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RESEARCH ARTICLE

ZAKAT ON INCOME-GENERATING ASSETS: A JURISPRUDENTIAL STUDY

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Abstract

This study aims to clarify the concept of zakat on income-generating assets and its juristic rulings in light of the ijtihad of classical and contemporary jurists, with reference to applied models. The study addresses the definition of income-generating assets, their types, the ruling of zakat on them, and the juristic disagreement regarding the method of zakat payment. The study adopts a descriptive-analytical approach through the analysis of juristic texts and resolutions of contemporary fiqh academies. Background of the Study The concept of income-generating assets in its current expansive form was not widely known in early periods; however, classical jurists discussed analogous cases within chapters of zakat, such as zakat on trade goods and agricultural produce. With modern urban and investment expansion, income-generating assets have become one of the most prominent sources of income, which prompted fiqh academies to issue new rulings and juristic resolutions to regulate their zakat. Zakat on income-generating assets is among contemporary jurisprudential issues that emerged with the development of modern economic activities such as rental properties, factories, transportation means, and hotels. This economic development raised juristic questions regarding their zakat liability, calculation method, and timing of payment, which motivated this research.

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Introduction

Research Problem

The research problem lies in the divergence of contemporary juristic opinions regarding the calculation of the nisab of zakat on income-generating assets, the timing of payment, the method of estimation, and whether zakat is due on the asset itself or only on its yield.

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Objectives of the Study

1. To clarify the concept of income-generating assets in Islamic jurisprudence.
2. To present and discuss juristic opinions on this issue.
3. To clarify the legal ruling on zakat of income-generating assets and identify the preponderant opinion.
4. To present some contemporary applications of zakat on income-generating assets.

Research Questions:-

- What is meant by income-generating assets in juristic terminology?
- What is the ruling of zakat on income-generating assets in Islamic jurisprudence?
- How is the zakat due on them calculated?

Methodology:-

This research adopts a descriptive-analytical methodology through:

- Inductive analysis of Qur'anic and Prophetic texts.
- Presentation and analysis of juristic opinions.
- Examination of resolutions of fiqh academies that discussed this issue.
- Weighing opinions with justification.

Significance of the Study:

The importance of this study lies in addressing a significant jurisprudential issue, as most wealth in the contemporary era results from income-generating assets. It affects a wide segment of investors and property owners, especially in light of attempts by some to evade zakat obligations through unfounded justifications, thereby depriving the poor of their rightful share.

Structure of the Study:

The study consists of three chapters and a conclusion:

Chapter One: The concept, evidences, and types of income-generating assets:

- Section One: Definition of income-generating assets linguistically and technically, and their legal evidences.
- Section Two: Types of income-generating assets in the modern era.

Chapter Two: Zakat on income-generating assets in Islamic jurisprudence:

- Section One: Opinions of classical jurists.
- Section Two: Opinions of contemporary scholars.

Chapter Three: Conditions and mechanisms of calculating zakat on income-generating assets.

Conclusion: The main findings of the research.

Chapter One: The Concept of Zakat on Income-Generating Assets, Its Evidences, and Its Types:**This chapter contains two sections:**

Section One: Definition of Income-Generating Assets Linguistically and Technically Linguistically, income-generating assets (al-mustaghallāt) are derived from ghallah, which refers to what is produced from a thing in terms of yield and benefit. In Lisān al-‘Arab, ghallah is income from renting a house, the wages of a servant, and the produce of land. It is said: “He made use of his servant,” meaning he obliged him to generate income for him. Exploiting income-generating assets means taking their yield; they are described as income-generating when they produce something while their original corpus remains intact (Ibn Manzūr, Lisān al-‘Arab, 11/504, Dār Ṣābir).

The term al-mustaghallāt, with the mīm pronounced with ḥammah and the tā' and ghayn with fathah, is derived from the sound trilateral verb ghalla. The letters sīn and tā' indicate seeking. It is said istaghalla something, meaning he sought its yield. Istaghalla his servant means he obliged him to generate income for him. Istaghalla the income-generating assets means taking their yield. A property is said to have produced yield when it gives yield while its original corpus remains intact. Istighlāl al-mustaghallāt means taking their yield (al-Jawharī, al-Ṣīhāh, p. 663).

