency as its currency, this Muslim has to pay zakat on his paper currency if its value reaches the Nisab and a year has passed on it in the same proportion as the zakat on gold and silver as cash.

I hope that this answer will suffice, and Allah is All-Knowing and Most Wise.) **End**

Your Brother,

Ata Bin Khalil Abu Al-Rashtah

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The link to the answer from the Ameer's Facebook page:

<https://www.facebook.com/HT.AtaabuAlrashtah/posts/543624197324954>