Ghallah is income from renting a house, the wages of a servant, and the produce of land. Its singular is ghallah and its plural is ghallāt. Properties are said to have produced yield when their yield appears, and it is said that a people have reached their yield. A man is said to provide for his family when he brings them yield (Mukhtār al-Ṣīhāh, p. 488). Among this is the ḥadīth of ‘Ā’ishah that a man purchased a servant and benefited from him, then discovered or noticed a defect in him and returned him due to the defect. The seller said: “The yield of my servant.” The

Prophet said: "The yield is for the one who bears liability." Reported by Ahmad in his Musnad, meaning taking his produce, benefit, and livelihood (al-Ḥākim, al-Mustadrak, 1/18).

Technical Definition:

Income-generating assets refer to fixed assets that are not intended for sale, but rather are intended for benefiting from their corpus while investing their benefits, such as rental properties, factories, and means of transportation. Some defined them as productive factories, real estate, vehicles, machinery, and the like—everything that is prepared for leasing and not prepared for trade in its corpus. This definition is problematic, as the statement "prepared for leasing" conflicts with what is commonly known, namely that factories are not usually prepared for leasing (al-Ashqar et al., Aḥbāth Fiqhiyyah fi Qaḍāyā al-Zakāh al-Mu'āṣirah, 2/865). Bayt al-Zakāh of Kuwait defined them as assets that are not prepared for sale nor taken for trade in their corpus, but are prepared for growth and for deriving benefit and yield by selling what results from them in terms of produce or by leasing. Thus, income-generating assets include houses, buildings, factories, aircraft, ships, vehicles, and the like that are prepared to take their yield and produce. This also includes cattle, buffaloes, and non-grazing sheep that are kept in order to benefit from their milk or wool (Bayt al-Zakāh al-Kuwaitī, Aḥkām wa Fatāwā al-Zakāh wa al-Ṣadaqāt wa al-Nudhūr wa al-Kaffārāt).

Dr. Wahbah al-Zuhaylī defined them as: "productive factories, real estate, vehicles, machinery, and the like—everything that is prepared for leasing and not prepared for trade in its corpus" (Wahbah al-Zuhaylī, al-Fiqh al-Islāmī wa Adillatuh, 10/545). Al-Qaradāwī defined them as assets on whose corpus zakat is not due and which are not taken for trade, but are taken for growth, yielding benefit and income to their owners through leasing their corpus or selling what results from their production (al-Qaradāwī, Fiqh al-Zakāh, p. 313). One researcher defined them as every fixed or movable asset not prepared for trade in its corpus that generates income with recurring yield, while its corpus diminishes through gradual consumption ('Abd Allāh ibn Mubārak, Zakāt al-Mustaghallāt). They are also defined as assets that are not prepared for sale nor taken for trade in their corpus, but are prepared for growth and for deriving benefit and yield by selling what results from them in terms of produce or by leasing (Kuwaiti Fiqh Encyclopedia, 22/83).

Section Two: Types of Income-Generating Assets in the Modern Era:-

- Rental real estate.
- Means of transportation prepared for leasing, such as:
 - Cars used for rental.
 - Leased aircraft and ships.
- Hotels and commercial shops.
- Investment farms.
- Animals kept for breeding and milk production, where their offspring and milk are sold without selling the animals themselves.
- Slaves who work and earn; whatever they earn belongs to their master.
- Industrial machinery.
- Factories are also considered income-generating assets.

Al-Qaradawi gave examples of income-generating assets as houses and riding animals that are leased for a specified rent, and likewise jewelry that is rented and the like. In our time, this is represented by buildings, means of transportation, and others. It is stated in Fiqh al-Zakah: among the growing assets in our time are buildings prepared for leasing and exploitation, factories prepared for production, and cars, aircraft, and ships prepared for transporting passengers, goods, and luggage, and other fixed and non-fixed capital assets. More precisely, they are income-generating, growing, non-circulating capital assets that yield abundant income to their owners (al-Qaradawi, Fiqh al-Zakah, 7/24). Also included are assets whose output is produced and sold, such as non-grazing cattle and sheep that are kept for profit by selling their milk, wool, fattening them, or otherwise. Of greater importance today are factories whose products are produced and sold in markets (al-Qaradawi, Fiqh al-Zakah, p. 313).

They are all united by the fact that the original asset is not prepared for trade, but rather for exploitation.

Chapter Two: Zakat on Income-Generating Assets in Islamic Jurisprudence

This chapter contains two sections:

Section One: The Opinions of Early Jurists on Zakat on Income-Generating Assets

The term “zakat on income-generating assets” was not known by this wording in the books of jurisprudence, and the early jurists did not explicitly state the obligation of zakat on this type of income-generating asset. They stated that there is no zakat on residential houses, household furnishings, tools of trade, and riding animals (al-Zuhayli, al-Fiqh al-Islami wa Adillatuh, 3/1949).

However, the jurists addressed the rulings of income-generating assets within various chapters, such as zakat on trade goods, zakat on crops and fruits, and the rulings of houses and real estate. The majority of jurists from the Hanafis, Malikis, Shafi'is, and Hanbalis agreed that fixed assets not prepared for trade are not subject to zakat on their corpus; rather, zakat is due on their yield and income if the conditions of zakat are met, namely reaching the nisab and the passing of one lunar year (al-Fiqh al-Islami wa Adillatuh by al-Zuhayli, 3/1799). They also stipulated that the wealth must be productive, because the meaning of zakat—namely growth—can only be realized from productive wealth. What is meant is not actual growth itself, but rather that the wealth is prepared for growth through trade or through pasturing, according to the majority, because pasturing is a cause for obtaining milk, offspring, and fattening, and trade is a cause for obtaining profit; thus, the cause is treated as equivalent to the effect.

The Hanafis explicitly stated this rationale. Al-Kasani said:

“Among them—meaning the conditions related to the wealth upon which zakat is due—is that the wealth be productive, because the meaning of zakat, which is growth, is only realized from productive wealth. We do not mean by this actual growth, because that is not considered; rather, we mean that the wealth is prepared for growth through trade or through pasturing, because pasturing is a cause for obtaining milk, offspring, and fattening, and trade is a cause for obtaining profit; thus, the cause is treated as equivalent to the effect.” (al-Kasani, *Bada'i' al-Ṣanā'i' fi Tartib al-Shara'i'*, 2/11, Dar al-Kutub al-'Ilmiyyah, 1328 AH) In *Tuhfat al-Muhtaj*, in the introductory discussion on zakat of grazing livestock, it states: “The foundation of the chapter is what we mentioned: that the cause of the obligation of zakat is productive wealth that is surplus to need.” (al-Samarqandi, *Tuhfat al-Fuqahā'*, 1/281, Dar al-Kutub al-'Ilmiyyah, 1994).

The Hanafi jurists stated that houses and real estate, if not prepared for sale, are not subject to zakat on their value; rather, zakat is due on the rent if a lunar year passes over it and it reaches the nisab, because zakat is only due on productive wealth in actuality or estimation, and productivity here is realized in the yield, not in the corpus. Al-Kasani said: “As for houses and real estate, there is no zakat on their corpus unless they are for trade. Malikis held that rented houses are not subject to zakat on their corpus, and that zakat is due on the rent if the owner receives it and it reaches the nisab by itself or together with other wealth. Ibn Rushd mentioned that leasing is acquired income, so zakat is due on it after the completion of one lunar year. Sahnun said: Ibn al-Qasim was asked about a man who rents out his house for five years for one hundred dinars, which he receives in advance, and a year passes over it while it is in his possession, and he has no other wealth besides the house. He said: He must pay zakat on it because he was liable for it...) (Ibn Rushd al-Jadd, *al-Bayan wa al-Tahṣil*, 2/398, Dar al-Gharb al-Islami, 1998) As for the Shafi'is, they held that the leased asset itself is not subject to zakat due to the absence of the intention of trade, and that zakat is due on the rent if a lunar year passes over it from the time of receipt, because it is acquired wealth.

It is stated in al-Majmu': “The author, may Allah have mercy on him, said: If he possesses rent from a house whose benefit the tenant has not yet utilized, and a year passes over it, zakat becomes due on it because he owns it with complete ownership.” (al-Nawawi, al-Majmu', 6/23, al-Muniriyah Press). Al-Nawawi said: “Rent is like other forms of wealth; zakat is due on it if the conditions are fulfilled. Like wise the Hanbalis held that real estate and fixed means of earning are not subject to zakat on their corpus, but rather on their yield if it reaches the nisab. Ibn Qudamah said: “There is no zakat on houses, slaves, or craftsmen's tools, unless they are for trade. He also said: “If he rents out a house or a slave for a year for one thousand, and the dirhams accrue to him and he receives them, he pays zakat on them if a year passes over them from the time he received them; and if they are owed by the tenant, then from the day zakat becomes due upon him regarding them.” (Ibn Qudamah, *al-Mughni*, 2/468, *Maktabat al-Qahirah*, 1968). After this presentation of the opinions of the early jurists, through reviewing and analyzing their statements, we conclude that they established a general principle that zakat is not related to the corpus of income-generating wealth, but rather to the realized growth derived from it, which constitutes a juristic foundation for what contemporary scholars have determined regarding zakat on income-generating assets.

Section Two: The Opinions of Contemporary Jurists on Zakat on Income-Generating Assets:-

Contemporary jurists have given attention to the issue of zakat on income-generating assets due to the realities of economic life, its development, and the emergence of new investment assets that were not familiar in the early periods in which the classical jurists lived. Their opinions have varied, and these views can be classified into two main trends:

The first view:

A group of jurists held the opinion that zakat on income-generating assets should be disallowed and that it is not obligatory at all. Among those who held this view are al-Shawkani, Ibn Hazm al-Zahiri, and Siddiq Khan. This is because, according to them, the basic principle is that there is no zakat on the corpus of income-generating assets such as real estate and income-producing machinery; rather, zakat is due only on the yield itself. The income is treated like cash and is subject to zakat when it reaches the nisab and a lunar year passes over it (al-Sayl al-Jarrār al-Mutadaffiq 'alā ḥadā'iq al-Azhār, p. 237).

It is stated in al-Sayl al-Jarrār: This issue—meaning income-generating assets—was not known to the passage of time, nor was it heard of by the people of the first generation, who are the best of generations, nor by the generation that followed, nor the one after that. Rather, it is among the Yemeni innovations and issues that were not heard of by the scholars of the Islamic schools of thought, despite the diversity of their views and the distance of their lands. There is no trace of knowledge concerning it from the Book, the Sunnah, or analogy. It is known that the wealth of Muslims is inviolable by the inviolability of Islam, and it is not permissible to take it except by its due right; otherwise, that would be consuming people's wealth unjustly. This amount suffices you regarding this issue (al-Shawkani, al-Sayl al-Jarrār, p. 237).

They supported their view with the following evidences:

1. There is no evidence obligating zakat on income-generating assets, and the basic principle is freedom from liability with respect to obligations unless a text from the Qur'an or the Sunnah is established (al-Qaradawi, Fiqh al-Zakah, 1/459).
2. None of the early jurists held that zakat is obligatory on income-generating assets. Rather, the majority of scholars explicitly stated the absence of zakat on residential houses, homes, riding animals, tools of trade, household furnishings, and similar items.

It is stated in al-Bahr al-Rā'iq: "If he rents out his slave or his house for a nisab, even if they are not for trade, zakat is not due unless a lunar year passes after receipt." (Ibn Nujaym, al-Bahr al-Rā'iq, 2/219, Dar al-Kitab al-Islami)

Ibn Zayd al-Qayrawani said: "As for if he rented it for residence, then rented it out due to a matter that occurred to him ... he does not pay zakat on it, even if it is much, except after a year from the day he receives it." (al-Qayrawani, 2/127). Al-Shafi'i said: "If he rents out a house for four years for one hundred dinars, the rent is due immediately unless he stipulates a term. When a year passes, he pays zakat on twenty-five dinars ... and if the lessor receives the money and then the house collapses, the lease is annulled, and no zakat is due upon him except on what he had received." (al-Muzani, Mukhtaṣar al-Muzani, 8/148, Dar al-Ma'rifah). In al-Mughni by Ibn Qudamah: "Whoever rents out his house and receives its rent, there is no zakat due on it until a lunar year passes over it." (Ibn Qudamah, al-Mughni, 3/57, Maktabat al-Qahirah). They also cited the authentic hadith narrated by Abu Hurayrah from the Prophet: "There is no charity due upon a Muslim for his slave or his horse." (Narrated by al-Bukhari 1464 and Muslim 982)

This opinion, which holds that zakat on income-generating assets is disallowed, aligns with the view of those who adopt a restrictive approach to zakat bases, foremost among them Ibn Hazm al-Zahiri, al-Shawkani, and Siddiq Khan, to the extent that they said there is no zakat on trade goods, fruits, vegetables, and the like (al-Qaradawi, Fiqh al-Zakah, p. 460). It is stated in al-Rawdah al-Nadiyyah: As for obligating zakat on what is not among the assets upon which zakat is due by consensus, such as houses, real estate, and the like, merely by leasing them for rent without trading in their corpus, this was not known in the earliest generation, who are the best of generations, nor those who followed them, let alone supported by evidence from the Qur'an or the Sunnah. They used to rent and lease, receive rent from their houses, estates, and animals, and it never occurred to any of them that at the end of the year he should pay one-quarter of one-tenth of the value of his house, real estate, or animals. They passed away while free from this burdensome obligation, until at the end of the third century of the third hundred someone said so, without evidence, except mere analogy with trade assets... (Siddiq Khan, al-Rawdah al-Nadiyyah Sharḥ al-Durār al-Bahiyah, 1/194, Dar al-Ma'rifah). The second view: The obligation of zakat on the yield of income-generating

assets, not on their corpus. The majority of contemporary jurists hold that zakat is not obligatory on the corpus of income-generating assets, but is obligatory on their net yield if it reaches the nisab and a lunar year has passed over it. Among the most prominent proponents of this view is Shaykh Yusuf al-Qaradawi, who held that income-generating assets resemble fixed assets whose benefits are invested; therefore, no zakat is due on their corpus, by analogy with rented houses in classical jurisprudence, while zakat is due on their yield as it is considered productive wealth.

They supported this view with the following evidences:

1. The generality of the statement of Allah, the Exalted: "And in their wealth there is a known right for the beggar and the deprived" (al-Ma'arij: 24), and His statement: "Take from their wealth a charity by which you purify them and cause them to grow" (al-Tawbah: 103). Allah has obligated a known right in all wealth, without distinction between one type of wealth and another.
2. The effective cause for the obligation of zakat on wealth is growth (namā'), as stated by the jurists—this was indicated in the first section, where their statements were cited. What further clarifies and strengthens this cause is that they excluded working animals and women's jewelry intended for use.

They stipulated two conditions for the obligation of zakat: the first is growth, and the second is surplus beyond essential need. It is stated in al-`Ināyah Sharh al-Hidāyah: "His statement (because it is occupied with essential need and is not productive) means that being occupied with essential need and the absence of growth—each of them is an impediment to its obligation, and both are present here. As for being occupied with essential need, it is because one must have a house to live in and clothes to wear; and as for the absence of growth, it is because growth is either intrinsic, as in gold and silver, or through preparation for trade, and neither is present here." (al-`Ināyah Sharh al-Hidāyah, on the margin of Fath al-Qadīr, 2/162) Thus, being occupied with essential need and growth—each of them is an impediment to the obligation of zakat. As for the house, it is because one must have a house to live in and clothes to wear (Ibn al-Humām, Fath al-Qadīr, 2/162, al-Bābī al-Ḥalabī, 1970). The ruling revolves around its effective cause, existing when it exists and ceasing when it ceases; wherever growth is realized, zakat is due, and where growth is not realized, zakat is not obligatory. The wisdom behind the legislation of zakat is purification: purification of wealth from the impurities of unlawful gain, purification of the owner of wealth from miserliness, and purification of the poor from resentment and envy toward the rich. Therefore, holding that zakat is obligatory on fixed productive assets that generate income is more appropriate than holding that zakat is not obligatory, as it better fulfills the wisdom of purification. This view was also affirmed by the International Islamic Fiqh Academy in its resolutions, which state that there is no zakat on the corpus of real estate, factories, and means of transportation prepared for leasing, while zakat is obligatory on their net income after deducting necessary operating expenses (International Islamic Fiqh Academy, Resolutions of the Academy, Jeddah, 2009).

The preferred view:

From the foregoing, it becomes clear that the preferred view is the second opinion, which obligates zakat on income-generating assets, for the following reasons:

1. The strength of the evidences upon which it is based, as the Qur'anic texts obligate zakat on wealth without specifying one type of wealth over another, and there is no specification to restrict this generality; therefore, the texts remain upon their general meaning.
2. The view of obligation achieves benefit for the owner of wealth, as adopting a cautious approach is more secure and preferable, and the benefit that returns to the poor is evident, especially since a large portion of wealth today exists in the form of investment assets.
3. What those who deny the obligation of zakat on income-generating assets rely upon—namely, the absence of a text—is countered by the action of 'Umar when he imposed zakat on horses when he saw that they had reached high value, despite the absence of a specific text regarding them. It is narrated that 'Abd al-Rahmān ibn Umayyah, the brother of Ya'la ibn Umayyah, purchased a female horse for one hundred she-camels. The seller regretted this and went to 'Umar, saying: Ya'la and his brother seized a horse from me. 'Umar wrote to Ya'la to come to him. When he came and informed him of the matter, 'Umar said: "Have horses reached such a value among you?" Ya'la replied: "I did not know of any horse reaching this value before this." 'Umar said: "We take one sheep from forty sheep and take nothing from horses? Take one dinar from every horse." He said: "So he imposed one dinar on each horse." (Ibn Hazm, al-Muḥallā bi al-Āthār, 4/32, Dar al-Fikr)
4. The resolutions of the various fiqh academies that have chosen the obligation of zakat on income-generating assets after in-depth studies and extensive discussions (International Islamic Fiqh Academy, Resolutions of the Academy, Jeddah, 2009).

Chapter Three: Conditions for the Obligation of Zakat on Income-Generating Assets and the Method of Its Payment:

This chapter contains two sections:

Section One: Conditions for the Obligation of Zakat on Income-Generating Assets The obligation of zakat on income-generating assets is subject to conditions that, in general, do not depart from the established general conditions for the obligation of zakat in Islamic law, while taking into consideration the particular nature of this type of wealth. Among the most important of these conditions are the following:

First: Complete ownership:

For zakat to be obligatory, the income-generating assets must be fully owned by the legally accountable person, such that he possesses their corpus or their usufruct with stable ownership. There is no zakat on income-generating assets that are not fully owned, such as usurped or disputed properties (al-Nawawi, al-Majmu', 5/326, al-Muniriyah, Cairo, 1347 AH; Ibn Qudamah, al-Mughni, Maktabat al-Qahirah; al-'Imrani, al-Bayan, 3/286, Dar al-Manhaj, 2000).

Second: Realization of growth or its potential:

It is required that the income-generating assets yield rent or income, since zakat is only obligatory on wealth that is productive, in reality or by estimation. Accordingly, there is no zakat on income-generating assets that do not actually generate income, unless they are prepared for exploitation and negligence on the part of the owner is established (al-Qaradawi, Fiqh al-Zakah, p. 423, Maktabat Wahbah; Abu Zahrah, Buhūth fi al-Zakah, Dar al-Fikr al-'Arabi, Cairo; Journal of the International Islamic Fiqh Academy, Issue Two, 1/198).

Third: Reaching the nisab:

For zakat to be obligatory, the net income of the income-generating assets must reach the nisab of zakat, either by itself or by being combined with other wealth of the same type, namely cash. The nisab is approximately equivalent to the value of 85 grams of gold (International Islamic Fiqh Academy, Resolutions of the Academy, Jeddah, 2009).

Fourth: Passage of one lunar year (hawl):

It is required that one lunar year pass over the net income from the time it is received and reaches the nisab. The passage of a year over the corpus of the income-generating assets themselves is not required, since they are not zakatable in themselves (al-Nawawi, al-Majmu', 6/141, Dar al-Fikr; al-Qaradawi, Fiqh al-Zakah; Journal of the International Islamic Fiqh Academy, Resolutions and Recommendations).

Fifth: Surplus beyond essential needs:

It is required that the income be surplus to the owner's essential needs, such as housing and basic living expenses, because zakat is legislated on surplus wealth in order to realize the objective of social solidarity (Muhammad Abu Zahrah, Buhūth fi al-Zakah, p. 88, Dar al-Fikr al-'Arabi). With the fulfillment of these conditions, zakat becomes obligatory on the net income of income-generating assets, which is what has been established in contemporary fatwas and juristic resolutions. Section Two: How Zakat Is Paid on Income-Generating Assets Scholars have differed regarding the rate that must be paid as zakat on income-generating assets, holding two main views:

The first view: Obligation of zakat on the corpus and the yield of income-generating assets Some contemporary jurists hold that income-generating assets constitute a type of modern investment wealth whose corpus is subject to valuation; therefore, they must be valued and zakat must be paid on them together with their yield, by analogy with trade goods. However, this view has not gained wide acceptance, due to the hardship it entails and because it conflicts with the established juristic distinction between wealth prepared for trade and wealth prepared for exploitation.

The second view: Zakat is due only on the net yield of income-generating assets The proponents of this view hold that zakat on income-generating assets is due only on the net yield. They differ, however, regarding the amount that must be paid, holding two opinions:

First opinion:

It holds that the rate of zakat on income-generating assets is one-tenth (10%) of the net yield or profit, by analogy with zakat on crops and fruits, since the income of income-generating assets resembles the produce of agricultural land. Among those who held this view are Imam Abu Zahrah and Shaykh Hasan Khallaf (Social Studies Circle:

Third Session, p. 241), and it was also adopted by the Islamic Research Academy in its resolution of 1385 AH / 1965 CE. Among those who also held this view is the eminent scholar al-Qaradawi, who held that it is paid annually after deducting expenses (such as maintenance and wages) and accounting for depreciation of the asset. The net profit is treated like crops irrigated by rain. Zakat becomes due upon receipt of the net yield if it reaches the nisab, taking into account depreciation of the asset (property or machinery), and, as a facilitation, basic living expenses or part of the yield may be exempted. Zakat is paid immediately upon receipt of the net profit if it reaches the nisab (al-Qaradawi, *Fiqh al-Zakah*, 1/486). The proponents of this view analogized the yield generated from investment assets such as buildings and factories to crops produced from agricultural land, as there is no difference between an owner who receives the yield of his cultivated land and another who receives the yield of his factories, buildings, and the like (al-Qaradawi, *Fiqh al-Zakah*, p. 325).

Second opinion:

The proponents of this view hold that income-generating assets are subject to zakat as cash, after reaching the nisab and the passage of one lunar year. Among those who held this view is Shaykh Shaltut, who issued a fatwa that the yield should be zakated as cash, at a rate of 2.5% (Shabir, *Contemporary Juristic Studies*, "Zakat on Fixed Assets," 3/261).

They supported this view with the following arguments:

1. The absence of any text from the Qur'an or the Sunnah obligating zakat on the corpus of income-generating assets.
2. Analogy between income-generating assets and working animals.
3. Analogy between income-generating assets and personal-use possessions that are not subject to zakat and are held for usufruct.

Section Three: Discussion and Preference:

Through examining the evidences of both groups, it becomes clear that the view obligating zakat on the net yield of income-generating assets, excluding their corpus, is closer to juristic principles and the objectives of Islamic law. This is because it entails facilitation, removes hardship, and achieves justice in distributing the zakat burden. Most zakat institutions have adopted the payment of zakat from the net yield of income-generating assets at a rate of 2.5%, which has helped achieve justice and stability in the application of zakat rulings and reduce disagreement among those obligated to pay. This is the view adopted by the majority of contemporary Sharī'ah bodies, and it has been endorsed by the resolutions of fiqh academies, fatwa councils, and Sharī'ah authorities.

The following are some examples:

First: Resolution of the International Islamic Fiqh Academy (Second Session: 1408 AH / 1985 CE) The International Islamic Fiqh Academy affiliated with the Organization of Islamic Cooperation stated in its resolutions on zakat that assets prepared for exploitation, such as rental real estate, factories, and means of transportation, are not subject to zakat on their corpus, as they are not prepared for trade. Rather, zakat is due on their net income if it reaches the nisab and a lunar year has passed over it.

Its resolutions state:

- Zakat is not obligatory on the corpus of rental real estate and leased land.
- Zakat is obligatory on the yield at the rate of one-quarter of one-tenth (2.5%) after the passage of one lunar year from the date of receipt, provided the conditions of zakat are met and impediments are absent.

Second: Resolutions of the Islamic Research Academy (al-Azhar) (Second Conference: 1385 AH / 1965 CE) The Islamic Research Academy held that zakat is not obligatory on the market value of rental real estate and investment income-generating assets, but rather on the net annual income, by analogy with what jurists established regarding zakat on rented houses.

It decided the following:

- Zakat is not obligatory on the corpus of buildings, ships, and similar assets; rather, it is obligatory on their net yield when the nisab is reached and a lunar year has passed.
- If the nisab is not reached independently, it is combined with other wealth until the nisab is reached and the year has passed.
- The rate to be paid is one-quarter of one-tenth of the yield at the end of the year.

Third: The First Zakat Conference Held in Kuwait (1404 AH / 1985 CE)

The conference decided the following:

The committee agreed that there is no zakat on the corpus of income-generating assets; rather, zakat is due on their yield. Opinions differed regarding how zakat on these assets should be calculated. The majority held that the yield should be combined for nisab and the passage of the year with the owner's cash and trade goods, and zakat should be paid at the rate of one-quarter of one-tenth, thereby discharging liability. Mechanism for Calculating Zakat on Income-Generating Assets

There are clear steps for calculating it, summarized as follows:

First: Determining the type of income-generating assets Zakat calculation begins by determining whether the wealth falls under income-generating assets, namely fixed assets prepared for exploitation rather than sale, such as rental real estate, factories, means of transportation, and hotels.

Second: Calculating total annual income:

The total revenues obtained from income-generating assets during the zakat year are calculated, such as actual wages and rents received.

Third: Deducting legitimate operating expenses:

Necessary expenses incurred to generate the income are deducted, such as maintenance costs, administrative expenses, legally imposed taxes, and workers' wages, excluding personal expenses unrelated to exploitation.

Fourth: Determining net yield:

After deducting operating expenses from total income, the net yield is determined, which constitutes the actual zakat base for income-generating assets.

Fifth: Verifying the nisab:

The net yield is examined: if it reaches the legal nisab, either by itself or by being combined with other cash assets, the obligated person proceeds to the payment of zakat.

Sixth: Considering the passage of one lunar year:

It is required that one lunar year pass over the net yield from the time it is received and reaches the nisab; zakat is then paid after the completion of the year.

Seventh: Paying the zakat amount:

Zakat is paid from the net yield at the rate of one-quarter of one-tenth (2.5%), which is the rate established in contemporary juristic practice. Brief practical example: If the net yield of a rental property after deducting expenses amounts to 100,000, then the zakat due is: $100,000 \times 2.5\% = 2,500$ Through this mechanism, a balance is achieved between adherence to the legal ruling and consideration of the economic realities of those obligated to pay.

Research Results:-

1. Income-generating assets are assets on whose corpus zakat is not due and which are not taken for trade, but are taken for growth, yielding benefit and profit to their owners through leasing their corpus or selling what results from their production, such as residential buildings and means of transportation.
2. Zakat is obligatory on the net yield obtained, not on the corpus or assets themselves.
3. The amount to be paid is one-quarter of one-tenth.
4. Operating expenses of the exploited investment asset are deducted.
5. It is necessary to ensure that the conditions for the obligation of zakat are met, namely reaching the nisab and the passage of one lunar year.

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